

Antecedents of youth's intentions in seeking microcredit: Evidence from Jaffna district, Sri Lanka

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Abstract

Entrepreneurship plays a vital role in the economic development of a country. Economic growth is positively impacted by the emergence of a new business creation. In this context, this research focuses on the intention of youth in seeking microcredit based on the Theory of planned Behavior. The problem for this study is a general observation that the youths in the northern part of Sri Lanka, especially Jaffna based, are showing very much reluctance in applying for microcredit to create enterprises. This got proved when we had initial talks with microcredit lending institutions. Therefore, the researchers intended to find out the reasons/determinants of youth's intentions in seeking microcredit. The objective of the study is to find out the factors which determine youth's intention in seeking microcredit. Respondents were randomly selected youths in between 18-25 years of age from the University, Advanced Technical Institute and University College. Results revealed that, Intention to seek the micro credit is significantly influenced by subjective norms, knowledge of microcredit, perceived government support, tolerance for risk and entrepreneurial desire. In contrast, Intention to seek the micro credit is not significantly influenced by positive effect, perceived benefits, perceived deterrents and perceived behavioral control. Additionally, this research contributes a new body of knowledge in the field of microfinance and entrepreneurship. Beneficiaries of this study include various stakeholders, like youths in Jaffna region, the government institution, government policy makers and other commercial & microfinancial institutions.

Keywords: Microcredit, Theory of Planned Behavior and Youth's Intentions

1. Introduction

Entrepreneurship plays a substantial role in a country's economic and socio development. Therefore, the entrepreneurship is accepted as a worldwide phenomenon for an economic growth

of a country. Economic growth of a country is positively impacted by the emergence of new and innovative business inaugurations (Ghina, 2014). Consequently the entrepreneurship is the key factor for economic development. Entrepreneurship is a dynamic process of

creating wealth by individuals or groups of individuals (Sathiabama, 2010). However, entrepreneurship as the process of conceptualizing, organizing, launching and through innovation, nurturing a business opportunity into a potentially high growth ventures in a complex and unstable environment (Rwigema & Venter, 2004). Consistent with that entrepreneurship is a vehicle to economic growth, success and prosperity of an economy (Fatoki, 2014). In this context, entrepreneurship creates new employment opportunities, generate wealth, lead to ideal utilization of resources, Increasing economic diversification provide strength to the small business, increase innovation, improving rivalry and finally it is contributed to the economy in an optimistic way (McStay, 2008).

Developing country like Sri Lanka, the role of entrepreneurship development is more important than in developed countries, hence there is an essential to create the self-employment opportunities and reduction of unemployment situations (Nishantha, 2008). In recent times, the rate of unemployment among youths who are the school leavers and university graduates remains high level in Sri Lanka. Providing employment opportunities for all youths is a crucial issue for the Government of Sri Lanka. One alternative way to solve this issue, creation of entrepreneurship is one of the career options for youths and graduates (Jebarajakirthy, Lobo & Hewege, 2014; Beeka & Rimmington, 2011; Buang, 2011; Fatoki, 2010). Therefore, Entrepreneurship has been accepted worldwide as an important way of integrating more young people into the economic environment (Owualah, 1999). As a result, it is integrating more youths into the small business sector can contribute to alleviating the triad of unemployment, underemployment and poverty (Beeka & Rimmington, 2011). But, youth entrepreneurship

is not the total solution to youth unemployment (Curtain, 2001; World Bank, 2008). However, it is recognized as an innovative strategy to integrate more youths into today's work environment given changing career patterns (Chigunta, Schnurr, James Wilson & Torres, 2005; Egulu, 2004).

In this respect, young people are associated with entrepreneurial activities and they have got successes. As a result the world needs youths who are innovative, dynamic, smart, daring, efficient, determined, modern and employable (Nimalathasan & Achchuthan, 2013). Through the entrepreneurship, young person setting up a new business may provide demonstration in that they may act as a role model for other young people (Green, 2013). Hence Youth entrepreneurship offers an indigenous solution to economic disadvantage (De Clercq & Honig, 2011; Greene, Mole & Storey, 2008). Therefore, youths have the intention to own a business or the intention to be self-employed.

