



ENTREPRENEURIAL INTENTION THEORIES

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ABSTRACT

The rising rate of unemployment in the Indian economy implies the need to shift the perceptions of the young graduates from job seeker to job creator. Entrepreneurship serves as the suitable sustainable solution to the rising unemployment. With the thriving interest in the studies on entrepreneurship through the entrepreneurial intention, the current study will try to elaborate on the two most cited theories of entrepreneurial intention i.e. The Theory of Planned Behavior developed by Ajzen and Entrepreneurial Event Model developed by Shapero and Sokol. The Theory of Planned Behavior posits that attitude towards behavior, subjective norms and perceived behavioral control influences entrepreneurial intention which in turn predicts entrepreneurship behavior. According to Entrepreneurial Event Model a new venture is created only when there is a positive or negative displacement in the life event of an individual. With the occurrence of displacement a new company is form based on the perception of desirability and perception of feasibility. Based on the available, the study found Entrepreneurial Event Model as slightly superior to the Theory of Planned Behavior.

KEYWORDS: *Entrepreneur, Entrepreneurship, Entrepreneurial Intention, Employment Generation*

INTRODUCTION

In recent decades, entrepreneurship has emerged as one of the most crucial tools for addressing the unemployment issue. Along with economic growth, entrepreneurship also raises per capita income and lowers poverty rates (Goetz et al., 2012). The actions that a person takes to launch a new firm are referred to as entrepreneurial activities. Since the variables that affect entrepreneurship may have various effects, no proximal variable can reliably forecast entrepreneurship behavior. Entrepreneurship is a type of planned activity, it may best be predicted by intention, which involves an active cognitive process that directs beliefs, perceptions, and other exogenous inputs into the intention to act and subsequently the actual action (Ajzen, 1991). Before beginning the entrepreneurial process, it is essential to comprehend entrepreneurial aim as it relates to the reason for launching a new business (Gelderen et al., 2008). Intentional studies are strongly advised to understand the predictors of entrepreneurial behavior because starting a new business necessitates deliberate and planned decisions (Ajzen, 1991).

Numerous academics from all around the world have defined entrepreneurial intention with the idea of an individual's thinking at its core. According to Thompson (2009), having an entrepreneurial intention is having a conscious understanding of one's capacity to launch a new business and a belief in one's potential to do so in the future. According to Chhabra, Raghunathan, and Rao (2019), entrepreneurial intention is a mindset that ultimately leads a person to creating a new business concept and pursuing an entrepreneurial career. It shows how much work a person is willing to put forth to launch a new business. Entrepreneurial

intention can be defined as a person's perception of a problem and conception of a plan to address it by starting a business in the future.

Since the early 1990s, there has been a significant increase in the number of research publications with an entrepreneurial focus. The analysis of this published literature, including journals, articles, conference proceedings, theses, and other works, is the primary method for obtaining the necessary knowledge of the relevant field. Journals offer greater insight among the accessible sources of literature because they are continually being improved. Numerous research on entrepreneurial intent have been done throughout the years using a single theory or a combination of theories and models. The two ideas that are most frequently cited are the entrepreneurial event model and the theory of planned conduct. Many academics have used these models and improved the original models over the past 20 years to create new models. The Theory of Planned Behavior and the Entrepreneurial Event Model continue to serve as the foundation for studies on entrepreneurial purpose.

As a result, it became essential to comprehend the Theory of Planned Behavior and the Entrepreneurial Event Model in great detail. The current study will provide a deeper understanding of the aforementioned theories and their restrictions when applied to entrepreneurial purpose.

ENTREPRENEURIAL INTENTION

Numerous academics from all around the world have defined entrepreneurial ambition with the individual's attitude as the key concept. According to Chhabra, Raghunathan, and Rao (2019), entrepreneurial intention is a mentality that



eventually motivates a person to create a new business idea and pursue an entrepreneurial career. Entrepreneurial intention is the will to learn more, engage in entrepreneurial activities, and launch a new firm with the goal of being self-employed (Tkachev & Kolvereid, 1999; Choo & Wong, 2006 as cited in Nguyen, 2018). The effort a person is willing to put out to engage in that entrepreneurial conduct is shown by their entrepreneurial ambition (Ismail et al., 2015). Entrepreneurial intention can be defined as a person's perception of a problem and conception of a plan to solve it by starting a business in the future.

