

Issues and Challenges for young Graduates in Becoming Entrepreneurs: Economic and Personality based Perspective

Research Article

Tariq M<sup>1\*</sup>, Arif H<sup>2</sup>, Kumar R<sup>3</sup>

<sup>1</sup> Manager Research, Institute of Business & Technology, Karachi, Pakistan.

<sup>2</sup> Assistant Director QEC, Institute of Business & Technology, Karachi, Pakistan.

<sup>3</sup> PhD Scholar, Iqra University, Karachi, Pakistan.

Abstract

This paper is designed to determine the entrepreneurial abilities and lacking of graduate students in Pakistan. This study is aimed to investigate the issues and challenges for young graduates for becoming entrepreneurs. The study considers both the economic and personality based perspectives. The fresh Business graduates and finale semester students who are or intend to become entrepreneurs of four universities of Karachi, Pakistan are being interviewed personally to determine their response. A comprehensive questionnaire on likert scale has been used to collect the responses. The responses are then statistically analyzed. The study concludes that graduates students possess basic skills such as team management and Entrepreneurial attitude; however, they are risk averse. The biggest challenge for them is lack of infrastructure and Governmental Support for new Entrepreneurs in Pakistan. Although funds are available in the market but there is visible gap between investors and New Entrant Entrepreneurs. Worsening law and order situation, corruption and poor economic conditions are unmanageable threats for new entrants. Above all, existing aggressive competition under the shelter of persistent inflation and effective pricing strategies are the basic challenges for new entrants.

**Keywords:** Entrepreneurs; Graduates; Personality.

**\*Corresponding Author:**

Muhammad Tariq,

Manager Research, Institute of Business & Technology, Karachi, 7500 Pakistan.

Tel: +92305-2299437

E-mail: Muhammad.tariq1985@gmail.com

**Received:** February 25, 2015

**Accepted:** April 18, 2015

**Published:** May 12, 2015

**Citation:** Tariq M, Arif H, Kumar R, Mustafa G (2015) Issues and Challenges for young Graduates in Becoming Entrepreneurs: Economic and Personality based Perspective. *Int J Behav Res Psychol*, 3(3), 79-84. doi: <http://dx.doi.org/10.19070/2332-3000-1500016>

**Copyright:** Tariq M<sup>©</sup> 2015. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution and reproduction in any medium, provided the original author and source are credited.

**Introduction**

The concept of Entrepreneurship represents the ability of a person to initiate and run the Business independently with willingness to bear any risk or loss associated with that business. The Modern Business schools are trying to accommodate their students with basic skills, attitudes and knowledge to become an entrepreneur or at least to become the right hand for entrepreneur. Apart from attitude and skills an entrepreneur also need financial support. It may take form of family support, Governmental support via any easy funds scheme etc or loan or investment obtained from financial institutes. In fact it is very risky to start the business

since there is no guarantee of success of it earning profits very immediately. It is also very difficult to assess the future growth of business under dynamic macroeconomic indicators and fluctuating financial markets.

In this study, the young business graduates are analyzed for their capabilities and attitudes for becoming entrepreneurs. It is very difficult for graduates to convince investor and sponsors to join hand with them because no one wants to invest in new idea as it is very risky. However in many countries like Pakistan there is inadequate infrastructure to facilitate to new entrants as entrepreneurs. Hence the new entrants not only have to arrange for funds but they also have to be very critical sensitive decision making such as decisions regarding pricing, market penetration and target market.

**Problem Statement**

The many of fresh Graduates specially the students of Business or Management studies in Pakistan intends to utilize their skills by initiating the new business. However, there are numerous problems that these graduates have to encounter. This research is designed to investigate the hurdles, issues and challenges which graduate entrepreneurs are facing or have to face in starting their business.

**Review of Literature**

The study of Awogbenle and Iwuamadi (2010)[2] suggests that from the past few decades that opportunities of the employment are not growing with fast rhythm and there is continuous decline

in the employment market. Financial crisis has also creating problem for the investors to do the investment in businesses and it is increasing the market of unemployment. Now Pakistan has lower rate of economic cycle and activities because of terrorism and politically instability. In order to counter the problem entrepreneurship is the only solution. The study of Denis (2004)[3] concludes that there is no relation between the graduates and potential investors. It is very difficult task for the investors to analyze the quality characteristics and features of the innovative product. After raising funds from the investors, entrepreneurs do not allocate it properly which results in loss for investors that's why graduates finds difficulties in getting financial help from the side of investors.