Youths are the drivers of economic development, however, there is no general definition of youth. Because the term "youth" is often vary from country to country. According to the United Nations definition "youth as the age group of 15-24". In line with that, in this study we considered youth is the persons between the ages of 15 to 24 years old. Because this is the period of transition from the dependence of childhood to adulthood's independence. According to the International Labour Organization (ILO, 2006): Half of the world's population is under 25 years old and also 85% of young people between the ages of 15 and 24 live in developing countries. In that respect, we have chosen this age group people to empirically investigate the determinants of their intentions in seeking microcredit in Jaffna, Sri Lanka. Anyhow, in Sri Lanka at the age of 18 only it is considered as

youth as customary. In northern part of the Sri Lanka, exclusively in Jaffna district, after the thirty years of ethnic war, it is becoming a center of new and tremendous business opportunities due to the economic and political stability of the country. In the supportive way domestic as well as international investors have begun to view Jaffna as the place to invest their money and establish business opportunities. This also has to persuade young entrepreneurs to start and own a business. Even though, in the perception of youths, they face some barriers. Mainly the financial resources and the knowledge resources, which are needed to create and grow young entrepreneurs. Young entrepreneurs have lack access to financial markets (Mair, Martí & Ventresca, 2012), but also may lack any formal education or training (Afrin, Islam, & Ahmed, 2010). In the youth's point of view, the finance is the key factor to establish a new business. In response to the first institutional void (lack of access to financial resources), the microfinance industry has surfaced as a potential response. In this circumstance, intervention of microcredit is the root aspect that motivates youths to utilize their entrepreneurial ability. According to Consultative Group to Assist the Poor [CGAP], (2011), the Microfinance is defined as the business of providing “loans, savings, and other basic financial services to the poor,” where the dollar amounts tend to be small (micro) in size. Impoverished borrowers may use the microfinance loans either for meeting their consumption needs or for building microenterprises (Karlan & Valdivia, 2011). Hence, microfinance institutions (MFIs) help to fill the institutional lack of access to finance faced by impoverished people (Efird, 2008).

Moreover, the role of microcredit is significantly influenced on the youth's entrepreneurship intention. Microfinance is not

a new idea; it has been successfully implemented by Grameen bank. Back to 1976, Muhammad Yunus took initiative of lending loans by developing solidarity group of women in Jobra village, Bangladesh (Sengupta & Aubuchon, 2008). In this context, microcredit schemes provide loans at very low interest and systematic guidance to youth entrepreneur. Thus, the entrepreneurship is helped to enrich their social status and improve the economic conditions of youths. Microfinance, one of the widely accepted instruments for poverty alleviation throughout the world, has been used in Sri Lanka spanning for over several decades (Tilakaratna, Wickramasinghe & Kumara, 2005). In addition, they stressed, in Sri Lanka microfinance creates sustainable micro-enterprise and other economic activities. Thus, “the main objective of the study is to empirically examine factors, which determine the youth's intention in microcredit”.

2. Literature review and hypothesis development

2.1 Intention to microcredit

Microcredit is a hygienic factor to reduce the poverty that helps to induce the welfare of an individual as well as their sustainability. It is the most sensational antipoverty tool for the poorest, especially for women and youths (Maheswaranathan & Kennedy, 2010). Thus the microcredit program is a unique innovation of credit delivery technique to enhance income generating activities. The program extends small loans to poor people for self-employment activities thus allowing the clients to achieve a better quality of life (Hussain, 1998; Morduch, 2000; Rahman, 1995). In line with this fact, microfinance is the provision of small scale savings, credit, insurance and any other financial services to those who cannot access them from formal

financial institutions (Mosley, 2001). Though microcredit has proven to be a powerful tool for poverty reduction. Unfortunately, it has not sufficiently served the very poor category of the society who lives on less than a dollar per day. This is done through funding to start microenterprise programs in order to alleviate poverty, get a source of income and create employment among the youths and rural poor (Adjei, 2009). Microcredit has evidenced valuable to poor people, especially the youth and women on a sustainable basis (Wright, 2005). So the micro enterprise funding has become popular with commercial banks and other financial institutions developing products targeting to fund the youth in their businesses (Muhia, 2014).

Youth can be considered as a vulnerable segment in war-affected regions (Jebarajakirthy *et al.*, 2014). Essentially any war has a negative impact on the opportunities for youth, with respect to their education, vocational training, and entry into the labour market. Among others, seeking a paid employment is a major challenge experienced by youth in war-affected countries during and after war (Achio and Specht, 2003). During the post-war periods, one of the effective ways to address unemployment among youth is to encourage entrepreneurship. Unfortunately, such youth generally have access to limited capital, which in turn hinders their entrepreneurial activities (Lemmon, 2012; Nagarajan, 1997, 2005). Traditional banking and financial institutions are not keen to lend seed capital to these youth, owing to their inability of fulfilling collateral and other requirements (Lemmon, 2012; Nagarajan, 2005). Hence these youth need access to alternative sources of capital like microcredit. Hence this study focused on the youth's intention of seeking microcredit.

However, the intention to credit seeking decision is a three stage process. Entrepreneurs first decide on whether or not they need credit.

