

# Entrepreneurial Intention, Autonomy, And Self-Employment Among Mses: The Role Of TVET Support In Addis Ababa

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## Abstract

In order to address self-employment with entrepreneurship, there are various forms of capital and intentions that influence individual engagement in self-employment. In consideration of this, the study investigates the influence of entrepreneurial intention and autonomy on self-employment under different levels of TVETs support. The study employed both descriptive and explanatory research design and analyzed the data. The data was collected from 124 sample respondents through a questionnaire using descriptive and hierarchical regression analysis. From this, the finding indicates that the entrepreneurial intention and autonomy were not at a good level, while they significantly influence self-employment. Similarly, the presence of human capital development improves the influence of psychological intentions on self-employment. Therefore, TVET colleges should focus more on human capital development rather than social capital in improving self-employment. Moreover, future research should test the influence of other variables such as TVETS support flexibility and entrepreneurship training as determinants of self-employment.

**Key words:** Intention; Autonomy; Self-employment; TVET; Entrepreneurial.

## 1. Introduction

Entrepreneurship has been identified as the best solution to unemployment, underemployment, and poverty among the youths, especially in instances where educated individuals cannot find jobs (Brownhilder, 2014). Most previous studies on the relationship between entrepreneurship and well-being define entrepreneurship as self-employment (Shir et al., 2019). Because, the creation of one's own business involves careful planning and thinking on the part of the individual, making entrepreneurship a deliberate and planned intentional behavior (Bird, 1988). On the other hand, there are also theorists that maintain that self-employment is different from engagement in entrepreneurial tasks (Frese & Gielnikal, 2014). Practically, some individuals choose entrepreneurship to take advantage of business opportunities, while others start a business to escape the precariousness of unemployment (Nikolova, 2019).

To better address unemployment with entrepreneurship, the literature suggests various forms of capital are influential to individual engagement in new entrepreneurial activities (Cetindamar et al., 2012). The results of a large-

scale longitudinal survey by Bosma et al. (2004) contradict the finding of Davidson and Honig that survival is only weakly influenced by human and social capital. Davidson and Honig (2003) find that although social capital and human capital both have a strong effect on the likelihood of starting up a business, these effects are much weaker in taking the start-up process towards successful completion (Rooks et al., 2009). These various forms of capital for individual entrepreneurial pursuits include both financial and human capital (Cetindamar et al., 2012). There is also a recognition that entrepreneurial intentions are partly non-pecuniary in nature, with individuals choosing to become entrepreneurs for a range of reasons, other than financial considerations including independence (Benz and Frey, 2008; Abreu et al., 2019). Besides, Entrepreneurship may be uniquely positioned to facilitate the fulfillment of people's basic psychological needs (Shepherd & Patzelt, 2017). That is, it is attributed to the utility that entrepreneurs derive from having flexibility and autonomy (Nikolova, 2019). Several studies have found that the self-employed are willing to accept a lower income in exchange for greater independence (Abreu et al., 2019).

The emphasis on self-employment limits our understanding of entrepreneurship as a motivational and behavioral phenomenon (Shir et al., 2019). In Africa there has been a resurgence of firm-level studies in the past fifteen years, but many of these surveys focus more on formal sector enterprises and analyze the determinants of innovativeness, firm survival and growth (Rooks et al., 2009). Even though, the successive rounds of the GEM survey have provided valuable new information on entrepreneurship in developing countries, the surveys are necessarily short and rudimentary and the information on human and social capital extremely limited. Also, human and social capital effects are important in self-employment and intergroup variation in business ownership in advanced economies (Rooks et al., 2009), which needs to be studied in developing country.

Technical and vocational education and training (TVET) colleges in Ethiopia were involved in providing non-pecuniary support for small ventures. In recent years, public policy has increasingly focused on promoting or stimulating entrepreneurial activities since they are regarded as a driving force for innovation (Brancu et al. 2015). particularly, there are low level of entrepreneurial intention among young graduates in Ethiopia because they have an intention that entrepreneurship and self-employment are difficult tasks. Even if cheap labor is there, there is poor exploitation of both human and social capital. This may be because of individuals have poor intention towards the support provided by supporting institutions. On the other hand social entrepreneurs are facing less autonomy and flexibility. Accordingly, this study tries to answer the following research questions. Therefore, self-employment, social entrepreneurial engagement and entrepreneurial well-being will be the important issues that will be examined in this study.

