



**FACTORS AFFECTING GRADUATE ENGAGEMENT IN  
ENTREPRENEURIAL ACTIVITY IN ETHIOPIA: THE CASE  
OF WOLAITA SODO TOWN**

**MBA THESIS**

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**A THESIS SUBMITTED TO  
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This is to certify that the thesis entitled “**Factors Affecting Graduates Engagement in Entrepreneurial activity in Ethiopia: the case of Wolaita Sodo Town,**” submitted in partial fulfillment of the requirements for the degree of Master's with specialization in Masters Of Business Administration, the Graduate Program of the Department/School of Management, and has been carried out by Amanuel Yosef Abraham **Id. No GSA 084/10**, under my/our supervision. Therefore I/we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the department.



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## **BIOGRAPHY**

The author was born on November, 02, 1989 in Bodditi town, Wolaita Zone, SNNPR, Ethiopia. He attended his primary education in Bodditi primary and junior school and secondary education in Bodditi Preparatory and secondary high school. After successful completion of high school education, he joined Haremaya University in 2008 and graduated in July 10, 2010 in Bachelor Degree of Agribusiness Management. Then after graduation, he was recruited in Omo Micro Finance Institution as operation officer on June 13, 2011 and on July 27, 2011 in South Nations Nationalities and Peoples Regional State Bureau of Agriculture House Hold Asset Building Program as Agribusiness officer for two month and four year & eight month respectively.

Then after, he joined Development Bank of Ethiopia on March 21, 2016 and serving still now. By the year 2016, he joined Wolkite University, school of post graduate studies to pursue his Master's degree in Masters of Business Administration.

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## **ABBREVIATIONS AND ACRONYMS**

HEI Higher Education Institutions

E.C Ethiopian Calendar

CSA Central Statistical Agency

ILO International Labor Organization

BOF Bureau of Finance

CBMS Community Based Monitoring System

VIF Variance Inflation Factor

SPSS Statistical Package for Social Science

NGO Non-Governmental Organization

SNNPRS Sothern Nation Nationalities and Peoples Regional State

## **ABSTRACT**

*This study examines factors affecting Graduates engagement in entrepreneurial activity in Wolaita Sodo Town, Wolaita Zone, SNNPR, and Ethiopia. Descriptive research design with cross sectional data type was employed and the samples of 233 graduates are selected by Snow ball sampling techniques for collecting data. The data are qualitative and quantitative in nature collected from both the primary and secondary sources. The primary sources data collected by using structured and semi structured questioner. The collected data analyzed by using both descriptive statics and advanced econometric model. SPSS version 21 software is used to regress all of quantitative data collected in the survey. The findings of the study show that out of ten variables, five variables are significant at less than 1%, 5% and 10% probability level. The variables; Age, Have starting capital, social value, bureaucracy and Have entrepreneur role model are statistically significant and have a positive association while the bureaucracy which has a negative association. This research recommend that all concerned government and non-government organizations should work cooperatively on different capacity building work to fill the gap related to the lower age, to provide affordable alternative sources of finance, preparing workshops on the area of entrepreneurship, giving a special attention in order to eliminate a bureaucracy and prepare a stage for creating awareness and demonstrating to share the experience.*

**Key words:** Entrepreneurial activity, Logit model, Graduate entrepreneurship

# CHAPTER ONE

## INTRODUCTION

### 1.1.Back ground of the study

Entrepreneurship is the concepts which used in social disciplines for a long time. It is one of the most studied topics in the literature and refers recognition of available opportunity to create value, and the process of performing this opportunity, whether or not it involves the formation of a new enterprise (Schoof, 2012). Also it can be defined as individual's ability to turn ideas into action through creating, innovating, taking calculated risk, planning and managing projects with the objective supporting everyone in day-to-day life at home and the society at large. It makes an individual more aware of the context of his work environment so as to better able to seize opportunities (European Commission, 2012).Entrepreneurship is the process of running a business of one's own. People who own, operate, and take risk of business venture are called entrepreneurs (cynthai L., 2010).

Entrepreneurship has a significant effect by reducing unemployment, addressing some of the socio-psychological problems and crime that arise from joblessness, helping youths develop new skills and experiences, Promoting innovation and resilience (Awogbenle and Iwuamadi, 2010). According to Shrm(2017), entrepreneur's contributions to society are immeasurable due to the decreasing of the unemployment rate. It is also considered as a key solution to the ever-growing challenge of unemployment among Graduates (Norasmah, H. 2009).

For a long time researches in entrepreneurship have conducted but the findings lacked a consistency. Early scholars focused on issues related to establishment of a new ventures; in particular who sets up new firms, in what occasions and for what reasons (Autio, 1997; Gartner, 1988).The other scholars Gartner (1989); Timmons (1999), concentrated on psychological factors. In this stream, psychological factors; a high

need for achievement, a desire for autonomy, a proclivity for moderate risk taking, aggressive competitiveness, an internal locus of control and a flair for innovation are supposed to be features related with successful entrepreneur.

The research conducted by Hisrich and Peter (1989); Krueger (1993), considered personal circumstances and the social environment as determinants of entrepreneurship development. Their findings noted that the personal factors such as general education, gender, prior experience and family background has impact on development of perceptions and consequently intentions of going into entrepreneurship or engagement in entrepreneurial activity.

Among many entrepreneurship theories which stated how an individual intends toward entrepreneurial behavior Ajzen(1991), theory of planned behavior explains behavioral intention about 59 percent and Krueger (1993), and many others witnessed that theory of planned behavior is a better predictor of behavioral intention.

Articles show that there are different factors influencing individual engagement in entrepreneurial activities. For example Wilson (2008), concluded that a positive attitude towards Entrepreneurship can be shaped through education system. He also noted that a change in the education system is very much desirable to widen the scope of career choices for graduates to opt a career in entrepreneurship. Similarly findings by Siraw (2014), and Wisdom Kalabeke (2018), have shown taking entrepreneurship course, role model occupation, gender and family work expectation, Start-up capital and culture were influential factors to engage in entrepreneurial activity. Also Ali (2017), in his research showed that willingness to take risk, positive attitudes towards self-employment, need for achievement, need for independence, and access to government policy and support, availability of starting capital and lack of formal employment option were found to be influential factors for graduates self-employment. This study also further examined factors affecting Graduates engagement in entrepreneurial activity in Ethiopia: the case of Wolaita Sodo Town.

## **1.2.Statement of the problem**

Employment creation for rapidly increasing youth labor force has become increasingly challenging because the economy is unable to provide adequate jobs to the growing youth labor force in both rural and urban areas (Martha, 2012). According International Labor Organization's World Employment and Social Outlook Trends report (2016), creating jobs for the youth are central challenge for the region particularly in sub-Saharan Africa.

Youths make up 43.7% of the total unemployed people in the world, despite accounting for only 25% of the world working population (World Bank, 2009).Unemployed population in urban areas of Ethiopia are 1,770,294 with unemployment rate of 19.1 percent and among them 244,611 have Diploma, Degree and above (CSA survey, 2018).

Graduated person has broadly two career options. One is wage or salary employment, where in people are employed in government service, public and private sectors and get fixed wage or salary .Since salary or wage employment not able to absorb the largest labor supply, the other career option engagement on entrepreneurial activity or starting own business is considered as the way to reduce unemployment due to different benefits it has endowed with (C.B.Gupta, 2017).

Graduate unemployment rate in Ethiopia is high because of the number of young graduates who graduating from different academic institutions is increasing from time to time. According to the CSA (2016), report indicated that the number of youth educated and certified in diploma level three and bachelor degree yet unemployed comprises 12% of the total urban unemployment and 17% of the total urban youth unemployment.

Ethiopian government has embraced self-employment development through formulation of policies favorable to development of micro and small scale enterprises to address above mentioned problems of graduate unemployment(Fisseha, 2011).The participation of young university graduates in entrepreneurship tradition is very little.

Entrepreneurship has been associated with small business enterprise; it viewed as a less attractive career option for university graduates (European Commission, 2008). Many researchers have conducted their research on factors affecting entrepreneurial engagement and its correlates in different countries. The findings of previous researches are not consistent and recent, the researcher further conducted study by taking new sample and more factors into consideration.

### **1.3. Research questions**

In light of the above mentioned statement of problem, the following basic research questions are addressed.

1. What socio-economic factors are affect Graduates engagement in entrepreneurial activity?
2. What personal factors are affect Graduates engagement in entrepreneurial activity?
3. What institutional factors are affect Graduates engagement in entrepreneurial activity?

### **1.4. Objectives of the study**

#### **1.4.1. General objectives**

To examine factors affecting Graduate engagement in entrepreneurial activity in case of Wolaita Sodo Town.

#### **1.4.2. Specific objectives**

The study dealt with following specific objectives in order to handle the research questions and realize general objective.

- 1-To investigate social-economic factors that affect Graduates engagement in entrepreneurial activity.
- 2-To investigate personal factors that affect Graduates engagement in entrepreneurial activity.

3-To examine institutional factors that affect Graduates engagement in entrepreneurial activity.