Once that decision is affirmative, a further decision has to be made regarding the appropriate credit source (Maddalla, 1997). An additional decision relates to the level of credit to seek out and how well the entrepreneur was informed about the terms of borrowing and repayments. But even when enterprises feel a need for external credit, they may not borrow if their perceptions on the costs of applying for a loan outweigh the expected receipts (Mei Qiang, 2002). They may also lack enough cash to meet the application costs. Enterprises may also shy away from borrowing due to a poor collateral position and lack of requisite information about the capital borrowed, which requires quite a high level of training from the micro-finance institutions. Collateral requirements imply that there would be enterprises that prefer external funds but are unable to apply for such funds (Mookherjee, 1999). Studies have shown that most Small scale business enterprises perceive borrowing as necessary for business and the impact of borrowing on business performance as positive (Mwenda, 1993; Rogaly, Fisher and Mayo, 1999; Moyi, 2000).

In line with above fact, youths have much interest to obtain/seek microcredit to meet their capital requirements (Jebarajakirthy *et al.*, 2014). Because microcredit activities help to complete greater business development, reduction in poverty levels and an increase in assets and savings, and they also acquired a higher standard of living. Hence it is desirable to attract youth in obtaining and using microcredit. Thus, in order to measure the youth's intention of seeking microcredit, researchers have used the Theory of Planned Behaviour (TPB) as an underpin theory. There have been researchers used the TPB model to evaluate the intentions of seeking for microcredit (Jebarajakirthy *et al.*, 2014). The theory of planned behaviour has widely been used in the marketing literature to predict

consumers' behaviour based on their purchase intentions, as this seems to be the best measure of purchase behavior (Park *et al.*, 2005). Also, the TPB can be easily adapted to suit various types of customer segments and contexts of research study (Smith *et al.*, 2007, 2008) to provide meaningful practical implications. This paper therefore attempts to develop a conceptual model based on the TPB to predict youths' entrepreneurial behaviour and their intentions of seeking for microcredit in Jaffna district Sri Lanka.

2.2 Underpinning theory of planned behaviour (TPB)

The Theory of Planned Behaviour (TPB) is essentially an extension of the Theory of Reasoned Action (TRA) that includes measures of control belief and perceived behavioural control (Fishbein & Ajzen, 1975). This theory is underpinned by the assumption that human behaviour is essentially rational and that the immediate antecedent of any behaviour is intention. An intention is an indication of how hard people are willing to try and how much of an effort they are planning to apply in performing the behaviour (Ajzen, 1991). Typically, the stronger the intention, the more likely the person will perform that behaviour.

Intention, in the TPB model, is predicted by three conceptually independent variables: attitudes toward the behavior (do I want to do it?), subjective norm (do other people want me to do it?) and perceived behavioural control (do I perceive I am able to do it and have the resources to do it?).

Attitude refers to the degree to which individuals have a favourable or unfavourable evaluation of the behaviour. Subjective norm refers to the social pressure individuals perceive with regard to whether or not they are expected to behave in a particular way. Perceived

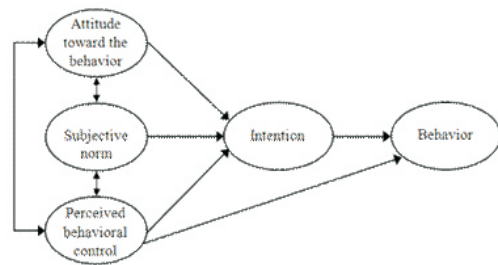


Figure 1: The Theory of Planned Behavior
Source: The Theory of Planned Behavior, (Ajzen, 1991)

Behavioural Control (PBC) comprises the beliefs regarding the presence or absence of requisite resources and opportunities (Ajzen & Madden, 1986). Thus, the TPB has received considerable attention in the literature (Armitage & Conner, 2001). Based on this theory a conceptual frame work has been developed for this research purpose, which is further explained in the next section.

