The Mediating Impact of Self-Confidence on Relationship of Perceived Formal Support and Entrepreneurial Intention in the Education Sector of Pakistan

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Abstract

The purpose of this study is to find out the mediating influence of self-confidence level (SC) on the relationship of perceived formal support (PFS) and students’ entrepreneurial intention (EI). There are few studies that investigated the influence of mediator (self-confidence level). As a result, this study contributes to the area of entrepreneurship. The study used a cross-sectional research design. The population of this study consists of final year undergraduates of University of the Punjab, Lahore. Sample consists of 250 students from three departments. Zero-order correlation, multiple regression analysis and t-test are used for data analysis. The multiple regression analysis shows that self-confidence level (SC) significantly mediates the relationship of perceived formal support (PFS) and entrepreneurial intentions (EI) of

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students. Furthermore, t-test shows that male and female students significantly different in terms of perceived formal support (PFS) but there is no difference between male and female students in terms of their entrepreneurial intentions (EI).

**Key words:** Self-confidence level, perceived formal support, entrepreneurial intention, gender, mediating role of self-confidence level.

1. **Introduction**

Now-a-days people in Pakistan are facing various problems including economic distress, poverty, low level of business and unemployment that lead them to a poorer situation (Dutta, Geiger & Lanvin 2015). In such circumstances, entrepreneurial activity gains more significance because through venture creation people can become a source of employment generation instead of becoming burden on existing economy of a country. Prior stream of literature shows that entrepreneurial intentions have been influenced by number of factors including internal and external factors to the entrepreneurs. Entrepreneurial intention has been examined through internal factors like perceived feasibility, perceived desirability of opportunity, subjective norm and belief about control (Kautonen, Gelderen, & Fink, 2015). Some scholars have focused on contextual factors and determined the role of environmental factors (e.g. political, legal, technological etc.) in developing one”s entrepreneurial intention (Autio, Keeley, Ulfstedt, &
Individual’s entrepreneurial intention has also been examined through combining external and internal factors (Turker & Sonmez Selcuk, 2009). Previous stream of literature shows that most of the studies are conducted in developed countries. This means that there have been few studies conducted on entrepreneurial intentions in developing countries such as Pakistan. Population of Pakistan will increase by 44% in next 20 years and 36 million more jobs will be required in upcoming ten years (Quadri & Ayesha, 2013). It is found that 49.2% of total population of Pakistan comprises of women and only 1% of that population is doing entrepreneurial activities (Qureshi & Mian, 2012). The same study also shows that “total early stage entrepreneurial activity” (TEA) of male rate in Pakistan is 17 times higher than female TEA rate and this gender gap is found one of the highest when compared with other economies of world.

Therefore, there is a dire need to place focus on such a larger section of society i.e. women and to arrange platforms for encouraging entrepreneurial activities among them in the country for generating possible job opportunities. This study intends to investigate that whether perceived formal support (PFS) has an influence on self-confidence level (SC) and in turn self-confidence (SC) may have influence on student’s entrepreneurial intentions (EI). Moreover, this study also investigates the difference between male and
female students in terms of perceived formal support and entrepreneurial intentions.

