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# The influence of the institutional environment on entrepreneurial intentions of the youth living in urban and rural areas of Mpumalanga Province

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# The influence of the institutional environment on entrepreneurial intentions of the youth living in urban and rural areas of Mpumalanga Province

**A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management in Entrepreneurship and New Venture Creation**

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**Johannesburg, 2020**

# ABSTRACT

The youth has been identified as having great potential to contribute to the growth of the South African economy through entrepreneurship. Many research studies have been conducted to investigate the impact of the institutional environment on entrepreneurial intentions. However, not much has been explored to understand the cognitive and normative institutional factors that are present in urban and rural areas, that have an impact on entrepreneurial intentions of young people.

A research study is performed to understand the level of influence that the institutional environment (cognitive and normative), has on entrepreneurial intentions of young people living in urban and rural areas in the Mpumalanga province. The study will further investigate the impact of the institutional environment on desirability and feasibility towards entrepreneurship of young people residing in urban and rural areas in the province.

This study proposed to use mainly the theory of entrepreneurial event and Kostava's institutional theory to investigate the impact of the external environment on entrepreneurial intentions. The study was quantitative and cross sectional in nature. Electronic surveys were distributed to young people in Mpumalanga, and a total of 376 usable responses was obtained. The data was analysed using linear and multiple regression.

The key findings indicated that the normative environment in urban areas had a positive impact on entrepreneurial intent while the cognitive environment in urban areas had a negative impact. In relation to rural areas in Mpumalanga, both the normative and cognitive environment had a positive impact on entrepreneurial intent. The two antecedents of entrepreneurial intention being perceived as desirability and feasibility, were found to be unrelated to the instrument and hence hyphothesis relating to these were not tested.

The implications of this research for policy makers is to focus on increasing momentum in entrepreneurship awareness in order to see an increased number of sustainable businesses that will have a greater impact and contribution the economy as a whole.

# DECLARATION

I, _____, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the Field of Entrepreneurship at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

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Signed at ……

On the …….. day of ……..…… 2020.

# DEDICATION

To my loving husband and my family as a whole, thank you for always pushing me to pursue my dreams. You have always stood by me even in times of difficulty. I owe it all to the Almighty God who is able to do exceedingly and abundantly above all that we ask, according to the power that works in us.

I dedicate my dissertation work to my beloved grandparents who passed away consecutively while I was finalising my research. Thank you for all your hard work and contributions towards my life.

May your souls rest in perfect peace.

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# CHAPTER 1

## 1.1 Introduction

The purpose of this research is to determine the level of influence that the institutional environment (cognitive and normative) has on entrepreneurial intentions of young people living in urban and rural areas in the Mpumalanga province of South Africa. The study will further investigate the impact of the institutional environment on desirability and feasibility towards entrepreneurship of the youth residing in urban and rural areas within the province.

This chapter begins with the layout of the context of the study followed by the underlying theory behind this research topic which comes with the definition of contextual terms that will be adopted. The problem statement will then follow and the research question and contribution of the study will be examined. The chapter tends with a conclusion that consolidates the above issues being discussed.

## 1.2 Context of the study

A research study is performed to understand the level of influence that the institutional environment (cognitive and normative) has on entrepreneurial intentions of young people living in urban and rural areas within the Mpumalanga province. The study will further investigate the impact of the institutional environment on desirability and feasibility towards entrepreneurship of the young people residing in urban and rural areas within the province.

With the current economic conditions in South Africa, as speculated by the government, self-employment could be be one of the factors that assist in the fight against poverty and the high unemployment rate of 29.1%, as reported by Statistics South Africa‘s Quarterly Labour Force Survey for the third quarter of 2019. This would mean that the country still has a huge task to adequately prepare more entrepreneurs that will be able to create more jobs and fight poverty. The Stats SA Quarterly Labour Force survey released in October 2019 also revealed that the unemployment rate in the Mpumalanga province is 34.7%

which is way higher than the national rate. This emphasises the need of nurturing young entrepreneurs within the province of the rising sun as a means of fighting the high unemployment rate. However, according to the GEM 2017/2018 report, the entrepreneurial intentions of young South Africans has significantly declined over the years which also explains the low entrepreneurial activity. It would therefore be of interest to understand the level of entrepreneurial intentions of young people from urban areas and those from rural areas in Mpumalanga especially given the distinct normative and cognitive influences that are present in the two different environments.

The government of the country has since put some measures in place to support the previously disadvantaged ethnic groups. A lot of mechanisms have been introduced by the government through the Department of Trade and Industry and other smaller agencies, which have a primary aim of developing good programmes that will support new business start-ups (Agupusi, 2007). It is of great concern that even with such measures that are put in place to advocate entrepreneurship or self-employment, there is still a decline in entrepreneurial activity as measured by the Total Early Stage Entrepreneurial Activity (TEA) rate utilised by the GEM report. Although a lot of empirical research has been conducted over the past two decades post-Apartheid, a gap still exists in understanding the role and influence of the institutional environment on entrepreneurial intentions (Kujinga, 2016). Furthermore, the current policies that are in place do not take cognisance of the institutional differences between rural and urban environments.

### 1.3 Theoretical background to the study

This study has formulated hypotheses based on mainly the following studies:

1. Ajzen, I. (1991). Theory of Planned Behaviour and Human Decision Process

2. Shapero, A & Sokol, L (1982). Model of Entrepreneurial Event

3. Bandura, A. (1986). Social foundations of thought and actions: A social cognitive Theory

4. Kostova, T (1997). Country institutional profiles

Ajzen ‘s Theory of Planned Behaviour describes that behaviour is explained by intention (Ajzen, 1991). In this theory it is asserted that intention is influenced by three (3) constructs which are; attitude towards the act, perceived social norm and perceived feasibility. The Theory of Planned Behaviour is used by many scholars to explain the intentions of entrepreneurs. For the purposes of this study, ajzen ‘s theory of planned behavior will be used to understand whether the intention of young people from rural and urban areas in South Africa is influenced in any way by one of the above described constructs.

Many researchers have found that this theory is unsurpassed when used in conjunction with Shapero and Sakol ‘s model of entrepreneurial event (Urban & Kujinga, 2017). In this study the focus is on perceived desirability (attitude towards the act) and perceived feasibility (self efficacy) as prescribed in Shapero ‘s model of entrepreneurial event. Perceived desirability considers whether one’s personal assessment of the outcome of a specific act is positive or not. Perceived feasibility on the other hand, can be associated with one’s self-efficacy as it involves the assessment of the ability and resources needed to pursue the act. In this study, the perceived desirability and Perceived feasability of young people from rural and urban areas in Mpumalanga is examined to understand how these affect the intention to become entrepreneurs.

Entrepreneurial intentions originate from cognition and motivation (Bandura, 1986). Bandura ‘s cognitive theory suggests that there is a reciprocal relationship between a person‘s cognition, behaviour and the environment (Bandura, 1986). This would, therefore mean that an individual ‘s cognition, behaviour and the cognitive environment will have an overall influence on an individual’s intention. This study seeks to get a distinct understanding of how the environment, which is described by Bandura to be one of the constructs of the Social Cognitive Theory, influences entrepreneurial intention of young people from rural and urban areas in the Mpumalanga Province. This will be achieved by analysing the dimensions of Kostava ‘s institutional theory, with the main focus on the cognitive and normative environment. These environments will be analysed in the context

of two (2) distinct environments being urban and rural areas in the province of Mpumalanga.

The above theories are well suited for this study as they focus on an individual‘s cognition and how that translates to entrepreneurial intentions.

## 1.4 Problem statement

### 1.4.1 Main problem

The main problem was to determine the influence of the institutional environment of urban and rural areas on entrepreneurial intent and its antecedents (desirability and feasibility), in relation to the youth residing in the province of Mpumalanga.

### 1.4.2 Sub-problems

Four (4) sub-problems have been identified as follows:

The first sub-problem was to assess the impact that the normative environment in urban areas has on entrepreneurial intention through;

a) desirability and,

b) feasibility of the youth in Mpumalanga

The second sub-problem was to assess the impact that the cognitive environment in urban areas has on entrepreneurial intention through;

a) desirability and,

b) feasibility of the youth in Mpumalanga

The third sub-problem was to assess the impact that the normative environment in rural areas has on entrepreneurial intention through;

a) desirability and,

b) feasibility of the youth in Mpumalanga

The fourth sub problem was to assess the impact that the cognitive environment in rural areas has on entrepreneurial intention through;

a) desirability and,

b) feasibility of the youth in Mpumalanga

## 1.5 Research Objectives and aims of the study

The primary objective of the study was to provide a better understanding of the influence of the institutional environment of urban and rural areas on entrepreneurial intent and its antecedents (desirability and feasibility) in relation to the youth residing in the province of Mpumalanga. This understanding is obtained through a further assessment of the impact of the normative and cognitive environment of the two (2) demarcations on feasibility and desirability of becoming an entrepreneur.

## 1.6 Contribution of the study

The GEM 2016/2017 report has identified South Africa as having one of the lowest total early stage entrepreneurial activity rates. Entrepreneurial activity stems as a result of entrepreneurial intentions. Prior research has also proven that the institutional environment affects the entrepreneurial intentions of individuals (Kujinga and Urban, 2016). The youth has been identified as having great potential to contribute to the growth of the South African economy through entrepreneurship. In a typical South African environment, and more specifically in the Mpumalanga province, the economic inequality gap is mostly evident amongst the rural and urban demarcations, especially given the political history that affected mostly the rural areas. As such, this study is critical as it seeks to explore the cognitive and normative institutional factors that are present within the two (2) different demarcations, and have an influence on the entrepreneurial intentions of the young people in Mpumalanga province.

This study provides a rear picture of how the socio-economic conditions that are present in the province such as poverty, lack of education and parental support,

indirectly influence entrepreneurial intent. This will therefore allow for the provincial government to develop policies that do not only address socio economic issues and entrepreneurship in isolation, but such policies would also consider the influence that these two (2) factors may have on each other. The study will further highlight the need to design policies in entrepreneurship that cater for young people from rural and urban areas distinctively.

Current research suggests that low levels of entrepreneurial activity amongst the youth of South Africa are as a result of lack of funding, infrastructure and government support (Fatoki, 2011). However, not much attention is given to the influence of the institutional environment surrounding the youth. It is also vital to understand whether there are any psychological issues that the current generation grapples with, which may affect entrepreneurial behaviour, which is why this study is of relevance. This study will therefore add valuable knowledge to academia through the provision of empirical evidence which will increase the body of knowledge within the field of entrepreneurship.

## 1.7 Delimitations of the study

The delimitations of this research study is that it only focused on the entrepreneurial intention of young people between the ages of 18 to 35 that reside in the province of Mpumalanga. Mpumalanga is only one of nine (9) provinces in South Africa. As a result, the findings of this study are reflective of the young people residing in Mpumalanga that are within the above mentioned age groups.

## 1.8 Definition of terms

The following terms have been assigned the following meanings within this study:

1. Entrepreneurship – A process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks and also receiving the resulting rewards of monetary personal satisfaction and independence (Peters, 2002, p.10)

2. Entrepreneurial intention – A conscious awareness and conviction by an individual that they intend to set up a brand new business venture (Linan, Nabi & Krueger, 2013, p.77)
3. Institutional framing – These are the three (3) dimensions of institutional theory which consist of the regulatory, cognitive and the normative dimensions of the environment (Busenitz, Gomez & Spencer 2000)
4. Cognitive environment – These are the templates and scripts shared within a community of people – (Seelos et al.,2011)
5. Normative environment – This refers to the extent to which the residents of a community consider entrepreneurial thinking as being important (Busenitz et al, 2000)
6. Perceived desirability – This refers to how an individual perceives the performance of a particular action as attractive or not (Weerakoo & Gunatissa, 2014)
7. Perceived feasibility – This refers to an individual's assessment of their own ability to create a business venture (Mair & Noboa, 2003)
8. Urban area - A classification based on dominant settlement type and land use. Cities, towns, suburbs, etc., are typical urban settlements (Stats SA Concepts and Definitions, 2004)
9. Non-urban area – Any area that is not classified as urban. These can further be classified into tribal areas and commercial farms (Stats SA Concepts and Definitions, 2001)
10. South African Youth – A South African citizen aged between the ages 18 – 35 (Mkandawire, 1996, p.3)

## 1.9 Assumptions

The following assumptions have been made in this study:

- The sample selected have the information that is needed together with the resources to respond to the questionnaire

- All respondents are from the Mpumalanga province and will reside in either urban or rural areas within the province

- Respondents have answered all questions honestly and openly
- The number of respondents is adequate for the researcher to draw conclusions about the overall population of the youth in Mpumalanga

## Conclusion

This chapter described the context of the research aligning it to relevant theory, the problem statement, research objectives, its contribution to the field of entrepreneurship as well as delimitations. The next chapter will consider some of the literature that is currently available that addresses entrepreneurial intent together with its constructs. The institutional theory will be discussed with specific examination of how it links with entrepreneurial intentions.

# 2. CHAPTER 2 LITERATURE REVIEW

## 2.1 Introduction

Literature in the context of research means research that has already been carried out and has been published in that field of research (Quinlan, 2010). In the past decades there has been a number of studies that have been carried out to address the relationship between cognition and entrepreneurship. This chapter aims to examine some of the literature that is currently available that addresses entrepreneurial intent, together with its constructs. The Theory of Social Cognition will also be discussed with specific examination of how this links to the institutional theory. Hypothesis will be developed based on the literature being discussed and the chapter will be concluded.

## 2.2 The theory of cognition

Mitchell, Smith, Morse, Seawright, Peredo, & Mckenzie (2002) define cognition as the "knowledge structures that people use to make assessment judgements or decision involving opportunity, evaluation, venture creation and growth". In a much simpler form, this would mean how a person processes information in his brain in a given situation. This is a psychological term which is now frequently used within an entrepreneurial context. It appears from past research performed that entrepreneurial intent emerges as a consequence of the entrepreneur's underlying cognition (Mitchell et al. 2002). The belief is therefore that entrepreneurs possess a thinking process that tends to be different from the thinking process of non-entrepreneurs. Bandura introduces us to the Social Cognitive Theory, which suggests that there is a reciprocal relationship between a person's cognition, behaviour and the external environment (Bandura, 1986). From the number of studies that have been performed in the interest of determining personality differences between entrepreneurs and non-entrepreneurs, the following traits have been found to be prevailing in entrepreneurs; self-efficacy, need for achievement, locus of control, need for autonomy and the ability to take risks (Urban and Kujinga, 2017).

## 2.3 The environment (Urban vs Rural)

It is clear from the above that cognition influences intention, which in turn influences the behaviour of an individual. This study aimed to get a distinct understanding of how the environment, which is described by Bandura to be one of the constructs of the Social Cognitive Theory, influences entrepreneurial intention. Many writers have found that the external environment indirectly influences entrepreneurial intention and activity as such, that in the instance where individuals view the external environment as being supportive towards entrepreneurship, they are more likely to have high entrepreneurial intentions (Karimi, Biemans, Naderi, Mahdei, Lans, Chizari & Mudler, 2017). The context of the environment in relation to the Social Cognitive Theory includes other external factors that influence scripts such as social, political economic and even cultural factors.

South Africa and the Mpumalanga province in particular, are currently facing a lot of socio-economic issues such as poverty, inequality, lack of education and high unemployment (Urban & Venter, 2010). The above socio-economic factors are obviously more present in rural areas as compared to urban areas because the standard of living in urban areas is much higher than that of rural areas. Entrepreneurial activity in rural areas is reported to be very low when compared to urban areas and is mostly dominated by necessity entrepreneurs (Malebana, 2014). Understanding the two (2) different environments and their impact on entrepreneurial intention could assist in ensuring the development and sustainability of the rural economy in the province of Mpumalanga. Many researchers have also emphasised that cultural differences amongst different regions may explain the different entrepreneurial behaviours (Liñán, Urbano & Guerrero, 2011). This is because certain cultures may promote certain behaviours towards entrepreneurship. In a South African context, individuals residing in rural areas are mostly those from previously disadvantaged backgrounds who were adversely affected by Apartheid, a system that never

promoted entrepreneurship amongst black South Africans. Thomas and Muller (2000) also found that the system of values and beliefs that are present within a society has an impact on the development of personality traits and will impact the

norms of that specific society. Urban areas are observed as having high productivity rates therefore contributing more to the GDP of the country as a whole. It is however unfortunate that, as reported by Stats SA, the majority of the population in the Mpumalanga province is located in the urban outskirts. This, therefore, emphasises the inequality problem experienced in the country as a whole.

The different factors influencing the environment will be analysed using the institutional theory as described below.

### 2.4 The institutional theory

Douglas North defined institutions as the “rules of the game in a society or a more formally, humanly devised constraints that shape human interaction” (North, 1990, cited in Kujinga, 2016). Institutions are further described by other researchers as “relatively widely diffused practises, technologies or rules of social interactions that have become entrenched, in the sense that it is costly to choose alternative practises, technologies or rules” (Welter and Smallbone, 2011, cited in Urban and Kujinga, 2017). Kostova (1996) elaborated on the concept of a country’s institutional profile, which makes mention of the three (3) dimensions of the institutional environment being regulatory, normative and cognitive.

Institutions can further be analysed in terms of formal and informal. (Urban and Kujinga, 2016). Formal institutions refer to those institutions that are within a regulatory or political framework, and informal institutions would be those that involve values or norms (Ferri & Urbano, 2015). This study dwells more on the informal institutions. Arasti et.al (2012) suggested that institutional factors have a direct influence on intentions. Based on the concept of Institutional theory, Kostava (1997) emphasised that institutional profiles lose meaning when they are generalised and not analysed from specific domains. It is from this finding that this study has chosen to separately analyse the institutional environment of rural and urban areas in Mpumalanga , in relation to entrepreneurial intention, as these can be regarded as two separate domains given their institutional differences.