2.3 Development of a conceptual framework

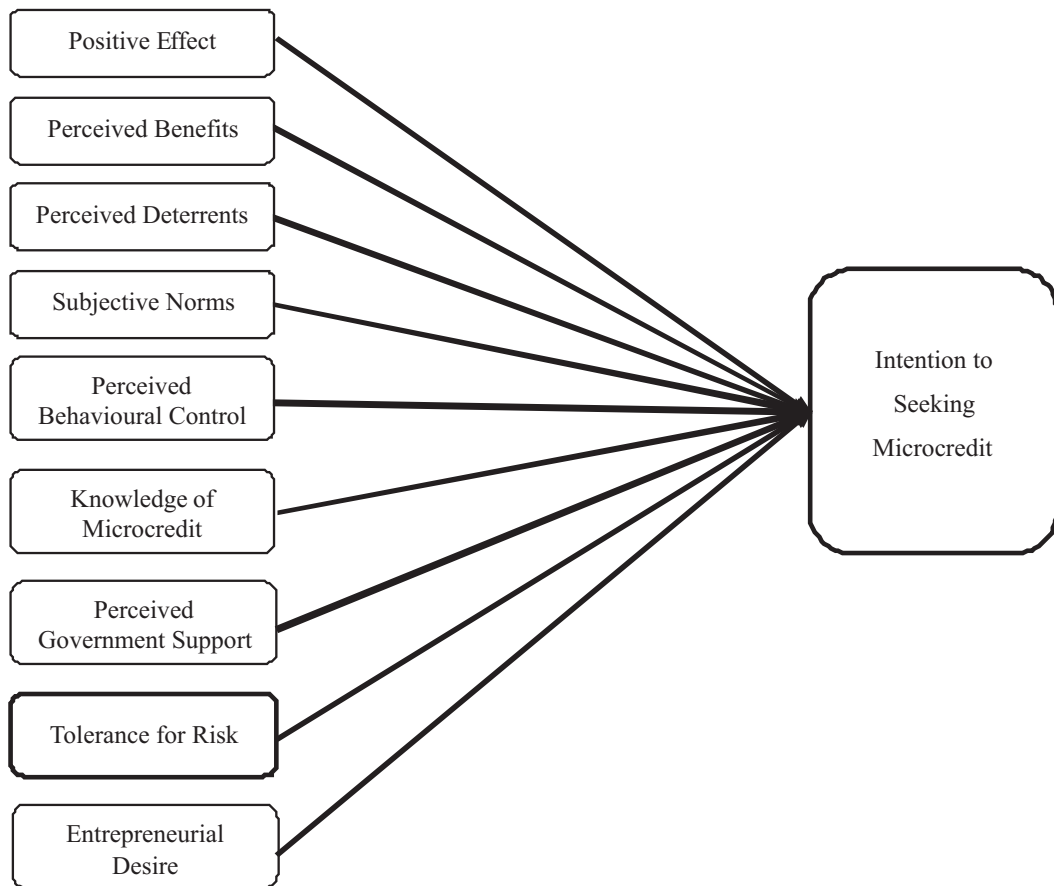
The TPB underpins the conceptual framework for this study. Further researchers adopted this model from Jebarajakirthy *et al.*, (2014) which is most appropriate model to measure the intention of seeking microcredit. In that manner, they suggested seven variables, namely positive effect, perceived benefits, perceived deterrents, subjective norms, perceived behavioural control, knowledge of microcredit and entrepreneurial desire in order to evaluate the youths' intention of seeking microcredit. Consistent with their approach, additionally the researchers have included another two dimensions to differentiate model of this study. While the youths obtaining a microcredit, perceived government support and tolerance for risk are essential element to establish an entrepreneurial activities and its sustainability.

Hence, perceived government support and tolerance for risk (Achchuthan & Kandaiya, 2013) have been incorporated as additional constructs, when using the Jebarajakirthy *et al.*, (2014)'s model to investigate the youth's intentions of seeking microcredit in Jaffna district Sri Lanka. Thus, a unique conceptual model is proposed to examine youth's intentions of seeking microcredit, the model which is different from the extant models applied in the Sri Lankan context.

Positive effect is one aspect of pleasurable and positive experience (Peterson, 2006). Thus it is more closely related to mood, emotions, behaviors and feelings of an individual. In this manner, the researchers examine. Whether youths feel happy or not when they obtaining microcredit. That means youths have positive intention in seeking of microcredit. Even though, people tend to make emotional decisions when applying for and using microcredit, such that they are less concerned about their ability of credit repayments (Schicks, 2014). Hence we hypothesize that:

2.4 Antecedents

2.4.1 Positive effect



H1: There is a significant impact of Positive Effect on Intention of Seeking for Microcredit.

2.4.2 Perceived benefits

Perceived benefit refers to the perception of the positive consequences that are caused by a specific action (Ajzen, 1985). In this respect, perceived usefulness and satisfaction intend to measure perceived benefits of products. Further perceived benefits from products impact purchase intentions of the product (Patterson & Spreng, 1997). Hence it is possible to suggest that perceived benefits of microcredit impact intentions of seeking microcredit (Jebarajakirthy et al., 2014). Accordingly perceptions of benefits, enrich intentions of seeking for microcredit (Jose et al., 2012; Ashraf and Noor, 2010; Turvey and Kong, 2010). Perceived benefits demonstrated that the customers tend to have perceptions regarding the benefits associated with microcredit (Jebarajakirthy & Lobo, 2014). They stressed customers may have expectations that obtaining microcredit will lead to increased household income and subsequently an increase in the standard of living of their family. In addition, perceived that microcredit would be contributed to the community's welfare, through creating employment opportunities (Estepé-Dubreuil & Torreguitart-Mirada, 2010). Hence it is hypothesized that:

H2: There is a significant impact of Perceived Benefits on Intention of Seeking for Microcredit.

