

# Obstacles in Pursuing Business among Entrepreneurship Students

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**Abstract:** *This paper aims to explore the obstacles that impedes entrepreneurship students from pursuing business. This study utilized descriptive-exploratory design involving 263 entrepreneurship students from different Higher Educational Institutions (HEIs) in Davao City. A descriptive-exploratory research design that utilized a 22-item scale instrument from in-depth interview was used as data collection tool which will be subjected to Exploratory Factor Analysis (EFA). Thematic analysis was employed and loaded 17 items to four (4) constructs after 16 iterations thus, making them the obstacles in pursuing business among entrepreneurship students. These measures are: (1) individual entrepreneurial knowledge and skills, (2) access to financial and human capital, (3) prevailing economic and political condition, and (4) financial capacity and risk propensity.*

**Keywords:** Obstacles in pursuing business, entrepreneurship students, exploratory factor analysis, data reduction, Philippines

## I. INTRODUCTION

Entrepreneurship is widely recognized as a significant element for economic growth, creating employment and a major source of innovation and productivity (Memon *et al.*, 2020; Ambad and Ag Damit, 2016). The drying opportunities in the employment world is vividly observed among the young generation both from developing and developed nation (Okyirehet *al.*, 2018). With its importance, governments and other institutions around the world employs various initiatives to promote entrepreneurial spirit and make the youths entrepreneurial (Bhasin and Gupta, 2017; Ambad and Ag Damit, 2016). Investing heavily on various programs and policies that helps in developing entrepreneurial spirit such providing theoretical and practical foundation about entrepreneurship are the best examples of these initiatives (Mahendra *et al.*, 2017). Despite the substantial investments and support being provided, entrepreneurial involvement remains low in both the developed and developing nations particularly in tertiary level graduates (Li and Wu, 2019; Sloka *et al.*, 2016).

The importance of entrepreneurship draws the interest of various scholars and researchers to examine the barriers that impedes the individual from doing so. Availability of financial resources, difficulty with business registration and availability of qualified human resource, individual's risk propensity and fear of failure are some of the examples (Amanamahet *al.*, 2018; Ojiaku *et al.*, 2018; Cepel, 2019; Loukil, 2019; Kong *et al.*, 2020). Likewise, entrepreneurial intention is another significant determinant to measure whether an individual has the chance to start and develop new business enterprise (Auna, 2019).

Pursuing entrepreneurship and business creation is a challenging task which makes this activity less attractive to individuals. In fact, The China Employment report for 2007 – 2008, 2011 and 2018 which indicates that the entrepreneurship ratio among university graduates is 1%, 1.6 % and 3% respectively (Li and Wu, 2019). Likewise, Greece and other European countries also show low interest and intention in starting a business (8.3% and 14.2% respectively (Sari *et al.*, 2018). Similarly, in the Philippines, there is also a minimal entrepreneurial participation among business management graduates which garnered a rate of 18% out of the total graduates (Consignado, 2017). Finally, a tracer study was conducted from the graduates of BS – Entrepreneurship Program of the University of Mindanao shows that 11 out of 35 or a mere 31% of the total graduates are into entrepreneurship despite the fact that Mindanao Island,

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specifically Davao Region is a vast market with various opportunities where aspiring entrepreneurs can enter and develop a business enterprise (Davao City Investment and Promotion Center, 2019). The main reason for this is that entrepreneurs in Davao City faces various risk in starting a business such as financial risk, human risk, risk of natural disaster and personal risk in launching their business (Tamayo and Pediangco, 2018).