The different dimensions of the institutional theory will be discussed in detail as follows:

**Regulatory institutional environment**

The regulatory environment refers to formal rules that govern entrepreneurial behaviour within a specific region (Kujinga, 2016; Urban 2013). According to Kujinga (2016), the regulatory environment in South Africa has an impact on the survival and the starting of businesses in South Africa. The regulatory environment not only sets rules but also determines incentives and punishments for participants within an entrepreneurial space. According to Kostova (1997), research has shown that cognitive and normative categories of the institutional environment are domain specific, but the regulatory category could be different. In the context of this study the regulatory environment in both urban and rural areas within the Mpumalanga province is no different, as these are both governed by South African laws as a whole. This study therefore aims to focus only on the normative and cognitive dimensions of the institutional environment and their impact on entrepreneurial intentions as these would precisely highlight the differences between the two (2) institutional environments, which would assist in the development of entrepreneurial policies that are applicable for the two different environments.

**Normative institutional environment**

The normative environment relates to how residents within a specific area perceive entrepreneurship as important (Urban, 2013). Busenitz and Alvarez (2014) described the normative environment as the degree to which residents of an area admire entrepreneurial participation, innovative thinking and creativity. The normative pillar is concerned with what society finds attractive and appropriate. According to Sine and David (2010), norms have an influence on the decision to become an entrepreneur. Normative institutions therefore exert influence because of a social obligation to comply which is rooted in social necessity or what an organization or individual should be doing according to the norms of a specific society. Some societies have norms that facilitate and promote entrepreneurship and its financing while some other societies

discourage it by making it difficult, often unknowingly (Soto, 2000). The normative environment in rural areas often regards entrepreneurship as unattractive given the limited market opportunities, little awareness of and lack of access to entrepreneurial support.

**Cognitive institutional environment**

The cognitive environment can be associated with the templates and scripts that are shared amongst a community or a nation (Urban, 2013). Bandura (1986) introduced the Social Cognitive Theory which suggests that there is a reciprocal relationship between a person‘s cognition, behaviour and the external environment (Bandura, 1986). This therefore means that entrepreneurial behaviour can be influenced by cognition. The South African cognitive environment is categorised by a lack of skills together with resources (Urban, 2013). According to Urban (2013), background factors also have an influence on the cognitive environment. These background factors in a South African context would include consequences of the Apartheid era such as severe poverty, inequality, lack of skills and resources. A study by malebana & Swanepoel (2015) which aimed to understand the entrepreneurial intentions of graduates in the rural provinces of South Africa found that entrepreneurial intentions of the graduates from rural areas was low mostly because intending entrepreneurs are more likely to act on their intentions when they have access to and are aware of the available entrepreneurial support and have recognised opportunities that they can exploit.

The above discussion has therefore led to the below hypothesises being proposed:

**H1:** Normative environment in urban areas has got a significant positive impact on entrepreneurial intention

**H1a:** Normative environment in urban areas has got a significant positive impact on perceived desirability

**H1b:** Normative environment in urban areas has got a significant positive impact on perceived feasibility

**H2:** Cognitive environment in urban areas has got a significant positive impact on entrepreneurial intention

**H2a:** Cognitive environment in urban areas has got a significant positive impact on perceived desirability

**H2b**: Cognitive environment in urban areas has got a significant positive impact on perceived feasibility

**H3:** Normative environment in rural areas has got a significant negative impact on entrepreneurial intention

**H3a:** Normative environment in rural areas has got a significant negative impact on perceived desirability

**H3b:** Normative environment in rural areas has got a significant negative impact on perceived feasibility

**H4:** Cognitive environment in rural areas has got a significant negative impact on entrepreneurial intention

**H4a:** Cognitive environment in rural areas has got a significant negative impact on perceived desirability

**H4b:** Cognitive environment in rural areas has got a significant negative impact on perceived feasibility

### 2.5 Entrepreneurial intent

There is currently a growing focus on entrepreneurial intent amongst scholars in the field of research and a number of theories have been found useful in understanding and analysing the entrepreneurial intentions of individuals (Ekore & Okekeocha, 2012). Ajzen ‘s theory of planned behaviour and Shapero and Sokol‘s model of entrepreneurial event are used by most scholars when researching entrepreneurial intentions (Ajzen, 2011; Shapero and Sokol, 1982).

The above two (2) theories have been found to be similar in many ways and hence have been used interchangeably in many instances (Malebana, 2014). These intention models have been found to be compatible in two (2) areas. The first is the desirability construct in the SEE model which is found to be very similar to Ajzen ‘s attitude towards behaviour and subjective norms. Perceived feasibility in Shapero ‘s model is the same as Ajzen ‘s perceived behavioural control, which is also referred to by many is self-efficacy (Bandura, 1986; Liñán, Urbano & Guerrero, 2011). The TBP and SEE model together with the respective constructs will be discussed in more detail.

**Theory of Planned Behaviour**

Ajzen’s Theory of Planned Behaviour (Figure 2.1) suggests that entrepreneurial intentions come from an individual‘s cognition and motivation. (Ajzen, 1991). The theory outlines that one’s behaviour is a product of his/her attitude towards the behaviour, subjective norms and perceived behavioural control. Attitude towards behaviour is influenced by behavioural beliefs and personal attitudes which can also be influenced by any of the cognitive factors (Ajzen, 2011). Subjective norms are described to have an impact on intentions, because where society seems to favour certain actions over others, an individual is more likely to lean towards those actions more favoured by society. Another study has found that where children are raised by parents who are self-employed, the children tend to be motivated to also follow the path of entrepreneurship (Dyer & Handler, 1994).

Perceived behavioural control refers to an individual‘s belief to actually perform a given task. This is consistent to what Bandura has formally described as self-efficacy (Bandura, 1997). According to Krueger, Reilly & Carsrud (2000), all entrepreneurial activity is as a result of planned behaviour. Given the low entrepreneurial activity rate in South Africa, it would therefore be of interest to understand how the entrepreneurial intentions of young people in Mpumalanga province are affected by their respective cognitive environments. The different constructs of entrepreneurial intention, according to the Theory of planned behaviour, are impacted by certain normative and behavioural beliefs (Ajzen, 2012; Malebana, 2014). Bird and Bagrain (2008) advanced the Theory of planned behaviour by suggesting four(4) other constructs that they considered to also

have an influence on entrepreneurial intention. These constructs are personality traits, situational factors, demographics and prior experience to entrepreneurship. A study conducted by Mkhatshwa (2017), which also used the Theory of planned behaviour to assess entrepreneurial intention, found that the entrepreneurial intentions of grade 12 scholars in the Ka-Nyamazane township in the province were high and encouraging.

**Perceived behavioural control**

Perceived behavioural control refers to how an individual assesses their capacity to perform a given task (Ajzen, 2011). As noted above, perceived behavioural control is equivalent to self-efficacy which is a construct of the Theory of planned behaviour. There are certain factors that may increase or decrease the perceived difficulty of performing any given task. The factors include things such as the availability of resources, information, skills and abilities and also emotions (Ajzen, 2011, 2012). Bandura (1997) has described self-efficacy (SE) as an individual's level of confidence in their ability to perform tasks successfully. Self-efficacy has been used in many fields of study in the past. However, it has more recently been used within the field of entrepreneurship (Markman, Balkin & Baron, 2002). Entrepreneurial self-efficacy refers to how strongly an individual believes that they will be able to perform all the tasks and roles of a successful entrepreneur (De Noble, Jung & Ehrlich, 1999). Many scholars who have researched the relationship between entrepreneurial self-efficacy and entrepreneurial intention have found that there is a positive relationship between the two (2) constructs (Markman et al., 2002).

**Attitude towards entrepreneurship**

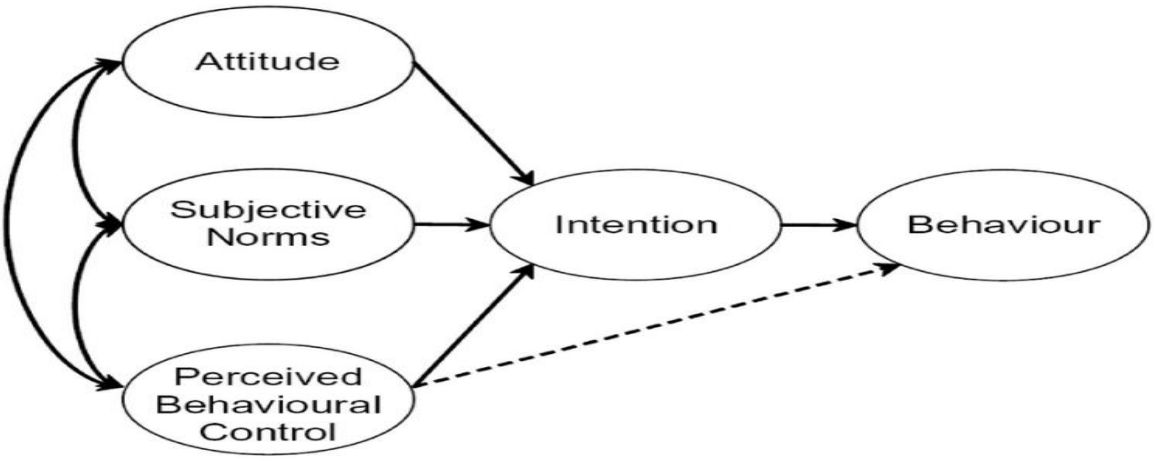
Ajzen found that an individual will explore an opportunity depending on the expected value perceived by that opportunity (Ajzen, 2012). People will therefore develop attitudes towards an action if there is a certain belief about that consequences of that action. Research in the field of attitude towards entrepreneurship has emerged of recent and this is as a result of many studies that suggest that many attempts by government to advocate entrepreneurship are not successful because society generally has a negative attitude towards

entrepreneurship (Gnyawali & Fogel, 1994). This then attests to Ajzen's Theory of planned behaviour which elaborates that the attitude towards the act influences an individual's intention (Ajzen, 1991). According to the GEM 2016/2017 report, South Africans generally have a positive attitude towards entrepreneurship. The report also goes on to elaborate that entrepreneurs in the country are perceived as people of high status and the media gives enough attention and accreditation to successful entrepreneurs within the country. However, these positive attitudes towards entrepreneurship do not seem to be translating to high entrepreneurial intentions as these have dropped by more than a quarter since 2013. Motts (2000) has reported that many young people in South Africa see entrepreneurship as a "stop-gap", while they look for formal employment opportunities. This means that a young person in the country seeks to find employment before considering opportunities in entrepreneurship. Many writers have expressed that this could possibly be as a result of the Apartheid regime that has in the past discouraged South Africans from venturing into entrepreneurship (Chigunta et al., 2000).

**Subjective norms**

Subjective norms refer to an individual's belief that people that are close to them would approve or disapprove of specific actions or behaviours (Ajzen, 2011). These close circles may include an individual's parents, spouse, friends, co-workers and other role models (Malebana, 2014). When a certain behaviour is approved by significant figures in an individual's life, it is more likely that there will be pressure to portray the behaviour. A study by Otuya, Kibas, Gichira and Martin (2013) found that individuals are more likey to have intentions of starting a business given that others who are close to them would support or approve of them starting the businesses.

**Figure 2.1 Azjen Theory of planned Behaviour**




**Shapero and Sokol's model of entrepreneurial Event (SEE)**

This theory attests that entrepreneurial intentions emerge as a result of perceived desirability, propensity to act and perceived feasibility. Shapero found that understanding cognition, motives and opportunity recognition behaviours would assist in understanding entrepreneurial behaviour. (Shapero, 1982). The model suggests that a person is more likely to engage in an entrepreneurial activity or event when there is a feeling of attraction towards starting a venture and the individual perceives that they are capable of running the venture successfully (Shapero and Sokol, 1982).The researchers further attest that the entrepreneurial event comes as a result of social, cultural and situational factors.

**Perceived desirability**

Shapero and Sokol (1982), define perceived desirability as the attractiveness of starting a business. Where an individual perceives a certain behaviour as being appealing, their actions will be directed towards that behaviour (Weerakoon & Gunatissa, 2014). The above view was in support of Krueger (1993) who suggested that perceived desirability refers to "the degree to which one finds the prospects of starting a business to be attractive". It would appear that the above view on perceived desirability is consistent to that of Ajzen 's attitude towards entrepreneurship as a construct of the Theory of planned behaviour.

**Perceived feasibility**

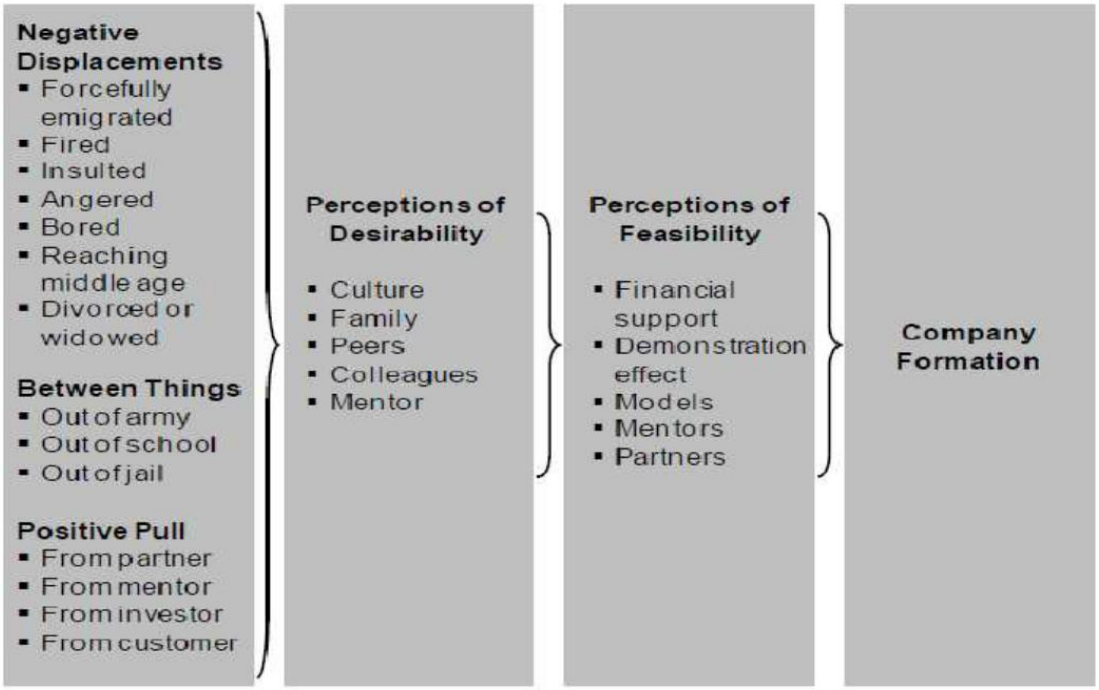
Perceived feasibility refers to an individual's ability to successfully proceed with an event (Weerakoon & Gunatisa, 2014). Previous literature has also suggested that the concept of perceived feasibility is very identical to the concept of self-efficacy. Krueger (1993) defined perceived feasibility as the "degree to which individuals believe in their own ability to create a venture". According to Urban (2017), perceived feasibility is affected by the individual 's perceived ability to perform the behaviour that is needed in order to set up the venture and can be influenced by other social factors. It can be noted that perceived feasibility is consistent with Ajzen 's perceived behavioural control.

According to Urban (2008), in comparison to the TPB, Shapero and Sokol's model is not well tested. Many writers have in the past compared and integrated the Shapero and Sokol 's model with Ajzen 's Theory of planned behaviour (Krueger, 2008). The two models have been found by many to be compatible. Schlaegel and Koening (2014) have recently performed a meta-analytical analysis of the two models and compared them against each other. The evidence from this analysis has confirmed that the combination of the TPB with perceived desirability and feasibility works best in explaining and understanding entrepreneurial intentions. Urban and Kujinga (2017) also attested to this and also found the two (2) theories to add more value when used in conjunction. As a result, this study will follow the same approach and will use the two theories in conjunction in order to obtain greater understanding. The following hypothesis can therefore be presented:

**H5:** Perceived desirability has got a significant positive impact on entrepreneurial intention

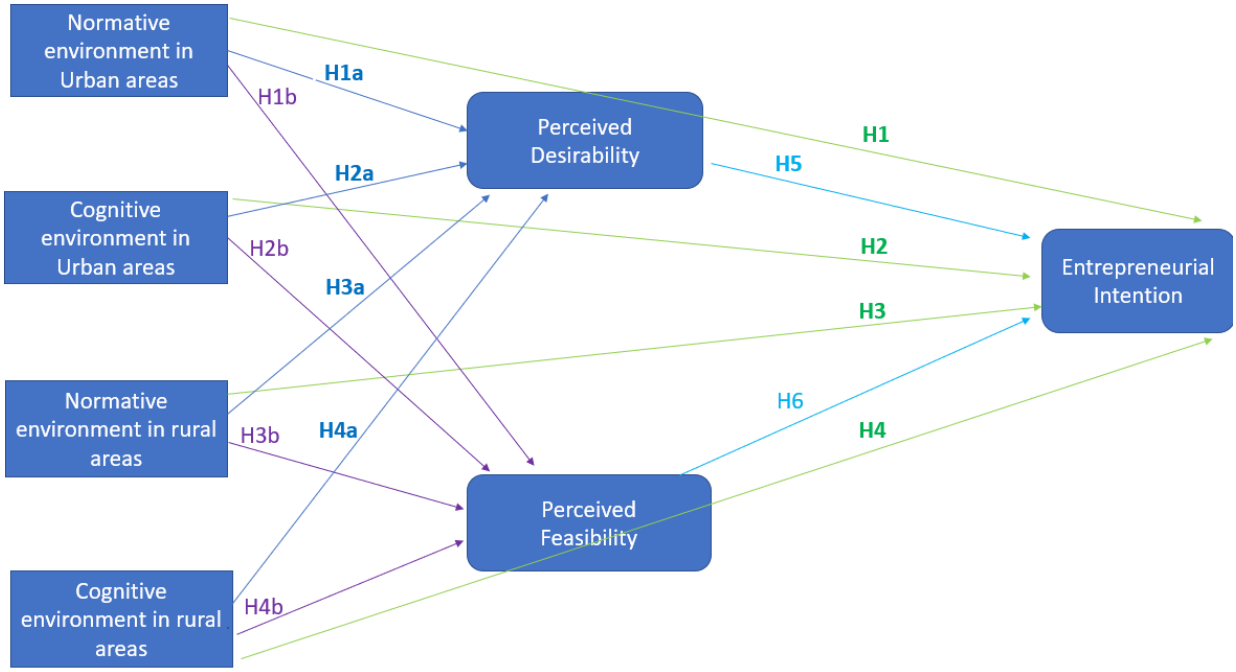
**H6:** Perceived feasibility has got a significant positive impact on entrepreneurial intention

**Figure 2.2 Entrepreneurial Event Model (Shapero & Sokol, 1982)**




Other theories used by scholars to understand entrepreneurial intentions include Bird‘s model which states that entrepreneurial intentions are as a result of not only personal factors, but contextual factors as well. (Bird, 1988). Boyd and Vozikis (1994) further developed Bird’s theory to take into account the theory of self-efficacy.