2.4.3 Perceived deterrents

Perceived Deterrents demonstrates that the customers have to concerns about the awareness and service charges, collateral requirements,

documentation and long delays relating to obtaining microcredits (Jebarajakirthy & Lobo, 2014). Previous studies concluded that such adverse perceptions would in turn negatively influence intention of seeking for microcredit (Turvey and Kong, 2010; Li et al., 2011; Jebarajakirthy et al., 2014). Hence the following hypothesis is formulated:

H3: There is a significant impact of Perceived Deterrents on Intention of Seeking for Microcredit.

2.4.4 Subjective norms

Subjective norm is a function of beliefs (Ariff, Bidin, Sharif & Ahmad, 2010). Hence subjective norm will influence individual's intention to perform that particular behavior. Previous studies have revealed that subjective norms is a predictor that impact intentions of seeking for microcredit (Butler, Kobati, Anyidoho, Colecraft, Marquis & Sakyi Dawson, 2012; Amin et al., 2011; Johar & Rammohan, 2006). Hence the ensuing hypothesis is formulated:

H4: There is a significant impact of Subjective Norm on Intention of Seeking for Microcredit.

2.4.5 Perceived behavioural control

Perceived behavior control echoes the perceived ability to execute target behavior. Hence this concept is impacted by perceptions of access to necessary skills, resources and opportunities to perform the behavior (Nimalathan & Achchuthan, 2013). Therefore, we can suggest that perceived behavior controls influence the intention of seeking for microcredits among youths. Similarly, when applying for microcredit, applicants need to have confidence in their ability to bear interests costs and to repay

their loans (Butler *et al.*, 2012). Hence the ensuing hypothesis is formulated:

H5: There is a significant impact of Perceived Behavior Control on Intention of Seeking for Microcredit.

2.4.6 Knowledge of microcredit

According to existing theory the knowledge of credit and finance tend to define people's intentions and decisions of obtaining and using credit and financial products (Xiao *et al.*, 2011; Shim *et al.*, 2010, 2009). Therefore knowledge of microcredit is an essential aspect in order to increase their intentions of seeking for microcredit (Jebarajakirthy *et al.*, 2014; Li *et al.*, 2011; Nabi and Aima, 2012). Thus, it is logical to hypothesize that:

H6: There is a significant impact of Perceived Behavior Control on Intention of Seeking for Microcredit.

2.4.7 Perceived government support

Perceived government support is the most important factor that encourage the people to integrate with the entrepreneurial activity (Ummah, 2009). For that reason, government of an economy has the responsibility to provide the support in the form of financing, advising, monitoring. And also providing technical assistance, and skills development programmes to youths. Thus the government must have the responsibility to inaugurate the microcredit funds and institution in order to establish the self-employment opportunities among youths. Thus, it is hypothesized that:

H7: There is a significant impact of Perceived Government Support on Intention of Seeking for

Microcredit.

2.4.8 Tolerance for Risk

Tolerance of risk raises the preference for self-employment (Douglas & Shepherd, 2002). Therefore risk tolerance is frequently identified as a fundamental driving force of the entrepreneurship. Moreover it is indicated that individuals who are more risk tolerant benefit more from entrepreneurship training than less risk tolerant individuals (Fairlie & Holleran, 2012). Because of the uncertainty in future entrepreneurs have to bear the risk. Hence uncertainty, is a stream of research in the entrepreneurship literature, has taken two paths (McMullen and Shepherd, 2006). One path is the level of uncertainty about an unknown future for those deciding to act or not (Gaglio and Katz, 2001). Other and most popular path is the view of an individual's willingness to bear uncertainty as an attitude toward risk-taking (Douglas and Shepherd, 2002). Nevertheless, much work on entrepreneurial firms has focused on access to credit, and little is known about the role of risk preferences (Hvide & Panos, 2014). So tolerance for risk might moderate relative strength of determinants of youth's intentions of seeking for micro credit. Thus we formulate the following hypothesis:

H8: There is a significant impact of Tolerance for Risk on Intention of Seeking for Microcredit.