### **1.5.Scope of the study**

This study focused on identifying and analyzing factors affecting Graduates engagement in entrepreneurial activity. The variables which considered are Sex, Age, Duration of education, Starting capital, Social value or Culture, Entrepreneur course, Attitude, Bureaucracy, Business idea and Entrepreneurial role model. Since it is difficult to capture the engagement behavior of graduates because of discontinuity of graduate's engagement on entrepreneurial activity overtime the study used cross sectional data. The target populations of the study are 2011E.c Higher Education Graduates.

The data which collected from the sample respondents is analyzed by using both descriptive statistics and advanced logistic regression model. Geographically the study is concentrated particularly in Wolaita Sodo Town.

### **1.6.Limitation of the study**

The results of this study are limited to its sample population. In addition to variables which are seen in this research, there are also other variables which could affect graduate engagement on entrepreneurial activity but not covered in this study. The sample population and sets of variables can be extended in the future research.

### **1.7.Significance of the study**

The finding of the study is useful in that on the basis of the finding, it would help to minimize unemployment through promoting entrepreneurship by giving attention or priority to these factors which are affecting graduates engagement in entrepreneurship. The findings of this study can serve as a reference to Governmental or local agencies and NGOs that would like to deploy intervention on promoting entrepreneurship in the study area. Moreover, this study can initiate the others to carryout extensive and

intensive studies on entrepreneurship in particular and other related issues in general. Ultimately, all these efforts may help policy makers to consider these factors which are affecting the graduate's engagement in entrepreneurial activity and related issues in formulating national, regional as well as local policies.

### **1.8.Organization of the thesis**

This study is organized into five chapters. The first chapters introduce about the study and incorporated background of study of the study, statement of the problem, research question, and objective of the study, scope of study and limitation of the study, significance of the study and the organization of thesis. The second chapter review different related literatures.

The third chapter contains description of study area, location research design, sampling technique and procedure, sample size determination, data types and sources, method of data collection, method of data analysis and definition of variable & measurements. The fourth chapter is concerning on result and discussion which the findings of the study is interpreted and discussed in detail. The fifth chapter denotes about the summary, conclusion and recommendations of the study.

## CHAPTER TWO

### LITERATURE REVIEW

The first section of this chapter selectively presents about definition of entrepreneurship. Then the second section deals with the theories of entrepreneurship. The third section deals about Empirical studies/review on determinants of engagement in entrepreneurial activity. Finally, brings the conceptual framework of the study

#### **2.1. Definitions of entrepreneurship**

There is no a single universally accepted comprehensive definition of entrepreneurship. Although researchers have been inconsistent with their definitions of entrepreneurship, they often contain similar elements, such opportunity recognition, newness, organizing, creating and risk taking. Some of the definitions of entrepreneurship given by different authors are:-

Entrepreneurship is the process of running a business of one's own. People who own, operate, and take risk of business venture are called entrepreneurs (cynthai L., 2010). According to Schoof (2012), entrepreneurship is defined as the recognition of available opportunity to create value, and the process of performing this opportunity, whether or not it involves the formation of a new enterprise.

Entrepreneurship is the process of identifying opportunities in the market place; gather together the resource required to pursue opportunities and investing the resources to exploit the opportunities for long term gains. It involves creating wealth by bringing resources together in new ways to start and operate an enterprise (Hailay, 2007).

Stevenson (1989), entrepreneurship is expressed as a process which comprises an entrepreneurial event and entrepreneurial agent to create value by bringing together unique package of resources to exploit an opportunity. Carl (2004), defined entrepreneurship as a process of fundamental transformation of innovative idea to enterprise then to a value delivery.

According to Global Entrepreneurship Monitor Global Report (2012), entrepreneurs are defined as an attempt of creating or establishing a new business, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business.

## **2.2. Graduate entrepreneurship**

Graduate entrepreneurship or self-employment refers to participation in any economic activity in a variety of ways like own-account workers, contractors, employers, members of cooperatives, independent professionals and even unpaid family workers are usually classified as self-employed workers. Moreover, it may also be regarded either as a survival strategy for those who could not find any other means of earning or as a desire to be one's own boss (OECD, 2012). Graduate entrepreneurship or self-employment is described as working for one's self rather than for another person or company. Fisseha (2011) defined graduate entrepreneurship or self-employment as an optional occupation (individually or in partnership) to the graduates that enable them to earn their own livelihood directly through forming one's own venture rather than working for somebody else or company so that contribute to the country's economy by increasing productivity and creating job opportunities.

Nabi & Linan (2011) defined self-employment or entrepreneurship as the interaction between the graduate (as the product of university education) and an individual's career-orientation, mindset and behavior towards new venture creation.

Therefore, Graduate entrepreneurship or self-employment is a job-related alternative to wage employment which is formal or informal. Sometimes, it becomes the only option if the individual's expectation does not correspond with the requirements and condition of the work available (Fisseha, 2011).

Therefore, the term graduate entrepreneurship in this study is used to refer to the owner of new business. That means individuals who set up their own business or changes from being employee of organization to being engaged in entrepreneurial activity are considered as entrepreneur, however no more degree of innovativeness is considered.

Generally, based on these definitions in relation to the ventures creation of the HEI graduates, graduate entrepreneurship, job creation and starting own business are taken as similar concepts throughout this study though they are not exactly the same in other contexts.

### **2.3.Factors affecting graduate engagement in entrepreneurial activity**

Different researchers identified different factors that may affect individuals to engage in entrepreneurial activities. In this context, several factors that are identified by different researchers in their studies as the affecting factors of graduate engagement in entrepreneurial activity and some of them are discussed as follows.

#### **2.3.1. Social-economic factors**

##### **Have entrepreneurial role model**

Wongnaa and Seyram on Journal of Global Entrepreneurship Research 2014 discovered that supports from family members and friends are crucial for changing the minds of polytechnic students towards graduating as entrepreneurs. From this study it is possible to understand students from a business oriented family are more likely to graduate as entrepreneurs as compared to those of wage employment origin.

Siraw (2014), has conducted a research on Socio-demographic determinants for Entrepreneurial intention and founded that role model occupation is one of significant predictors of entrepreneurial intention.

##### **Social value**

Social backgrounds influence an individuals' approach to life, they similarly influence entrepreneurial activity and enterprise culture (Shoof, 2012).Different cultures have varying values and believes toward entrepreneurship that is some culture encourages entrepreneurship whereas others weaken, some promotes achievement whereas others give low value (Fisseha, 2011).

In a cultural environment in which entrepreneurship is respected and valued, and in which business failure is treated as a useful learning experience rather than a source of stigma, will generally be more conducive to entrepreneurship. Higher levels of entrepreneurship are therefore likely to be found in an environment where entrepreneurship is respected and valued and where entrepreneurs enjoy greater levels of acceptability (Schoof, 2012).

Biniyam (2012) discovered that the length of time the society allows the youth to search a job, families effort to encourage the youth to be self-employed, and social networks that youth have are important issues which lead to higher propensity to start own business. Less allowable time for searching a job, highly encouraging family to start own business and strong social networks should be there if the youth have to create a job for themselves and others by establishing own business

### **Entrepreneur education or course**

Entrepreneurship education is defined as the purposeful involvement by the educator in the life of the learner to teach entrepreneurial qualities and skills to make sure that the learner is able to survive in the business world. It is further supported that EE can also be defined as the structured formal conveyance of entrepreneurial competencies, which in turn refers to concepts, skills and mental awareness applied by individuals during the process of starting and developing their ventures (Isaacs, et al., 2007).

According to Okafar (2013), it is an educational program which is focused on impacting students with issues on entrepreneurship. Entrepreneurial education is designed to communicate and instill the skills needed to recognize business opportunity, organize and start new business venture to students or trainees.

Heinonen & Poikkijoki (2006) revealed that entrepreneurship education is aimed at encouraging entrepreneurship in some way, for example in terms of stimulating one's entrepreneurial awareness; one may distinguish between three other more specific learning objectives.

It seeks to propose people, especially young people, to be responsible, as well as enterprising individuals who became entrepreneurs or entrepreneurial thinkers who contribute to economic development and sustainable communities (Raposo & do Paço, 2011).

According to Okafar (2013), Entrepreneurial education is designed to communicate and instill the skills needed to recognize business opportunity, organize and start new business venture to students or trainees.

Therefore these pertinent literature advocates the significant relationships between entrepreneurial education and entrepreneurial activity.

### **Have starting capital**

Many researchers identified access to starting capital as the factors which significantly affect individuals to start one's own business. In the business world, start-ups need funds to cover the costs of regulation procedures and original set-up costs. If the government can help entrepreneurs find these funds, individuals are encouraged for the expanding enterprises (Hui, 2009). The weak availability of credit services and the very limited accessibility of financial institutions is a barrier to start a new venture (Fisseha, 2011).

Kalyani & Kumar (2011) revealed that, if the individual have a starting capital or made readily available they will start their business.

Peter v. et al (2016), founded that those who prefer being a business owner and those who have more favorable perceptions of financial start-up support are more likely to be an opportunity versus a necessity business owner.

Biniyam (2012) in his study revealed that majority of the youth did not have starting capital and it has a significant portion on making job creation difficult because nothing can be done without having the starting capital.