**Figure 2: Study conceptual model**




## 2.6 Conclusion

In this chapter the different theories concerning entrepreneurial intention and its antecendents, together with institutional dimensions of the environment were explored. The main hypothesis developed in this chapter were as follows; the normative and cognitive environment in rural areas would have a significant negative impact on entrepreneurial intentions of the young people in Mpumalanga. For urban areas it was hyphothesised that the normative and cognitive environment would have a positive and significant impact in entrepreneurial intentions of the young people. Lastly, the two antecendents of entrepreneurial intent, being perceived desirability and feasibility, were hyphothesised to have a positive and significant impact on entrepreneurial intentions of young people residing in both rural and uran areas in Mpumalanga. In the following chapter, the research methodology that is followed is discussed in more detail.

# 3. CHAPTER 3 RESEARCH METHODOLOGY

## 3.1 Research Methodology /Paradigm

This section describes the methodology that was followed to address the hypotheses that have been put forward. This chapter will explain the research design, data collection methods, sampling design, constructs measurements, research instrument, data processing and data analysis.

The research design details the type of study that was followed by the researcher (Athanasou, et al., 2012). Research studies within the academic discipline usually follow one of the two main paradigms being either positivisim or anti-positivism. (Nirod, Dash, 2015). This study followed a postpositivist world view. Although the postpositivist approach regards human behaviour as being difficult to measure (Cohen, Manion & Marrison, 2000), the feelings of the participants in the research study has not invalidated the data collected as the data collected was used to explain the relationship between the cognitive and normative environment, as well as entrepreneurial intent. As a result, the postpositivist paradigm was appropriate for this research study.

## 3.2 Research Design

According to Kuhn (1962), social science research mostly follows two (2) main research methods, being qualitative or quantitative research studies. Quantitative studies focus on comparisons and correlations of variables which can further be generalised to a population which is what this study aimed to achieve, through understanding the relationship between the cognitive and normative environment and entrepreneurial intentions among young people living in the Mpumalanga province. Hypothesises were generated using theory that is already existent, and these hypothesises were then tested through procedures that allowed for conclusions to be drawn (Athanasou, et al., 2012).

The study used a cross-sectional research approach focusing on primary survey data. The cross-sectional dimension presents a snapshot of data at a point in time and not over a period of time. This approach was followed as a result of the impracticability to collect primary data over a period of time, because of time and resource constraints.

Primary survey data is regarded as appropriate for this study as it produced numerical data. Questions of the surveys were based on instruments that have already been established using existing theories within the field of cognition and entrepreneurial intention. Survey data also allows for statistical analysis and interpretation which is an unbiased approach to research.

The disadvantages of this method is that the output results will be in numerical form. This would result in a limited opportunity to identify emerging theories around the topic under research.

As noted above, this study followed a cross sectional, descriptive and quantitative approach and the following concepts were addressed:

a) Who were assessed: Young people who reside in rural and urban areas in Mpumalanga Province
b) What was assessed: The impact of the institutional environment (normative and cognitive) on entrepreneurial intentions of young people residing in rural and urban areas in Mpumalanga
c) How was it assessed: A detailed questionnaire was issued using an online platform; the questionnaire used was previously assessed for reliability and validity in previous research papers.

## 3.3 Population and Sample

### 3.3.1 Population

The target population for this research study was all individuals between the ages of 18 and 35 years that are geographically located in the province of Mpumalanga. These individuals resided in either rural (non-urban) areas or urban areas. Data from the Stats SA Statistical Release P0302 Mid-year Population Estimates (2018) was obtained, which suggested that in 2018 there were a total of 1 642 275 people between the ages of 15 and 34 residing in Mpumalanga province. The report also suggested that 63% of the population of South Africa is urban.

### 3.3.2 Sampling

Sampling involves getting elements that represent a target population in order to understand the characteristics of the whole population (Cooper and Schinder, 2014). The sampling method that was followed in this study is probability sampling using a random technique. This approach was followed as it is fast and not time consuming. The total sample obtained was 424 respondents.

### 3.3.3 Sampling frame

was all individuals between the ages of 18 and 35 years that are geographically located in the province of Mpumalanga.The data was gathered using online surveys administered through qualtrics. This approach was considered appropriate given the nature of the population. The surveys were distributed through social media platforms auch as LinkedIn, Facebook and WhatsApp. Cooper and Schinder (2014) have noted that there has been a recent new shift towards the collection of data using computer assisted mechanisms. Please refer below for the detailed sampling frame.

**Table 1: Sampling frame**

| Profile/Description | Details |
|---|---|
| Geographical area | Mpumalanga province |
| Sample design | Probability sampling |
| Sample (Youth between 18 – 34 years) | 424 |
| Residing in urban areas | 203 |
| Residing in rural areas | 221 |
| Data Collection method | Electronic Surveys |

### 3.4 Research (Measuring) instrument

The study used Shapero's model of entrepreneurial event to measure entrepreneurial intention of the youth in Mpumalanga. Entrepreneurial intention is considered to be the best predictor of entrepreneurial behaviour (Ajzen, 2001). This theory has been successfully used by many scholars around the world to predict and explain certain behaviours of individuals. An advantage to this model is that it takes into account the impact of normative beliefs of an individual which will be very beneficial to this study. A limitation to the model is that even though it takes into account normative beliefs, it has limited consideration for other environmental and economic factors that may influence an individual's behaviour. (Godin & Kok, 1996).

The research instrument used was obtained in a study completed by Urban (2017), which aimed to explore the impact of institutional environment on social entrepreneurship. This model was initially adopted from Busenitz et al (2000). The instrument included all elements to be considered in this research namely; Entrepreneurial intent and its antidecendants and Institutional environment. Even though the instrument was designed to measure the impact of the institutional

environment on entrepreneurial intent, the questions were minimally adjusted to refer to entrepreneurial intent as a whole. This instrument was initially used by Busenitz (2000) to explore the institutional theory in the context of entrepreneurship. The scales will be discussed in more detail in the section below.

**Entrepreneurial intention**

This variable consisted of nine (9) questions such as; *I am determined to create an entrepreneurial venture in the future; I have very seriously thought of starting a business in the future; I have a strong intention to start a business in the future, My professional goal is to be an entrepreneur, I will make every effort to start and run my own enterprise, I do not have doubts about ever starting my own business in the future, I am ready to do anything to be an entrepreneur and I had a strong intention to start my own business before I started with my qualification.* This was also used by Guerrero, Rialp and Urbano (2008) and Malebana and Swanepoel (2015). All questions were designed at a seven (7) point likert scale.

**Perceived desirability and Perceived feasibility**

The tool was made up of three (3) questions that measured perceived desirability and five(5) that measured perceived feasibility. Perceived desirability questions included the following; *If I actually started my own business, I would love it, If I actually started my own business, I would be tense,* and, *If I actually started my own business, I would be enthusiastic.* Subsequently questions under perceived feasibility included the following questions*; I know enough to start a business, It would be very easy for me to start a business, I would be certain of success if I were to start a business, I am sure of myself and I would not be overworked if I were to start my own business.*

**Normative and cognitive environment**

This measurement tool consisted of four (4) items for normative environment which can be noted as follows: *Turning new ideas into businesses is admired in my area, In my area, innovative and creative thinking is viewed as a route to success, Entrepreneurs are admired in my area,* and*, People in my area greatly*

*admire those who start own businesses.* For cognitive environment, the tool also consisted of four (4) items noted as follows; *Individuals know how to protect a new business legally, Those who start new businesses know how to deal with risk, Those who start new businesses know how to manage risk* and *Most people know where to find info about markets for their products*. All items were measured on a seven (7) point likert scale.

See appendix B for the consistency matrix and appendix A for the research instrument

### 3.5 Data analysis

According to Cooper and Schindler (2014), data analysis is described as the process of reading and making sense of data by applying statistical methods to achieve this. Data obtained from the online survey was exported into excel form. The data was processed further and analysed using the latest version of Qualtrics. Questionnaires relating to individuals who have answered questions invalidly were removed and not further considered.

For validity and reliability, a pre-test was conducted before the actual data collection took place. The study is confident in the reliability of the measurement scales as these have been effectively used before. A combination of descriptive statistics, correlational analysis and regression analysis was used to analyse the data collected. Descriptive statistics was used to analyse demographical data. Correlational and regression analysis was used to interpret the relationships between the constructs (Cooper and Schindler, 2014).

The quantitative data were obtained from primary sources through an electronic questionnaire administered through Qualtrics. The data was then extracted from Qualtrics to SPSS version 25, where it was further analysed. Data screening was performed on the extracted data, and any questionnaires that were invalid or incomplete were disregarded from the sample. Before analysis, data coding of responses and analysis were made. In order to analyse the data obtained easily,

the data were coded to SPSS 20.0 software as the data obtained from questionnaires.

In this study all of the responses were pre-coded. They were taken from the list of responses, a number of corresponding to a particular selection was given. This process was applied to every earlier question that needed this treatment.

Upon completion, the data were then entered into a statistical analysis software package, SPSS version 20.0 on Windows 10, for the next steps. Under the data analysis, exploration of data has been made with descriptive statistics and graphical analysis. The analysis included exploring the relationship between variables and comparing groups and how it affect each other. This has been done using cross tabulation/chi square, correlation, and factor analysis and using non-parametric statistic.

**The reliability and validity analysis of the quantitative data**

**Reliability of data**

The reliability of measurements specifies the amount to which it is without bias (error free) and hence ensures consistent measurement across time and across the various items in the instrument, according to Cooper and Schindler (2014). In reliability analysis, it has been checked for the stability and consistency of the data. In the case of reliability analysis, the researcher checked the accuracy and precision of the procedure of measurement. The instrument that was used by the reasercher was found to be reliable by other researchers who studied the institutional environment in relation to entrepreneurial intentions within a South African market (Kujinga and Urban, 2016). This is important for purposes of measuring reliability, as it confirms that there is consistency in the results that are obtained using the tested instrument.

**Reliability analysis**

Cronbach's alpha is a measure of internal consistency, i.e., how closely related a set of items are as a group (Barbaranelli, Lee, Vellone & Riegel, 2015). It is considered to be a measure of scale reliability. The reliability of internal consistency most of the time is measured based on the Cronbach's alpha value. According to Cronbach (1995), where a high value of Cronbach alpha is obtained, this means that there is a higher reliability of the measurement scale. Reliability coefficient of 0.70 and above is considered "acceptable" in most research situations.

**Validity**

Face validity used, as defined by Cooper and Schindler (2014), is an indicator that makes it seem a reasonable measure of some variables, and it is the subjective judgment that the instrument measures what it intends to measure in terms of relevance . Exploratory Factor Analysis was done on SPSS in order to examine the number of factors that have got an influence in the variables in our study (DeCoster, 1998). EFA attempts to break down difficult patterns by exploring the set of data and examining the predictions (Child, 2006). Confirmatory Factor Analysis was carried out to assess the validity of the structure of the different measures (Tavako & Dennick, 2011). The CFA analysis was conducted using AMOS V21.

## 3.6 Ethical considerations

As research is a process that entails getting information from people, it is therefore important that the way in which it is conducted complies with the established norms and standards (Mouton, Auriacombe & Lutabingwa 2006).
This research is based upon the ethical principles of honesty, objectivity and confidentiality. The research methods and procedures, as well as report data and results are reported honestly and free of fabrication, falsification, or misrepresentation.This research study was approved by the Ethics and standards committee of the Wits Business School with protocol number WBS/BA535591/333. The second step was to request for the consent of the respondents before commencing with the research questionnaire. Where

respondents did not give a consent, they were not required to complete the questionairre All respondents were required to be above the age of 18 years to avoid the process of first getting consent from a guardian, before completing the questionnaire.

## Conclusion

The research methodology and design indicated the overall process flow of the research for the given study. The data sources and data collection methods were used. The research instrument which was obtained form prior reaserch was described. The validity and reliability of the instrument was also discussed in much detail. The research design as described in this chapter is consistent with that of previous research and it adheres to the fundamental principles of research. The results obtained in this study will be further discussed in the chapter that follows.

# CHAPTER 4: PRESENTATION OF RESULTS

In this chapter the analysis of the data collected according to the methodology presented in chapter 3, is discussed. The relationship between the dependent and independent variables is examined in detail and hyphothesis are tested. The validity and reliability of the scales used is also examined in detail.

## 4.1. Introduction

This research study was aimed at investigating the impact of the institutional environment on entrepreneurial intention (and its antedecendants, perceived desirability and feasibility) of the youth residing in rural and urban areas in Mpumalanga province. In order to carry out the analysis, SPSS version 25 was used to complete descriptive statistics, factor analysis, reliability analysis, linear and multiple regression analysis.

## 4.2 Data screening

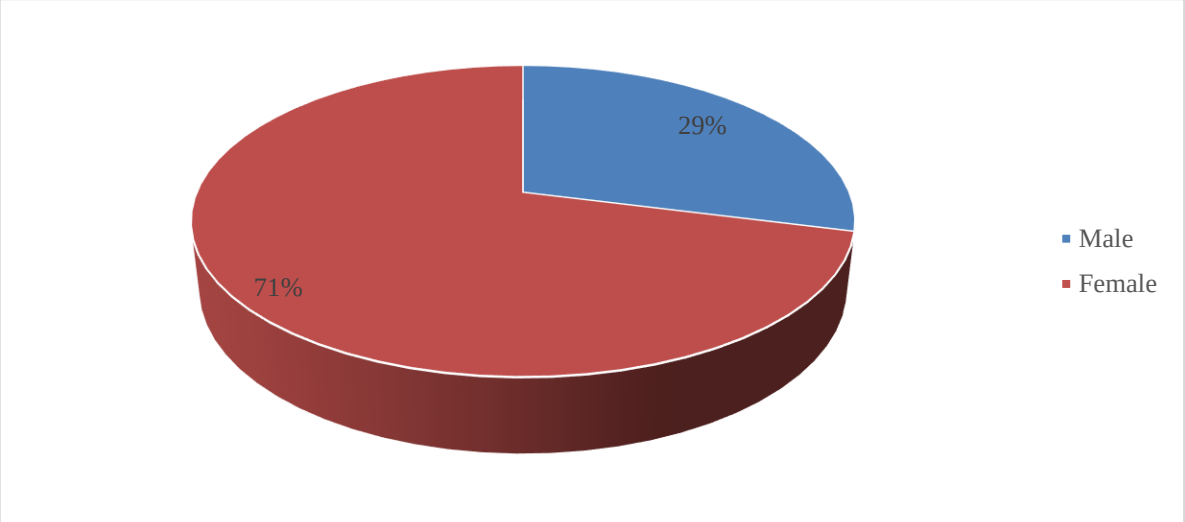
A total of 424 responses were received. Of the 424 responses, 1 respondent did not give consent and 47 were incomplete. These 48 responses were eliminated from the sample. Thus, the final sample had 376 respondents. Where there were a few cases missing on rating questions, the missing values were replaced by the mean score of the item.

## 4.3. Sample Characteristics / Demographic

### 4.3.1 Gender

The gender distribution of the sample is summarised in Figure 1. It can be noted that most of the respondents were female (71%) compared to 29% male respondents.

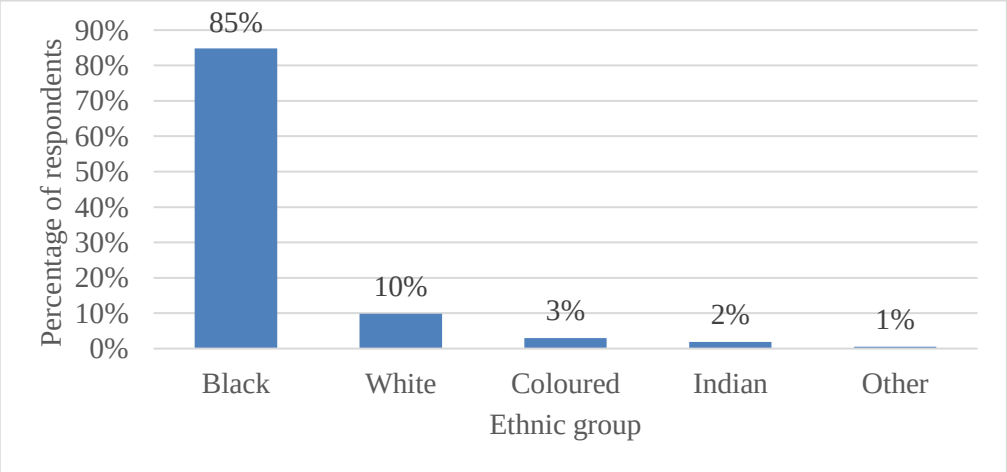
**Figure 1: Respondent gender**




### 4.3.2 Ethnicity

The ethnic group of the respondents was also established, and the results illustrated in figure 2 show that 85% of the respondents were black, 10% were white, 3% coloured, 2% Indian and the other 2% indicated that there were another ethnic group.

