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## ENTREPRENEURIAL INTENTION OF SMALL SCALE BUSINESS OPERATORS

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### ABSTRACT

*Understanding the entrepreneurial intentions will enable the researchers to investigate the dynamics of entrepreneurial venture creation process. Entrepreneurial intentions are considered as more accurate predictors of entrepreneurial behavior. Thus, this study was conducted with the aim of identifying the backgrounds of entrepreneurial intention of small scale business operators. Accordingly, a sample 27 small scale business operators were studied by using the case study method on entrepreneurial intention in relation to the perceived desirability, perceived social norms and perceived feasibility. The study resulted the higher the perceived desirability higher the likelihood of entrepreneurial intention. Further, there was no evidence to support a significant predicting capacity of perceived social norms and for the perceived feasibility.*

**KEYWORDS:** *Entrepreneurial Intention, Perceived Desirability, Perceived Feasibility, Perceived Social Norms*

### 1. INTRODUCTION

Intention is an individual's specific propensity to perform an action or a series of actions and it is stemmed from conscious thinking that directs behavior [1] and intention is the cognitive state immediately prior to executing a behavior [2]. Additionally, stress that the attitudes predict intentions and intentions predict behavior [3].

Entrepreneurial actions require a perceived opportunity and intentions toward pursuing that opportunity since external phenomena are captured through the process of perception by people [2]. Entrepreneurial intention as the state of mind directing a person's attention and action towards self-employment rather organizational employment [4]. In addition, entrepreneurial intention is a commitment to starting a new business [2] and is being treated as a key element to understand the new-firm creation process [4]. Accordingly, understanding entrepreneurial intentions will enable the researchers to investigate the dynamics of

entrepreneurial venture creation process. However, many studies have considered isolated variables, often without a clear theoretical rationale, as drivers of entrepreneurial intentions [5] and as a result of that the literature witnesses a disagreement of the determinants of entrepreneurial intentions. Apparently, literature has extensively focused on situational and individual factors as the determinants of entrepreneurial intention. Nevertheless, demographic characteristics influence employment status choice indirectly, through the effects of those characteristics on attitudes, norms and self-efficacy [6]. Individuals seldom behave consistently in different times and situations, and hence, personality traits are not good predictors of future action [7]. Starting up a new firm clearly falls into the category of planned behavior [2]. Entrepreneurial intentions depend on perceptions of personal desirability, feasibility, and propensity to act [8].

It has been one of the critical roles of policy makers and academics to initiate and support the new venture creation targeting the economic development. This calls for a departure from traditional teaching and skill development enabling the students to equip with the appropriate motivation, knowledge and abilities for firm creation [9]. However, there is little understanding of the factors that affect students' intentions of becoming entrepreneurs and the relationship between entrepreneurship education and students' entrepreneurial attitudes and intentions [10] and there is a consensus that the attitude towards entrepreneur [11].

Small scale industries play a major role in the rural areas to create an economic environment in Sri Lanka [12]. Several government ministries and institutions in Sri Lanka have launched some development activities that have entrepreneurship components [13]. Samurdhi is such a programme with a component of entrepreneurship development [14]. Thus, this study questions what backgrounds would predict entrepreneurial intention of small scale business operators.

## 2. OBJECTIVE

Identify the backgrounds of entrepreneurial intention of the small scale business operators with reference to the Bemmulla Samurdhi Bank Society in Aththanagalla division of Sri Lanka.

## 3. LITERATURE REVIEW

The literature supporting the research question raised in this study is summarized below. Accordingly, conceptualizations on entrepreneurial intention will be presented initially. Secondly, theoretical clarifications on the backgrounds of entrepreneurial intention will be discussed based on the Theory of Planned Behaviour-TPB.

### 3.1 Entrepreneurial Intention

Entrepreneurial intention is the tendency or the potentiality of starting a new business [15]. Intentions necessitate the belief that the behavior is feasible and the belief that the behavior is desirable [2]. According to TPB, attitude toward the act (Perceived Desirability), subjective norms (Perceived Social Norms) and perceived behavioral control (Perceived Feasibility) are the three main attitudinal antecedents of entrepreneurial intentions. The following section is a conceptualization of these variables.

### 3.2 Perceived Desirability

Individual's assessment of the personal desirability of creating a new venture is known as perceived desirability [16]. There is a positive impact of perceived desirability on entrepreneurial intention [17]. Accordingly,

Proposition 1: Higher the Perceived Desirability higher the likelihood of entrepreneurial intention

### 3.3 Perceived Social Norms

An individual's perceptions of what important people in an individual's life think about venture creation [16]. The social norm measure is a function of the perceived normative beliefs of significant others, such as family, friends, and co-workers, weighted by the individual's motive to comply with each normative belief [18]. In contrast of that, the subjective norms

positively related with entrepreneurial intentions [19]. Thus,

Proposition 2: Higher the Perceived Social Norms higher the likelihood of entrepreneurial intention