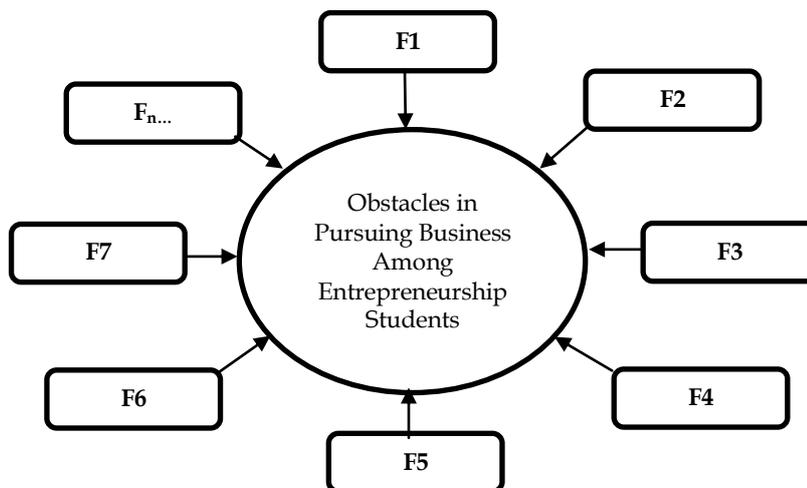
It is therefore important to investigate what factors and impediments that hinders business students to develop their own enterprise and pursue entrepreneurship as people of this age have the sufficient qualifications for starting a business and pursuing entrepreneurship (Memon *et al.*, 2020). Investigating this discipline will provide additional knowledge to augment the limited literatures and researches being conducted in both the domestic and local level. Finally, the result of this study would be very beneficial to government sector, higher educational institutions (HEIs) and entrepreneurship educator as it allows them to determine the obstacles that impedes entrepreneurial involvement thereby enabling them to develop optimal and sustainable programs such as legislation, curriculum development and improvement of teaching methods thereby increasing the attractiveness of entrepreneurship and promote entrepreneurial culture particularly among the young generations.

## II. METHODOLOGY

This study employed a quantitative, non-experimental research design which utilized exploratory factor analysis technique. A non-experimental research design enables researchers not to manipulate variables instead, it allows them to observe how the variables are related with one another and describe the findings (Bonds-Raacke and Raacke, 2014). Meanwhile, exploratory factor analysis (EFA) refers to multivariate method in statistics which aims to determine the minimum number of assumptions such as factors, dimensions and variables (Watkins, 2018). EFA is essential in development of new theory or model (Knekta, *et al.*, 2019). A total of 12 entrepreneurship students from University of Mindanao has been interviewed and their responses has been utilized as the basis for formulating survey questionnaire to complete the process of EFA. The validity of the survey questionnaire has been measured using Content Validity Ratio (CVR) performed by 10 expert validators from the field of business and entrepreneurship. A 5-point Likert scale has been used in the survey questionnaire to measure the respondents' manifestation on different items provided in the said instrument. A total of 263 respondents from different higher educational institutions from Davao City received the survey questionnaire. This study utilized Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity to determine the suitability and adequacy of the sample size. Meanwhile, this study employed data reduction method using principal component analysis (PCA) to extract the obstacles that impedes entrepreneurship students from pursuing business. Nonetheless, this study used Percentage of Variance and the Orthogonal Rotation using Varimax to determine which factors to be retained for rotation.

### Model Description

Provided in figure 1 is the proposed model that will encapsulates the obstacles that impedes entrepreneurship students from pursuing business



**Figure 1:** The conceptual framework illustrates the propositions on the obstacles in pursuing business among entrepreneurship students.

III. RESULTS

RESULTS

Kaiser-Meyer-Olkin (KMO) and Bartlett’s Test of Sphericity has been employed to determine the adequacy and suitability of the sample size for factor analysis. A KMO score of  $\geq 0.5$  means that the sample size is adequate for factor analysis (Ul Hadi, *et al.*, 2016). Meanwhile, a more conservative KMO score of 0.6 with a significant Bartlett's Test of Sphericity ( $\leq 0.05$ ) value signifies that the data is sufficient to proceed with factor analysis (Lee Chan and Idris, 2017). As provided in Table 1, the sample size shows a KMO score of 0.876 and Bartlett’s Test of Sphericity rating 0.231 with a p-value of 0.000. This means that the sample size is adequate and suitable for factor analysis.