Garba (2012)[6] examines that after the completion of graduation, graduate start his own small scale business but he faced lot of difficulties in his first year business, so he took a decision to finish the business. According to the research seventy percent of graduates starts their own setup and disappear in only three year and first choice of the graduates are to join the government or private organization because they want to secure their future and to become an entrepreneur is a very last option for them. In order to counter the problem entrepreneurship is the only solution.

Fatoki (2011)[4] examine that the first stage for new entrepreneurs is pioneering, it is basic level and entrepreneurs needs help in terms of finance from their surroundings. In order to become successful entrepreneurs it is necessary for the graduates to avail financial opportunity to run their business successfully and spreads the roots of their business successfully in the market. Goyal and Parkash (2011)[7] suggests that normally graduates face difficulties in getting financial help because of the absence of the security. Due to the absence of the financial help it has become very difficult for new entrepreneurs to make entrance in business world.

Tushabomwe-Kazooba, C. (2006)[17, 21] made a comprehensive study to determine the issues for young entrepreneurs. The study concluded that families did not support graduates to become entrepreneurs because they think that there were hurdles and barriers in becoming entrepreneurs and it is not safe for securing future. Graduates found it very hard to persuade their parents. Normally families and society did not appreciate graduates to start their business because they did not know the effects and outcome of becoming entrepreneurs. Tanveer, Gillani, Rizvi, Latif, Maqbool and Rizwan (2011)[18] examined that if the background of new entrepreneurs related with business then it had good impact on the mind of entrepreneurs otherwise they faced difficulties in the business world. Whereas the study of Sandhu, Sidique and Riaz (2011)[16] concluded that back of family and their support played the role of backbone in entrepreneurs.

Lee, Wong, Chua and Chen (2005)[10] examine that government is not developing any special business program which will be helping graduate entrepreneurs in terms of incentive and include special offer of tax. Nawaz, Manzoor, Jahanian and Mumtaz (2012)[13] examine that institutes lacks in providing proper environment for the entrepreneurship and financial system is not perfect for raising the desire of graduates towards entrepreneurship. Isenberg (2010)[8] examine that institutes of education are lacking in providing entrepreneurship education to students that's why graduates are not moving towards entrepreneurship because their mind is made towards job oriented profession.

The research of Vasumathi, Govindarajalu, Anuratha and Amudha (2003)[22] suggests that by getting proper training graduates will be a able to start their own business and it will lift their confidence level but there is no arrangement of these kinds of activities. On the other hand Saleem and Abideen (2011)[15] high lights that stress lies normally in ownership of business, it is caused by over load of work and miss management of time. Extra working hours and bundles of competitors create tension and stress in the mind of graduate's entrepreneurs.

Yasin, Mahmood and Jaafar (2011)[23] examine that if there is no rules and regulation in organization than it results in lack of coordination and burden on employees, it leads organization towards less productivity and decline. Clarke and Watson (1991) examine that Stress is an internal feeling which occurs in humans and it is normally caused by any kind of threat. Tong, Tong and Loy (2011)[19] conclude that poor information access, discrimination, poor training and less support also stopping women to enter in the business world. Naqvi (2011)[12] suggests that due to bad infrastructure organizations are not delivering their services effectively and going in loss. Keh, Foo and Lim (2002)[9] scrutinize that there are huge number of competitors present in the market but local competition affects international brands and cut their profit and sales. Local suppliers, competitors and customers have very big share in the market; it is not an easy task for graduate entrepreneurs to set the ideal price of the service and product because they are already available in the market with very reasonable price.

Yu, Orazem and Jolly (2009)[24] examine that graduates who complete their education life at the of economic recession don't accept entrepreneurship as a profession as compare to those who becomes graduates at the time of stable and economic booms and during the time of recession the performance of organization goes down. Turan and Kara (2007)[20] determine that bad political, law and order situation are very known problem in those countries which are at developing stage. These factors are not letting small businesses to grow effectively and causing problems for graduate's entrepreneurs to penetrate effectively in the mass market. Rules and law plays very important role in the developing business but in Pakistan it can be change if you have relation with people who are in power. Ahmad and Xavier (2012)[1] determine that in Pakistan small organization don't have trust on the government officials and increasing rate of corruption causing problem for developing businesses.