LITERATURE REVIEW

In the last two decades, studies on entrepreneurial intention have increased rapidly. The existing models and theories applicable to the study of entrepreneurial intention were developed by Bandura (1977). "the social learning theory", Bird (1988), Shapero and Sokol (1982) "Entrepreneurial event model", Ajzen (1991) "The theory of planned behavior, Krueger and Brazel (1994). Researchers and academicians have made the effort to point out the most accurate theory or model that could be adopted in the study of entrepreneurial intention. The two most cited theories were the Theory of planned behavior developed by Azjen (1991) and entrepreneurial event model developed by Shapero&Sokol (1982).

The applicability of the theory of Planned behavior still remains consistent as tested by Linan& Chen (2006) on two different cultural environment, Autioetal. (2001) also tested the applicability of the theory of Planned behavior across international border and found that all the independent variables had significant relationship with the dependent variable, Subjective norm was found to have the weakest influence on the dependent variable, additional variables were also added to the existing theory of Planned behavior as moderating variables or as an extension to the existing model, in order to overcome the limitations of the original model Karimi et al., (2013), Kautenen et al., (2009), Padmavidhi (2009), Linan (2006), Linan (2009) and Hajek et al., (2014).

Entrepreneurial event model was developed specifically to study the entrepreneurship process through the entrepreneurial event model in their studies uses either two of the variable or the entire variables. Ali et al. (2016) investigated entrepreneurial intention by taking two variables from entrepreneurial event model and adding self- efficacy to the study while Yamina et al. (2019) took only perceived desirability and perceived feasibility both the studies confirm the positive impact of desirability and feasibility on entrepreneurial intention. Rangaet al. (2019) and Ngugi et al.

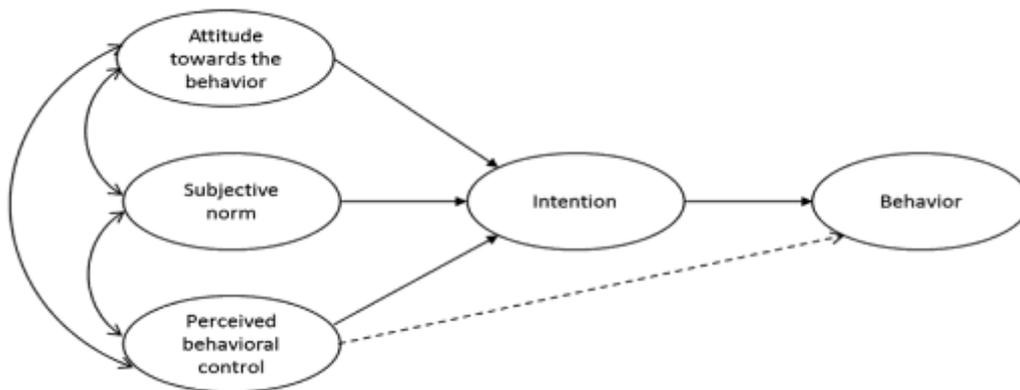
(2012) inferred that all the three independent variables of the Entrepreneurial Event Model have a positive relationship with the dependent variable. In another study conducted by Ndaghu et al. (2016) the independent variables of the model explained only 64.7% of the attributes that influence entrepreneurial intention, the study proposed further research to explore other factors that contribute in the formation of entrepreneurial intention.

(Rai et al., 2017 ; Mwange, 2018) Review and evaluated all the existing models of entrepreneurial intention which might have limited their effort to provide a comprehensive insight into each of the models whereas Krueger et al., (2000) conducted a study on both the theories which implied that attitude and subjective norms of Theory of Planned behavior as related to perceived desirability of entrepreneurial event model while perceived behavioral control as related to perceived feasibility, the study suggested Entrepreneurial event model as slightly superior to the theory of Planned behavior in studying entrepreneurial intention. Therefore the main purpose of the study is to give a simplified and comprehensive insight on the two mentioned theories.

THEORY OF PLANNED BEHAVIOR

The theory of planned behavior is an enhancement of the theory of reasoned action (Ajzen & Fishbein, 1975) which proposed a model to predict the execution of a behavior with attitude toward behavior and subjecting norms as the predicting variables, with intention acting as a mediator between the variables and the behavior. The theory of planned behavior was developed to address the problem with the theory of reasoned action's inability to explain behavior over which people have only partial control, i.e., the ability to choose whether or not to engage in the activity in question (Ajzen, 1991).

The theory of planned behavior bases its addition of perceived behavioral control to the theory of reasoned action on the premise that people behave in line with their intentions and perception of control over their behaviors. According to the idea, perceptions of behavioral control, subjective norms, and attitudes toward the activity all function independently as drivers of intention. Three salient beliefs are thought to have an impact on the aforementioned determinants: behavioral beliefs, which are thought to affect attitudes toward behavior, normative beliefs, which serve as the underpinnings of subjective norms, and control beliefs, which serve as the foundation for the perception of behavioral control (Ajzen, 1991).