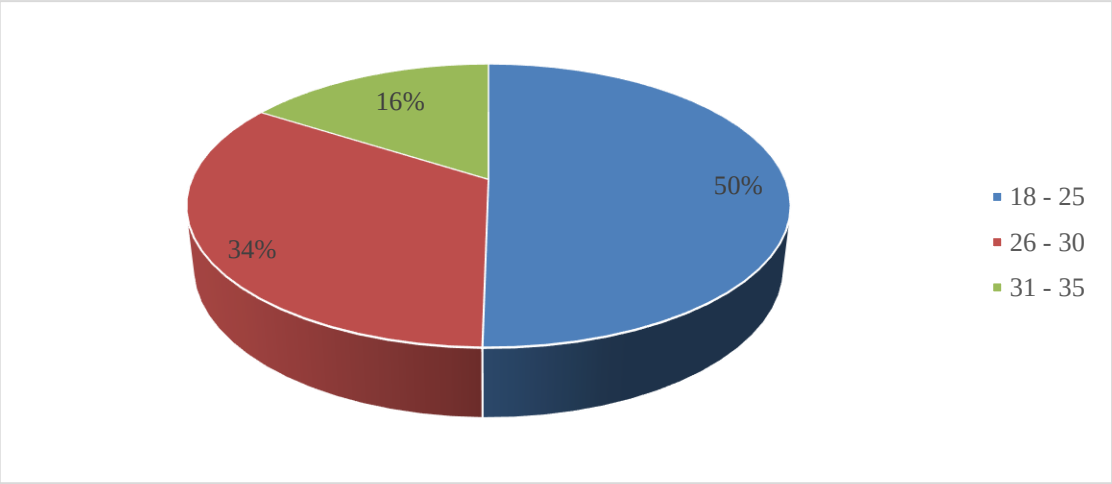
**Figure 2: Ethnicity**



### 4.3.3 Age

Figure 3 shows that half of the respondents (50%) fell into the 18 – 25 year old age group. The other 34% were 26 – 30 years old, and the rest 16% were 31 – 35 years old.

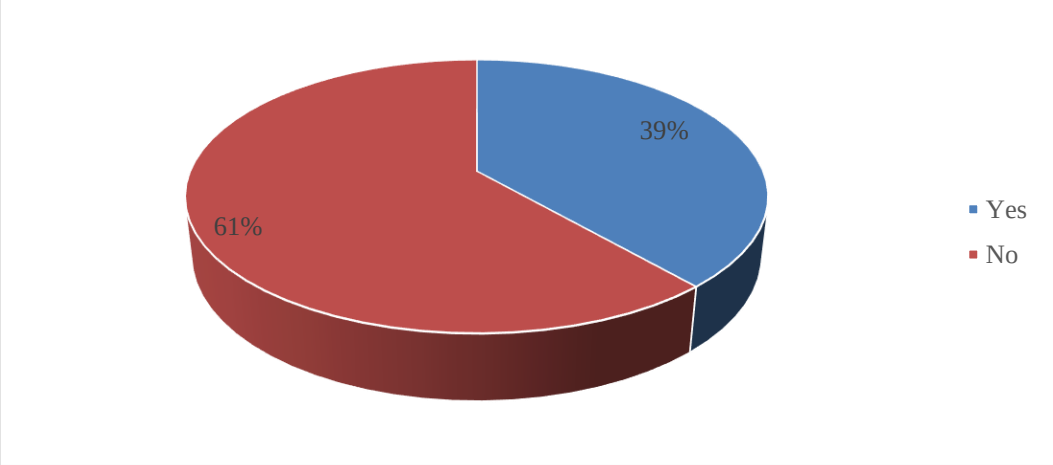
**Figure 3: Respondent age**




### 4.3.4 Employment status

The employment status of the respondents in the sample is summarised in figure 4. A proportion of 39% on the respondents indicated that they were employed, while the other 61% were not employed.

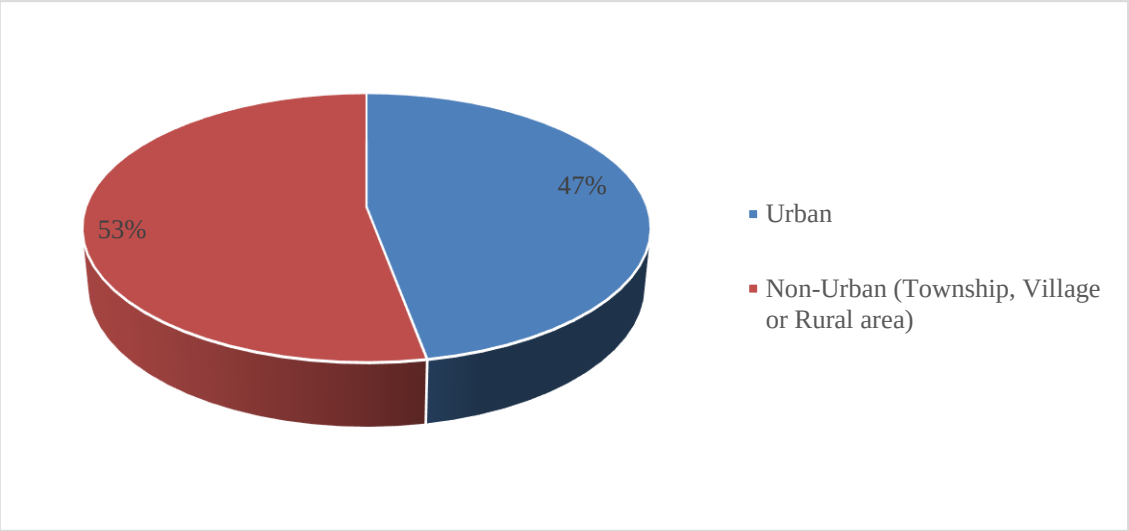
**Figure 4: Currently employed**



### 4.3.4 Urban Vs Rural Residents

It was established whether the respondents were residing in an urban or a non-urban areas. The results shown in figure 5 indicates that 47% of the sample was from urban areas, while the other 53% were from rural areas of Mpumalanga.

**Figure 5: Residential area**



The sample characteristics are summarised in Table 1.

**Table 1: Summary of Demographics**

| Variable | Option | Frequency | Percent |
|---|---|---|---|
| Gender | Male | 109 | 29% |
| | Female | 267 | 71% |
| Ethnicity | Black | 319 | 85% |
| | White | 37 | 10% |
| | Coloured | 11 | 3% |
| | Indian | 7 | 2% |
| | Other | 2 | 1% |
| Age group | 18 – 25 | 189 | 50% |
| | 26 – 30 | 127 | 34% |
| | 31 – 35 | 60 | 16% |
| Currently employed | Yes | 145 | 39% |
| | No | 231 | 61% |
| | Urban | 177 | 47% |

| | | | |
|---|---|---|---|
| Do you currently reside in an urban or a non-urban area | Non-Urban (Township, Village or Rural area) | 199 | 53% |

### 4.4 Validity

Exploratory factor analysis (EFA) was conducted to assess the validity of the constructs.

Exploratory Factor Analysis was done on SPSS in order to examine the number of factors that have an influence in the variables in our study (DeCoster, 1998). EFA was chosen as a preferred method than Confirmatory Factor Analysis, as it attempts to break down difficult patterns by exploring the set of data and examining the predictions (Child, 2006).

The dropping of variables is considered in order to make the data simple and easier to analyse (Kline, 1994). The following items were excluded during factor analysis because they either had a low communality 0.3) or low factor loading (0.4).

- EI7 My qualification has contributed positively towards my interest in starting a business
- EI9 I had a strong intention to start my own business before I started with my qualification
- PD1 If I actually started my own business, I would love it
- PD2 If I actually started my own business, I would be tense
- PD3 If I actually started my own business, I would be enthusiastic
- PF1 I know enough to start a business
- PF2 It would be very easy for me to start a business
- PF3 I would be certain of success if I were to start a business
- PF4 I am sure of myself
- PF5 I would not be overworked if I were to start my own business

The method of extraction that was used on SPSS is Principal Axis Factoring, KMO and Bartlett‘s test and scree plot. For rotation, we have used Promax rotation method. This is an oblique rotation which allows for the correlation of factors and hence it was preferred for this study. A pattern matrix was used to assess the loading of factors, this method was chosen instead of others as it is an easier model to understand and interpret (Field, 2013). Factors that are regarded as significant are those that have loaded at a value that is above 1. According to Stevens (2002), smaller loadings are only considered appropriate when dealing with larger sample size.

Results shown in table 2. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy was 0.876, which was greater than 0.5, the minimum acceptable value. This implies that the sample was adequate for conducting factor analysis. The Bartlett's Test of Sphericity was significant with a p value of 0.000. This indicates that the individual items were correlated strong enough for factor analysis to be feasible.

**Table 2: KMO and Bartlett's Test**

| KMO and Bartlett's Test | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .876 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 3908.805 |
| | Df | 105 |
| | Sig. | .000 |

Table 3 shows the communality values for items that were retained after conducting factor analysis. All the items returned had communality values greater than 0.3, indicating that at least 30% of the variance for each individual items was communal variance.

**Table 3: Communalities**

| | Initial | Extraction |
|---|---|---|
| EI1 I am determined to create an entrepreneurial venture in the future | .590 | .603 |
| EI2 I have very seriously thought of starting a business in the future | .767 | .699 |
| EI3 I have a strong intention to start a business in the future | .828 | .812 |
| EI4 My professional goal is to be an entrepreneur | .654 | .643 |
| EI5 I will make every effort to start and run my own enterprise | .738 | .771 |
| EI6 I do not have doubts about ever starting my own business in the future | .536 | .540 |
| EI8 I am ready to do anything to be an entrepreneur | .636 | .634 |
| NE1 Turning new ideas into businesses is admired in my area | .479 | .456 |
| NE2 In my area, innovative and creative thinking is viewed as a route to success. | .516 | .536 |
| NE3 Entrepreneurs are admired in my area | .646 | .719 |
| NE4 People in my area greatly admire those who start own businesses | .624 | .604 |
| CE1 Individuals know how to protect a new business legally | .652 | .702 |
| CE2 Those who start new businesses know how to deal with risk | .757 | .828 |

| | | |
|---|---|---|
| CE3 Those who start new businesses know how to manage risk | .750 | .824 |
| CE4 Most people know where to find info about markets for their products | .437 | .453 |
| Extraction Method: Principal Axis Factoring. | | |

Table 4 shows that Total variance explained by the retained factors. It can be noted that three factors were retained during exploratory Factor analysis, as shown by 3 factors with eigen values greater than 1. These 3 retained factors explained 72.035% of variance in the initial items.

**Table 4: Total Variance Explained**

| Factor | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings[a] |
|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total |
| 1 | 5.834 | 38.893 | 38.893 | 5.502 | 36.679 | 36.679 | 4.960 |
| 2 | 3.556 | 23.704 | 62.597 | 3.239 | 21.593 | 58.272 | 3.602 |
| 3 | 1.416 | 9.439 | 72.035 | 1.084 | 7.225 | 65.497 | 3.578 |
| 4 | .728 | 4.854 | 76.890 | | | | |
| 5 | .548 | 3.656 | 80.546 | | | | |
| 6 | .495 | 3.300 | 83.846 | | | | |
| 7 | .470 | 3.131 | 86.977 | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 8 | .377 | 2.511 | 89.489 | | | | |
| 9 | .342 | 2.280 | 91.769 | | | | |
| 10 | .287 | 1.911 | 93.680 | | | | |
| 11 | .266 | 1.776 | 95.456 | | | | |
| 12 | .216 | 1.443 | 96.899 | | | | |
| 13 | .200 | 1.335 | 98.234 | | | | |
| 14 | .152 | 1.016 | 99.250 | | | | |
| 15 | .113 | .750 | 100.000 | | | | |
| Extraction Method: Principal Axis Factoring. | | | | | | | |
| a. When factors are correlated, sums of squared loadings cannot be added to obtain a total variance. | | | | | | | |

The scree plot shown in figure 7 confirms that 3 factors were extracted because there were three (3) factors that had eigen values greater than 1 and the line graph flattens out after 3 factors. Thus, the rest of the factors explains only a small proportion of the variance in the individual items.

**Figure 6: Scree plot**

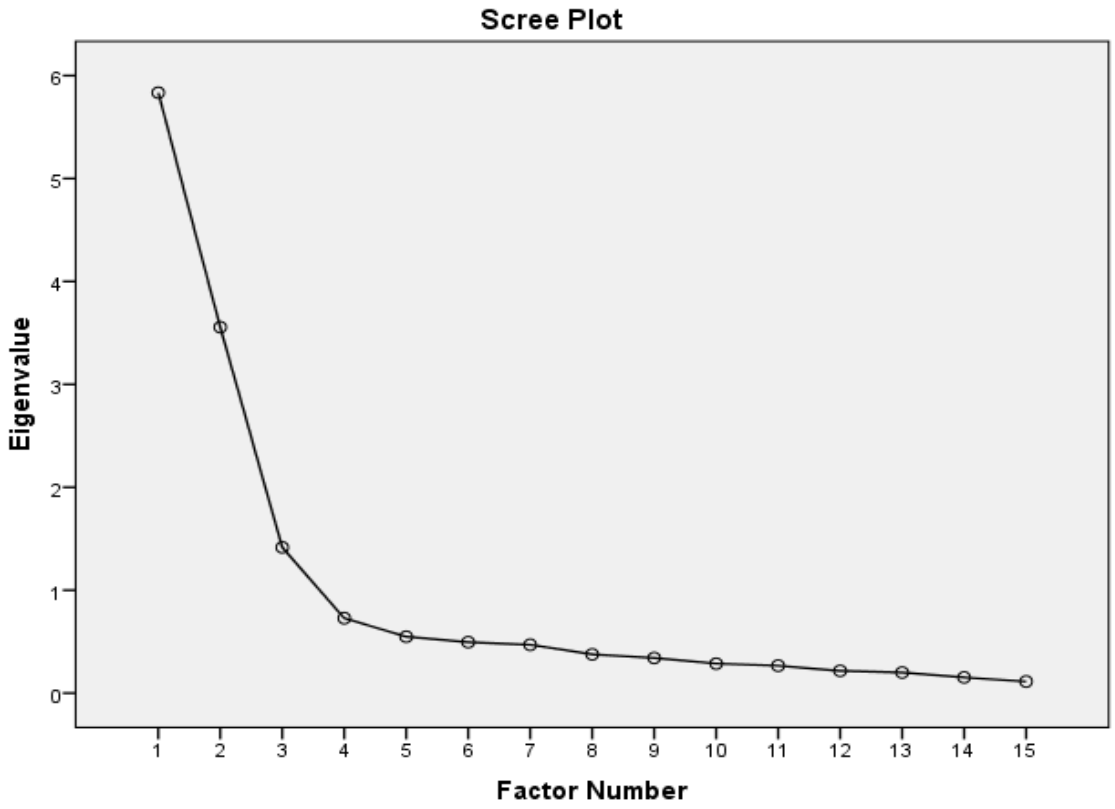



Table 5 shows the final construct composition after conducting EFA. It could be noted that the items returned were classified into three constructs namely entrepreneurial intent, cognitive environment, and normative environment. The items within each construct loaded highly onto their respective contracts with a minimum factor loading of 0.604, which is greater than the minimum acceptable value of at least 0.4.

## Table 5: Final Constructs

| | Pattern Matrix[a] | | | |
|---|---|---|---|---|
| Construct | | Factor | | |
| | | 1 | 2 | 3 |
| Entrepreneurial Intent | EI3 I have a strong intention to start a business in the future | .919 | | |
| | EI5 I will make every effort to start and run my own enterprise | .880 | | |
| | EI2 I have very seriously thought of starting a business in the future | .852 | | |
| | EI1 I am determined to create an entrepreneurial venture in the future | .780 | | |
| | EI4 My professional goal is to be an entrepreneur | .779 | | |
| | EI8 I am ready to do anything to be an entrepreneur | .773 | | |
| | EI6 I do not have doubts about ever starting my own business in the future | .710 | | |
| Cognitive environment | CE2 Those who start new businesses know how to deal with risk | | .948 | |
| | CE3 Those who start new businesses know how to manage risk | | .928 | |
| | CE1 Individuals know how to protect a new business legally | | .782 | |
| | CE4 Most people know where to find info about markets for their products | | .604 | |
| | NE3 Entrepreneurs are admired in my area | | | .878 |

| | | | | |
|---|---|---|---|---|
| Normative environment | NE4 People in my area greatly admire those who start own businesses | | | .762 |
| | NE2 In my area, innovative and creative thinking is viewed as a route to success. | | | .679 |
| | NE1 Turning new ideas into businesses is admired in my area | | | .646 |
| | Extraction Method: Principal Axis Factoring.<br>Rotation Method: Promax with Kaiser Normalization. | | | |
| | a. Rotation converged in 5 iterations. | | | |

The EFA results indicated that there was both convergent and divergent validity. There was convergent validity because items that were related to each other converged to form the same factor. On the other hand, items that were not related to each other, diverged from each other and converged into their respective factors.