Eden (2012) in her study concluded that Wage employed and unemployed graduates failed to be self-employed, because of fear of risk of failure next to deficient of start-up capital and preference for a stable government wage employment

### **2.3.2. Personal factors**

#### **Age**

Young people are arguably cognitively sharper, less distracted by family or other responsibilities, and more open to transformative ideas (Dietrich and Srinivasan et al. 2007). The opportunity for starting a business might increase with age because many entrepreneurial resources accumulate with age including human capital, financial capital, and social capital, all of which may encourage both the decision to start a new firm and, conditional on entry, the success of the venture.

Age and experience may also be relevant when accessing financial capital. Models of entrepreneurship under liquidity constraints suggest younger individuals will have had less time to build up the capital needed to start a business or may face difficulties borrowing it ( Stiglitz and Weiss et al. 1981).

Young entrepreneurs might be more optimistic or confident and might be willing to take more risk. Occupational choice models by Johnson (1978), Jovanovic (1979), and Miller (1984), imply that individuals will try riskier occupations such as entrepreneurship when they are younger.

#### **Sex**

Atanasi (2015), in his study denoted that male's graduates have solidier desire of becoming entrepreneurs than females.

#### **Attitude**

Attitude is an important influencing factor for an individual's success in self-employment. This is because choosing a career in self-employment or entrepreneurship

as well as other job is said to be greatly influenced and aroused by the individual's own attitude (MohdSalleh, 2010).

According to Kuratko & Hodgetts (2012), the attitudinal approach is the best way to explain the entrepreneurial process because it links the individual and the ever-changing attitudinal object (Kuratko & Hodgetts, 2012).

Fisseha (2011) identified that graduates' low participation in self-employment or entrepreneurship is associated to the burden of social expectation on graduates. He also revealed that graduates prefer wage employment because being employed immediately after graduation is considered as an economic and social achievement to both the graduate and their family.

### **Business idea**

Eden (2012), revealed that they felt they were not equipped with practical skills through project works and apprenticeships; they felt they had no confidence about their knowledge in developing business ideas and preparation of business plan and even their technical and vocational skill.

### **2.3.3. Institutional factors**

Encouragement of greater entrepreneurial activity has become an increasing priority for governments across the world. Within this environment, policymakers are naturally becoming concerned with the type of intervention that can be initiated to increase the level of entrepreneurial activity at a regional and national level. If entrepreneurs have distinctive characteristics that make them more predisposed towards enterprise, then all policymakers can and should do to create an economic environment that is conducive to starting a new business (OECD, 2012).

The government needs to take action and encourage the creation of a more favorable business culture. This will certainly motivate entrepreneurs to expand their operations. Policymakers may employ various methods to encourage the formation of a desirable

business culture. For instance, the government should encourage self-employment by enhancing the socio-economic status of entrepreneurs through monetary rewards, incentives, and the like (Hui, 2009)

### **Bureaucracy**

A bureaucracy typically refers to an organization that is complex with multi layered system and process. Also it is a complex structure with multiple layers and procedures that make decision making slow (Caroline, 2019).

Laurențiu G. (2014), conducted a study on the effects of bureaucracy over the business environment and their impact on sustainable economic development and founded that it has a negative effects on business environment.

Ali (2017) conducted a study on factors influencing higher education graduates self-employment in woldia town and found that access to government policy and support are some of influential factors for graduates self-employment or entrepreneurship.

Biniyam (2014), in his study on factors hindering unemployed youth from starting their own business in case of Mekele city educated unemployed youths found that unwelcoming business environment.

### **Duration of study stay in HEI**

Wolday et al. (2015), studied Characteristics and Determinants of Entrepreneurship in Ethiopia founded that level of education is one of significantly affecting potential entrepreneurship engagement and entrepreneurial intensions in Ethiopia.

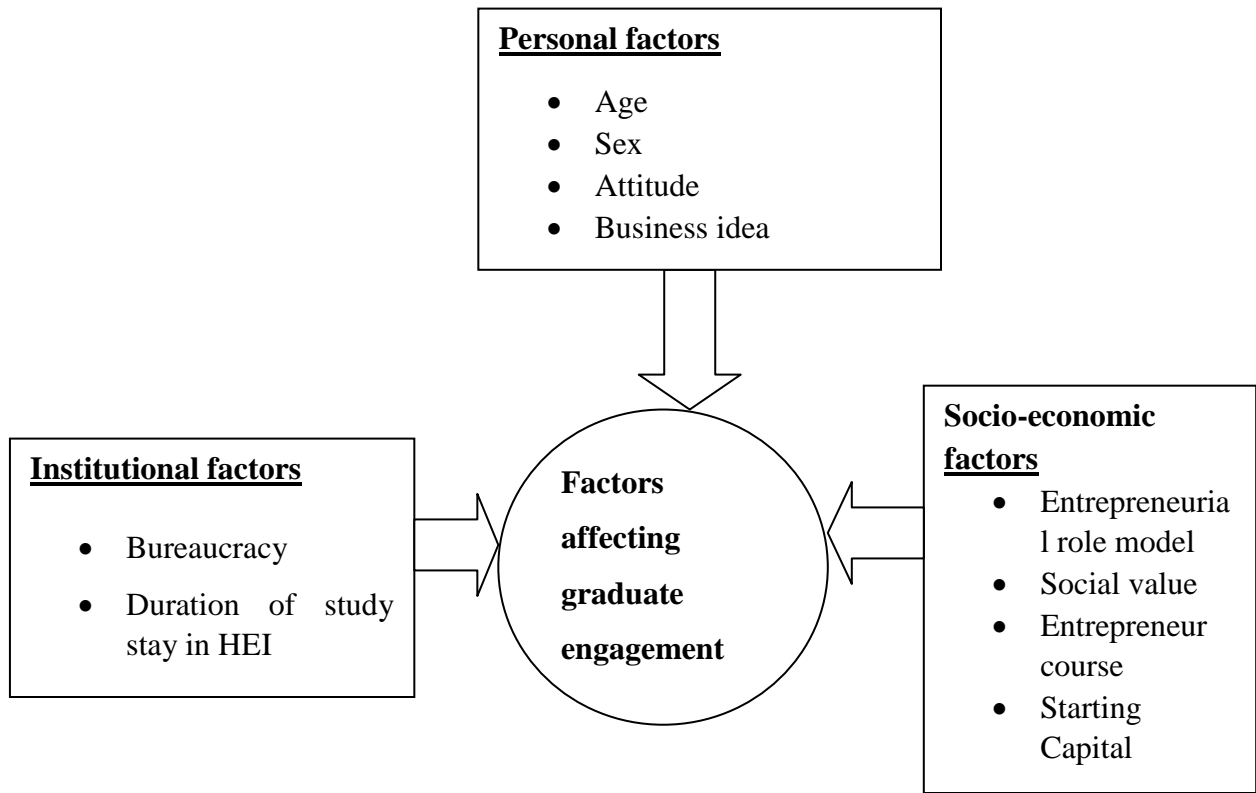
There is a strong relationship between educational status and the possibility to be self-employed or engaged entrepreneurial activity. High achievement in a formal education has negative correlation with the prospect of a person to be self-employed or engaged on entrepreneurial activity (Mehari et al. 2017).

Abel et al. (2016), conducted a research in Addis Ababa and Dire Dawa city Administrations, Ethiopia on Challenges and Prospects of Entrepreneurship Development and Job Creation for Youth Unemployed and founded that year of education have significant influence.

#### **2.4. Conceptual Framework**

The conceptual framework is the foundation on which the entire research is based. It examines factors affecting graduate engagement in entrepreneurial activity. The dependent variable of this study is graduate engagement. The affecting factors that are usually considered as affecting to dependent variable for this study are; personal, socio economic and institutional factors. There are four personal variables such as; sex, age, attitude and business idea of the graduate. The Socio-economic are; entrepreneurial role model, social value or culture, entrepreneur course and starting capital. Finally, institutional factors are bureaucracy and duration of stay in Higher Education Institution. The conceptual framework presented in the figure below.

Figure 1 Summary of Conceptual framework



Source: Partial adoption from the others model (2020).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This section presents an overview of the study area description; type of research design; sampling technique and procedures used; sample size determination; data types, source, method of collection and analysis; and finally the definition and measurement of variables.

#### **3.1. Description of the study area**

##### **3.1.1. Location**

The study is conducted in Wolaita Sodo Town, Wolaita Zone, SNNPR, and Ethiopia. It is the administrative center of Wolaita Zone and located at 156 km south west of the Hawassa town which is the capital of Southern Regional State and 330km from Addis Ababa in the southern direction, through Hosanna road. Also the town is located at 8°North latitude and 37°East longitude. The Sodo town is located at 2050 above sea level.

##### **3.1.2. Population Size**

According to CSA (2007), the total population number of Sodo town is 109,225. The majority of people in the town leading their livelihood by undertaking small and medium trade such as hotel service, cereal marketing stores, flour Mills, pastries, cloth making (waving and sewing), livestock products etc. In addition the town have a small scale industries such as grain mill, wood & metal workshops, block hallow concert productions. They are few in number and don't clearly satisfy the present dynamism of the city (Wolaita Sodo City administration office, 2015).