Fereidouni, Masron, Nikbi and Ameri (2010)[5] examine that when graduates take a step to start a business then fear of failure automatically builds in their minds, normally in Chinese culture the factor of fear is very common among them because they are afraid of loss in the business.

Liao and Sohmen (2001)[11] conclude that it has very bad effects on the business and also effects on the effective decision, it builds the connection with destruction. It builds in the minds because of results of action. In regards of social negative impression about entrepreneurs Roxas, Cayoca-Panizales and Jesus (2008)[14] concludes that for young graduates it creates lot of negativity in the minds of graduate entrepreneurs which are angriness, sadness and tension. It builds the sense of discouragement and fear that they will not become successful entrepreneurs without taking any steps towards it.

## Research Methodology

### Sample Size

A sample of 600 graduates such as 150 graduates of four Universities involved in Business Education of Karachi, Pakistan has been interviewed personally. Before interview, it was determined that only those students shall be taken into consideration that are

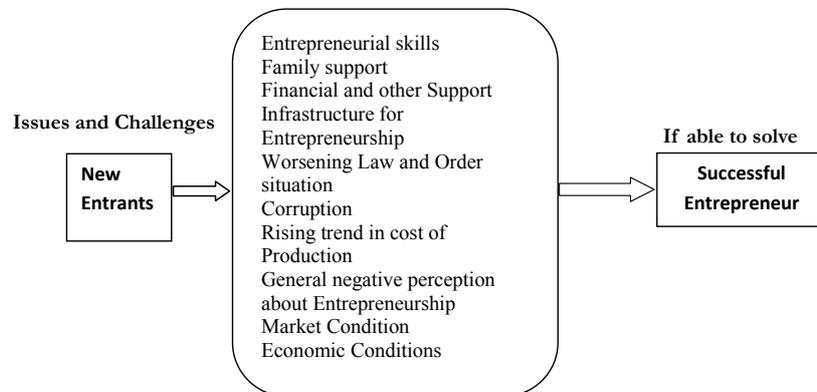
entrepreneur or intend to become an entrepreneur.

### Conceptual framework

#### Issues and Challenges

Graph 1.

**Graph1. Conceptual Framework for the Study.**



### Instrument for data collection

A questionnaire has been designed on likert scale containing five options starting from strongly dis-agree and continue till strongly agree.

### Statistical Test

Initially the reliability test has been applied to test the reliability of collected data. Thereafter, the one sample T-test has been applied to analyze the responses.

### Results of the study

Table 1 shows the results of reliability test. The value alpha is 0.715 showing that data is reliable for further analysis. The responses of survey are analyzed by applying T-test.

**Table 1. Reliability Test.**

Reliability Statistics	
Cronbach's Alpha	N of Items
0.715	20

The further analysis has been made by applying one sample T-test. The results of T-test are summarized in Table 2.

### Entrepreneurial skills

The respondents provided mix perception regarding Entrepreneurial skills. Survey questions from Q1 to Q5 as depicted in Table 2, were exclusively designed to test the Entrepreneurial skills of the graduate students. The mean difference is negative with sig value less than 0.05 for Q3, Q4 and Q5 showing that respondents disagree that the stress management is a big issue for them and they do not face any lack in team management. More over, the respondents show and express the Entrepreneurial attitude within them. Such an attitude evidences their willingness to become entrepreneurs.

However, for Q1, Q2 the mean difference is positive showing some lacking in other Entrepreneurial skills such as respondents agree that taking risk is one of big fear for them. Since the theories dominates that first and foremost characteristics an entrepreneur is of risk taker. The students confessed that there is no such training or skill development for entrepreneurship for them in their institutes. It suggests that even in Business Schools there may be lacking of practical measurements for enhancement in entrepreneurial skills.

### Family support

The respondents appeared comfortable from the support of their family. The mean value of Q6 is negative with sig value being less than 0.05 as shown in table 3. It means the graduate students reject the claim of lack of family support.