2. Literature Review

Entrepreneurship is a process of generating value for the business community by using the related economic, social and cultural resources embedded in the environment (Fillis & Rentschler, 2010). Entrepreneurship can be defined as the dynamic process that is created and owned by such person who tries to use economic resources for creating new value for catering specific demand in the market (McClelland, 1961). Entrepreneurs are the individuals who engaged in economic behavior by having intention of adding value for meeting individual needs. “Intention is a representation of a future course of action” to be performed (Bandura, 2001). Entrepreneurship can be viewed as the intention of individual’s self-acknowledged belief that he intends to create a new venture and knowingly plots an idea to do that in some foreseeable future (Thompson, 2009). Entrepreneurial intention (EI) had become an important area of research in recent years. Entrepreneurial intention can predict one’s entrepreneurial action (Kautonen, Gelderen, & Fink, 2015). A number of studies have been conducted on new business startup (McMullan & Long, 1990). The entrepreneurial activity cannot be flourished if it does not get supportive business climate (Lee, Florida, & Acs, 2004). Social networks are important source of information for developing new business ideas (Shalley & Perry-Smith, 2008). There are formal and
informal social networks (Hoang & Antoncic, 2003). Informal network could also be known as personal social network that mostly consisted of family, friends or colleagues (Zimmer, 1986). However, formal networks are consisted of suppliers, customers, competitors, or investors. This study has focused on investigating the influence of formal support factor in determining students’ entrepreneurial intention. Social networking is found a significant factor in developing long term business associations in China (Taormina & Lao, 2007). They signified the importance of social networking in early stage of business start-ups because at that time internal resources are quite limited. Social networking is a vital part of one’s social capital which would also be helpful in enhancing the return on one’s human capital e.g. intellect or education (Burt, 1997). Values or beliefs that transmitted by social network had an impact on one’s perceptions about entrepreneurial activity (Hindle, Godfrey, & Holt, 2009). Professional entrepreneurial agencies and networks are significant source of information regarding access to credit on easy conditions and helpful in making contracts by guaranteeing loans (Shelton, 2005). Formal entrepreneurial agencies are found as the provider of number of essential resources like technological information, tacit knowledge, and information about skilled labor (Quan, 2012). There is a positive impact of social networks on promoting entrepreneurial intention among academics (Fernandez, Esther, Fuentes-Fuentes, & Rodriguez-Ariza,
Perceived support of experts and consultants has a positive influence on entrepreneurial intention (Luthje & Franke, 2003). Social network has a significantly influence the entrepreneurial intention while strong and diversified network support would empower individuals to start new venture by tapping diversified.

Self-confidence is defined as the belief of an individual about the correctness of his intuition or gut-feeling (Vidal & Moller, 2007). Less attention is given on perceptions like self-confidence level by researchers (Koellinger, Minniti, & Schade, 2008). Self-confidence level is separate from other personality traits like self-esteem, self-concept and self-certainty & self-certainty, self-esteem and self-concept are the personality traits with higher robustness (Moreno, Castillo, & Masere, 2007). On the other hand, self-confidence is a task-specific and highly contextual personality trait. However, in the literature, self efficacy and self-confidence level are used interchangeably (Bandura, 1986). In previous literature self-efficacy is used to determine one’’s employment choice intention (Segal, Borgia, & Schoenfeld, 2005). Furthermore, self-efficacy is an important element in increasing the one’’s possibility of new business start-up (Rauch & Frese, 2007). Self-efficacy had a significant influence on Kuwaiti national’’s entrepreneurial intentions. Self-efficacy has an influence on entrepreneurial intention of individuals (Carter, Brush, Greene, Gatewood, & Hart, 2003). Therefore, self-efficacy plays a
vital role and has a direct influence on developing entrepreneurial intention. This means that individuals having higher self-efficacy may have higher entrepreneurial intention.

Past literature shows that self-efficacy is found as a significant mediator in developing the strength of one’s entrepreneurial intention and also determined the possibility of conversion of that intention into entrepreneurial action (Boyd & Vozikis, 1994). Self-efficacy and entrepreneurial attitude play significant mediating roles in determining the influence of business and personal networks on academics entrepreneurial intentions (Fernandez, Esther, Fuentes-Fuentes, & Rodriguez-Ariza, 2014). Self-efficacy is a mediator between proactive personality and entrepreneurial intention (Prabhu, McGuire, Drost, & Kwong, 2012). Self-efficacy is acted as a mediating variable between personal value and entrepreneurial orientation (Alam, Mohd, Kamaruddin, & Nor, 2015). Entrepreneurial self-efficacy played a mediating role between social ties and entrepreneurial intentions (Chen & He., 2011). Self-efficacy is found as a significant mediator between perceived educational support and entrepreneurial intention (Saeed, Yousafzai, Yani-De-Soriano, & Muffatto, 2015). Past studies show that there has been lesser work to investigate the influence of self-confidence level on the relationship of perceived formal support and entrepreneurial intentions. Therefore, this study intends to fill this gap in literature.
**H1:** Self-confidence level significantly mediates the relationship between perceived formal support and entrepreneurial intention of students.

Most of the time women perceived more non-supportive environment and difficulties in finding out any formal support (Kolvereid, 1996). Normally roles of women are viewed as caretaker of family (Roomi & Parrott, 2008). The society had concerns regarding interaction of females with males therefore, women perceived non-supportive conditions for starting their business. But male and female entrepreneurs perceive social networks in the same way (Khaliq, Rehman, Shaukat, Aslam, & Amin, 2015). The reason behind such finding is to acknowledge the benefits attached with accessing formal support i.e. formal networks would be the source of growth of a business (Baron & Markman, 2000). Therefore, when women believe that formal support is important in their venture creation and expansion then they use their skills to avoid social obstacles that they faced during their business start-ups (Izraeli & Adler, 1994).

