

Original Article

Entrepreneurial Intention among Rural Community. A Case Study of Kurdistan Regional Government

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Abstract

The tourism activity increased during the last years, especially in the developing countries, representing an important source of income. Kurdistan Regional Government has a high touristic potential due to its unique tourist sites. The aim of this research was to identify the entrepreneurial intention of rural residents to invest in tourism. The method used was the survey based on questionnaire. The data were collected from 320 respondents and analyzed using descriptive statistics Mann-Whitney U test, and chi-square test. The findings indicate that rural residents with lower level of education and elderly are more interested to become entrepreneur. The main motivational factors to start up a business are: need of additional income, self-assertion, and self-dependence.

Keywords: *entrepreneurship, rural tourism, motivational factors.*

1. Introduction

Entrepreneurs have been often subject of research due to their important role within the country's economy, by their ability to develop new business ideas and create ventures, which represent opportunities for employment, economic growth and sector renewal [1, 2, 13, 28].

Main motivations for becoming an entrepreneur has led to the push-pull theory which suggests that individuals have different reasons for starting a business, being necessity-driven or opportunity driven [5], pull factors having often prevalence or coexist with pull factors [3, 7, 9, 10, 11, 17, 18, 23, 26]. Among the main constraints of becoming an entrepreneur, the lack of financial resources is often mentioned [8, 19, 16, 21].

Tourism entrepreneurship among individuals from emerging economies is an important issue that needs to be studied more profoundly since it has implications at a global level, by extending the touristic resorts.

A study from Malaysia indicated that the main barriers which young people who want to become entrepreneur are facing are related to the lack of social network, lack of resources needed and thirdly, aversion to risk [25].

In Kosovo, the main barriers identified were related to legal environment, administrative burden, external financing, tax burden and unfair competition [20]. Slovenia faced the same major barrier – institutional environment including bureaucracy, followed by financial restraints [6].

A particular barrier which characterizes Arab countries is related to gender, women having seriously difficulties in becoming entrepreneurs, even if their role within society has been improved in some countries [5, 24].

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2. Material and Method

The research was conducted in the rural area of Kurdistan Regional Government, north part of Republic of Iraq. Rural area of Kurdistan Regional Government is facing many challenges which arise mainly from demographic changing life, and the rural migration [14]. The population from the research area by general is young and illiterate, with higher proportion for those over 30 years [15].

The research method was the survey based on questionnaire. The field work was carried out in March-May 2016, based on a non-probability convenience sample of 320 rural residents.

The collected data can be divided into three categories: socio-demographic profile of the respondents, the motivational factors to become an entrepreneur in tourism, and the constraints to invest into tourism.

For each motivational factor the respondents had two possible alternatives: yes or no. To determine the constraints of not investing in tourism 6 variables were used.

The respondents were asked to express their agreement on a 5-point Likert-type scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree).

Data were analyzed using descriptive statistics, chi-square test and Mann-Whitney U test.

3. Results and Discussions

Analysis of the data revealed that the majority of the respondents were male (43.1%) with at least high school degree and an average age of 33.58 years. Analyzing the intention to start a business in tourism it was notice that 71.87% of the respondents intend to become an entrepreneur.

The intention to startup a business in tourism is higher for male (65.7%) and illiterate people (21.7%) (Table 1).

The results indicates that there are significant differences between male and females to become an entrepreneur in tourism, male being more interested for such an activity. The results reinforce the findings of [22]. Surprisingly more educated people are less interested to become an entrepreneur compared with the illiterate group ($\chi^2=28.284$, $df=5$, $p=0.000$).

An explanation for this can be the possibility of those more educated to find a job in the urban area, and migrate from rural space. The average age of those who would like to start a business in tourism is around 35 years, considered to be optimal to become a manager [4].