2.4.9 Entrepreneurial desire

Entrepreneurial desire means that an individual or group of people execute something entrepreneurial and to be an entrepreneur. Based

on Zampetakis (2008, p. 155) Entrepreneurial Desire as “the degree to which a person feels an attraction towards becoming an entrepreneur”. In line with that Peprah (2012) emphasized entrepreneurial desires may provide motivations and mindset in obtaining microcredit to be used for production process or economic oriented activities. Hence the intention of seeking for microcredit is persuaded by the entrepreneurial desires. Thus we formulate the following hypothesis:
H9: There is a significant impact of Entrepreneurial Desire on Intention of Seeking for Microcredit.

3. Methodology

3.1 The study sample & survey implementation

A survey was used to collect data from the youth in the sample. The sample for this study comprised 350 youths, aged 15 to 25 from the Jaffna district of Sri Lanka. Further, the data were collected on 18th to 26th of April 2016. A structured questionnaire was given to the respondents, who were the youth members of sports clubs & youth clubs and youths following courses in University, Advanced Technical Institution and University College. Since purposive random sampling was used to select the respondents were provided with information relating to the purpose of the survey and each completed survey was checked immediately, and was entered for data analysis.

The paper-based surveys were distributed to 350 youths, out of which 330 were completed and returned. Of these, 26 surveys had missing data, hence they were discarded. A total of 304 usable surveys were considered for further analysis. Table 1 presents demographic profile of the respondents. The demographic profiles of the

sample youth were representative of all the youth in the Jaffna district of Sri Lanka.

Table 1: Demographic profile of the respondents

Category	n	%
<i>Gender</i>		
Male	162	53.3
Female	142	46.7
<i>Age</i>		
19 - 21	97	31.9
22 - 24	207	68.1
<i>Educational Qualification</i>		
G.C.E (O/L)s and below	9	3.0
G.C.E (A/L)s	113	37.2
Under Graduate	182	59.9
<i>Average Family Income</i>		
Below Rs. 25,000/-	53	17.4
Rs. 25,000 /- to Rs. 50,000/-	193	63.5
Rs. 50,000/- and Above	58	19.1
Note: n= 304.		

3.2 Measures and instrument development

Self-administered questionnaire was used to collect the data. This survey instrument has previously validated scales and it was adopted from Jebarajakirthy, Lobo & Hewege (2014). The scale operationalizing positive effect of microcredit included three items adapted from Hayhoe *et al.*, (1999), and perceived benefits were measured with three items, of which the first two were adapted from Ashraf and Noor (2010) and the last was from Jose *et al.*, (2012). The four items measuring perceived deterrents were taken from Turvey and Kong (2009, 2010) and Ashraf and Noor (2010). Subjective norms and PBC were measured using four items for each. The items of subjective norms were obtained from Chudry *et al.*, (2011) and those of PBC were obtained from Smith *et al.*, (2008). The items operationalizing knowledge of

microcredit were adapted from Chudry et al. (2011). The three items for entrepreneurial desire were obtained from Krueger *et al.*, (2000). The three items evaluating intentions in seeking microcredit was adapted from Weisberg *et al.*, (2011) and Luarn and Lin (2005). Majority of the scales used related to financial products, credits or microcredit.

In addition, Tolerance for risk included four items and Perceived government support is measured by using four questions were adopted from Ummah (2009) in order to test the youths' entrepreneurial intention towards microcredit.

A seven-point Likert type scale anchored at 1 for strongly disagree and 7 for strongly agree was used for items operationalizing all the constructs. Furthermore a hierarchical regression was conducted as a data analysis technique and the data analysis for this study conducted through Statistical Package for Social Science (SPSS) version 21.0 was used to analyze the data. Initially, the study was calculated Cronbach's Alpha (α) Reliability, to measure the internal consistency of the measurement. According to Hair *et al.*, (2010), recommend that the value of Cronbach's alpha should exceed 0.70. And the Kaiser-Meyer-Olkin (KMO) Measure for all constructs are reported to be above 0.5, fulfilling the sample adequacy (Heppner and Heppner, 2004).

4. Analysis and Result

Cronbach's Alpha (α) coefficients of each construct presented in Table 2. As all the values of Cronbach's Alpha for each constructs are above 0.8. Thus it can be concluded that the factors in this study considered to be very strong (Malhotra & Peterson, 2009), as well as the measures used here are consistent enough for the study. And the Overall Cronbach alpha value

Table 2: Reliability Test

Construct	Cronbach's Alpha value
Positive Effect	0.883
Perceived Benefits	0.890
Perceived Deterrents	0.882
Subjective Norms	0.883
Perceived Behavioural Control	0.886
Knowledge of Microcredit	0.879
Perceived Government Support	0.891
Tolerance for Risk	0.887
Entrepreneurial Desire	0.890
Intention to Microcredit	0.883

was 0.896, which is indicating good internal consistency among the construct and the each variables are considered to be very strong (Hair *et al.*, 2010).