Source: Ajzen's Theory of Planned Behavior, 1991

Attitude towards the Behavior

The attitude toward the behavior is the first factor in the theory of planned behavior that determines intention. It deals with a person's interpretation of the outcomes brought about by engaging in a particular conduct. It is calculated by evaluating how desirable the results of the specified conduct are. According to Fishbein & Ajzen (1975), attitudes logically grow out of people's beliefs about their conduct in relation to characteristics like the behavior's outcome or cost. The individual pre-values the characteristics that influence behavior, therefore an attitude toward the behavior is naturally established and may be pleasant or negative depending on the results of engaging in the specified behavior (Ajzen, 1991).

Subjective Norms

The subjective norms, which refer to the approval or disapproval of significant referents such as family, friends, or role models, are the second predictor of intention in the theory of action. It is concerned with the peer pressure to act in a certain way or not. The degree to which a person is willing to conform to the judgments of the significant referents determines their level of readiness to engage in an action, which in turn produces their normative beliefs. The response provided by the respondent to the question addressing the approval or disapproval of significant individuals on the performance of a certain activity is frequently used to create an overall measure of subjective norms (Ajzen, 1991).

However, a person whose referents endorse the activity will have high subjective norms, which suggests that they will be more motivated to engage in the behavior. An individual, on the other hand, will have weak intention to engage in the action if their referents disapprove of it.

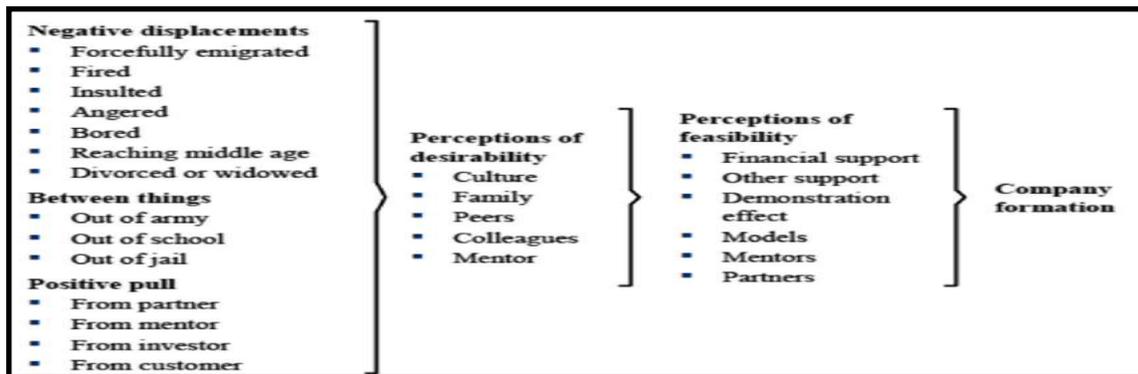
Perceived Behavioral Control

The third antecedent of intention is perceived behavioral control, which relates to assessments of one's

capacity to carry out the courses of action necessary to handle upcoming circumstances. This antecedent is thought to reflect prior knowledge as well as anticipated possibilities and challenges. It depends on how much power an individual has over the variables that help or hinder the execution of an activity. When people think they have more possibilities and resources, or when they anticipate fewer obstacles, their perception of their behavioral control is higher (Ajzen, 1991).

Entrepreneurial Event Model

The concept of entrepreneurial intention was created specifically for the purpose of examining people's intentions with regard to the field of entrepreneurship. It makes an effort to comprehend the venture formation process from a practical perspective as opposed to a functional perspective. In order to include both part-time and full-time entrepreneurs, Shapero and Sokol (1982) conceptualized the entrepreneurial career as an entrepreneurial event. This event is characterized by initiative taking, resource consolidation, management of the organization, relative autonomy, and risk taking. According to entrepreneurial event model, a new venture is created only when there is a displacement in the life of an individual, which can be either positive or negative. Taking entrepreneurship as a career choice requires powerful force or small continuous forces to consciously or unconsciously opt for a major change in life events. This displacement can be external or internal to the individual. Negative displacements tend to have more influence in creating a new venture as compare to positive displacement. Some of the externally imposed displacements are political or religious refugees, migrants, job displacement etc. and internal displacement occurs due to the passage of time without depending on any other factors. The outcome of this change in life event is affected by perception of desirability and perception of feasibility, which is implanted by cultural and social environment.