### Financial and other Support

The mean difference for Q7 and Q9 is negative showing rejection of claims being asked in the questions such as it has been agreed that there is no proper support from the Government side. It may be extracted that there is slow or insufficient governmental policies for youth support for entrepreneurship. Such statement has become more viable via Q8 which shows that the graduate students believe that there is no proper mechanism from Government to appreciate and support the new entrepreneurs. However, the Q7 has been rejected showing the falsification of statement of lack of funds in the market. It means financial market of Pakistan is ready and willing to support for new business in Pakistan (Table 3).

### Infrastructure for Entrepreneurship

The respondents in Q10 as shown in table 4 accepts (mean difference is positive) that the Graduates who have an idea don't have access to potential investors to start their business. It raises the point of non-availability of proper infrastructure for entrepreneurship in the country. This issue has been further evidenced via Q11 where the respondents disagree that infrastructure of

**Table 2. Results of T-Test: Personality and Entrepreneurship.**

Q. no.		sample size	sig value	mean difference
1	Do you have fear that you will fail in operating your business successfully?	600	0.066	0.0967
2	Do you think that lack of entrepreneurship education & training is missing among graduates to start your own business?	600	0.068	0.0667
3	Do you think that lack of stress management by graduates entrepreneur result in bad decision making during their starting stage?	600	0.026	-0.0567
4	Is attitude of entrepreneurship missing among graduates of business institute?	600	0.001	-0.8333
5	Do you think that graduates are lacking in building perfect team for operating their business because they don't know importance of team and took every decision independently?	600	0	-0.3436

**Table 3: Results of T-Test: Family and Financial Support for Entrepreneurship.**

Q. no.		sample size	sig value	mean difference
6	Do you face lack of family support to become an entrepreneur?	600	0.002	-0.925
7	Do you expect government or any institute to support you financially to become an entrepreneurs?	600	0.007	-0.3333
8	Do you think that poor business policy by government restricting graduates to become an entrepreneur?	600	0	0.1933
9	Do you think that lack of funds cause problems in promotion of brands for graduates?	600	0	-0.3

country is ideal for graduates to join the profession of entrepreneurship.

**Worsening Law and Order situation**

The Q12 was designed to inquire about any effect of worsening law and order situation in the country on the Entrepreneurship. The respondents believe that because of bad law and order situation graduates are not willing to join entrepreneurship.

**Corruption**

The Q13 was designed to inquire about any effect of corruption in the country on the Entrepreneurship. The respondents believe that due to corruption investors and banks are not facilitating graduates entrepreneurs.

**Rising trend in cost of Production**

The Q14 suggests the negative effect of rising trend in cost of Production on the entrepreneurial activity in the economy. The graduates agree (mean difference is positive) that graduates have feeling of high cost of production cuts their profit margin (Table 4).

**General negative perception about Entrepreneurship**

The Q15 and Q16 were designed to test the perception about entrepreneurship for graduates in the society. The graduates were observed complaining about negative remarks that they faced

from their relatives or colleagues. Since there is general perception that graduation is made to acquire a white collar job rather than becoming a small entrepreneur. The respondents agree the Q15 (mean difference is positive) that negative attitude of society restricting graduates to join the profession of entrepreneurship. However, the young graduates do not agree (mean difference is negative for Q16) to consider entrepreneurship as a second option in the future as compare to job oriented profession.

**Market Condition**

The respondents believe that existing market is very difficult to compete for a new entrant. The Q17, Q18 and Q19 were exclusively designed to inquire about the possible effect of existing market conditions on the new entrants. It was agreed (Q17 agreed) that bad pricing strategy does not let graduate entrepreneur to penetrate in the market effectively. It means prevailing pricing war is very aggressive and new entrants need be very careful. In addition to it, it has been evidenced through Q18 lack of research and development does not let graduate entrepreneurs to meet with efficiency and effectiveness in the manufacturing. However, the respondents confessed that graduate entrepreneurs lack in making proper business plan which results in their failure.

**Economic Conditions**

Finally the respondents also complained about poor economic conditions. The Q20 was agreed that poor economic condition stops graduates to become an entrepreneur (Table 5).