**H2:** Male and female students perceive formal support differently.

Traditionally entrepreneurship was viewed as a gendered field having dominancy of males (Ahl, 2006). Entrepreneurs have to make decisions under uncertain conditions without having access to required information and such uncertain conditions become more problematic due to gender stereotypes which would make entrepreneurial activity more challenging for
women (Sexton & Bowman-Upton, 1990). Shared societal beliefs mostly define roles of men and women subsequently decide their access to opportunities and resources necessary for their career pursuance (Marlow, 2002). Societal values could restrict the women mobility and consequently would limit their access to various resources that were essential for their successful business start-ups (Zhao, Seibert, & Lumpkin, 2010). Due to such reasons some of the empirical studies showed that men have more intentions to start their own venture than their counterparts (Minniti & Nardone, 2007). Men are more interested in starting their own business as compared to women (Robb, 2002). This is primarily a gender stereotypes that entrepreneur was a masculine trait of the member of society (Gupta, Turban, & Bhawe, 2008). Therefore, women face difficulties in arranging resources necessary for business startups (Brush, Carter, Gatewood, Greene, & Hart, 2006). But Karimi, et al. (2013) found that there is no difference in the entrepreneurial intention on gender basis. Similarly, Tanveer, Shafique, Akbar, & Rizvi (2013) found that men & women have same entrepreneurial intentions and there is no difference in terms of their intentions.

**H3:** Male and female students differ in terms of their entrepreneurial intentions.
3. Methodology

This research used a cross-sectional survey research design. The study used a quantitative approach. The unit of analysis consists of the students of management and economics faculty of University of the Punjab, Lahore. There are seven departments in management and economics faculty. Three departments Institute of Business Administration (IBA), Institute of Business & Information Technology (IBIT) and Institute of Administrative Sciences (IAS) were selected purposefully for data collection. These departments offer educational support & training on necessary for the venture creation. Data was collected through simple random sampling from students of final semester. Students in the final semester are at the stage of planning their careers in the foreseeable future. Primary data was collected through questionnaire. The questionnaires were distributed among 325 students and received only 250 filled questionnaires. The questionnaire was developed using the scales of (Gelard & Saleh, 2011: Gurbuz & Aykol, 2008: Linan &
The questionnaire consists of five point Likert scale and demographic information is gathered through closed-ended questions.

4. Data Analysis

The table 1 shows frequency distribution, mean and standard deviation of different variables. 60.4% females and 39.4% males participated in this research study. The reason behind this difference is that more number of female students was enrolled in these departments than male students. The table 1 also shows that out of total population only 5.6% respondents were married and 94.6% respondents were unmarried. The value of Pearson correlation coefficient is (r=0.258) with significant value p<.05 so, there is weak positive relationship between perceived formal support (PFS) and entrepreneurial intention (EI) as. There is a strong positive association between self-confidence level (SC) and entrepreneurial intention (EI) as Pearson correlation coefficient (r=0.737) with significant value p<.05. There is weak positive correlation between self-confidence and perceived formal support as Pearson correlation coefficient (r=0.157) with significant value p<.05.

Table: 1. Correlation Matrix

<table>
<thead>
<tr>
<th>Variables</th>
<th>N%</th>
<th>Mean</th>
<th>S.D</th>
<th>PFS</th>
<th>SC</th>
<th>EI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 39.4%     | 60.4% |     |     |     |     |     |
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<table>
<thead>
<tr>
<th>Marital status</th>
<th>Married</th>
<th>Unmarried</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFS</td>
<td>3.496</td>
<td>.799</td>
</tr>
<tr>
<td>SC</td>
<td>3.792</td>
<td>1.419</td>
</tr>
<tr>
<td>EI</td>
<td>3.314</td>
<td>1.127</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level.
*. Correlation is significant at the 0.05 level.