**Table 1.**

*Sampling adequacy and multidimensionality tests for the obstacles in business*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.876
Bartlett's Test of Sphericity	Approx. $x^2$	1998.185
	df	231
	Sig.	.000

Provided in table 2 is the extracted factors with respect to the obstacles in pursuing business among entrepreneurship students using Principal Component Analysis (PCA). Variables with factor loading higher than 0.5 are grouped under a factor (Balasundaram, 2009). Moreover, factors with fewer than three variables must be dropped from further analysis (Effendi, *et al.*, 2019). Thus, after 16 rotations, only 4 factors have been retained with at least 3 variables each factor.

Meanwhile, indicated in table 3 is the Latent Roots Criterion of the Extracted Factors. Individual Entrepreneurial Knowledge and Skills is the primary obstacles that impedes entrepreneurship students from pursuing business with an initial eigen value of 6.647 and a percentage of variance of 30.214. Meanwhile, Access to Financial and Human Capital followed suit with an initial eigen value of 2.011 with a percentage of variance of 9.141. Prevailing Economic and Political Condition followed next with an initial eigen value of 1.593 with a percentage of variance of 7.240. Finally, Financial Capacity and Risk Propensity followed with an initial eigen value of 1.347 with a percentage of variance of 6.121.

**Table 2.**

*Extracted Obstacles in Pursuing Business Among Entrepreneurship Students*

ITEM	INDIVIDUAL ENTREPRENEURIAL KNOWLEDGE AND SKILLS	LOADING
Q8	My creative and innovative skills are limited.	.786
Q9	I have limited knowledge on how to understand my clients and their behaviors.	.722
Q7	I easily absorb negativities and disappointments.	.670
Q3	My experience and knowledge about the fundamentals of business is limited.	.614
Q11	I have no skills in managing personal finances.	.572
Q10	I am worried that I might have short-lived commitment and passion in doing business.	.535
ITEM	ACCESS TO FINANCIAL AND HUMAN CAPITAL	LOADING
Q20	Financial institutions demand difficult requirements before lending money.	.773
Q21	Tax rates are so high.	.736
Q19	Financial institutions are offering high interest for loans.	.716
Q17	It is difficult for me to look for trustworthy people as partners or employees.	.604
Q18	I have a problem on how to adjust with my co-workers or partners.	.533
ITEM	PREVAILING ECONOMIC AND POLITICAL CONDITION	LOADING
Q15	The current political environment in my vicinity is not favorable for business.	.714
Q16	There is a limited support and assistance being provided by the government.	.689
Q13	The current economic situation is not favorable.	.648
ITEM	FINANCIAL CAPACITY AND RISK PROPENSITY	LOADING
Q2	Engaging in business has its associated risks and uncertainties.	.670
Q5	I am hesitant to borrow money from the financial institutions to augment my limited capital.	.657
Q1	My money is limited and insufficient.	.650

**Table 3.**  
Latent Roots Criterion of the Extracted Factors

Factors	Initial Eigenvalue	Percent of Variance	Cumulative Variance Percentage
Individual Entrepreneurial Knowledge and Skills	6.647	30.214	30.214
Access to Financial and Human Capital	2.011	9.141	39.354
Prevailing Economic and Political Condition	1.593	7.240	46.594
Financial Capacity and Risk Propensity	1.347	6.121	52.715