Table 1. Socio-demographic characteristics of the respondents

| Characteristics | | Total (N=320) | Invest in tourism (N=230) | Not invest in tourism (N=90) |
|-----------------|-------------------|--------------------------------------|---------------------------|------------------------------|
| Gender | Female | 138 (56.9%) | 79 (34.3%) | 31 (34.4%) |
| | Male | 182 (43.1%) | 151 (65.7%) | 59 (65.6%) |
| | | $\chi^2=25.686$, $df=1$, $p=0.000$ | | |
| Age | Years (mean) | 33.58 | 34.60 | 30.90 |
| | | | | |
| Education level | Illiterate | 67 (20.9%) | 50 (21.7%) | 17 (18.9%) |
| | Primary | 29 (9.1%) | 29 (12.6%) | 0 (0.0%) |
| | Secondary | 21 (6.6%) | 15 (6.5%) | 6 (6.7%) |
| | High school | 55 (17.2%) | 46 (20.0%) | 9 (10.0%) |
| | Institution | 70 (21.9%) | 48 (20.9%) | 22 (24.4%) |
| | University degree | 78 (24.4%) | 42 (18.3%) | 36 (40.0%) |
| | | $\chi^2=28.284$, $df=5$, $p=0.000$ | | |

The main motivating factors for entrepreneurship in tourism noticed in this study are the need to improve the financial situation (increase the income 70.4%), self-dependence and self-assertion, reinforcing the results revealed by previous

studies [22, 27, 29] (Table 2). Among residents who would like to start up a business in tourism, the majority (more than 85%) would like to offer basic touristic services (accommodation, food and beverage).

Table 2. Reasons to invest in tourism

| Reasons | YES (%) | NO (%) |
|--|---------|--------|
| To increase my income | 70.4 | 29.6 |
| Available inputs (rooms, agricultural products etc.) | 61.00 | 39.00 |
| Self-assertion | 64.00 | 36.00 |
| Self-dependence | 66.00 | 34.00 |
| Instability of my current job | 52.50 | 47.50 |

Factors that discourage starting up a business in the field of tourism were also analyzed. A set of 6 statements evaluated on Likert scale from 1 to 5 was used. The results showed that around 68% of the respondents strongly agree that the lack of financial resources is the main constrain to start up a business (mean=4.47). Another important constrain is the lack of knowledge in managing a business (mean=3.64),

fact that confirms that rural residents have a low level an education.

At the same time the high investment cost (mean=3.37) and the bureaucracy (mean=3.34) do not encourage the respondents to assume the risk of running a business (mean=3.10) (Table 3). The results are similar to those found by Muresan *et al.*, 2016 [22].

Table 3. Constrains to start up business

| Statement | 1 (%) | 2 (%) | 3 (%) | 4 (%) | 5 (%) | Mean | SD |
|--|-------|-------|-------|-------|-------|------|-------|
| Lack of financial resources | 6.90 | 0.00 | 0.00 | 25.30 | 67.80 | 4.47 | 1.061 |
| Lack of knowledge | 6.70 | 14.40 | 16.70 | 32.20 | 30.00 | 3.64 | 1.239 |
| Tourism has a negative impact on the environment | 14.40 | 33.30 | 22.20 | 16.70 | 13.30 | 2.81 | 1.262 |
| The high investment cost | 16.10 | 20.70 | 13.30 | 16.10 | 36.80 | 3.37 | 1.541 |
| I do not like to risk | 26.40 | 10.00 | 14.40 | 24.40 | 24.40 | 3.10 | 1.551 |
| Implies much bureaucracy | 17.80 | 16.70 | 13.30 | 17.80 | 34.40 | 3.34 | 1.530 |

Note: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree

The respondents that do not desire to become an entrepreneur were divided in two groups based on their education level (Table 4). Furthermore Shapiro-Wilk test was used to test the normality of the statements ($p < 0.05$) thus the Mann-Whitney U test was chosen to compare the two groups, as well as the male and female groups. The lack of financial resources is a higher constrain to start up a business for less educated people ($p < 0.05$), while the

bureaucracy is considered to be higher by the group respondents that have at least high school degree ($p < 0.05$) (Table 4).

There were no statistically significant differences between respondents with less than high school and more than high school as regard to lack of knowledge, impact of tourism development, investment cost and assuming the risk of failure ($p > 0.05$).