The study of self-employment in general and self-employment, entrepreneurial intention, and independence in particular is important for several reasons. First, employment contributes positively to the survival of the firm and economic growth. Second, we still lack an integrative theoretical framework and systematic empirical analysis of the direct and indirect psychological mechanisms through which entrepreneurship affects well-being (Williams and Shepherd, 2016; Shir et al., 2019). Third, the study of self-employment in sub-Saharan Africa in general and Ethiopia in particular is less studied previously. Fourth, the specific contributions from the perspective of

human and social capital comparison is undermined in this region. Moreover, the paper extends the understanding of the interplay between entrepreneur's self-employment, entrepreneurial intention and TVETs support package. Therefore, this study contributes to the literature testing the moderating impact of TVETs support in terms of non-financial support and human capital development. Besides, the paper extends the understanding of the interplay with the self-employment and entrepreneurial intention and self-employment and independence.

In consideration with the above discussions the study tends to test the following hypothesis; (1) entrepreneurial intentions positively influences self-employment, (2) individuals autonomy positively influences self-employment, (3a) the TVETs support focus on human capital development than social capital intensifies the positive influence of entrepreneurial intention on self-employment, (3b) the TVETs support focus on human capital development than social capital intensifies the positive influence of individuals autonomy on self-employment, (4a) the TVETs support focus on non-financial motivation than financial motivation intensifies the positive influence of entrepreneurial intention on self-employment, (4b) the TVETs support focus on non-financial motivation than financial motivation intensifies the positive influence of individuals autonomy on self-employment. Therefore, this study assessed and examined the aspects of self-employment in social entrepreneurship from entrepreneurial intention, comparison of human and social capital, the level of independence, and human capital. Later, the paper tested the moderating role of TVETs support.

## 2. Methodology

To cover the key aspects of this study both descriptive and explanatory research designs were employed. Descriptive research design was employed in order to discover the current practices on in assessing the actual practices around self-employment, entrepreneurial intention and individuals autonomous. In addition to this, the study employs explanatory study in order to determine the factors influencing self-employment. According to Yeka Sub-city MSE's office, there are 5644 MSEs. Using Malhorta Naresh's sample size determination table a sample of 200 respondents were selected using convenience sampling. Out of these selected enterprises, the response of 124 firms were validated and used for the analysis

The researchers administer survey method to collect data from the target group of small enterprises. The necessary data were collected using questionnaire. The questionnaire has four parts, in which some of the questionnaire obtained from previous studies and others are modified from previous studied items. Data analysis for this study was conducted in three stages. Firstly, the data collected using different methods were organized and displayed to create order and sensible structure. Secondly, the analysis was proceeded with the generation of key themes that was emerged from the questionnaire. Thirdly, the empirical information collected, coded and displayed was carefully connected to the theoretical propositions and the larger body of knowledge addressing the research problem. The analysis technique that was be employed in this study are descriptive statistics (mean, standard deviation, and correlation analysis) and hierarchical regression analysis using SPSS window Version 23 was used.

Sound measurement must meet the tests of validity, reliability and practicality (Kothari, 2004), which are used in evaluating a measurement tools. Accordingly, pre-tests of questionnaire will be conducted with ten firms of varying sizes and involved in different working areas for getting feedback regarding the clarity of the survey items and to evaluate new questionnaire items developed for the research. Cronbach’s alpha is used to test the reliability.

**3. Model Specification**

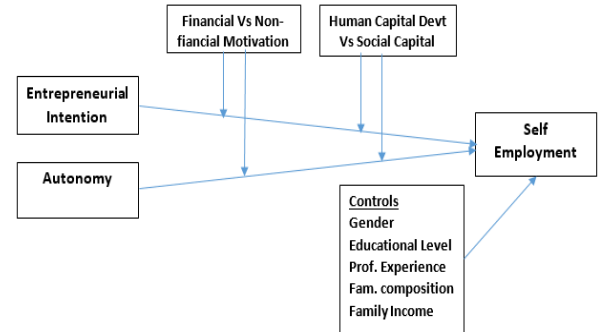
To test the hypotheses, hierarchical regression analysis was employed in order to capture the complex research models with regard to testing the influence of entrepreneurial intention and individual’s autonomy on self-employment with and without moderators. Accordingly, the first model includes on the control variables and the second model adds the main effects. To the end, moderators were included in the third model.