Currently, in Wolaita Sodo town, there is a rapidly increasing youth unemployment challenge. The data shows that 560 graduates, who graduated from Higher Institution in year 2019, are registered unemployed. Involving these young graduates in

entrepreneurship is supposed as a solution to overcome the largest youth unemployment problem (Wolaita Sodo job creation office, 2019).

### **3.2. Research design**

Descriptive research design with cross sectional data type is employed in order to describing the characteristics of relevant groups, estimating percentage of units in a specified population exhibiting a certain behavior and determine the degree of association among variables.

### **3.3. Sampling technique and procedure**

Non-probability sampling technique is employed in this research in order to select sample respondents from the target population. This type of non-probability sampling does not give equal chance that each element of the population been included in the sample and classified in to Quota Sampling, Judgment sampling, Snowball sampling and Convenience sampling (Kothari, 1990).

From these non-probabilities types, the researcher has applied a snow ball sampling technique which is known as Multiplicity sampling or Multi-stage Sampling. The purpose of applying this type of sampling techniques was that to estimate characteristics that are rare in the total population and the target population has no known address and they were geographically dispersed.

Therefore the researcher initially contacted well-located respondents and then obtained additional respondents from referrals of these initial respondents until the expected number of sample size which is 233 respondent reached.

### **3.4. Sample size determination**

The sample for this study is determined by using scientific method Yamane (1967) method. These is because of the population is finite.

$$n = \frac{N}{1 + N(e)^2}$$

Where:-

- N is total population of graduate youth
- n is the sample size
- e is the level of precision

Accordingly this formula the sample respondents from the total targeted graduated youth are:-

$$n = \frac{560}{1 + 560(0.05)^2} = 233$$

### **3.5. Data types, sources**

The data which used in this research have both qualitative and quantitative nature and collected from primary and secondary sources. The primary data are collected from selected 233 sampled respondents. In addition; the secondary data sources such as offices reports, books, journals, bulletins, magazines, statistical reports, web sites, and unpublished materials are used.

### **3.6. Method of data collection**

The Primary data, both qualitative and quantitative data on personal, institutional ,socio economic factors, and other basic information was collected from sample graduates using structured and semi structured questionnaire. Also Key Informant Interviews (KIIs) held with individuals who have a knowledge and experience in areas

### **3.7. Method of data analysis**

The data analyzed by using both descriptive statistics and econometric statistics.

### **3.7.1. Descriptive statistics**

Descriptive statistics techniques such as mean, standard deviation, frequency of appearance, percentage, and maximum and minimum value etc. are used to compare and contrast different categories of sample unit's result. T-test is used to check the mean difference of engaged and none engaged for continuous variables, while chi-square test is employed to see the association of independent variables (dummy) with dependent variable.

### **3.7.2. Econometric analysis**

The dependent variable is binary (dummy). Therefore it takes the value 0 or 1 and it is a non-linear model that forces the output (predicted value) to be either 0 or 1. Thus, one purpose of a qualitative choice model is to determine the probability that a graduate who fall in one of either alternatives (in this study the alternatives are either engaged in entrepreneurial activity or none engaged in entrepreneurial activity).

### **Model specification**

The Logit and Probit models are commonly used models for dichotomous or dummy dependent variable. The Logit model assumes cumulative logistic probability distribution. Whereas, the probit probability model is associated with the cumulative normal probability function. The advantage of these models over the linear probability model is that the probabilities are bound between 0 and 1 (Gujarati, 2009)

Usually a choice has to be made between Logit and Probit models, but the statistical similarities between the two models make such a choice difficult. Gujarati (2009), illustrated that the logistic and Probit formulation are quite comparable. For this study the Logit model is selected, though both Logit and Probit models may give the same result.

Logit model is the most commonly used qualitative model that corresponds with a logistic distribution function and probit model corresponds with the normal distribution

function. Both models have been used interchangeably and give similar results. However, logit model is simpler in estimation than Probit model.

The logistic function is used because it represents a close approximation to the cumulative normal distribution and is simpler to work with. Hosmer and Lemeshow (1989) has pointed out that the logistic distribution has advantages over the others in the analysis of dichotomous dependent variable because it is extremely flexible, relatively simple from mathematical point of view and lends itself to a meaningful interpretation. Therefore the researcher has employed Logit model for the analysis.

The dependent variables which is engagement in entrepreneurial activity is a dichotomous variable and it took a value of 1 for graduates who are engaged and 0 for none engaged regress up against different covariates these being an entrepreneur on logistic regression.

Therefore the model is binary and it becomes:-

$$Y = \beta_0 + \beta_i X_i + u_i \text{ Where}$$

**Y** Is dependent variable and Also it is a dichotomous variable

**$\beta_0$**  Is constant and intercept term

**$X_i$**  Is independent variables taken in to analysis which affect Graduates engagement in entrepreneurial activity

**$\beta_i$**  Is a Partial correlation coefficient which tells the association between Graduates engagement in entrepreneurial activity and the explanatory variables rather than their causal relationship. The detail list of explanatory variable and their description are presented as following sub topic.

**$u_i$**  Is error term an explained variable

## Detecting multicollinearity tests

There are different methods suggested to detect the existence of multi co-linearity problem between the independent or explanatory variables. Among these methods, the multi co-linearity problems are checked in terms of variance inflation factor (VIF) for continuous and contingency coefficients for dummy variables respectively in this research.

The variance inflation factor (VIF) is used to test for the existence of multi co-linearity between continuous explanatory variables. Gujarati (2004), defined that VIF shows how the variance of an estimator is inflated by the presence of multi co-linearity. If  $R_i^2$  of the multiple correlation coefficients that results when the explanatory variable  $X_i$  is regressed against all the other explanatory variables, VIF is computed as follows:

$$VIF(X_i) = (1 - R_i^2)^{-1}$$

As  $R_i^2$  approaches 1, the VIF approaches infinity. That is as co-linearity between variables increases, the variance of the estimator increases, and in the limit it can become infinity. If there is no co-linearity between regresses, the value of VIF was 1. As a rule of the thumb, when the variables having VIF values less than the cut off value (10) are believed to have no multi co-linearity problems and those with VIF of above 10 are assumed to have a multi co-linearity problem. Therefore, since, in this study, the computational results of the VIF for continuous variables confirmed the non-existence of association between the variables and were included in the model (See Appendix Table II: B).

Similarly, there may also be interaction between qualitative and dummy/discrete variables, which can lead to problem of multi co-linearity or association. To detect this problem, contingency coefficient is computed from the survey data. Contingency coefficient is a chi-square based measure of association. As a rule of thumb, the threshold for contingency coefficients for dummy and discrete variables is 0.75. The values below 0.75 indicate the existence of weak association and above 0.75 indicates

strong association of variables. However, the results obtained in this study regarding dummy variables less than 0.75. Therefore, this indicated that there was no any multi co-linearity problem detected (See Appendix TableII: C).

The contingency coefficient is computed as follows:

$$C = \sqrt{\frac{\chi^2}{n + \chi^2}}$$

Where C is coefficient of contingency  $\chi^2$  is chi-square value and n is the total sample size.

### **3.8. Definition of variable, measurements and working hypothesis**

Different variables are expected that can affect a Graduates engagement in entrepreneurial activity in study area. These hypothesized variables tested whether they are statistically significant or not by using t-statistics and chi-square ( $\chi^2$ ) tests. The t-test is used to test the significance of the mean value of continuous variables of the two groups of engagement and none engagement of graduates in entrepreneurial activity. Likewise the dummy explanatory variables are tested by using the chi-square ( $\chi^2$ ) distribution. After the analytical procedures and its requirements are known, it is important to identify the potential explanatory variables, define their measurements and symbols to represent them. Accordingly, the major variables which expected to affect graduate engagement in entrepreneurial activity are explained below.

**Dependent variable:** The dependent variable in this study is Engagement in Entrepreneurial activity (EnEntac).It is a dummy variable and measured as 1 for graduates who are engaged in entrepreneurial activity and 0 for none engaged.

**Independent variables:** are the explanatory variables which hypothesized to determine or affect graduates engagement in entrepreneurial activity. Based on review of different literatures conducted the researchers presented them as follows:-

**Sex (sx)**

Sex is a dummy variable in which it assigned the value 1 if the Graduates are male and 0 otherwise. Several scholars argued due to women have less early career experience, social support, or role models related to entrepreneurship than their male counterparts, which undermines the entrepreneurial self-efficacy of women and, ultimately their entrepreneurial intention. The gendered nature of entrepreneurial career may raise additional barriers for women in terms of fear of failure when thinking about possibility of starting a business (Camelo-Ordaz et al., 2016).

Therefore, in this study sex is expected to have relation with graduate engagement in entrepreneurial activity that male graduate relate positively and female graduate relate negatively with engagement in entrepreneurial activity.

**Age of graduate (AGr)**

Age is explanatory continues variables which is measured in years. Older people have a more advantages than younger peoples for starting their business due to them have gained human, social, and financial capital over the years (Down, & Minniti, 2014).Therefore, age of graduate expected to affect engagement in entrepreneurial activity positively.