Table 4. The respondents that do not desire to become an entrepreneur were divided in two groups based on their education level

| Statement | Education level | | p-value | Gender | | p-value |
|--|-----------------------|-----------------------|---------|--------|------|---------|
| | Less than high school | More than high school | | Female | Male | |
| Lack of financial resources | 4.87 | 4.33 | 0.019* | 4.58 | 4.25 | 0.123 |
| Lack of knowledge | 3.43 | 3.72 | 0.502 | 3.76 | 3.42 | 0.212 |
| Tourism has a negative impact on the environment | 3.30 | 2.64 | 0.057 | 2.51 | 3.39 | 0.003* |
| The high investment cost | 3.35 | 3.37 | 0.750 | 3.16 | 3.74 | 0.057 |
| I do not like to risk | 3.04 | 3.12 | 0.999 | 2.81 | 3.65 | 0.020* |
| Implies much bureaucracy | 2.17 | 3.75 | 0.000* | 3.34 | 3.35 | 0.951 |

Note: * significant at 0.05

The female are less concerned about the negative impact of tourism development (mean=2.51) compared with male (male=3.39) with statistically significant differences between the two groups ($p < 0.05$). At the same time for female perceive the risk of failure (mean=2.81) lower than the male respondents (mean=3.65). Statistically significant differences were observed between male and females as regard the risk of failure ($p < 0.05$). This can be explained by the fact that tourism represents a viable employment alternative and entrepreneurship for women in rural area [12].

Subsequently the respondents were asked to identify which kind of knowledge they need to start up a business in tourism (Table 5). The results indicate that the future entrepreneurs in tourism need

knowledge mainly in finance (69.90%), economy (66.10%) and accounting (64.30%). There were no statistically significant differences between the group that wants to invest and the group that does not intend to invest in tourism as regard to the needs of knowledge in economy, finance and accounting ($p > 0.05$). Statistically significant differences between the two groups were registered as regard the need of management, marketing and tourism knowledge to start up a business in tourism ($p < 0.05$).

In 71.70% of the cases the respondents that do not intend to invest in tourism indicated that management knowledge is necessary for a future entrepreneur, while only 50.90% of those that want to invest indicate that a future entrepreneur needs management knowledge.

Table 5. Distribution of respondents based on knowledge needs

| Knowledge | Intend to invest in tourism | | Do not intend to invest in tourism | | Chi-square test |
|------------|-----------------------------|--------|------------------------------------|--------|----------------------------------|
| | YES (%) | NO (%) | YES (%) | NO (%) | |
| Management | 50.90 | 49.1 | 71.7 | 28.9 | $\chi^2=10.787$, df=1, p=0.001* |
| Marketing | 56.5 | 43.5 | 74.4 | 25.6 | $\chi^2=8.781$, df=1, p=0.003* |
| Economy | 66.1 | 33.9 | 73.3 | 26.7 | $\chi^2=1.564$, df=1, p=0.211 |
| Tourism | 62.2 | 37.8 | 85.6 | 14.4 | $\chi^2=16.461$, df=1, p=0.000* |
| Finance | 69.9 | 30.1 | 67.8 | 32.2 | $\chi^2=0.970$, df=1, p=0.756 |
| Accounting | 64.3 | 35.7 | 68.9 | 31.1 | $\chi^2=0.591$, df=1, p=0.442 |

The same trend was observed as respect to marketing knowledge (74.40% versus 56.5%) and tourism knowledge (85.60% versus 62.20%). These findings can be explained by the fact that the group that does not intend to invest in tourism is more educated (40% have university degree, Table 1), having more theoretical knowledge about management, marketing and economy principles and concepts.

4. Conclusions

The rural residents from Kurdistan Regional Government are by general young and uneducated people with high desire to start up a business in tourism. Those that want to invest in tourism are by general young male with low education level, for which tourism represents an opportunity to increase their income. The fact that they want to invest in basic

services indicates the need of development of this sector in the rural area of the research area.

The lack of financial resources and the lack of knowledge are among the main constraints in starting up a business in tourism. This indicates that special plans and strategies should be developed in order to support the local residents in their desire to become an entrepreneur. At the same time the universities should adapt their curricula to the needs of the economic environment, in order to provide necessary knowledge to future entrepreneurs.

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