4.1 Predicting Entrepreneurial Intention

Simple linear regression analysis is performed to examine the influence of perceived formal support (PFS) on entrepreneurial intention (EI) and results are summarized in table 2. Results of the regression analysis show that perceived formal support (PFS) has statistically significant influence on entrepreneurial intention (EI). Overall model explains 9.2% (F=9.416, p<.05) of variance in entrepreneurial intention (EI) and 10.3% of variation in entrepreneurial intention (EI) is explained by the perceived formal support (PFS).

Table: 2. Regression analysis of perceived formal support (PFS) & entrepreneurial intention (EI)

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>B</th>
<th>(SE)</th>
<th>β</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>2.003</td>
<td>.311</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>Gender</td>
<td>-4.35</td>
<td>.144</td>
<td>-.189</td>
<td>.003</td>
</tr>
<tr>
<td>Marital status</td>
<td>.324</td>
<td>.298</td>
<td>.066</td>
<td>.279</td>
</tr>
<tr>
<td>PFS</td>
<td>.445</td>
<td>.089</td>
<td>.315</td>
<td>.000</td>
</tr>
<tr>
<td>R²</td>
<td></td>
<td></td>
<td>.103</td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td></td>
<td></td>
<td>.092</td>
<td></td>
</tr>
<tr>
<td>R² change</td>
<td></td>
<td></td>
<td>.103</td>
<td></td>
</tr>
<tr>
<td>F (Significance)</td>
<td></td>
<td></td>
<td>9.416(0.000)</td>
<td></td>
</tr>
</tbody>
</table>
4.2 Mediating Effect of Self-confidence on Entrepreneurial Intention

Four steps approach with four regression equations is used to find out the influence of self confidence level on relationship of perceived formal support (PFS) and entrepreneurial intention (EI) (Baron & Kenny, 1986). Step - 1 involved determining the relationship between perceived formal support (PFS) and entrepreneurial intention (EI) in the absence of mediator (self-confidence level). Step - 2 is performed to show that perceived formal support (PFS) is significantly related to the mediating variable self-confidence. Step - 3 involved to determine a significant association between self-confidence level (mediator) and entrepreneurial intention (EI). Finally, in step - 4 the strength of the relationship between perceived formal support (PFS) and entrepreneurial intention (EI) is determined and results show that the strength of association between PFS & EI is significantly reduced after controlling mediating variable self-confidence level (SC). Table 3 shows results of the multiple regression analysis. Results show that self-confidence level (SC) partially mediates the relationship of perceived formal support (PFS) and entrepreneurial intention (EI). PFS is significantly related to EI in step - 1 as (β=.315, p<0.05), controlling for other variables. In step - 2, Perceived formal support (PFS) is associated significantly with self-confidence level (SC) as (β = .224, p<0.05). In step - 3, self-confidence level
(SC) is significantly associated with entrepreneurial intention (EI) as (β = .594, p < 0.05). In step - 4, there is a decrease in β value from 0.315 to 0.177 for the association between PFS and EI with the inclusion of mediator SC in the regression model. Results are summarized in table 3. Certain assumptions of regression analysis were also checked before and after performing regression analysis. Box plot indicated that there is no outlier in the data. Normal p-p plot showed that data is normally distributed. As Durbin Watson value was in the range of 1.6 – 2.5, it means that there is no serial correlation in the data. The VIF value for all variables was below 2.0 which mean that multicollinearity is not a problem (Allison, 1999, pp. 140-142). To check residuals are normally distributed or not, normal p-p plot of regression standardized residuals was performed, and to check heteroskedasticity, scatter plot of the standardized residuals on the standardized predicted values was formed and it indicated that there was no issue of heteroskedasticity in the data (Allison, 1999, pp. 128-128).

Table: 3. Mediation Analysis

| Independent Variables | Step 1 | | | Step 2 | | | Step 3 & 4 | | |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|
|                       | B      | (SE)   | β      | Sig.   | B      | (SE)   | β      | Sig.   |
| Constant              | 2.003  | .311   | .000   | .2793  | .266   | .000   | -.323  | .262   | .220   |
| Gender                | -4.35  | .144   | -.189  | .003   | -.299  | .123   | -.156  | .016   | -.186  | .102   | -.081  | .070   |
| Marital status        | .324   | .298   | .066   | .279   | .409   | .256   | .100   | .111   | -.017  | .211   | -.003  | .936   |
| PFS                   | .445   | .089   | .315   | .000   | .235   | .076   | .200   | .002   | .249   | .064   | .177   | .000   |
Sobel test of mediation is used to determine the significance of the mediation. Baron and Kenny approach is used to test mediation. The observed value of $z = 3.036$ with $p = 0.002$. As $p<0.05$, indicates that association between perceived formal support and entrepreneurial intention is reduced significantly by the inclusion of the mediator (self-confidence level). So, self-confidence level significantly mediates the relationship of perceived formal support and entrepreneurial intention. 44% of the variation in entrepreneurial intention (EI) is explained by perceived formal support (PFS) by means (mediation) of self-confidence (SC).