### 3.4 Perceived Feasibility

Perceived feasibility means the individual's perception on his or her ability to successfully initiate a new venture and it is said to be identical with self-efficacy [16]. There is a positive impact of perceived feasibility on entrepreneurial intention [17]. Therefore,

## 4. RESEARCH METHODS

### 4.1 Population and Sample of the Study

The study was undertaken in year 2014 in a fifteen Grama Niladari divisions covered by the Bemmulla Samurdhi Bank society in Aththanagalla division of Sri Lanka. Population was consisted with the list of Samurdhi beneficiary families (54 families) residing in the study site who took "Mihijaya" loans from Bemmulla Samurdhi Bank Society in Aththanagalla division. Therefore, the size of the population was 54 loan takers and a random sample of 50% of the same year was considered for the sample and the intended sample size was 27.

### 4.2 Case study approach and importance of studying processes

The case study approach was considered as the appropriate methodology for collection and analysis of data as it provides a wide range of information gathering techniques [20]. As the research objectives necessitated the investigation to carry out an assessment of entrepreneurial intention of Samurdhi business operators. This was achieved by studying the process of activities over a period of time in year 2014.

### 4.3 Data collection and analysis

Primary sources of data such as in-depth interviews guided by a topic guide and direct / participant observations were used. Secondary data on Mihijaya loan report of Bemmulla Samurdhi Bank Society was also used to establish the context. These multiple data sources helped in triangulating the findings [20]. Finally, within and cross case analysis of data were carried out.

## 5. RESULTS AND DISCUSSION

The sample had two ethnic groups including Sinhalese and Muslim. The Majority (96%) of the small scale business operators were Sinhalese people and the minority (4%) of them were Muslim people. 48% of the small scale business operators moved to more income generation activities other than the primary income generation activity and 52% of the small scale business operators still run the primary income generation activity after the five year period of time.

### 5.1 Impact of Perceived Desirability towards the entrepreneurial intention

Proposition 1: Higher the Perceived Desirability higher the likelihood of entrepreneurial intention

Findings revealed that all the 27 small scale business operators in the sample had the perceived desirability when the business operators start and expand their business operations. The result of the study is agreed with

the proposition and it shows the 100% entrepreneurial intention in the studied sample.

### 5.2 Impact of Perceived Social Norms towards the entrepreneurial intention

Proposition 2: Higher the Perceived Social norms higher the likelihood of entrepreneurial intention

The respondents were disclosed whether they have the relevant business experience which they got through the business operations carried out by their parents and their friends. According to the findings of the study the number of 22 small scale business operators has no prior business experience which they got through the businesses carried out by their parents and their close friends. On the other hand, number of 5 small scale business operators had the prior business experiences got through the business operations carried out by their parents and their close friends. Therefore, the findings of the study are not agreed with the second proposition with showing the less entrepreneurial intention among the majority of small scale business operators.

### 5.3 Impact of Perceived Feasibility towards the entrepreneurial intention

Proposition 3: Higher the Perceived Feasibility higher the likelihood of entrepreneurial intention

The findings revealed a less perception among the small scale business operators towards the ability of them to successfully initiate a new venture or the self-efficacy. According to the findings, the number of 13 small scale business operators had the perceived feasibility which leads towards to the entrepreneurial intention of small scale business operators. On the other hand, the number of 14 small scale business operators had no perceived feasibility which leads towards to the entrepreneurial intention. Therefore, the findings of the study are not agreed with the third proposition with showing the less entrepreneurial intention among the majority of small scale business operators.

Overall, findings illustrate the neediness of higher emphasis on entrepreneurial skill development in the curricular to enable the small scale business operators to have the highest confidence in their self-efficacy. Further, the influence of technological advancement might increase the perceived desirability. Results further demonstrate the less sensitivity on social norms and feasibility. It is to be noted that as a result of cultural diffusion with the globalization and there might be a low concern for social norms.

## 6. CONCLUSIONS

This study was conducted with the aim of identifying the backgrounds of entrepreneurial intention by taking a sample of 27 small scale business operators of Sri Lanka. The findings related to the main objective support the first proposition established in this study:

Proposition 1: Higher the Perceived Desirability higher the likelihood of entrepreneurial intention

These findings are compatible with the findings of Wang et al. [21]. However, there was no adequate evidence to support the second and third proposition;

Proposition 2: Higher the Perceived Social norms higher the likelihood of entrepreneurial intention

Proposition 3: Higher the Perceived Feasibility higher the likelihood of entrepreneurial intention

Overall, the entrepreneurial intention of each business operator was found to be unique and different from each other. It is clear is that there is a higher need of changing the attitudes of small scale business operators with aiming to cultivate a higher perception on desirability and feasibility. In order of achieving this goal, it is one of the vital responsibilities of small scale business operators to design their curricular in such a way that further the self- efficacy of entrepreneurial actions and positive attitude on entrepreneurship among small scale business operators. Accordingly, the future research can focus on the factors which would increase the perception on feasibility and desirability of small scale business operators.

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