### 4.5 Reliability

Cronbach's Alpha was calculated for each of the three (3) constants to assess the reliability of the scale. There was excellent reliability for entrepreneurial intent (α = 0.923), since the alpha value was greater than 0.9. There was very good reliability for cognitive environment (α = 0.895) and normative environment (α = 0.835).

**Table 6: Reliability of the scale**

| Construct | Items | Cronbach's Alpha | Reliability Level |
|---|---|---|---|
| Entrepreneurial Intent | 7 | .923 | Excellent |
| Cognitive environment | 4 | .895 | Very good |
| Normative environment | 4 | .835 | Very good |

Since all the three (3) constructs had Cronbach's Alpha values greater than the minimum acceptable value of at least 0.7, it means that the items within each construct could be combined to form a summated scale because the scale was reliable. The composite scale for each construct was calculated by computing the average of the items within each construct.

### 4.6 Confirmatory factor analysis (CFA)

Confirmatory Factor Analysis was carried out to assess the structure of the different measures given that a number of items were not retained after completing the exploratory factor analysis. The CFA analysis was conducted using AMOS V21 and this can be seen as presented in figure 1 below.

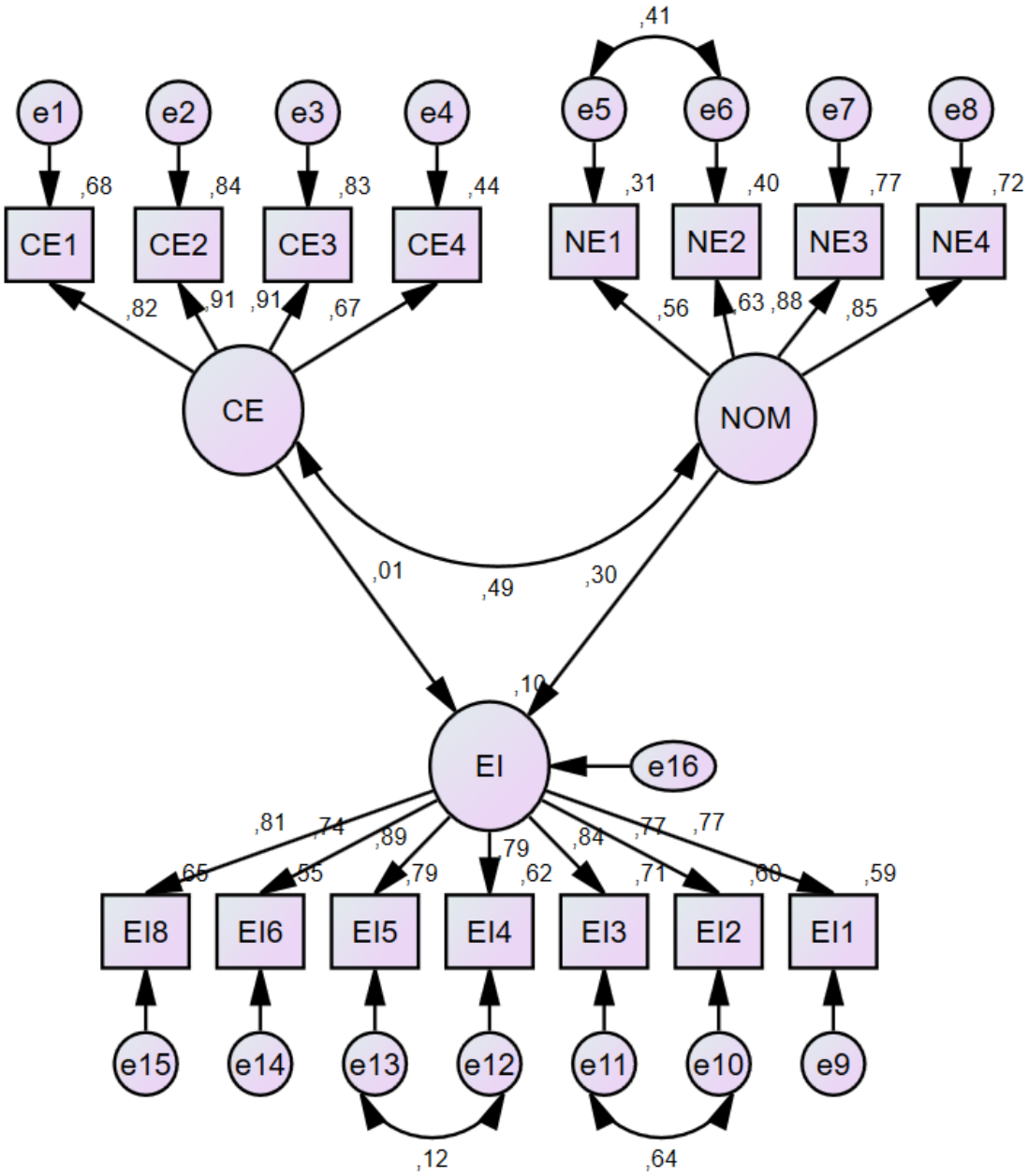



***Figure 1: Confirmatory factor analysis***

| Absolute Fit Indexes | Acceptable Value | Value | Outcome |
|---|---|---|---|
| **GFI** | >0.9 | 0.934 | Acceptable |
| **AGFI** | >0.9 | 0.906 | Acceptable |
| **RSME** | 0.5<RSME<0.8 | 0.059 | Acceptable |
| **NFI** | >0.9 | 0.951 | Acceptable |
| **NNFI (TLI)** | >0.9 | 0.965 | Acceptable |
| **CFI** | >0.9 | 0.972 | Acceptable |
| **CMIN/DF** | <3 | 2,313 | Acceptable |
| | | | |

***Figure 2: Model Fit Indices – Both Urban and Non-urban***

Figure 2 shows the model fit indices for both the urban and rural measurement models. All the model fit indices were within acceptable rages, implying that the model was a good fit for the data. The Chi-square value was noted as 194.3 with a p-value of 0,000. This was therefore an indication of a poor fit as the p-values are less than 0.05. This is, however, as a result of the large sample size as the vale becomes significant without consideration of the fit. Therefore the above model was used to test the hypothesis for this study.

## 4.6 Hypothesis testing

### Assessment of regression assumptions

Box plots were plotted to assess whether there were any outliers. The results show that respondent 3 for urban areas and respondents 302 for non-urban areas, were outliers under the entrepreneurial intent construct. This is shown by an asterisk in figure 7 and figure 9. The outliers were replaced by the next largest values, that is value for case 98 for the urban areas and value for 238 for the non-urban areas. Box plots shown in figure 8 and figure 10 show the plots after replacing the outliers.

### Box plots

**Figure 7: Boxplot: Urban Areas - Before removing outliers**

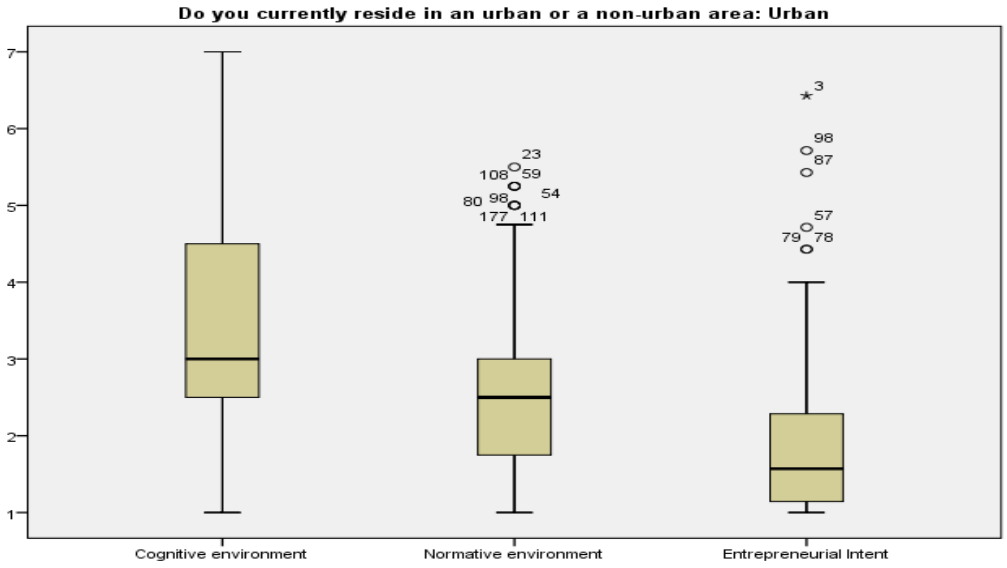



**Figure 8: Boxplot: Urban areas - After removing outliers**

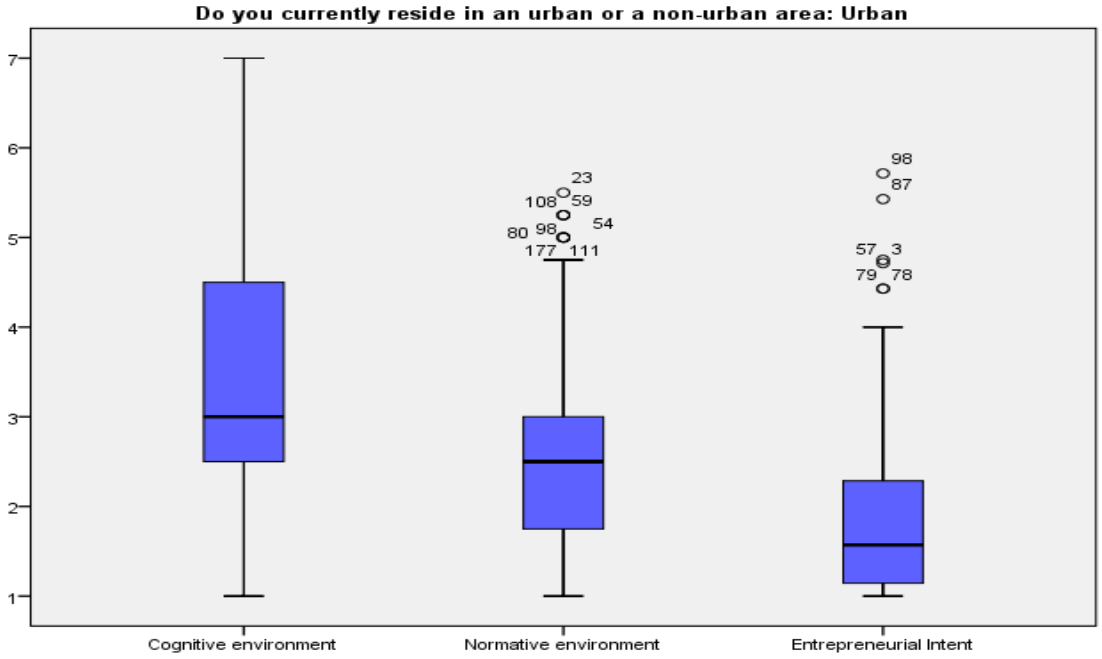


**Figure 9: Boxplot: Rural areas - Before removing outliers**

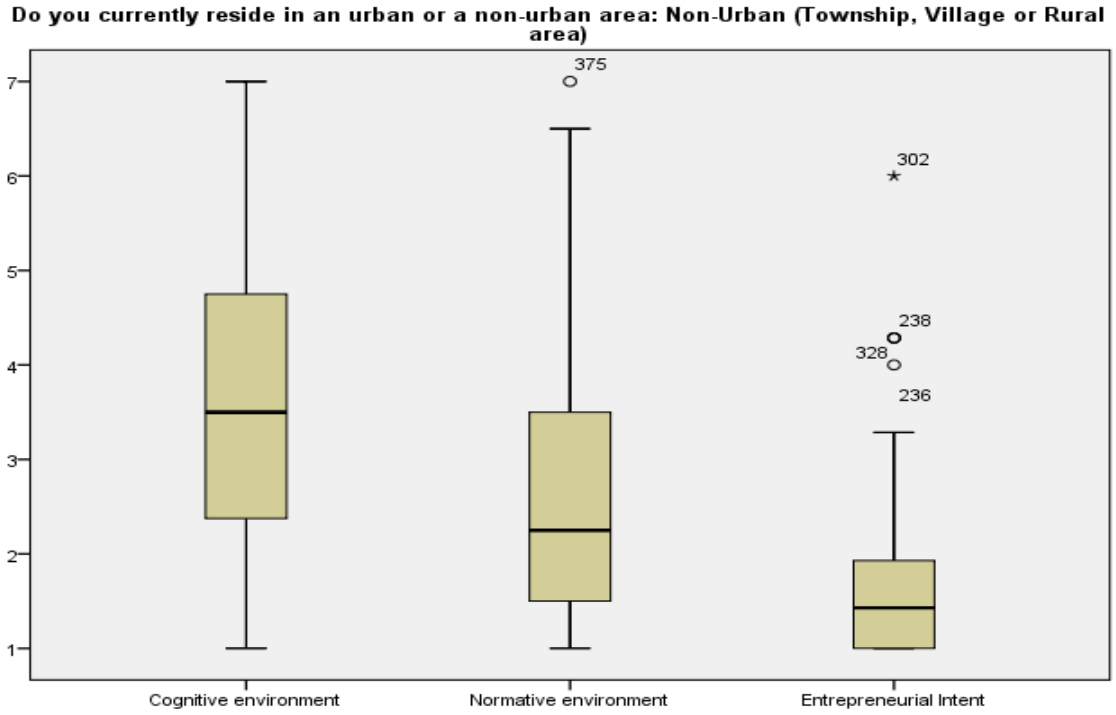
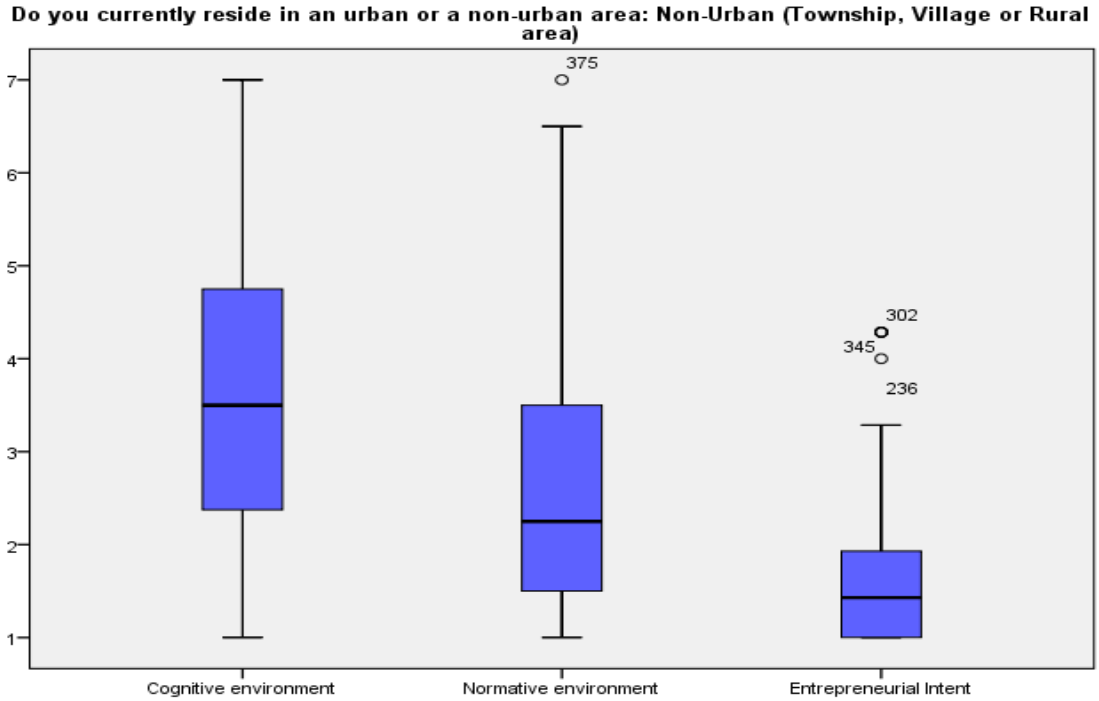



**Figure 10: Boxplot: Rural Areas - After removing outliers**




Further analysis was conducted with data without outliers.

### Test for Multicollinearity

The variance inflation factor (VIF) values shown in Table 7 were all less than 10 for both urban and non-urban areas. This implies that there was no multi-collinearity.

**Table 7: Test for Multicollinearity – Urban and Non-Urban areas**

| Model | | Collinearity Statistics – Urban Areas | | Collinearity Statistics – Non-Urban Areas | |
|---|---|---|---|---|---|
| | | Tolerance | VIF | Tolerance | VIF |
| | Cognitive environment | .840 | 1.190 | .673 | 1.487 |
| | Normative environment | .840 | 1.190 | .673 | 1.487 |

### Test for Normality of error terms

Histograms of standardised regression error terms were plotted for both the urban and non-urban samples to assess for normality of error terms. The histograms indicate that most of the bars were below the normal curve. This is an indication that the error terms approximated the normal distribution. Thus, the normality of error terms assumption was met.