$$SE = bo + b1 * gender + b2 * educ\_lev + b3 * Prof\_expr + b4 * Fam\_composition + b5 * Fam\_income \dots (1)$$

$$SE = bo + b1 * gender + b2 * educ\_level + b3 * Prof\_expr + b4 * Fam\_composition + b5 * Fam\_income + b6 * EI + b7 * AU \dots (2)$$

$$SE = bo + b1 * gender + b2 * educ\_level + b3 * Prof\_expr + b4 * Fam\_composition + b5 * Fam\_income + b6 * EI + b7 * AU + b7 * FM + b8 * HCD \dots (3)$$

Where; bo is constant, b1-b8 are coefficients of controlling, independent, and moderator variables, EI is entrepreneurial orientation, AU is individuals autonomy, FM is financial motivation, and HCD is human capital development. Generally, the model is depicted as follows

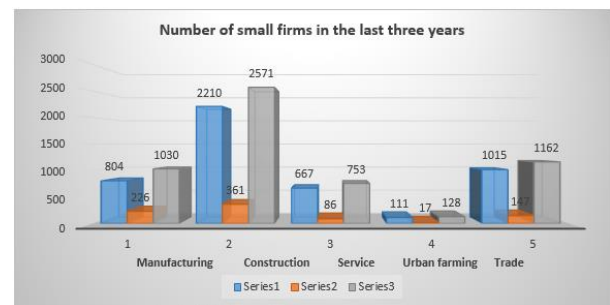


**Figure 1:** Conceptual model

**4. Analysis and discussion**

**4.1. MSEs contribution in employment**

It is known that most of the small firms failed at early stage in Ethiopia as well as in Africa. However, the numbers of MSEs operated in Yeka sub City (1030 in 4807, 837 in 2018, and 5644 in 2019) is fluctuating from year to year as indicated in figure 1. Comparatively, the manufacturing sectors creates more job opportunities followed by trade and manufacturing.



**Figure 2:** Sectors contribution in job creation

**4.2. Descriptive statistics results**

The following table revealed that the means of most variables were moderate. However, the entrepreneurial intention is not sufficient, while majority of them have no professional experience. Regarding the TVETs support, more of non-financial supports are given that the financial motivations and support in terms of human capital development provided than the social capital. Regarding the correlation result, self-employment is highly significantly correlated with human

capital development ( $C=.516, P<0.05$ ). From the correlations between independent variables, individuals' autonomy and human capital development are highly correlated ( $C=.587, P<.05$ ).

**Table 1:** Descriptive statistics result

	Mean	St. Dev	Correlations											
			1	2	3	4	5	6	7	8	9			
SE	4.6260	1.35137	1											
EI	2.5772	1.38498	.392**	1										
AT	3.8699	1.42552	.553**	.449**	1									
FM	2.8699	1.26075	.399**	.419**	.497**	1								
Gender	1.6992	.46049	.279**	.146	.077	.144	1							
Educatio n	2.6585	.81813	.158	.233**	.208*	.020	.030	1						
Prof exp	1.6179	.48789	.279**	.111	.282**	.238**	.068	-.042**	1					
Fam_co m	1.829	.3778	.179*	.065	.019	.005	.079	.022*	.088	1				
HCD	4.1382	1.34485	.516**	.401**	.587**	.489**	.187	.080**	.206**	.111**	1**			
Fam_inc	3.057	.8128	.102	.189*	.346**	.063	-.020	.054	.117*	.032**	.218			

\*\*\* $p < 0.01$  \*\* $p < 0.05$  \* $p < 0.1$

### 4.3. The determinants of self-employment

Before running the regression, diagnostic tests were undertaken and found that Multicollinearity is not a concern because all tolerance values are greater than 0.10 and the VIF is not more than 15. Later in the first model the controlling variables alone influences self-employment about 19.3 ( $R^2=.193, p=.000$ ) only, while it's increased ( $R^2=.450, p=.000$ ) to 45% when combined with the main effects and moderators. Specifically, entrepreneurial intention determines self-employment (Model 2) positively and autonomous determines self-employment positively (Model 2 and 3). From the moderators, human capital development positively moderates the relationship.