**Duration education in Higher Institution (DuE)**

It is an explanatory continuous variable which is measured in years. High achievement in a formal education has negative relationship with the prospect of a person to be self-employed or engaged in entrepreneurial activities. Because of fear of risk-taking and choosing of a career which is salaried than involving in self-employment (Meharriet al., 2017).By assuming different researches, it expected that duration of education in Higher Institution significantly affects engaging in entrepreneurial activity negatively.

**Have starting capital (SC):-**

It is an independent variable and also a dummy variable. The respondents are asked about if they do have or not have a starting capital to be engaged in entrepreneurial activity. Then the measurement is 1 for those graduates who responded that they do have a starting capital and 0 for graduates who do not have a starting capital.

Starting capital is most important resources required to put into action the business idea. If the graduates lack this resource, it constrains them from engaging in entrepreneurial activity (Straub, 2012; Simon & Aja, 2013). Hence, expected that have a starting capital affect graduate engagement in entrepreneurial activity positively.

**Positive social value (sv)**

It is independent variable and also a dummy variable. Social values are set of moral principles defined by society dynamics, institutions traditions and cultural beliefs. Some authors argued that Social and cultural background of an individual influences the corporate behavior of citizens particularly in the creation of business (Thomas A.S. & Mueller S.L., 2000).

Gorodnichenko and Roland (2011) claimed that culture affects social norms as well as the economic behaviors such as the propensity to save, to innovate, and many other economic decisions. Culture enables to suggest or judge which kinds of work are appropriate and inappropriate for different groups. The probability of being self-employed affected with cultural backgrounds that shape the attitudes toward risk, which in turn influence the choice of becoming an entrepreneur (Hoyos-Ruperto, 2009).

The respondents are asked for their understandings about value society have to graduate engagement in entrepreneur activity and how the cultures seem. Then it is measured as 0 for graduates who responded that the society have a negative value and then a low culture of engaging in entrepreneurial activity and 1 otherwise. In this study it is expected negative social value affects graduates engagement in entrepreneurial activity negatively.

**Entrepreneur course (EnCo)**

It is an independent dummy variable and measured as EnCo is 1 for those graduate who received entrepreneur course during their stay at education and EnCo is 0 otherwise.

Education is an important aspect of human capacity development it plays a significant role in inculcating entrepreneurial skills from one person to another through direct and indirect learning process, therefore the right type of education is needed at various level of education (UNICEF, 2000).

Since adequate entrepreneurship education enables an individual to acquire the skills and knowledge needed for establishing and developing a new business, it expected that having entrepreneur course affect engaging in entrepreneurial activity positively.

**Bureaucracy (Bue):**

It is an independent variable and also a dummy variable. Respondents asked for their understanding about either the presence of bureaucracy for engaging in entrepreneurial activity in the study area. Thus, it is measured as Beu is 1 for graduates who understood the presence of bureaucracy for engaging in entrepreneurial activity in study area and 0 otherwise.

A bureaucracy typically refers to an organization that is complex with multilayered system and process. Also it is a complex structure with multiple layers and procedures that make decision making slow (Caroline, 2019). Bureaucracy is a key element among the hurdles entrepreneur entry (Memani, 2015). Bureaucracy expected to affect graduate engagement in entrepreneurial activity negatively.

**Positive attitude (Att):-**

An attitude is a positive; negative or mixed evaluation of an object that is expressed at some level of intensity. How much we like or dislike something determines our behavior toward that thing. It is an independent variable and also a dummy variable. The respondents are asked about the attitude they have for engaging in entrepreneurial

activity and then it is measured as 1 for graduates who responded that they have a positive attitude for engaging in entrepreneurial activity, and 0 otherwise.

According to N.I.Munn (2018), Attitudes are learned predispositions towards aspects of our environment. They may be positively or negatively directed towards certain people, service or institution. Positive attitude is expected to affect graduate engagement in entrepreneurial activity positively.

### **Have a business idea (BuI) or Opportunity**

Graduates may wonder how they decided what business to operate. They may have acted on a new idea or an opportunity. Opportunities are defined as new products, services, or processes that can be introduced into the market (Eckhardt & Shane, 2003; Shane & Venkataraman, 2000). When people generate more ideas, the probabilities generate an innovative one is more. There is a positive relationship between the number and the innovativeness of identified opportunities (Gielnik et al, 2014).

It is an independent variable and also a dummy variable. The graduates are asked either they do have a business ideas or no business idea for engaging in entrepreneurial activity. Then it is 1 for graduates who responded they do have business idea and 0 for graduates who responded they do have no business idea. Have a business idea is expected to affect graduate engagement in entrepreneurial activity positively.

### **Have an entrepreneur role model (ErM)**

Entrepreneur's role model provides opportunities to learn about entrepreneurial tasks and capabilities. Also the presence of entrepreneurial role models in the social environment reduces the ambiguity that potential entrepreneurs may feel about starting a business and may help them acquire necessary information and entrepreneurial skills.

It is an independent variable and also a dummy variable. It is measured as  $ErM = 1$  for those who have an entrepreneurial role model and 0 otherwise. Have an entrepreneur

role model is expected to affect graduate engagement in entrepreneurial activity positively.

Table 1: Summary of variable definition and measurement

<b>Sr.no</b>	<b>Independent variables</b>	<b>Types of variable</b>	<b>Unit of measurement</b>
1	Sex	Dummy	1 for male and 0 for female
2	Age	Continuous	In years
3	Duration of Education	Continuous	In years
4	Have a Starting capital	Dummy	1 for graduates who have starting capital and 0 otherwise
5	Positive social value or Culture	Dummy	0 for graduates who understood society have a negative value then low culture 1 otherwise
6	Entrepreneur course	Dummy	1 for graduates who received entrepreneur course during their school stay and 0 otherwise
7	Bureaucracy	Dummy	1 for graduates who understood there is bureaucracy 0 otherwise
8	Positive attitude	Dummy	1 for graduates have a positive attitude for engaging in entrepreneurial activity 0 otherwise
9	Have business Idea	Dummy	1 for graduates who have business idea and 0 otherwise.
10	Have an entrepreneur role model	Dummy	1 for graduates who have entrepreneurial role model 0 otherwise

## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

This chapter presents the result and discussion from the descriptive and econometrics analysis. The descriptive analysis, mainly focusing on the relation between graduate engagement in entrepreneurial activity and different variables. The econometrics analysis focused on analyzing factors affecting graduate engagement in entrepreneurial activity by using binary logit model. Finally, qualitative data are discussed briefly.

#### 4.1.Descriptive analysis

This section presents the descriptive assessment of the data set in a descriptive way of analysis. The analysis presents the significant variables of the study in a descriptive manner. Hence, the analysis is discussed in the following manner.

##### Sex of the Graduates

Sex of the graduate is one of demographic features of the study. In this study, from the total of 233 graduated respondents, 132 or 56.6% are male graduates and 101 or 43.4% are female graduates .Out of total 132 male Graduates 12 or 9.1 % are engaged and 120 or 90.9% are none- engaged. Out of total female 101 Graduates11 or 10.9%Graduatesareengagedand the rest 90 or 89.1% are non-engaged.

The chi-square test result shows an insignificant association between sex and entrepreneurial engagement at less than10 % level of significance ( $\chi^2 = 0.208$ ;  $p=0.648$ ).

Table 2: Sex distribution of Graduates

Description	Male		Female		$\chi^2$	P-value
	No.	%	No.	%		
Engaged in	12	9.1	11	10.9		
Non engaged	120	90.9	90	89.1	<b>0.2084</b>	<b>0.648</b>
<b>Total by sex</b>	<b>132</b>	<b>56.6</b>	<b>101</b>	<b>43.4</b>		NS

Source: Own computation based on data, 2019

Note: NS not significant

### Age of the Graduate

The age of the total sampled Graduates ranged between 21 up to 34 years and the overall mean age of respondent is 24.24 years. The age of engaged Graduates ranged between 22 to 34 years having the mean age of 24 years while the age of the non-engaged Graduates ranged between 21 to 31 with the mean age of 26.2 years. From the statistical analysis performed, or t-test result is found out that the mean age difference between engaged and non- engaged graduates in entrepreneurial activities is statistically significant at less than 1% level of significance (t- value =177.466; p=0.000).

This study is in line with the findings of Israr M. and Saleem M. (2018), which was students with the younger age, was more interested to become self-employed.

Table 3: Age distribution of Graduates

<b>Description</b>	<b>Mean</b>	<b>Minimum</b>	<b>Maximum</b>	<b>T-value</b>	<b>P-value</b>
Engaged in	24	22	34		
Non-engaged	26.2	21	31	<b>177.466</b>	<b>0.000***</b>
Total	24.24	21	34		

Note: \*\*\* Significant at less than 1% probability level

Source: Own computation based on data, 2019

### **Duration of study**

The duration of academic stay of total respondents in Higher education is between 3 to 7 years. The mean duration of the study in Higher Institution of the total sample respondents is 4.05 years. The duration of academic study for sample respondents engaged in entrepreneurial activity is between 3 up to 6 years having the mean duration stay of 4.22 years while for the none engaged Graduates the duration of stay was between 3 to 7 with the mean duration of study of 4.03 years.