4.3 Compare Means
The table 4 shows mean of perceived formal support (PFS) and entrepreneurial intention (EI) with standard deviation. Data is divided into male and female participants and the results are summarized in table 4.

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** In step 2, dependent variable is SC. In step 1, 3 & 4, the dependent variable is EI. Gender & marital status are controlled variables.
Now there is need to test whether difference in mean between different groups is statistically significant or not. For this purpose “T test” is used. Results show that there is statistically significant difference between male and female students in terms of perceived formal support (PFS) but there is no significant difference between male and female students in their entrepreneurial intention (EI).

Table 5: T-test

<table>
<thead>
<tr>
<th></th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>PFS</td>
<td>Equal variances assumed</td>
<td>41.244</td>
</tr>
<tr>
<td></td>
<td>Equal variances not assumed</td>
<td></td>
</tr>
<tr>
<td>EI</td>
<td>Equal variances assumed</td>
<td>9.012</td>
</tr>
<tr>
<td></td>
<td>Equal variances not assumed</td>
<td></td>
</tr>
</tbody>
</table>

5. Discussion and Conclusion

The results of regression analysis show that perceived formal support (PFS) is positively related to entrepreneurial intention (EI). Formal networks are being main source of support, experience and information that can motivate
people to build their own ventures (Luthje & Franke, 2003; Quan, 2012; Fernández-Pérez, Esther Alonso-Galicia, Fuentes-Fuentes, M., & Rodríguez-Ariza, 2014). Frequent interactions with business associates; one can get knowledge about markets, customer needs or technologies which are helpful in building his/her entrepreneurial intention (Shane, 2000). There is a positive significant relationship between self-confidence level and entrepreneurial intention of university students. This finding is consistent with most of the reviewed literature (Carter, Brush, Greene, Gatewood, & Hart, 2003). This means that students with higher self-confidence level have higher entrepreneurial intention.

Furthermore, self-confidence level (SC) significantly mediates the relationship of perceived formal support significantly and entrepreneurial intention of university students. This result makes contribution to the existing literature. The result of t-test reveals that there is a significant difference between male and female students in terms of perceived formal support (PFS). This result corroborates with the findings of (Roomi & Parrott, 2008; Goheer, 2003; Kolvereid, 1996). Moreover, finding of t-test shows that there is no significant difference between male and female students in terms of entrepreneurial intention (EI) and this result concurs with the study of (Karimi, et al., 2013: Tanveer, Shafique, Akbar, & Rizvi,
2013) but contrast with (Gupta, Turban, & Bhawe, 2008: Minniti & Nardone, 2007: Robb, 2002). The Results of the study are given below.

**Table: 6. Results of The Study**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Statements</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁</td>
<td>Self-confidence level significantly mediates the relationship between perceived formal support and entrepreneurial intention of students.</td>
<td>Supported</td>
</tr>
<tr>
<td>H₂</td>
<td>Male and female students perceive formal support differently.</td>
<td>Supported</td>
</tr>
<tr>
<td>H₃</td>
<td>Male and female students differ in terms of their entrepreneurial intentions</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

**5.1 Significance and Limitations of the study**

Considering that there are few studies measuring the mediating influence of self-confidence level this study contributes to the existing literature. The findings of this study will be helpful for policymakers for comprehending the need of policies and initiatives for boosting entrepreneurial activities especially in a developing country like Pakistan. Considering the results, this study will also be important for policy makers for devising strategies to make people aware about the benefits of social networks in starting their new ventures. However, this study has few limitations as this study is conducted on students of a public university i.e. University of Punjab so in future studies can be conducted on students of other public universities or private universities. Future scholars can make a comparison between students of public universities and private universities. Moreover, in future studies can be conducted to investigate the mediating effect of gender or marital status.
References