Source: Shapero & Sokol (1982)

Perceived Desirability

In order to understand the concept of perceived desirability, Shapero conducted a study by collecting data from entrepreneur’s family, peer groups, ethnic groups, work experience, classmates, colleagues and mentors. According to the study, family, more specifically the father and the mother played the most important role in generating desirability for entrepreneurial career. Since mentors play the part of advising nascent entrepreneurs, they are respected and have powerful influence. Shapero concluded that in a society where starting business is considered prestigious, more individuals will choose to become entrepreneurs as compare to society with contrasting value. Perceived desirability refers to the extends to which to which a person desires to start his own business. It acts as a motivational factor and determines how much a person is willing to put effort in starting business

Perceived Feasibility

Perceived feasibility refers to an individual’s confidence in his capacity in his capability to start a new business. It shows whether an individual considers starting a business as possible or not. Generally, more ventures are created when capital is available easily in a community, the availability of financial support plays an important role in the formation of a business. According to Shapero(1982), perceived feasibility and perceived durability are the two face of a coin; If a person considers starting a business as unfeasible, one may conclude it as undesirable too and if a person considers starting a business as undesirable, one may never considers it’s feasibility.

Propensity to Act

Propensity to act refers the proneness of an individual to act on his decision whenever there is an opportunity to start a business. It is one of the key variable of entrepreneurial event model as it does not only have direct linked with entrepreneurial intention but also acts as the moderating variable between entrepreneurial intention and its factors. Shapero (1975) considered propensity to act before considering the perceived feasibility and perceived desirability in the entrepreneurial event model. In order to measure propensity to act shapero suggested using the scale of internal locus of control. An entrepreneur may have the intention to

start a business but without a propensity to act, the execution of the planned behavior would be very difficult.

DISCUSSION

Like any other theories and models the theory of planned behavior has some conceptual issues even though intention is the best approach to study performance of a behavior, an individual with strong intention may not actually perform the behavior in the future, it does not considered the personality of the individual. The second variable in the theory of planned behavior i.e. social norms is less relevant when it comes to an individual who has high locus of control, this type of individual are not easily affected by the opinions of referents. The theory does not take into account the exogenous factors that influence behavior indirectly. The capacity of the theory to predict behavior differs depending on the situation and the concerned behavior, moreover perceive behavioral control becomes extremely effective only when there is less volitional control over behavior (Ajzen, 1991). Exogenous factors may include personality traits, demographic factors, education, gender etc. (Krueger et al. 1993). The theory considers normative influences but it had excluded the environmental, economic and political factors that influence an individual intention to perform a behavior to a great extent.

As mention in Ajzen (1991), theory of planned behavior is still open to the inclusion of additional predictors. In fact the theory itself is an expansion of the Theory of Reasoned Action. Therefore, over the past years many researchers have conducted studies using The Theory of Planned Behavior with additional variables in order to cover the original limitation and making it more integrated model to study behavior.

The entrepreneurial event model was developed specifically for the study of entrepreneurial intention but it does have conceptual setbacks. The incompleteness of the model is marked by its focus on the psych sociological perception of the individual. In order to have entrepreneurial intention, the theory assumes that an individual must face a displacement in life to take up entrepreneurship career, this displacement maybe in the form of negative or positive displacement, this assumption ignores the potential of the individual to start a new business. Even though the theory attempt to include situational, social and individual variables in the model through perceived feasibility, perceived



desirability and propensity to act, many researchers still argue that additional variables may increase the variance in the prediction of entrepreneurial intention, moreover the sufficiency of the model depends on the context and environment where it is applied.

CONCLUSION

The purpose of this study was to provide a brief understanding of the two most cited theories of entrepreneurial intentions i.e. the theory of planned behavior and entrepreneurial event model, both the theories have their own limitations but these two theories provide a very effective instrument to understand the process of venture creation. The progressing interest in the entrepreneurship as a career choice necessitates the understanding of why an entrepreneur decides to start his own business. Intention based model can be a helpful tool since entrepreneurship is a planned behavior and understanding the antecedents of intention implicit understanding the behavior (Ajzen, 1991).

The quantity and quality of entrepreneurs maybe diagnosed but in order to improve the structure, the Government and the educators needs to know where to focus their effort, the application of intention based models in conducting studies have emerged as an important catalyst. These intention models will assist in estimating the future entrepreneurial scenario, which will in turn help in grasping the prospective employment generation capacity of the concerned economy. The theory of planned behavior may be applied in any study concerning a planned behavior whereas the entrepreneurial event model is specifically developed for the study of entrepreneurial intention. Although each theory has its own conceptual problems, it is clear from the literature review that each model can be altered to fit the needs of the study. Therefore, further research maybe conducted to validate the applicability of the modified models.

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