The t- test result shows significant association between duration of academic study and entrepreneurial engagement at less than 1 % level of significance (t- value = 67.130; p=0.000).

Table 4: Duration academic study condition

<b>Description</b>	<b>Mean</b>	<b>Minimum</b>	<b>Maximum</b>	<b>T-value</b>	<b>P-value</b>
Engaged in	4.22	3	6		
Non engaged	4.03	3	7	<b>67.130</b>	<b>0.000*</b>
<b>Total</b>	<b>4.05</b>	<b>3</b>	<b>34</b>		

Note: \*\*\* Significant at less than 1 % probability level

Source: Own computation based on data, 2019

### **Have Starting capital**

From the total 233 sample Graduate respondents 44 or 18.9 % have a starting capital and 189 or 81.1 % have no starting capital. Out of total 44 respondents who have starting capital 18 or 41% engaged in entrepreneurial activity whereas the remaining 26 or 59% are not engaged. Also from total 189 respondents who have no starting capitals 5 or 2.6% are engaged 184 or 97.4 are none engaged.

The chi-square test result shows there is a significant association between having a starting capital and engagement in entrepreneurial activity at less than 1 % level of significance ( $\chi^2 = 58.734$ ;  $p=0.000$ )

Table 5: Have starting capital condition

Note: \*\*\*Significant at less than 1 % probability level

Description	Have starting capital		Have no starting capital		$\chi^2$	P-value
	No.	%	No.	%		
Engaged in	18	41	5	2.6	<b>58.734</b>	<b>0.000***</b>
Non engaged	26	59	184	97.4		
<b>Total</b>	<b>44</b>	<b>18.9</b>	<b>189</b>	<b>81.1</b>		

Source: Own computation based on own survey data 2019

### Positive social value or Culture

In the table below from the total sample respondents 23.2 % are understood that the society have a negative value and there is a low culture of engaging in entrepreneurial activity while 76.8 % are not understood that the society have a negative value and not a low culture of engaging in entrepreneurial activity. From out sample respondents who understood that the society have a negative social value and low culture of engaging in entrepreneurial activity 16.7% are engaged and 83.3% are none engaged in entrepreneurial activity. While from graduates who not understood the society have a negative value and there is not low culture of engaging in entrepreneurial activity 7.8 % are engaged and 92.2% are none engaged in entrepreneurial activity.

The chi-square test result shows there is a significant association between positive social value and engagement in entrepreneurial activity at less than 10 % level of significance ( $\chi^2 = 3.6483$ ;  $p=0.056$ )

Table 6: Social value or Culture condition

Description	Understood negative social value		Understood positive social value		$\chi^2$	P-value
	No.	%	No.	%		
	Engaged	9	16.7	14		
Non engaged	45	83.3	165	92.2		
<b>Total</b>	<b>54</b>	<b>23.2</b>	<b>179</b>	<b>76.8</b>		

Note: \*Significant at less than 10 % probability level

Source: Own computation based on own survey data 2019

### Entrepreneur course

In the table below, from the total 233 sample respondents 137 or 58.8 % are received the entrepreneur course and 96 or 41.2 % are not received entrepreneur course. Out sample respondents who received entrepreneur course 20 or 14.6% are engaged and 117 or 85.4% are not engaged in entrepreneurial activity while from out of sample respondents who not received entrepreneur course 3 or 3.1 % are engaged and 93 or 96.9% are not engaged in entrepreneurial activity.

The chi-square test result shows there is a significant association between receiving entrepreneur course and engagement in entrepreneurial activity at less than 1 % level of significance ( $\chi^2 = 8.451$ ;  $p=0.004$ ).

This finding is similar with the same study by Suratno et al. (2019), found that graduates who have obtained or received entrepreneur course have great potential to become new entrepreneurs. Also this study is consistent with the findings of SM Kabir et al. (2017), that has found entrepreneurial education provide skills and knowledge that

might help the students to change their typical mind-set from searching job to creating jobs.

Table 7: Entrepreneur course

Description	Received entrepreneur course		Not received entrepreneur course		$\chi^2$	P-value
	No.	%	No.	%		
	<b>Engaged in</b>	20	14.6	3		
<b>Non engaged</b>	117	85.4	93	96.9		
<b>Total</b>	<b>137</b>	<b>58.8</b>	<b>96</b>	<b>41.2</b>		

Note: \*\*\* Significant at less than 1 % probability level

Source: Own computation based on own survey data 2019

### Bureaucracy

In the table below from the total 233 sample respondents 63 or 27% are understood that there is a bureaucracy while 170 or 73 % are not understood that there is a bureaucracy. Out sample respondents who understood there is bureaucracy 7 or 11.1% are engaged and 56 or 88.9% are not engaged in entrepreneurial activity while from out of sample respondents who not understood bureaucracy 9.4 % are engaged and 96.6% are not engaged in entrepreneurial activity.

The chi-square test shows there is insignificant association between bureaucracy and engagement in entrepreneurial activity at 10 % level of significance ( $\chi^2 = 0.149$ ;  $p=0.699$ ).

Table 8: Bureaucracy

Description	Understood bureaucracy		Not understood bureaucracy		$\chi^2$	P-value
	No.	%	No.	%		
	Engaged	7	11.1	16		
Non engaged	56	88.9	154	90.6	<b>0.149</b>	<b>0.699NS</b>
<b>Total</b>	<b>63</b>	<b>27</b>	<b>170</b>	<b>73</b>		

Note: NS Not significant

Source: Own computation based on own survey data 2019

### Positive attitude

From the total 233 sample respondents Graduates 149 or 64% were have a positive attitude for engaging in entrepreneurial activity and 84 or 36 % were not have a positive attitude. Out 149 sample respondents who have a positive attitude 21 or 14.1% were engaged and 128 or 85.9% were not engaged in entrepreneurial activity while from out of 84 sample respondents who were not have a positive attitude 2 or 2.4 % were engaged and 82 or 97.6% were not engaged in entrepreneurial activity.

The chi-square test shows there is a significant association between attitude and engagement in entrepreneurial activity at 1 % level of significance ( $\chi^2 = 8.283$ ;  $p=0.004$ ).

Table 9: Attitude

Description	Have a positive attitude		Have no positive attitude		$\chi^2$	P-value
	No.	%	No.	%		
	Engaged in	21	14.1	2		
Non engaged	128	85.9	82	97.6	<b>8.283</b>	<b>0.004***</b>
<b>Total</b>	<b>149</b>	<b>64</b>	<b>84</b>	<b>36</b>		

Note: \*\*\* Significant at less than 1 % probability level

Source: Own computation based on own survey data 2019

### Business idea

From the total sample respondents Graduates 98 or 42% were have a business idea for engaging in entrepreneurial activity and 135 or 58 % were not have a business idea. Out of sample respondents who have a business idea 22 or 22.4 % were engaged and 76 or 77.6% were not engaged in entrepreneurial activity while from out of sample respondents who were not have a business idea 1 or 0.75 % were engaged and 134 or 99.25 % were not engaged in entrepreneurial activity.

The chi-square test shows that there is a significant association between have a business idea and engagement in entrepreneurial activity at 1% level of significance ( $\chi^2 = 30.075$ ;  $p=0.004$ ).

Table 10: Business idea

Description	Have a business idea		Have no business idea		$\chi^2$	P-value
	No.	%	No.	%		
Engaged in	22	22.4	1	0.75		
Non engaged	76	77.6	134	99.25	<b>30.08</b>	<b>0.000***</b>
Total	<b>98</b>	<b>42</b>	<b>135</b>	<b>58</b>		

Note: \*\*\*Significant at less than 1 % probability level

Source: Own computation based on own survey data 2019

### Entrepreneur role model

In the table 11 below, from the total sample respondents 76 or 32.6 % have an entrepreneur role model and 157 or 67.4 % not have entrepreneur role model. Out sample respondents who were have entrepreneur role model 8 or 26.7% were engaged and 58 or 76.3 % were not engaged in entrepreneurial activity while from out of sample respondents who were not have entrepreneur role model 5 or 3.2 % were engaged and 152 or 96.8% were not engaged in entrepreneurial activity.

The chi-square test shows there is a significant association between having entrepreneur role model and engagement in entrepreneurial activity at 1 % level of significance ( $\chi^2 = 824.188$ ;  $p=0.000$ ).

Table 11: Entrepreneur role model

Description	Have a role model		Have no a role model		$\chi^2$	P-value
	No.	%	No.	%		
	Engaged in	18	26.7	5		
Non engaged	58	76.3	152	96.8	<b>24.19</b>	<b>0.004***</b>
Total	<b>76</b>	<b>32.6</b>	<b>157</b>	<b>67.4</b>		

Note: \*\*\* Significant at less than 1 % probability level

Source: Own computation based on own survey data 2019

### Summary of Descriptive analysis

Before moving to the Econometric model of analysis, it is important to wind up the results of the descriptive statistics. The overall respondent's socio-economic characteristics or variables were discussed using descriptive statistical techniques.