**Figure 11: Histogram - Urban areas**

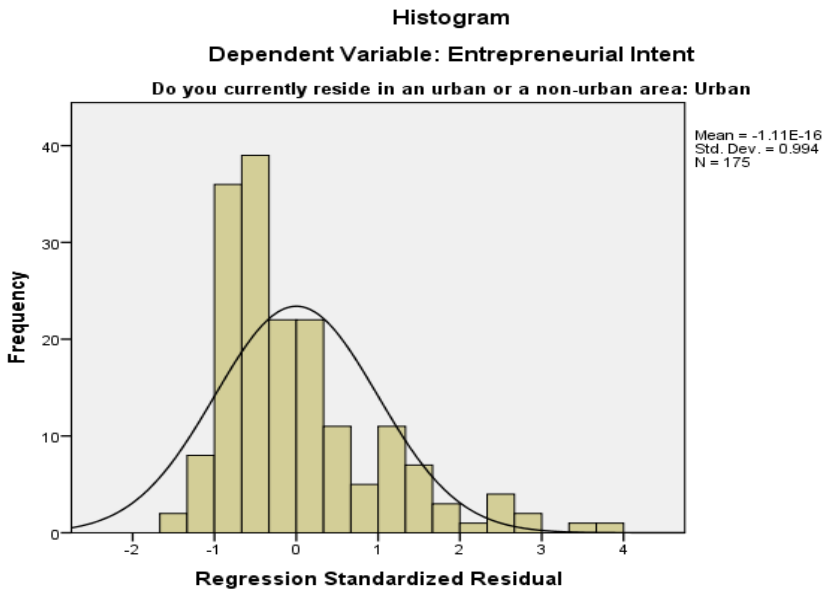
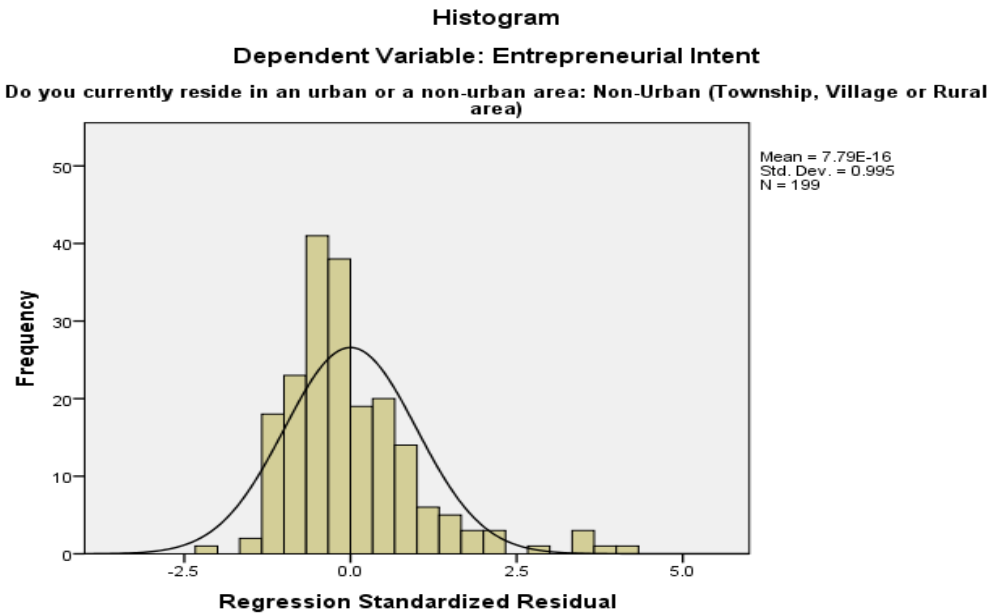



**Figure 12: Histogram - Non-urban areas**




## Test for Homoscedasticity

Scatter plots were plotted for both the urban and non-urban samples to assess whether the regression error terms had equal variance, a condition called homoscedasticity. The scatter plots in Figure 13 and 14 indicate that the conditions for multicollinearity were met, as the error terms were scattered without any visible pattern.

**Figure 13: Scatter plot - Urban areas**

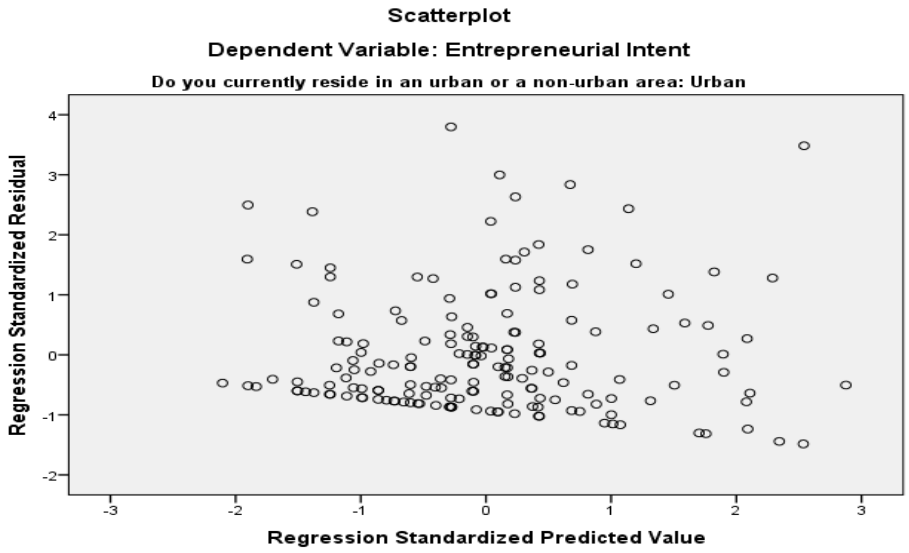
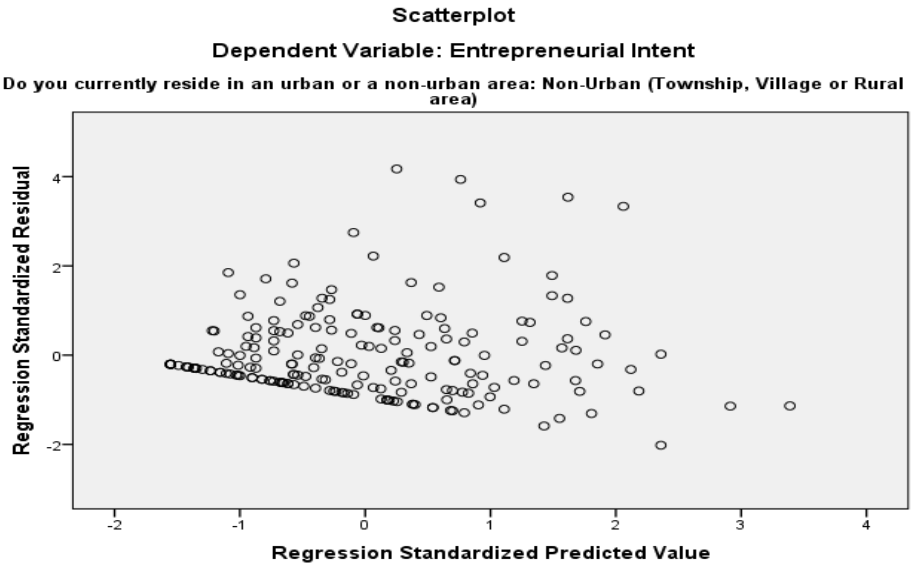



**Figure 14: Scatter plot - Rural areas**




### Test for independence of Error terms

The Durbin Watson for the urban areas was 1.575 and that for non-urban areas was 2.099. Both values were close to 2, indicating that the error terms were independent. Thus, all the regression assumptions were met.

### 4.6.1 Correlation

**Table 8: Descriptive statistics and Pearson's Correlation**

| | Descriptive Statistics | | Correlations | | |
|---|---|---|---|---|---|
| **Construct** | **Mean** | **Std. Deviation** | **Cognitive environment** | **Normative environment** | **Entrepreneurial Intent** |
| **Cognitive environment** | 3.52 | 1.434 | 1 | | |
| **Normative environment** | 2.51 | 1.184 | .505** | 1 | |
| **Entrepreneurial Intent** | 1.73 | 0.845 | .153** | .280** | 1 |

***Strongly agree = 1, and Strongly disagree = 7***

The correlation analysis results in Table 8 shows that there is a positive and significant between Entrepreneurial Intent and each of Cognitive environment (r = 0.153, p-value < 0.01) and Normative environment (r = 0.280, p-value < 0.01). The respondents agreed the most with the Entrepreneurial Intent construct (mean = 1.73), followed by Normative environment (mean = 2.51) and they agreed the least with the Cognitive environment (mean = 3.52).

### 4.6.2 Regression Results

**Regression analysis – Urban Areas**

A regression model was fitted with entrepreneurial intent as the dependent variable and Normative environment, and Cognitive environment as the independent variables among the respondents from urban areas.

**Table 9: Model Summary - Urban Areas**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .215[b] | .046 | .035 | .94886 | 1.575 |
| a. Do you currently reside in an urban or a non-urban area = Urban | | | | | |
| b. Predictors: (Constant), Normative environment, Cognitive environment | | | | | |
| c. Dependent Variable: Entrepreneurial Intent | | | | | |

The r-square in the model summary shows that Normative environment and Cognitive explains 4.6% of variation in environment Entrepreneurial Intent in urban areas (r-square = 0.046).

**Table 10: ANOVA - Urban Areas**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 7.485 | 2 | 3.743 | 4.157 | .017[c] |
| | Residual | 154.857 | 172 | .900 | | |
| | Total | 162.343 | 174 | | | |
| a. Do you currently reside in an urban or a non-urban area = Urban | | | | | | |
| b. Dependent Variable: Entrepreneurial Intent | | | | | | |
| c. Predictors: (Constant), Normative environment, Cognitive environment | | | | | | |

The results in Table 10 shows that normative environment and cognitive environment, were together significant in predicting Entrepreneurial Intent in

urban areas (p-value = 0.017). The coefficients table shown in Table 11 shows the contribution of each variable.

**Table 11: Coefficients - Urban Areas**

| Model | | Unstandardised Coefficients | | Standardised Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | *B* | *Std. Error* | *Beta* | | | *Tolerance* | *VIF* |
| 1 | **(Constant)** | 1.547 | .221 | | 7.000 | .000 | | |
| | **Cognitive environment** | -.055 | .058 | -.077 | -.943 | .347 | .840 | 1.190 |
| | **Normative environment** | .214 | .074 | .234 | 2.875 | .005 | .840 | 1.190 |
| a. Do you currently reside in an urban or a non-urban area = Urban | | | | | | | | |
| b. Dependent Variable: Entrepreneurial Intent | | | | | | | | |

**Results pertaining to Hypothesis 1 (H1): Normative environment in urban areas has got a positive impact on entrepreneurial intention**

The results in Table 11 indicates that normative environment in urban areas (B = 0.214, β = 0.234, t-value = 2.875, p-value = 0.05) had a positive impact of an entrepreneurial intent. The impact was positive since the coefficient for normative environment (B = 0.214) was greater than zero. The impact was significant since the p-value was less than 0.05. Thus, it was concluded that normative environment in urban areas has got a positive impact on entrepreneurial intention.

**Results pertaining to Hypothesis 2 (H2): Cognitive environment in urban areas has got a positive impact on entrepreneurial intention**

The results in Table 11 indicates that cognitive environment in urban areas (B = -0.055, β = -0.077, t-value = -0.943, p-value = 0.347) was negative but insignificant. The impact was negative because the coefficient for cognitive environment (B = -0.055) was less than zero. The impact was insignificant since the p-value was greater than 0.05. Thus, H2 was not supported.

**Regression analysis – Non-urban areas**

A regression model was fitted with entrepreneurial intent as the dependent variable and normative environment, and cognitive environment as the independent variables, among the respondents from non-urban areas.

**Table 12: Model Summary - Non-Urban**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .423[b] | .179 | .170 | .63019 | 2.099 |
| a. Do you currently reside in an urban or a non-urban area = Non-Urban (Township, Village or Rural area) | | | | | |
| b. Predictors: (Constant), Normative environment, Cognitive environment | | | | | |
| c. Dependent Variable: Entrepreneurial Intent | | | | | |

The r-square in the model summary shows that Normative environment and Cognitive explains 17.9% of variation in environment Entrepreneurial Intent in non-urban areas (r-square = 0.179).

**Table 13: ANOVA - Non-Urban**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | **Regression** | 16.935 | 2 | 8.467 | 21.321 | .000[c] |
| | **Residual** | 77.838 | 196 | .397 | | |
| | **Total** | 94.773 | 198 | | | |

a. Do you currently reside in an urban or a non-urban area = Non-Urban (Township, Village or Rural area)

b. Dependent Variable: Entrepreneurial Intent

c. Predictors: (Constant), Normative environment, Cognitive environment

The results in Table 13 shows that Normative environment and Cognitive environment were together significant in predicting Entrepreneurial Intent in rural areas (p-value = 0.000). The coefficients table shown in Table 14 shows the contribution of each variable.

**Results pertaining to Hypothesis 3 (H3): Normative environment in Rural areas has got a negative impact on entrepreneurial intention**

The results in Table 14 indicates that Normative environment in non - Urban areas (B = 0.166, β = 0.310, t-value = 3.922, p-value = 0.00) had a positive impact of on entrepreneurial intent. The impact was positive since the coefficient for Normative environment (B = 0.166) was greater than zero. The impact was significant since the p-value was less than 0.05. Thus hypothesis 3 was not supported. It was concluded that Normative environment in non-Urban areas has a positive impact on entrepreneurial intention.

**Results pertaining to Hypothesis 4 (H4): Cognitive environment in rural areas has got a negative impact on entrepreneurial intention**

The results in Table 14 indicates that Cognitive environment in non - Urban areas (B = 0.074, β = 0.161, t-value = 2.038, p-value = 0.043) had a positive impact of on entrepreneurial intent. The impact was positive since the coefficient for Cognitive environment (B = 0.074) was greater than zero. The impact was significant since the p-value was less than 0.05. Thus hypothesis 4 was not supported. It was concluded that Cognitive environment in non-Urban areas has a positive impact on entrepreneurial intention.

The following hypotheses were not tested because there were no valid constructs for perceived desirability and perceived feasibility

- H1a: Normative environment in Urban areas has got a positive impact on perceived desirability
- H1b: Normative environment in Urban areas has got a positive impact on perceived feasibility
- H2a: Cognitive environment in Urban areas has got a positive impact on perceived desirability
- H2b: Cognitive environment in Urban areas has got a positive impact on perceived feasibility
- H3a: Normative environment in Rural areas has got a negative impact on perceived desirability
- H3b: Normative environment in Rural areas has got a negative impact on perceived feasibility
- H4a: Cognitive environment in Rural areas has got a negative impact on perceived desirability
- H4b: Cognitive environment in Rural areas has got a negative impact on perceived feasibility
- H5: Perceived Desirability has got a positive impact on entrepreneurial intention
- H6: Perceived Feasibility has got a positive impact on Entrepreneurial Intention

### 4.7 Conclusion

This chapter thouroughly discussed the results of the data that was collected in relation to the validity and reliability of the instrument used, and the relationship between the entrepreneurial intention and the normative and cognitive environment in urban and rural areas . The analysis found that normative environment in urban areas had a positive impact on entrepreneurial intent, while the cognitive environment in urban areas had a negative impact. In relation to rural areas in Mpumalanga, both the normative and cognitive environment had a positive impact on entrepreneurial intent. Hypothesis relating to pereceived desirability and perceived feasibility were not tested as there were no valid constructs. The following chapter will discuss the above findings and link them to existing theory.

# CHAPTER 5: DISCUSSION OF THE RESULTS

In this chapter, the results as outlined in chapter 4 will be discussed and synergised with existing theory. The section begins with a discussion of the demographic results, followed by the discussion of the hypothesis, followed by further recommendations and limitations of the study. The chapter will then end with a brief conclusion.

## 5.1 Introduction

The study looked at the impact of the institutional environment (cognitive and normative) on entrepreneurial intention (and its antedecendants being perceived desirability and feasibility) of the youth residing in rural and urban areas in Mpumalanga province. The results of the study were discussed in chapter 4. This chapter discusses the findings of the study in detail, referring to existing theory that supports the findings.

The study will begin with the discussion of the demographic profile of the respondents then followed by a discussion on the different hypothesises tested. This chapter ends with a conclusion which consolidates all the discussions on the different constructs.

## 5.2 Demographic profile of respondents

The survey was distributed among young people between the ages of 18 and 35 residing in the Mpumalanga province. The online Qualtrics platform was used to distribute the survey amongst the young people. A total of 424 responses were received, however only 376 responses were usable for the purposes of our analysis.

**Rural vs Non-Rural**

It was established whether the respondents were residing in an urban or a non-urban areas. The results shown in figure 5 in chapter 4, indicated that 47% of the sample was from urban areas while the other 53% were from rural areas of Mpumalanga. This ratio is not a mirror of the report issued by Stats SA, which found that 63% of the people in Mpumalanga reside in rural areas and the rest reside in urban areas.

**Gender**

It can be noted that most of the respondents were female (71%) compared to 29% male respondents. In urban areas 68.9% of the respondents were female while in rural areas 72.9% of the respondents were female. The Stats SA 2019 report noted that only 33% of young people from Mpumalanga were female, and the rest were male. Findings in Malebana and Swanepoel (2015) noted that males are more likely to possesss entrepreneurial behaviour than females. Urban (2008) concluded in his study that gender does not have an impact on social entrepreneurial intentions of university students .

**Ethnicity**

The ethnic group of the respondents was also established, and the results show that 85% of the respondents were black, 10% were white, 3% coloured, 2% Indian and the other 2% indicated that they were another ethnic group. In urban areas 67.8% of the respondents were black, 20.9% white, 6.2% coloured and 5.1% other. While in rural areas 100% of the respondents were black . This is in line with the findings of the Stats SA 2019 report, which found that majority of the people residing in the Mpumalanga province were black.

**Age**

Half of the respondents (50%) were between 18 – 25 years old. The other 34% were 26 – 30 years old, and the rest 16% were 31 – 35 years old. In urban areas 65.5% of the respondents were between the ages 18-25 years. In rural areas the

split was more even with the 18-25 years category at 36.7%, 26 – 30 years at 40.7% and lastly 31 – 35 years at 22.6%.