Variables	Model 1	Model 2	Model 3
	$R=.440$ $R^2=.193$ $Sig=.000$	$R=.650$ $R^2=.422$ $Sig=.000$	$R=.671$ $R^2=.450$ $Sig=.000$
(Constant)	.402(.892)	.522(.763)	.284(.763)
Gender	.728(.245)***	.586(.211)***	.509(.211)**
Educ	.255(.138)*	.048(.122)	.078(.121)
Prof_exp	.690(.233)***	.330(.207)	.304(.205)
Famil_com	.472(.299)	.490(.256)*	.436(.254)*
Famil_inc	.108(.139)	-.171(.126)	-.167(.126)
EI	-	.141(.079)*	.099(.082)
AT	-	.442(.082)***	.331(.095)***
FM	-	-	.042(.095)
HCD	-	-	.202(.093)**

\*\*\* $p < 0.01$  \*\* $p < 0.05$  \* $p < 0.1$ , Standard error in bracket

Individuals chose to engage in self-employment for variety of reasons including psychological factors (eg. Autonomy and entrepreneurial intention). The benefits obtained from entrepreneurship is not only pecuniary since non-

financial benefits such as entrepreneurial intention and individual's independence positively contribute for self-employment. That is, the presence of positive intention towards entrepreneurship will contribute to individual's self-employment. Similarly, individuals who are capable of making decision by themselves tend to involve in self-employment than their counterparts. This is because, the aim of entrepreneurship is changing the mind and behavior to form job opportunities and entrepreneurial intention can be looked from the interest of the individual with a business opportunity (Christina, 2017).

It is also found that the TVETs support in terms of financial and non-financial motivation has no significant influence on self-employment decision. The TVETs support in human capital development has significant influence on self-employment. Specifically, as the support is provided in developing human capital, the entrepreneurial intention becomes better and influences self-employment more. Similarly, Bosma et al. find that human capital and social capital affect the survival, profit and employment growth of the business (Rooks et al., 2009), Lack of capital and the absence of innovative motive considered to be important reasons behind inadequate unemployment in many developing countries. This is why an attempt is made in most developing countries to develop human capital and improve their intentions. Consistent with the above finding, Sanders and Nee (1996) find that individual human capital are important determinants of self-employment, that is entrepreneurship human capital significantly employment growth (Rooks et al., 2009). Precisely those human capital characteristics that enhance individual capacities to realise positive externalities may also be those that motivate people to search for those opportunities in the first place (Estrin et al., 2016). To overview the findings on the influence of controlling variables, many studies conducted on the subject matter revealed that working on their profession is important. The other finding revealed that females have a lower level of preference as compared to males for becoming an entrepreneur (Blanchflower et al. 2001). The antecedent of entrepreneurial intentions are affected by situational factors, among which educational background is one of the most important factors (Krueger et al. 2000; Wu and Wu 2008). Men and those who are more educated tends to engage more on self-employment (Parker, 2009; Zissimopoulos & Karoly, 2007). Regarding the family composition, individuals with a family business

background have a higher probability to become entrepreneurs (Wang et al., 2008, Olomi & Sinyamwale 2009; Phan et al. 2002; Altinay et al. 2012; Tong et al. 2011; Lindquist et al., 2012), that is, the well-being of families, is strongly linked to employment circumstances (Abreu et al., 2019). Besides Gebremedhn & Raju (2016) find that potential entrepreneurs are influenced to start their own businesses by their family members. In this specific study, gender, educational level, and professional experience has significantly influence self-employment (Model 1) in consistent with the above findings. Later in model 2 and model 3, only gender and family composition influences self-employment, while others have no significant contribution.

## 5. Conclusions and implications

Even though, many MSEs failed at an early stage, there are many firms joining different sectors in Ethiopia and particularly in Addis Ababa. In terms of employment creation, the construction sector contributes more than the other sectors. The entrepreneurial intention and autonomy is not sufficient among the individuals to become self-employed. Also, there is lack of professional experience and financial support. Individuals chose to engage in self-employment for variety of reasons including psychological factors (eg. Autonomy and entrepreneurial intention) and human capital development. By taking this in to account, entrepreneurs should try to develop positive awareness towards entrepreneurial intention and engage on creating their own job. Also, they have to be autonomous in making important decisions towards starting their own business. Moreover, TVETs should provide the human capital development program in order to improve the individual's self-employment. To the end, future researchers should try to include other variables such as flexibility and entrepreneurship training and test their influence on self-employment.

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