**IV. DISCUSSIONS**

Thematic analysis has been performed to come up with the optimal measures or constructs that would best describe the clustered factors as provided in figure 2. Thus, based on the results, Individual Entrepreneurial Knowledge and Skills, Access to Financial and Human Capital, Prevailing Economic and Political Condition, and Financial Capacity and Risk Propensity are the obstacles that impedes entrepreneurship students from pursuing business. Entrepreneurship students with limited entrepreneurial knowledge and skills have the lower chance to start their business. In fact, knowledge to entrepreneurship and fundamentals in business are important since it was noticed that students with these skills and education have the higher chance to become an entrepreneur (Abun, *et al.*, 2018). Meanwhile, availability of sufficient financial resources will determine the individuals’ chance whether to develop a business enterprise or not (Quan Hoang, *et al.*, 2016). Likewise, availability of skilled personnel and people as employee, partners or investors are needed for the success of an individual in starting a business (Babson Global, 2011). On the other hand, economic and political condition such as low inflation rates and friendly policies and attractive entrepreneurial environment encourages individual to start a business (Ozarilliand Rivenburgh, 2016; Belaset *al.*, 2017). Lastly, financial capacity covers the individuals’ ability to understand their current financial condition, coupled with motivation and ability to take risk - an individual has the higher chance to become an entrepreneur (Adiandari, *et al.*, 2020).

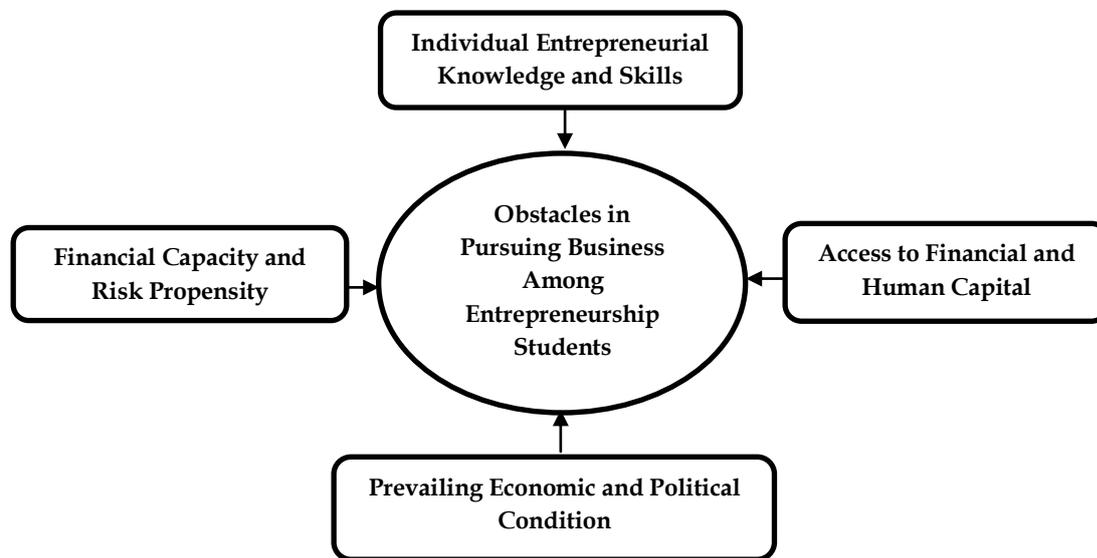


Figure 2. Thematic Framework on Obstacles in Pursuing Business

**V. CONCLUSION**

Based on the results of the study, the following conclusions were drawn:

There are 4 obstacles that have been developed which hinders entrepreneurship students from pursuing business. The first and primary obstacle that impedes entrepreneurship students from pursuing business is the individuals’ entrepreneurial knowledge and skills. Followed by access to financial and human capital. After that is prevailing

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economic and political condition. Lastly is the financial capacity and risk propensity. These results warrant the findings of Entrepreneurial Event Theory (EET) by Shapero and Sokol (1982) and Theory of Planned Behavior (TPB) by Ajzen (1991) which indicates that the performance of a specific behavior of an individual which includes the decision of putting a business depends on various factors. Meanwhile, these findings unravel some of the obstacles that impedes entrepreneurship students from pursuing business which may help various sectors to come up with an effective programs and strategies to promote entrepreneurship and business creation.

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