In this study, sample respondents are treated into engaged and none - engaged categories. T-test and chi-square statistics are analyzed for continuous and dummy variables, respectively. Out of ten hypothesized explanatory variables, eight shown significant mean difference and association with engagement in entrepreneurial activity. Thus, summary of the overall findings is presented in Tables 12 and 13. As it can be referred from (table: 12), below two continuous variables were significant mean difference among engaged and none-engaged graduates at less than 1% probability level.

Table 12: Summary of descriptive/inferential statistics for continuous variables

Variable	Mean			T-value	P-value
	Engaged	None-engaged	Total		
Age	24	26.2	24.24	177.466	<b>0.000*</b>
Duration of study	4.22	4.03	4.05	67.13	<b>0.000*</b>

Note: \*\*\* Significant at less than 1% probability level

Source: Own computation based on data, 2019

As it is illustrated in table below (table 13), a total of 8 dummy variables are tested with chi square and all of them has a significant association with engagement in entrepreneurial activity at up to less than 10% probability level. The non-significant variables are sex and bureaucracy.

Table 13: Summary of descriptive/inferential statistics for dummy variable

Variables	Categories	Engaged (%)	None-engaged (%)	Total (%)	$\chi^2$	P-value
Sex	Male	9.1	90.9	56.6	0.208	0.648 NS
	Female	10.9	89.1	43.4		
Starting capital	Have starting capital	41	59	18.9	58.73	0.000 ***
	Not have starting capital	2.6	97.4	81.1		

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		capital				
Social value or cultur e	Understood society have negative value	16.7	83.3	23.2	3.6 48	0.056 *
	Not Understood society have negative	7.8	92.2	76.8		
Entre prene ur cours e	Received	14.6	85.4	58.8	8.4 51	0.004 ***
	Not received	3.1	96.9	41.2		
Burea ucrac y	Understood there is bureaucracy	11.1	88.9	27	0.1 49	0.699 NS
	Not understood there is bureaucracy	9.4	90.6	73		
Attitu de	Positive attitude	14.1	85.9	64	8.2 83	0.004 ***
	No positive attitude	2.4	97.6	36		
Busin ess idea	Have business idea	22.4	77.6	42	30. 08	0.000 ***
	Have no business	0.75	99.25	58		

---

	idea					
Role	Have role model	26.7	76.3	32.6	24.	<b>0.004</b>
model	Have no role model	3.2	96.8	67.4	19	***

Note: Significant at less than 1%, 5% and 10% probability level

Source: Own survey result, 2019

## 4.2. Econometric analysis

### Factors affecting graduate engagement in entrepreneurial activity

The explanatory variables are tested for the existence of multi co-linearity problem using variance inflation factor (VIF) for continuous explanatory variables and contingency coefficient for dummy variables before putting them in to the model. Accordingly, the test shows that there is no sever co-linearity problem among the variables under investigation (See Appendix Table II: B and C).

The goodness-of-fit measurements of the model are given in the Table 14. The computed log likelihood ratio statistics (Chi-square) exceed the Chi-square critical values at 1 percent significance level confirming that the independent variables taken together influence the factors affecting Graduates engagement in entrepreneurial activity. Another goodness of fit measurement is computing the ratio of number of correct predictions to total number of observation for both engaged and non-engaged to find the number of observations that are correctly predicted. The method is based on the principle that if the estimated probability of the event is less than 0.5, the event will not occur and if it is greater than 0.5 the event will occur. The result shows that the logistic regression model correctly predicted about 69.6 percent and 99 percent for engaged and non-engaged, respectively (Table 14). The higher value of the sensitivity and specificity measurements indicates the better classification of the events using the specified model. Additionally, the model result shows the correctly predicted percent of all sampled

graduates are 96.1%, which is greater than 0.50 indicated that the model had, fits the data very well.

### **Result of Binary Logistic Regression Model**

The estimated coefficients of the logistic regression model shows that out of the ten variables that are to affect graduates engagement in entrepreneurial activity, five of them are found significant, while the remaining five are not significant in explaining the variations of the dependent variable. The significant variables were such as age, starting capital, social value, bureaucracy, and business idea are significantly affect graduates engagement in entrepreneurial activity. The discussion and interpretation of the significant explanatory variables in the model are presented as below.

**Age of the graduates-** it is significant at less than 5% probability level and shows positive relationship in explaining the Graduates engagement in entrepreneurial activity. This means, as the age of the graduate increase by a single year, keeping other factors remains constant, the possibility of the graduates being engaged in entrepreneurial activity increase by a log odd ratio of 1.436. This shows that the graduates who are at lower age looking for salary employment rather than engaging in entrepreneurial activity. Also this describe that younger or lower age graduates are more likely to take high risks than the older graduates which is considered as one of the vital entrepreneurial traits. This finding is consistent with the findings of Abel et al. (2017), which was the larger the age of youth is the better experience for different economic activities.

**Have starting capital:** - It is positively correlated with graduate engagement in entrepreneurial activity and statistically significant at less than 1% probability level. The logic behind is that the graduates who have a starting capital had a higher probabilities of engaging in entrepreneurial activity. As the probability of having or owning of a starting capital of the graduates increase from 0 to 1 (not have to have), the probability of the graduate being engaged in entrepreneurial activity increase by log odd ratio of 17.938, when other factors remain constant. This shows that graduates who

have a starting capital have a more probability of being engaged in entrepreneurial activity than those who have no starting capital. This finding was consistent with the similar study done by Kalyani& Kumar (2011), which their study found that if starting capital is made readily available the youth will start their business. Also this finding same as the findings of Biniam (2012), which is since Majority of the youth did not have starting capital and quite significant portion of them believe that securing funding from different sources is difficult. In such conditions it is difficult to expect a youth who can create a job because nothing can be done without having the starting capital.

**Positive social value or culture:** -It is positively correlated with graduate engagement in entrepreneurial activity and statistically significant at less than 10% probability level. As the probability of understanding positive social value or culture increase from 0 to 1 (Negatively understood to not negatively understood), the probability of graduate engagement in entrepreneurial activity increase by log odd ratio of 3.497 when other factors remain constant.

.The results of the estimation agreed with the prior expectation effect of the variable on graduate engagement in entrepreneurial activity. This finding is consistent with similar study done by Maphosa (1998), which concluded social factors have an encouraging or impeding effect on the development of entrepreneurship and Hoyos-Ruperto (2009), that the probability of being self-employed affected with cultural backgrounds that shape the attitudes toward risk, which, in turn, influence the choice to become an entrepreneur.

**Bureaucracy:** - It is negatively correlated and statistically significant at less than 10% probability level. This result implies that when the probability of existence of the bureaucracy increase by from 0 to 1(no bureaucracy to bureaucracy), the probability of Graduates engaging in entrepreneur activity decrease by a log odd ratio of 0.246 keeping other variables constant.

Similar studies conducted by (Ali Nuriy, 2017), stated that Government policy in and supports like incentives, credit service, low tax burden and provision of premises for

new graduates for starting his/her own business are very significant factor .Accordingly this findings if, there is a high level or increased of bureaucracy such as getting business license, access to credit etc. the motivation of graduate to engage in entrepreneurial activity decreased.

**Business idea:** -It is positively correlated and statistically significant at less than 1%probability level. This result implies that when probability Graduates have a business idea increase from 0 to 1(have no idea to have idea), the probability of engaging in entrepreneur activity increase by a log odd ratio of 30.515keeping other variables constant.

Table 14: Results for binary logit regression model Estimation

		Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp(B)	90% C.I.for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Sex	-.543	.734	.547	1	.459	.581	.174	1.943
	Age	.362	.173	4.357	1	.037	1.436	1.080	1.910
	Dustudy	.100	.362	.077	1	.781	1.106	.610	2.004
	Stcapital	2.887	.720	16.090	1	.000	17.938	5.491	58.599
	Sovalue	1.252	.750	2.785	1	.095	3.497	1.018	12.015
	Entcour	1.122	1.086	1.066	1	.302	3.070	.514	18.324
	Beuro	-1.401	.790	3.148	1	.076	.246	.067	.903
	Attitude	1.112	1.040	1.144	1	.285	3.040	.550	16.813
	Busidea	3.418	1.247	7.512	1	.006	30.515	3.923	237.361
	Rolemodel	.818	.790	1.073	1	.300	2.266	.618	8.305
	Constant	-17.099	4.701	13.230	1	.000	.000		

a. Variable(s) entered on step 1: Sex, Age, Dustudy, Stcapital, Sovalue, Entcour, Beuro, Attitude, Busidea

– 2 Log likelihood	60.804
Model Chi-Square ( $\chi^2$ )	89.153
Correct prediction of all samples (count R2) (%)	96.1
Sensitivity/ Correct prediction of engaged (%)	69.6
Specificity/ Correct prediction of none engaged (%)	99

Source: Model output, 2020

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1. Summary

Entrepreneurship is one of the concepts which have been used for a long time in social disciplines can be defined as individual's ability to turn ideas into action through creating, innovating, taking calculated risk, planning and managing projects with the objective supporting everyone in day-to-day life at home and the society at large. It has a significant effect by reducing unemployment problem.