**Table 4. Results of T-Test: General issues for Entrepreneurship.**

Q. no.		sample size	sig value	mean difference
10	Graduates who have an idea don't have access to potential investors to start their business?	600	0	0.2667
11	Is infrastructure of country ideal for graduates to join the profession of entrepreneurship?	600	0	-0.4767
12	Do you think that because of bad law and order situation graduates are not willing to join entrepreneurship?	600	0.068	0.2667
13	Due to corruption investors and banks are not facilitating graduates entrepreneurs?	600	0	0.405
14	Do you think that graduates have feeling of high cost of production cuts their profit margin?	600	0.181	0.0567

**Table 5. Results of T-Test: Market and Economic Conditions and Entrepreneurship.**

Q. no.		sample size	sig value	mean difference
15	Do you think that negative attitude of society restricting graduates to join the profession of entrepreneurship?	600	0.0854	0.215
16	Do you consider entrepreneurship as a second option in the future as compare to job oriented profession?	600	0.058	0.6567
17	Do you think that bad pricing strategy does not let graduate entrepreneur to penetrate in the market effectively?	600	0.0691	1.0933
18	Do you think that lack of research and development does not let graduate entrepreneurs to meet with efficiency and effectiveness in the manufacturing?	600	0.0091	0.3933
19	Do you think that graduate entrepreneurs lack in making proper business plan which results in their failure?	600	0.1854	0.3215
20	Do you think that poor economic condition stops graduates to become an entrepreneur?	600	0.281	0.1567

**Conclusion**

The respondents disagree that the stress management is a big issue for them and they do not face any lack in team management. More ever, the respondents show and express the Entrepreneurial attitude within them. Such an attitude evidences their willingness to become entrepreneurs.

Since the theories dominates that first and foremost characteristics an entrepreneur is of risk taker. The students confessed that there is no such training or skill development for entrepreneurship for them in their institutes. It suggests that even in Business Schools there may be lacking of practical measurements for enhancement in entrepreneurial skills.

The respondents appeared comfortable from the support of their family. It may be extracted that there is slow or insufficient governmental policies for youth support for entrepreneurship. The graduate students believe that such there is no proper mechanism

from Government to appreciate and support the new entrepreneurs. It means financial market of Pakistan is ready and willing to support for new business in Pakistan.

The respondents accept the Graduates who have an idea don't have access to potential investors to start their business. It raises the point of non-availability of proper infrastructure for entrepreneurship in the country. The respondents believe that because of bad law and order situation graduates are not willing to join entrepreneurship.

The respondents believe that due to corruption investors and banks are not facilitating graduates entrepreneurs. The graduates agree that graduates have feeling of high cost of production cuts their profit margin.

The graduates were observed complaining about negative remarks that they faced from their relatives or colleagues. Since there is general perception that graduation is made to acquire a white col-

lar job rather than becoming a small entrepreneur. The respondents agree that negative attitude of society restricting graduates to join the profession of entrepreneurship. However, the young graduates do not agree to consider entrepreneurship as a second option in the future as compare to job oriented profession.

The respondents believe that existing market is very difficult to compete for a new entrant. It was agreed that bad pricing strategy does not let graduate entrepreneur to penetrate in the market effectively. It means prevailing pricing war is very aggressive and new entrants need be very careful. In addition to it, it has been evidenced that lack of research and development does not let graduate entrepreneurs to meet with efficiency and effectiveness in the manufacturing. However, the respondents confessed that graduate entrepreneurs lack in making proper business plan which results in their failure. Finally the respondents also complained about poor economic conditions.