**Employment**

A proportion of 39% on the respondents indicated that they were employed while the other 61% were not employed. Unemployed in this case could also mean that the respondents are currently still in school, especially given that the majority age group is between 18 – 25 years. In rural areas 56.8% of the respondents were not employed and in urban areas 65.5%. Given the fact that most of the respondents in the rural areas were in the 18-25 age category, it was expected that majority of them would not be employed as they would still be in the process of completing their studies. However, for rural respondents whose age distribution was evenly spread, this implies that many of them are actually without jobs.

## 5.3 Discussion pertaining to Hypothesis

**Hyphothesis not tested.**

The following hypotheses were not tested because there were no valid constructs for perceived desirability and perceived feasibility

- **H1a:** Normative environment in urban areas has got a significant positive impact on perceived desirability
- **H1b:** Normative environment in urban areas has got a positive significant impact on perceived feasibility
- **H2a**: Cognitive environment in urban areas has got a positive significant impact on perceived desirability
- **H2b:** Cognitive environment in urban areas has got a positive significant impact on perceived feasibility
- **H3a:** Normative environment in rural areas has got a negative significant impact on perceived desirability
- **H3b:** Normative environment in rural areas has got a negative significant impact on perceived feasibility

- **H4a**: Cognitive environment in rural areas has got a negative significant impact on perceived desirability
- **H4b:** Cognitive environment in rural areas has got a negative significant impact on perceived feasibility
- **H5**: Perceived desirability has got a positive significant impact on entrepreneurial intention
- **H6:** Perceived deasibility has got a positive significant impact on entrepreneurial intention

The items were excluded during factor analysis, because they either had a low communality (0.3) or low factor loading (0.4). The dropping of variables is considered in order to make the data simple and easier to analyse (Kline, 1994) and .

A study by Urban (2015) found that the regulatory dimension of the institutional environment has got a significant impact on perceived feasibility and perceived desirability. This was justified by the fact that South Africa is a highly regulated environment and entrepreneurs in the country are required to operate under stringent laws and regulations. The regulations also come with a cost, which may be a disadvantage to the ordinary South African. This typically decreases the intention to become an entrepreneur. In this study, the regulatory dimension was not considered because the regulatory environment in both urban and rural areas in the province is no different as these are both governed by South African laws as a whole. The study focused only on the normative and cognitive dimensions of the institutional environment and their impact on entrepreneurial intentions, through the perceived desirability and perceived feasibility antedecendants, as these would precisely highlight the differences between the two (2) intuitional environments. Given the above finding by Urban (2015), it is justifiable why the hyphothesises relating to perceived desirability and perceived feasibility could not be tested.

Contrary to the above, a finding by Herrington and Kew (2014) highlighted that the regulatory environment does not contribute to the development of entrepreneurship.

In their study, Fitzsimmons and Douglas (2011) concluded that the perceptions of feasibility and desirability may in some cases interact in determining an individual ‘s entrepreneurial intentions. They found that even though existing literature suggests that entrepreneurial intentions stem as a result of perceptions of desirability and feasibility, they had found evidence that there is a negative interaction between the two antedecentants in determining an individual’s intention. They argue that the entrepreneurial intentions of an individual may be high, even though the level of perceived desirability and perceived feasibility is relatively low or non-existent. This therefore explains the reason why this study has found the normative and cognitive environment to have a direct relationship with entrepreneurial intentions, without considering the perceptions of desirability and feasibility.

**Results pertaining to Hypothesis 1 (H1): Normative environment in Urban areas has got a positive impact on entrepreneurial intention**

The results indicated that Normative environment in urban areas had a positive impact on entrepreneurial intent. The impact was significant since the p-value was less than 0.05. Thus, it was concluded that Normative environment in urban areas have a positive impact on entrepreneurial intention and hence this hyphothesis was supported. Shaw and Urban (2011) found that the relationship between the normative environment and entrepreneurial intent was positive but insignificant.

The entrepreneurial history of a community shapes its normative environment (Manolova, Eunni & Gyoshev, 2008). As such, it was expected that the historical events in urban areas resulted in better or more advantage, given the higher standard of living that allows for more opportunities for growth, and an environment advocating and supportive of entrepreneurship such as education, access to finances and better infrastructure.

A study by Urban and Muzamhindo (2018) found the normative environment to have no impact on entrepreneurial activity. The argument is that the normative dimension is very much informal and hence the social norms and value systems in a given society could be influenced by anything. In a typical South African

environment and in Mpumalanga in parfticular, entrepreneurship is easily associated with corruption and as such could be less valued by the members of society.

**Results pertaining to Hypothesis 2 (H2): Cognitive environment in urban areas has got a positive impact on entrepreneurial intention**

The results indicated that cognitive environment in urban areas was negative but insignificant. Thus, H2 was not supported.

In a study done by Kujinga and Urban (2016), the results of the study indicated a negative relationship between the cognitive environment and entrepreneurial intent which means that the cognitive environment has got a reverse relationship with entrepreneurial intent. The above finding supports this.

In South Africa, entrepreneurship is perceived as something that involves a lot of corruption and for one to be successful in business you would need some form of a political connection. As a result most young people prefer to rather acquire formal education in the form of university qualifications, and then become full time employees. This, therefore, justifies the reason why the cognitive environment in urban areas would have a negative impact on entrepreneurship.

Shambare (2013) noted that one of the difficulties about entrepreneurship especially amongst the youth in South Africa is that there is not enough mentorship and education and training in entrepreneurship as a speciality. Given the above results that show a more positive impact of the cognitive environment on entrepreneurial intent, this could mean that this view has completely changed over the last few years and young people are getting more education and mentorship that attracts them to the idea of being entrepreneurs. According to Mkhatshwa (2017), people in South Africa lack the skills that are necessary to venture into entrepreneurship, thus limiting their entrepreneurial intention.

**Results pertaining to Hypothesis 3 (H3): Normative environment in rural areas has got a negative impact on entrepreneurial intention**

The results indicated that Normative environment in non - urban areas had a positive impact on entrepreneurial intent. The impact was significant since the p-value was less than 0.05. Thus, hypothesis 3 was not supported. It was concluded that normative environment in non-urban areas has a positive impact on entrepreneurial intention.

The results as stipulated above were somewhat surprising as the expectation was that the normative environment in rural areas would have an adverse impact on entrepreneurial intent. The reasoning for this was that South Africa and Mpumalanga province to be specific, is currently facing a lot of socio-economic issues such as poverty, inequality, lack of education and high unemployment (Urban & Venter, 2010). The above socio-economic factors are obviously more present in rural areas as compared to urban areas because the standard of living in urban areas is much higher than that in rural areas. Furthermore, individuals residing in rural areas are mostly those from previously disadvantaged backgrounds who were highly affected by Apartheid, which never promoted entrepreneurship amongst black South Africans. Perhaps this could mean that the consequences of apartheid are slowly phasing out and young people and society as a whole is adopting a different perception to entrepreneurship.

**Results pertaining to Hypothesis 4 (H4): Cognitive environment in rural areas has got a negative impact on entrepreneurial intention**

The results indicated that cognitive environment in non - urban areas had a positive impact of on entrepreneurial intent. The impact was significant since the p-value was less than 0.05. Thus, hypothesis 4 was not supported. It was concluded that cognitive environment in non-urban areas has a positive impact on entrepreneurial intention.

In a study done by Kujinga and Urban (2016), it was found that the influence of the regulatory environment on entrepreneurial intention was positive and significant. However, another study by Shaw and Urban (2011) found that the relationtion between entrepreneurial intent and entrepreneurship was positive but insignificant.

In Urban and Muzamhindo (2018) it is suggested that the cognitive profile of individuals is reliant upon the knowledge transferred through education and training. People generally use the skills that are acquired through these learning mechanisms to make choices about opportunities. This could imply that the education and awareness level of young people residing in the rural areas of Mpumalanga have increased in a way that affects their intentions to becoming entrepreneurs more positively.

As seen above, results pertaining to H4 and H3 show that both the cognitive and normative environment in rural areas has got a positive impact on entrepreneurial intent of the young people from Mpumalanga. However, the results above do not show whether the intentions of the young people are to become necessity entrepreneurs or opportunity entrepreneurs. The GEM 2017/2018 report has found South Africa produces more necessity driven entrepreneurs, than opportunity driven entrepreneurs. Necessity entrepreneurship is defined as a form of entrepreneurship where the individual has got no other realistic alternative to survival, besides starting some form of a business that will bring in survival income. On the other hand, opportunity driven entrepreneurs discover opportunities and are more inclined to exploit them through starting a business. It can be argued that the normative and cognitive environments in the rural areas of Mpumalanga are supportive of entrepreneurship simply because there is no other form of survival and not necessarily because of the identification of opportunities.

The impact of globalisation and technology can not be ignored in South Africa. With the access of just a cellphone one is able to connect to the whole world. This therefore, allows for young people to be more enlightened in relation to issues of entrepreneurship. Many young people are realising that there are many opportunities that can be utilised through the exposure that is seen on the internet. This therefore explains why the normative and cognitive environment has changed its perception about entrepreneurship as a whole.

## 5.5 Conclusion

The study assumed that the normative and cognitive environment in rural and urban areas would have an impact on the entrepreneurial intentions of young people in Mpumalanga province. The hyphotheses were that in rural areas, the environment would have a negative impact and there would be a positive impact in urban areas. However, these hyphotheses were formulated based on background and understanding that historical disadvantage in rural areas would result in less inclination towards etrepreneurship as opposed to urban areas where the historical background is different. The empirical results showed that the normative environment in urban areas has a positive impact on entrepreneurial intent, while the cognitive environment has got a negative impact on the dependant variable which was completely unexpected. For rural areas, both the normative and cognitive impact were found to have a positive impact on entrepreneurial intent. The two antecedents of entrepreneurial intent were found to be unrelated to the instrument, and hence hyphothesis relating to these were not tested. These findings can be explained by mechanisms such as mentorships, education and training that enhances knowledge of entrepreneurship.

# CHAPTER 6: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

## 6.1 Introduction

In this chapter, conclusions will be drawn from the study, thereafter recommendations and implications will be discussed as well as the limitations of the study. The recommendations will be made to policy makers and educators. Students will also be given suggestions for future research.

## 6.2 Conclusions of the study

The economy of South Africa is reliant upon young people to create sustainability through entrepreneurship. The socio-economic conditions that are prevalent in the Mpumalanga province such as poverty, lack of access to education and parental support, indirectly influence entrepreneurial intent. This study aimed to determine whether there are any institutional factors that affect entrepreneurial intention among the youth of this province. Furthermore, this study distinguished between two different environments, i.e. urban and rural which allowed for the entrepreneurial intentions of the youth residing in these demarcations to be assessed separately, and not in conjunction.

The study explored Shapero's model of entrepreneurial event together with the institutional theory, in order to understand the influence of the environment on entrepreneurial intention. The two (2) antecendents considers for EI were perceived desirability and perceived feasibility. For the institutional environment, the main focus was on the cognitive and normative environment and these environments were analysed in the context of two (2) distinct demarcations, being urban and rural areas in the Mpumalanga province.

Douglas North defined institutions as the "rules of the game in a society or a more formally, humanly devised constraints that shape human interaction" (North, 1990, cited in Kujinga, 2016). Kostova (1996) elaborated on the concept of country institutional profile, which makes mention of the three (3) dimensions of the institutional environment being regulatory, normative and cognitive.

Research has shown that cognitive and normative categories of the institutional environment are domain specific, but the regulatory category could be different. In the context of this study, the regulatory environment in both urban and rural areas in Mpumalanga is no different as these are both governed by South African laws as a whole, and hence the regulatory dimension was not considered. The focus was only on the normative and cognitive dimensions of the institutional environment and their impact on entrepreneurial intentions.

This study followed a postpositivist world view. A cross-sectional research approach focusing on primary survey data was found to be ideal with primary data being most appropriate. Data was collected using online surveys and all data collected was cleaned using Qualtrics. A validity test was performed which saw the elimination of all hypothesis relating to perceived desirability and perceived feasibility. The measurement scale was also found to be reliable. The CFA results concluded that the instrument model was a good fit for the data.

Results on this study revealed that normative environment in urban areas had a positive impact on entrepreneurial intent, while the cognitive environment in urban areas had a negative impact. In relation to rural areas in Mpumalanga, both the normative and cognitive environment had a positive impact on entrepreneurial intent.

For urban areas, the positive influence of the normative environment can be explained by the advancement in urban areas, given the higher standard of living that allows for more opportunities for growth that advocate for entrepreneurship such as education, access to finances and better infrastructure (Kibler, 2013). Inadequate institutional development can complicate the intention to create and establish new ventures (Lim, Morse, Mitchell, Seawright, 2010). This therefore means that the establishments and developments that are found in urban areas as opposed to rural areas have a direct influence in buidling norms that support entrepreneurship.The negative influence of the cognitive environment is explained by the reality that in South Africa, entrepreneurship is perceived as something that involves corruption and for one to be successful in business you would need some form of a political connection.In Allin, Ferri, Maffei, & Zampella, 2017 it was found that Corruption has got a negative impact on entrepreneurial

intentions. Corruption depends on moral and personal values as opposed to social norms and this makes it understandable that it would have an impact on the cognitive environment. As a result most young people prefer to rather acquire a formal education in the form of university qualifications, and then become full time employees rather than persuing entrepreneurship. The positive influence of the normative and cognitive environment in rural areas was unexpected and this is noted to be as a result of education and awareness levels of young people residing in the rural areas of Mpumalanga, having increased in a way that affects their intentions to becoming entrepreneurs more positively. According to the 2017/2018 GEM report entrepreneurial activities are carried out by people living in specific cultural and social conditions, and the positive or negative perceptions that a given society has about entrepreneurship can have a strong influence on the entrepreneurial ambitions of potential and existing entrepreneurs, as well as the extent to which this activity is supported. The report also found that the perseption of entrepreneurship in South Africa as a whole had changed such that it is regarded as a good career choice. This would therefore explain the reason why the normative environment in rural areas had a possitive impact on entrepreneurial intentions. The GEM 2017/2018 report further found that the number and quality of the opportunities that people perceive exist and their belief about own capabilities may well be influenced by various factors in their environment, such as economic growth, culture, and education and there has been a substantial increase in the perception on the existence of good opportunities in South Africa as a whole. What remains a question is whether the intentions of the young people are to become necessity entrepreneurs or opportunity entrepreneurs. A study by Fatoki (2014) found that many students in South Afruca were being pushed into entrepreneurship because of circumstances, many young people revert to starting their own businesses as a means of survival.

## 6.3 Implications and recommendations

In light of the above mentioned points, it is undoubtedly clear that entrepreneurship seems to become more popular and attractive within the borders of Mpumalanga and in so doing, policies would have to keep this

momentum going in order to see an increased number of sustainable businesses that will have a greater impact on the economy of the province.

In terms of education and training, the recommendation is that institutions be more intentional about advancing entrepreneurship awareness in both rural and urban areas of the province of Mpumalanga.

Policymakers should be determined to make entrepreneurship an attractive career option to young people.

## 6.4 Suggestions for future research

Ajzen ‘s Theory of planned behaviour describes that behaviour is explained by intention (Ajzen, 1991). In this theory it is said that intention is influenced by three (3) constructs which are attitude towards the act, perceived social norm and perceived feasibility. It would be worth while to use Ajzen ‘s theory to determine the influence that the institutional environment has on entrepreneurial intention by considering this in terms of the three (3) antedecendants being attitude towards the act, perceived social norm and perceived desirability.

The study did not focus on the regulatory dimension of the institutional theory and its impact on entrepreneurial intention. It would be of interest to see how the results would change if this dimension would be considered in both the rural and urban areas of Mpumalanga.

A discussion that came about in this study was whether the young people, especially those in rural areas, had intentions of becoming survival entrepreneurs or opportunity entreprenuers. The recommendation is that a research study that considers the influence of the environment on the youth ‘s decision to become either survival or opportunity entrepreneurs, be established.

The study followed a cross-sectional research approach focusing on primary survey data. The cross-sectional dimension presented a snapshot of data at a point in time and not over a period of time. This approach was followed as a result of the impracticability to collect primary data over a period of time for this study, because of time and resource constraints. It would be of interest to determine

what the impact of the study would be it it was actually conducted over a long period of time, especially given the impact of technology and innovation which continues to revolve our lives rapidly.

## Conclusion

The aim of this research was to determine the level of influence that the institutional environment (cognitive and normative) has on entrepreneurial intentions of young people living in urban and rural areas in the Mpumalanga province. The study further investigated the impact of the institutional environment on desirability and feasibility towards entrepreneurship of the young people residing in urban and rural areas within the borders of the province. This chapter concluded on the study by drawing attention to the main literature references as well as the findings and implication of the study.

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## APPENDIX A

### Research instrument

# Nosipho Madonsela Final Research Questionnaire - MMENVC

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# Consent

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Thank you for agreeing to assist me with my questionnaire.
I am conducting a research study as part of completing my master's degree in Entrepreneurship and New Venture Creation with Wits Business School. This study aims to obtain an understanding of the entrepreneurial intentions of young people in Mpumalanga Province. It aims to establish whether the entrepreneurial intentions of young people residing in rural areas are any different from those of young people residing in urban areas in the province, given the different normative and cognitive environments.
Please note that your participation to this survey is voluntarily and responses to questions will be kept confidential. If you choose not to take part in the study, there will be absolutely no implication as this decision is solely at your discretion.
Any information that serves as identification to you will be kept confidential at all times. The records of your responses may only be viewed for analysis purposes by myself and my supervisor. All the records obtained in this study will be destroyed upon completion of my final research report.
The research questions will take about 5 minutes to complete. You are free to withdraw from the study at any point and for any reason without any prejudice.
There are no immediate benefits in participating in this study. However, the results obtained will assist in understanding whether young people residing in the urban areas of Mpumalanga are more likely to become entrepreneurs than those residing in rural areas.
For further information on the study please contact myself or my direct supervisor on the following contact details:Student:

nosipho.madonsela@students.wits.ac.zaSupervisor: mcedward.murimbika@wits.ac.za By clicking on the consent button below, you acknowledge that your participation in this research study is voluntary and that you are above 18 years of age. You also acknowledge that you are aware that you are able to terminate your participation in the study at any time and for any reason.