Meanwhile, Validity test is used to accurately assess the construct for this research study. Table 3 indicates that the Kaiser-Meyer-Olkin measure of sampling adequacy is 0.903. This indicates sufficient inter-correlations, while the Bartlett's Test of Sphericity is significant (Chi-square = 1510.215, $p < 0.01$). Both results indicating that the constructs are validity (Heppner and Heppner, 2004).

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.903
	Approx. Chi-Square	1510.215
Bartlett's Test of Sphericity	df	45
	Sig.	.000

Table 5 presents the mean, standard deviation, normality and correlations for the study constructs. Based on this table, perceived government support has the highest mean value of 6.45 whereas positive effect has the lowest mean of 5.17. However the mean value proved that all the respondents have the favourable intention in seeking microcredit. Moreover, Skewness and kurtosis values of a data distribution are widely applied to determine normality of a dataset. In this method, normality of a data distribution is assumed, if statistical values of skewness or kurtosis are within the value ± 2.56 (Hair *et al.*, 2010; Tabachnick and Fidell 2007). Therefore Skewness and kurtosis values of each construct are an additional evidence of normal distribution and we can come to the conclusion that the data among all the constructs are normally distributed.

The Pearson correlation coefficient presented to explain the relationship as well as the statistical significance between the factors, such as positive effect, perceived benefits, perceived deterrents, subjective norms, perceived behavioural control, knowledge of microcredit, perceived government support, tolerance for risk and entrepreneurial desire have significant and positive relationship with youths intention in seeking micro credit.

As the results in Table 4 suggest the Test of Collinearity. Basically two major methods were used in order to determine the presence of multicollinearity among independent variables in this study. These methodologies involved calculation of a Tolerance test and variance inflation factor (VIF) (Ahsan *et al.*, 2009). The maximum acceptable VIF value would be 5.0, thus if VIF value higher than 5.0 would indicate a problem with multicollinearity (Hair *et al.*, 2003).

Table 4: Test of Collinearity

<i>Construct</i>	<i>Collinearity Statistics</i>	
	<i>Tolerance</i>	<i>VIF</i>
Positive Effect	0.412	2.425
Perceived Benefits	0.523	1.911
Perceived Deterrents	0.502	1.994
Subjective Norms	0.516	1.937
Perceived Behavioural Control	0.541	1.849
Knowledge of Microcredit	0.459	2.177
Perceived Government Support	0.544	1.837
Tolerance for Risk	0.470	2.129
Entrepreneurial Desire	0.516	1.938

Thus the Table 4 revealed that, none of the tolerance level is less than 1 and also VIF values are perfectly below 5. It can be seen clearly that VIF range between 1.837 and 2.425 values which are well-below five.

On the other hand, the tolerance values range between 0.412 and 0.544. Thus, the measures selected for assessing independent variable in this study does not reach levels indicate of Multi Collinearity.

4.1 Hypotheses testing

The multiple regression analysis was run to test hypotheses, and this multiple regression analysis is to predict the single dependent variable by a set of independent variables (Heppner and Heppner, 2004). The purpose of regression analysis is to find out the significant impact or influence of independent variable on dependent variable (Ndubisi, 2006). Table 6 presents the results of the regression analysis and hypotheses testing.

Based on the output of the Table 6, the value of adjusted R Square is 0.523. Hence, the result suggested that 52.3 percentage of variance in youth's intentions in seeking microcredit was explained by this model. Hence is influenced by

Table 5: Descriptive statistics and correlation matrix for study variables.

<i>Construct</i>	<i>M</i>	<i>SD</i>	<i>SKE</i>	<i>KUR</i>	1	2	3	4	5	6	7	8	9	10
1. Positive Effect	5.17	1.39	-1.16	1.00	1									
2. Perceived Benefits	5.92	1.16	-1.16	0.57	0.66**	1								
3. Perceived Deterrents	5.22	1.22	-0.79	0.26	0.57**	0.49**	1							
4. Subjective Norms	5.87	1.25	-1.29	1.00	0.58**	0.49**	0.51**	1						
5. Perceived Behavioural Control	5.99	1.14	-1.20	0.46	0.52**	0.42**	0.51**	0.52**	1					
6. Knowledge of Microcredit	5.41	1.18	-1.00	1.09	0.52**	0.45**	0.57**	0.58**	0.60**	1				
7. Perceived Government Support	6.45	0.71	-2.01	4.50	0.40**	0.30**	0.35**	0.41**	0.39**	0.40**	1			
8. Tolerance for Risk	5.57	0.99	-1.10	1.59	0.40**	0.26**	0.48**	0.38**	0.37**	0.49**	0.58**	1		
9. Entrepreneurial Desire	5.73	1.13	-1.22	1.66	0.31**	0.26**	0.43**	0.35**	0.34**	0.44**	0.56**	0.63**	1	
10. Intention to Microcredit	5.39	1.17	-0.93	0.68	0.44**	0.34**	0.47**	0.49**	0.39**	0.60**	0.52**	0.58**	0.56**	1