## References

- [1]. Ahmad S. Z, Xavier S. R (2012) Entrepreneurial environments and growth: evidence from Malaysia GEM data. *Journal of Chinese Entrepreneurship* 4(1):50-69.
- [2]. Awogbenle A. C, Iwuamadi K. C (2010) Youth unemployment: Entrepreneurship development programme as an intervention mechanism. *African Journal of Business Management* 4(6):831-835.
- [3]. Denis D. J (2004) Entrepreneurial finance: an overview of the issues and evidence. *Journal of Corporate Finance* 10(2):301-326.
- [4]. Fatoki O. O (2010) Graduate entrepreneurial intention in South Africa: motivations and obstacles. *International Journal of Business and Management* 5(9):87.
- [5]. Fereidouni G. F, Masron T. A, Nikbi D, Ameri R. E (2010) Consequences of external environment on entrepreneurial motivation in Iran. *Asian Academy of Management Journal* 15(2).
- [6]. Garba A. S (2012) Entrepreneurship, public policy and poverty reduction in Nigeria. *International Journal of Business and Social Research* 2(2):158-169.
- [7]. Goyal, M, Parkash J (2011) Women entrepreneurship in India-problems and prospects. *International Journal of Multidisciplinary Research* 1(5):195-207.
- [8]. Isenberg, D. J (2010) How to start an entrepreneurial revolution. *Harvard Business Review* 88(6):40-50.
- [9]. Keh H. T, Foo M. D, Lim B.C (2002) Opportunity evaluation under risky conditions: The cognitive processes of entrepreneurs. *Entrepreneurship theory and practice* 27(2):125-148.
- [10]. Lee L, Wong P. K, Chua B. L, Chen, J (2005) Antecedents for entrepreneurial propensity: findings from Singapore, Hong Kong and Taiwan.
- [11]. Liao D, Sohmen P (2001) The development of modern entrepreneurship in China. *Stanford Journal of East Asian Affairs* 1(1):27-33.
- [12]. Naqvi S. W. H (2011) Critical success and failure factors of entrepreneurial organizations: Study of SMEs in Bahawalpur. *Journal of Public Administration and Governance* 1(2):17.
- [13]. Nawaz N, Manzoor S. F, Jahanian A, Mumtaz R (2012) Factors Underlying the Failure of Organizations: A Focus on Pakistan International Airlines. *Journal of Law, Policy and Globalization* 6:1-6.
- [14]. Roxas B. G, Cayoca-Panizales R, de Jesus R. M (2008) Entrepreneurial knowledge and its effects on entrepreneurial intentions: development of a conceptual framework. *Asia-Pacific Social Science Review* 8(2):61-77.
- [15]. Saleem S, Abideen Z. U (2011) Examining success factors: Entrepreneurial approaches in mountainous regions of Pakistan. *European Journal of Business and Management* 3(4):56-67.
- [16]. Sandhu M. S, Sidique S. F, Riaz S. (2011). Entrepreneurship barriers and entrepreneurial inclination among Malaysian postgraduate students. *International Journal of Entrepreneurial Behaviour & Research* 17(4):428-449.
- [17]. Sriram V, Mersha T (2006) Facilitating entrepreneurship in Sub-Saharan Africa: what governments can do. *Journal for International Business and Entrepreneurship Development* 3(1):136-151.
- [18]. Tanveer M. A, Gillani U. A, Rizvi S, Latif M, Maqbool H, et al. (2011) Barriers for Business Students in Becoming an Entrepreneur in Pakistan. *IOSR Journal of Business and Management* 74-82.
- [19]. Tong X. F, Tong D. Y. K, Loy L. C (2011) Factors influencing entrepreneurial intention among university students. *International Journal Of Social Sciences And Humanity Studies* 3:487-496.
- [20]. Turan M, Kara A (2007) An exploratory study of characteristics and attributes of Turkish entrepreneurs: A cross-country comparison to Irish entrepreneurs. *Journal of International Entrepreneurship* 5(1-2):25-46.
- [21]. Tushabomwe-Kazooba C (2006) Causes of small business failure in Uganda: a case study from Bushenyi and Mbarara Towns. *African Studies Quarterly* 8(4):1-13.
- [22]. Vasumathi A, Govindarajalu S, Anuratha E. K, Amudha R (2003) Stress and Coping Styles of an Entrepreneur. *Journal of Management Research* 3(1):43-51.
- [23]. Yasin A. Y. M, Mahmood N. A. A. N, Jaafar N. A. N (2011) Students' Entrepreneurial Inclination at a Malaysian Polytechnic: A Preliminary Investigation. *International Education Studies* 4(2):198.
- [24]. Yu L, Orazem P. F, Jolly R. W (2009) Stopping Start-Ups: How the Business Cycle Affects Entrepreneurship. *Iowa State University Department of Economics Working Paper*, (09014).