- ○ Yes I consent (1)
- ○ No I do not consent (2)

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D1 What is your gender

- ○ Male (1)
- ○ Female (2)

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D2 What is your ethnicity

- ○ Black (1)
- ○ Coloured (2)
- ○ White (3)
- ○ Indian (4)
- ○ Other (5)

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D3 What is your age

- 18 - 25 (1)
- 26 - 30 (2)
- 31 - 35 (3)

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D4 Are you currently employed

- Yes (1)
- No (2)

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D5 Do you reside within the Mpumalanga Province

- Yes (1)
- No (2)

---

D6 Do you currently reside in an urban or a non-urban area

- Urban (1)
- Non-Urban (Township, Village or Rural area) (2)

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EI1 I am determined to create an entrepreneurial venture in the future

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

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EI2 I have very seriously thought of starting a business in the future

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

EI3 I have a strong intention to start a business in the future

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

EI4
My professional goal is to be an entrepreneur

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

EI5 I will make every effort to start and run my own enterprise

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

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EI6 I do not have doubts about ever starting my own business in the future

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

EI7 My qualification has contributed positively towards my interest in starting a business

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

EI8 I am ready to do anything to be an entrepreneur

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

EI9 I had a strong intention to start my own business before I started with my qualification

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

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NE1 Turning new ideas into businesses is admired in my area

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

NE2 In my area, innovative and creative thinking is viewed as a route to success.

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

NE3 Entrepreneurs are admired in my area

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

---

NE4 People in my area greatly admire those who start own businesses

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

CE1 Individuals know how to protect a new business legally

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

CE2 Those who start new businesses know how to deal with risk

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

---

CE3 Those who start new businesses know how to manage risk

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

CE4 Most people know where to find info about markets for their products

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

PD1 If I actually started my own business, I would love it

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

---

PD2 If I actually started my own business, I would be tense

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

PD3 If I actually started my own business, I would be enthusiastic

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

PF1 I know enough to start a business

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

---

PF2 It would be very easy for me to start a business

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

PF3 I would be certain of success if I were to start a business

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

PF4 I am sure of myself

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

---

PF5 I would not be overworked if I were to start my own business

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

- ○ Yes I consent (1)
- ○ No I do not consent (2)

---

D1 What is your gender

- ○ Male (1)
- ○ Female (2)

---

D2 What is your ethnicity

- ○ Black (1)
- ○ Coloured (2)
- ○ White (3)
- ○ Indian (4)
- ○ Other (5)

---

D3 What is your age

- 18 - 25 (1)
- 26 - 30 (2)
- 31 - 35 (3)

---

D4 Are you currently employed

- Yes (1)
- No (2)

---

D5 Do you reside within the Mpumalanga Province

- Yes (1)
- No (2)

---

D6 Do you currently reside in an urban or a non-urban area

- Urban (1)
- Non-Urban (Township, Village or Rural area) (2)

---

EI1 I am determined to create an entrepreneurial venture in the future

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

---

EI2 I have very seriously thought of starting a business in the future

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

---

EI3 I have a strong intention to start a business in the future

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

---

EI4

My professional goal is to be an entrepreneur

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

---

EI5 I will make every effort to start and run my own enterprise

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

---

EI6 I do not have doubts about ever starting my own business in the future

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

---

EI7 My qualification has contributed positively towards my interest in starting a business

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

EI8 I am ready to do anything to be an entrepreneur

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

EI9 I had a strong intention to start my own business before I started with my qualification

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

---

NE1 Turning new ideas into businesses is admired in my area

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

---

NE2 In my area, innovative and creative thinking is viewed as a route to success.

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

NE3 Entrepreneurs are admired in my area

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

NE4 People in my area greatly admire those who start own businesses

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

---

CE1 Individuals know how to protect a new business legally

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

---

CE2 Those who start new businesses know how to deal with risk

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

CE3 Those who start new businesses know how to manage risk

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

CE4 Most people know where to find info about markets for their products

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

---

PD1 If I actually started my own business, I would love it

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

---

PD2 If I actually started my own business, I would be tense

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

---

PD3 If I actually started my own business, I would be enthusiastic

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

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- Strongly agree (1)
- Agree (2)
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- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

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- Strongly agree (1)
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- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

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- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

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- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

PF5 I would not be overworked if I were to start my own business

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

# APPENDIX B

## Consistency matrix

| **Sub problems or aims** | **Literature review** | **Hypothesis** | **Relevant question on instrument** | **Type Data** | **Analysis** |
|---|---|---|---|---|---|
| The main problem was to determine the influence of the institutional environment of urban and rural areas on entrepreneurial intent and its antecedents (desirability and feasibility) in relation to the youth residing within the province of Mpumalanga.<br><br>➢ To assess the impact that the normative environment in urban areas has on entrepreneurial intention through a) desirability and b) feasibility of the youth in MP | (Ajzen, I. (1991). Theory of planned Behavior and Human Decision Process)<br><br>(Shapero, A. (1982). Social dimensions of Entrepreneurship)<br><br>(Urban, B. (2008). Entrepreneurial cognitions: linking willingness and ability scripts with entrepreneurial behaviour. SA Journal of Industrial Psychology 34(4))<br><br>(Bandura, A. (1986). Social foundations of thought and actions: A social cognitive theory) | Normative environment in Urban areas has got a significant positive impact on entrepreneurial intention (H1), perceived desirability (H1a) and perceived feasibility (H1b)<br><br>Cognitive environment in Urban areas has got a significant positive impact on entrepreneurial intention (H2), perceived desirability (H2a) and perceived feasibility (H2b)<br><br>Normative environment in Rural Areas areas has got a significant positive impact on entrepreneurial intention (H3), perceived desirability (H3a) and perceived feasibility (H3b)<br><br>Cognitive environment in Rural areas has got a significant positive impact on entrepreneurial | Cognitive Environment: CE1 -4<br><br>Normative Environment: NE1 -4<br><br>Entrepreneurial intention EI1-9<br><br>Perceived desirability PD1-3<br><br>Perceived Feasibility PF 1-5 | Ordinal | Regression Analysis<br><br>Descriptive Analysis<br><br>Correlational Analysis |

| | | | | | |
|---|---|---|---|---|---|
| ➢ To assess the impact that the cognitive environment in urban areas has on entrepreneurial intention through a) desirability and b) feasibility of the youth in MP<br><br>➢ To assess the impact that the normative environment in rural areas has on entrepreneurial intention through a) desirability and b) feasibility of the youth in MP<br><br>➢ To assess the impact that the cognitive environment in rural areas has on entrepreneurial intention through a) desirability and b) feasibility of the youth in MP | Shapero, A & Sokol, L (1982). Model of Entreprenuerial Event<br><br>Urban, B., & Muzamhindo, A. (2018). An empirical investigation into institutions unlocking entrepreneurial activity. The Journal of Entrepreneurship, 27(1)<br><br>Kostova, T. (1997, August). Country institutional profiles: Concept and measurement | intention (H4), perceived desirability (H4a) and perceived feasibility (H4b)<br><br>Perceived desirability has got a significant positive impact on entrepreneurial intention (H5)<br><br>Perceived feasibility has got a significant positive impact on entrepreneurial intention (H6) | Refer to appendix A for complete research instrument | | |

# APPENDIX C

## Demographics by Area

| Variable | Option | Area | | Total | P-value |
|---|---|---|---|---|---|
| | | Urban | Non-Urban (Township, Village or Rural area) | | |
| | n= | 177 | 199 | 376 | |
| Gender | Male | 31.1% | 27.1% | 29.0% | .427 |
| | Female | 68.9% | 72.9% | 71.0% | |
| Ethnicity | Black | 67.8% | 100.0% | 84.8% | .000 |
| | White | 20.9% | 0.0% | 9.8% | |
| | Coloured | 6.2% | 0.0% | 2.9% | |
| | Indian | 4.0% | 0.0% | 1.9% | |
| | Other | 1.1% | 0.0% | .5% | |
| Age | 18 - 25 | 65.5% | 36.7% | 50.3% | .000 |
| | 26 - 30 | 26.0% | 40.7% | 33.8% | |
| | 31 - 35 | 8.5% | 22.6% | 16.0% | |
| Currently employed | Yes | 34.5% | 42.2% | 38.6% | .138 |
| | No | 65.5% | 57.8% | 61.4% | |

The results show that the ethnicity differed significantly by area with 100% of the non-urban sample coning from black respondents while urban respondents had all ethnic groups (p-value = 0.000). Age also differed by area with the urban respondents being younger than the rural respondents (p-value = 0.000). Gender and employment status did not differ by area.

# APPENDIX D

### CFA: Overall Model Combining both Urban and Non-Urban Areas

| | | | Estimate | S.E. | C.R. | P | Label |
|---|---|---|---|---|---|---|---|
| EI | <--- | CE | ,005 | ,030 | ,156 | ,876 | |
| EI | <--- | NOM | ,236 | ,056 | 4,257 | *** | |
| CE1 | <--- | CE | 1,000 | | | | |
| CE2 | <--- | CE | 1,070 | ,049 | 21,997 | *** | |
| CE3 | <--- | CE | 1,058 | ,048 | 21,885 | *** | |
| CE4 | <--- | CE | ,835 | ,059 | 14,067 | *** | |
| NE1 | <--- | NOM | 1,000 | | | | |
| NE2 | <--- | NOM | 1,135 | ,095 | 12,002 | *** | |
| NE3 | <--- | NOM | 1,501 | ,137 | 10,940 | *** | |
| NE4 | <--- | NOM | 1,382 | ,127 | 10,896 | *** | |
| EI1 | <--- | EI | 1,000 | | | | |
| EI2 | <--- | EI | 1,019 | ,065 | 15,737 | *** | |
| EI3 | <--- | EI | 1,235 | ,071 | 17,458 | *** | |
| EI4 | <--- | EI | 1,580 | ,100 | 15,870 | *** | |
| EI5 | <--- | EI | 1,418 | ,077 | 18,440 | *** | |
| EI6 | <--- | EI | 1,453 | ,097 | 15,039 | *** | |
| EI8 | <--- | EI | 1,495 | ,090 | 16,574 | *** | |

**Regression Weights: (Group number 1 - Default model)**

| Model | PRATIO | PNFI | PCFI |
|---|---|---|---|
| Default model | ,800 | ,761 | ,777 |
| Saturated model | ,000 | ,000 | ,000 |
| Independence model | 1,000 | ,000 | ,000 |

**NCP**

| | Estimate | S.E. | C.R. | P | Label |
|---|---|---|---|---|---|
| CE | 1,867 | ,195 | 9,574 | *** | |
| NOM | ,678 | ,123 | 5,508 | *** | |
| e16 | ,372 | ,043 | 8,558 | *** | |
| e1 | ,883 | ,078 | 11,384 | *** | |
| e2 | ,416 | ,054 | 7,722 | *** | |
| e3 | ,429 | ,054 | 7,980 | *** | |
| e4 | 1,641 | ,128 | 12,856 | *** | |
| e5 | 1,506 | ,118 | 12,765 | *** | |
| e6 | 1,336 | ,108 | 12,371 | *** | |
| e7 | ,449 | ,073 | 6,176 | *** | |
| e8 | ,494 | ,066 | 7,486 | *** | |
| e9 | ,280 | ,023 | 11,949 | *** | |
| e10 | ,286 | ,024 | 11,737 | *** | |
| e11 | ,260 | ,024 | 10,728 | *** | |
| e12 | ,628 | ,057 | 11,067 | *** | |
| e13 | ,226 | ,025 | 8,858 | *** | |
| e14 | ,708 | ,058 | 12,244 | *** | |
| e15 | ,498 | ,043 | 11,481 | *** | |

**Squared Multiple Correlations: (Group number 1 - Default model)**

| Model | NCP | LO 90 | HI 90 |
|---|---|---|---|
| Default model | 110,300 | 73,504 | 154,814 |
| Saturated model | ,000 | ,000 | ,000 |
| Independence model | 3887,345 | 3684,413 | 4097,550 |

**FMIN**

| Model | FMIN | F0 | LO 90 | HI 90 |
|---|---|---|---|---|
| Default model | ,518 | ,294 | ,196 | ,413 |
| Saturated model | ,000 | ,000 | ,000 | ,000 |
| Independence model | 10,646 | 10,366 | 9,825 | 10,927 |

**RMSEA**

| Model | RMSEA | LO 90 | HI 90 | PCLOSE |
|---|---|---|---|---|
| Default model | ,059 | ,048 | ,070 | ,081 |
| Independence model | ,314 | ,306 | ,323 | ,000 |

**AIC**

| Model | AIC | BCC | BIC | CAIC |
|---|---|---|---|---|
| Default model | 266,300 | 269,509 | 407,765 | 443,765 |
| Saturated model | 240,000 | 250,696 | 711,551 | 831,551 |
| Independence model | 4022,345 | 4023,682 | 4081,289 | 4096,289 |

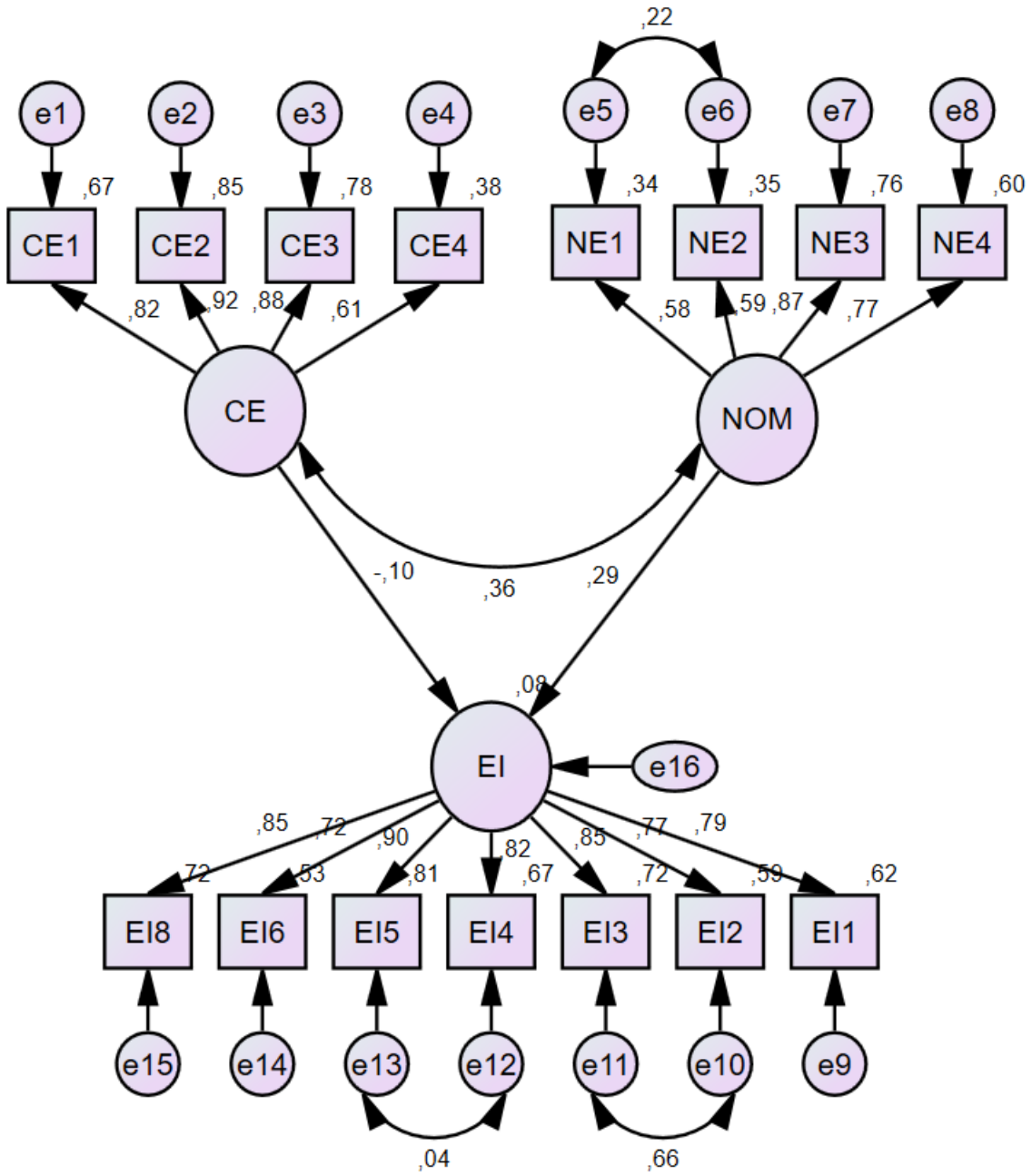
**ECVI**

| Model | ECVI | LO 90 | HI 90 | MECVI |
|---|---|---|---|---|
| Default model | ,710 | ,612 | ,829 | ,719 |
| Saturated model | ,640 | ,640 | ,640 | ,669 |
| Independence model | 10,726 | 10,185 | 11,287 | 10,730 |

**HOELTER**

| Model | HOELTER .05 | HOELTER .01 |
|---|---|---|
| Default model | 206 | 226 |
| Independence model | 13 | 14 |

## Urban Areas Only



## Rural Areas Only