Different theories and articles in entrepreneurship have shown that there are many factors affecting individual engagement in entrepreneurship. Since there is no consistency in their findings and any recent evidence or baseline survey, the researcher has further conducted the study aiming to examine factors affecting graduates engagement in entrepreneurial activity in Ethiopia: the case of Wolaita Sodo Town.

Non-probability sampling technique was employed in order to select sample respondents. From different non-probabilities sampling types, the researcher applied a snow ball sampling which is known as Multiplicity sampling or Multi-stage Sampling. This is because of to estimate the characteristics that are rare in the total population and the target population has no known address and they are geographically dispersed. Accordingly researcher initially contacted well-located respondents and then obtained additional respondents from referrals of these initial respondents until the expected number of sample size which is 233 respondents selected.

Both qualitative and quantitative data are collected from primary and secondary sources. Primary data was collected by using interview questionnaires or Schedule from respondents and key informants. While secondary data was obtained from different secondary sources. The descriptive statistic and econometric model are employed to analyze collected data.

The maximum likelihood estimates of the logistic regression model shows that a set of ten explanatory variables (two continuous and eight dummy) variables are included in model. Out of 10 independent variables which had been assumed to be significantly related with the graduate engagement in entrepreneurial activity, the estimation revealed from binary logistic regression that five variables are found statistically significant, while the remaining five variables are not significant in explaining the variations of the dependent variable.

The significant variables are age of graduate, have starting capital, negative social value, bureaucracy and have business idea are significantly affect graduate engagement in entrepreneurial activity.

## **5.2.Conclusion**

From the results of this study one can conclude that personal factors affecting graduate engagement are age and have business idea which are positively correlated ,the socio-economic factors affecting graduate engagement are have starting capital, positive social value and which are positively correlated and finally the institutional factor which is a bureaucracy is affecting and negatively correlated.

## **5.3.Recommendations**

Based on the findings of the study, the following recommendations are forwarded as alternatives to Promote Graduate engagement in entrepreneurial activity.

Age is found to be the determining factor of graduate engagement in entrepreneurial activity in the study area. The result implies that age is positively correlated with graduate engagement in entrepreneurial activity. Since the larger the age of the graduate has the better experience for different economic activities the concerned Government body and NGOs should work on different capacity building work to fill the gap related to the lower age.

The study found that having starting capital is positively and significantly correlated with graduate engagement in entrepreneurial activity. Therefore, the government organizations and other partners should provide affordable alternative sources of finance for entrepreneurs by communicating with the banks and other credit institutions to minimize their requirements.

Negative social value or culture is also one of the determinants or affecting factors of graduate engagement in entrepreneurial activity in the study area and is positively correlated. Because of that, the job or career decision of individuals are highly affected with the perception of the family and the society at large, workshops on the area of entrepreneurship should be conducted by government organizations and NGOs to make people or society aware about the nature and roles of entrepreneurship.

Bureaucracy is the other determinant of graduate engagement in entrepreneurial activity and is negatively correlated. So, the government organizations should give special attention in order to eliminate these problems. The graduates should be more motivated by government organizations to try to start their own business.

Business idea is also one of the significant explanatory variables that affect graduate engagement in entrepreneurial activity. The government should create a conducive business environment by promoting job creation and competition. Also, the research centers and other concerned organizations should give support to the graduates by identifying viable business ideas and giving training to build their capacity in business development.

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# APPENDIXES

## Appendix I: Questionnaires

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

GRADUATE STUDIES

### Questionnaire to be filled by respondents

#### Dear Respondents!

This questionnaire is designed to collect the data to investigate **Factors affecting Graduates Engagement in entrepreneurial activity** for the partial fulfillment of Master's Degree in Master of Business Administration (MBA).

The response will be used for the academic purpose only .Thus, while you are filling the questionnaire be confidential that the researcher use the responses only to conduct his research and I want to assure you that your response will be secured from other third party unauthorized access. It is not needed that to write your name on the questionnaire.

#### Thank You In Advance!

#### General instruction

- Don't write your name
- Fill the space provided for open ended questions and
- put "X" mark in box for your response

1. Sex: Male  Female

2. Age: ----- in years.
3. How long you studied or attended the Education in Higher Education institutions? ---  
----- In years.
4. When was your year of graduation? \_\_\_\_\_
5. What is your field of study? \_\_\_\_\_
6. Are you engaged in entrepreneurial activity? Yes  No
7. If your respond in the above question 6 is yes:-
- 7.1. In what entrepreneurial activity you engaged.....
- 7.2. Do you owned starting capital during your engagement in entrepreneurial activity? Yes  No
- 7.3. If you don't owned starting capital during your engagement in entrepreneurial activity from where you got it? .....
8. If your respond in the above question 6 is **No** or you are not engaged in entrepreneurial activity:-
- 8.1. What is your current job?  
Unemployed  wage employed
- 8.2. Do you have a starting capital if you intend to engage in entrepreneurial activity?  
Yes  No
- 8.3. If your respond is **no** in the above 8.2 question, do you have other source?  
Yes  No
9. Do you understand that the society have a negative value for engaging in entrepreneurial activity? Yes  No
10. Do you receive an entrepreneur course during your Higher education stay?  
Yes  No
11. Do you understand that there is a bureaucracy for engaging in entrepreneurial activity? Yes  No
12. Do you have a positive attitude for engaging in an entrepreneurial activity?  
Yes  No
13. Do you have a business idea for engaging in an entrepreneurial activity?  
Yes  No

14. Do you have an entrepreneurial role model like a family member; friends etc.?  
Yes  No

15. What shall you reflect or recommend on factors influencing Higher Education Graduates engagement in entrepreneurial activity?

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End of the question

Thank you very much for responding to the all questions!!!

## Appendix II: CORRELATION AND MULTICOLLINEARITY

### A/Result for test of multicollinearity

	Sex	Age	Duration of study	Starting capital	Social value	Entrepreneur course	Bureaucracy	Attitude	Business idea	Role model
<b>Sex</b>	1.000									
<b>Age</b>	-.129	1.000								
<b>Duration of study</b>	-.117	-.239	1.000							
<b>Starting capital</b>	.145	.116	.006	1.000						
<b>Social value</b>	-.047	.203	.025	-.046	1.000					
<b>Entrepreneur course</b>	.026	.250	.100	.130	-.038	1.000				
<b>Bureaucracy</b>	.042	-.289	.044	-.119	-.249	-.297	1.000			
<b>Attitude</b>	-.203	-.123	.048	-.086	.188	-.109	-.067	1.000		
<b>Business idea</b>	-.150	-.005	.225	.157	.143	.072	-.213	.046	1.000	
<b>Role model</b>	.030	.000	-.144	-.172	.076	-.374	.084	.039	-.181	1.000

Source: Model output, 2020

**B/ Variance inflation factors for continuous variables to test Multicollinearity**

<b>Variable</b>	<b>Tolerance</b>	<b>VIF</b>
Age	0.704	1.42
Duration of study	0.704	1.42

*Source: Model output, 2020*

**C/ Contingency coefficient for dummy variables to test Multicollinearity**

<b>Variable</b>	<b>(V1)</b>	<b>(V2)</b>	<b>(V3)</b>	<b>(V4)</b>	<b>(V5)</b>	<b>(V6)</b>	<b>(V7)</b>	<b>(V8)</b>
<b>Sex(V1)</b>	1.000							
<b>Starting capital(V2)</b>	.145	1.000						
<b>Social value(V3)</b>	-.047	-.046	1.000					
<b>Entrepreneur course(V4)</b>	.026	.130	-.038	1.000				
<b>Bureaucracy(V5)</b>	.042	-.119	-.249	-.297	1.000			
<b>Attitude(V6)</b>	-.203	-.086	.188	-.109	-.067	1.000		
<b>Bossiness idea(V7)</b>	-.150	.157	.143	.072	-.213	.046	1.000	
<b>Role model(V8)</b>	.030	-.172	.076	-.374	.084	.039	-.181	1.000

*Source: Model output, 2020*

### Appendix- III: Logit Regression

Variables in the Equation								
	B	S.E.	Wald	df	Sig.	Exp(B)	90% C.I. for EXP(B)	
							Lower	Upper
Sex	-.543	.734	.547	1	.459	.581	.174	1.943
Age	.362	.173	4.357	1	.037	1.436	1.080	1.910
Dustudy	.100	.362	.077	1	.781	1.106	.610	2.004
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PositiveSovalue	1.252	.750	2.785	1	.095	3.497	1.018	12.015
Step 1 <sup>a</sup> Entcour	1.122	1.086	1.066	1	.302	3.070	.514	18.324
Beuro	-1.401	.790	3.148	1	.076	.246	.067	.903
Attitude	1.112	1.040	1.144	1	.285	3.040	.550	16.813
Busidea	3.418	1.247	7.512	1	.006	30.515	3.923	237.361
Rolemodel	.818	.790	1.073	1	.300	2.266	.618	8.305
Constant	-17.099	4.701	13.230	1	.000	.000		

a. Variable(s) entered on step 1: Sex, Age, Dustudy, Stcapital, Sovalue, Entcour, Beuro, Attitude, Busidea, Rolemodel.