*Note: ** Correlation is significant at the 0.01 level (2-tailed).*
M= Mean, SD= Std. Deviation, SKE= Skewness and KUR= Kurtosis

the factors of positive effect, perceived benefits, perceived deterrents, subjective norms, perceived behavioural control, knowledge of microcredit, perceived government support, tolerance for risk and entrepreneurial desire. Furthermore, the other 47.7% of the model is explained by other factors which are able to influence the youth's intentions in seeking microcredit. However subjective norms ($= 0.113, P < 0.05$), knowledge of microcredit ($= 0.318, P < 0.05$), perceived government support ($= 0.123, P < 0.05$), tolerance for risk ($= 0.187, P < 0.05$) and entrepreneurial desire ($= 0.192, P < 0.05$) had significant positive influences on youth's intentions in seeking microcredit, hence *H4, H6, H7, H8* and *H9* were accepted. Nevertheless positive effect ($= 0.067, P > 0.05$), perceived benefits ($= -0.014, P > 0.05$),

perceived deterrents ($= 0.030, P > 0.05$) and perceived behavioural control ($= -0.082, P > 0.05$) are not contributed significantly in the youth's intentions in seeking microcredit, thus *H1, H2, H3* and *H5* were not accepted. Additionally, the acceptable Durbin Watson range is between 1.5 and 2.5. In this analysis Durbin-Watson test shows that value 1.764, which is between the acceptable limit which shows that there were no auto correlation problems in the data used in this research.

5. Discussion and conclusion

The aim of this study is to identify the factors that determine the youth's intentions in seeking microcredit. The result revealed, that Positive effects did not significantly ($\beta = 0.067$) influence on the youth's intentions in seeking microcredit, which suggests that obtaining the

Table 6: Regression analysis and Hypotheses testing.

Construct	Coefficients (β)	t-value	Sig.	Conclusion
Positive Effect	0.067	1.082	0.280	H1: Rejected
Perceived Benefits	-0.014	-.261	0.794	H2: Rejected
Perceived Deterrents	0.030	.531	0.596	H3: Rejected
Subjective Norms	0.113	2.044	0.042*	H4: Accepted
Perceived Behavioural Control	-0.082	-1.517	0.130	H5: Rejected
Knowledge of Microcredit	0.318	5.424	0.000*	H6: Accepted
Perceived Government Support	0.123	2.286	0.023*	H7: Accepted
Tolerance for Risk	0.187	3.225	0.001*	H8: Accepted
Entrepreneurial Desire	0.192	3.481	0.001*	H9: Accepted

R= 0.733

R²= 0.537

Adjusted R²= 0.523

Durbin-Watson= 1.764

F value= 37.840

Sig. F= 0.000

microcredit loan is unlikely to exist among these youth. Perceived benefits ($\beta = -0.014$) was not significant in predicting intentions of seek for microcredit. Consistent with the findings of Jebarajakirthy *et al.*, (2014), this implies that awareness and perception of benefits resulting from obtaining microcredit are less likely to influence youths to obtain the credits. Perceived deterrents ($\beta = 0.030$) of microcredit had no significant influence on youths intentions in seeking microcredit. However these perceptions are negatively impact the youths intentions in seeking microcredit, a finding which is consistent with that of extant literature (Jose *et al.*, 2012; Li *et al.*, 2011; Turvey and Kong, 2010). Because youth may perceive that obtaining microcredit involves exorbitant service charges, long delays, collateral requirements and excessive paper work.

This fact is evident as the subjective norms of microcredit ($\beta = 0.113$) significantly and positively impact on intentions in seeking microcredit. This finding suggests that the more friends support and encourage youth's cause of obtaining credit, the more likely they would apply for microcredit. This finding is consistent with those of the Jebarajakirthy *et al.*, (2014); Butler *et al.*, (2012) and Chudry *et al.*, (2011). The perceived behavioural control ($\beta = -0.082$) had no significant influences on their intentions in seeking microcredit. According to the findings of Nagarajan (2005), one possible explanation to this scenario may be that war-affected youth were less likely to be involved in entrepreneurial activities. Also, in the outcome of war, they would be increasingly concerned about issues like lack of marketing facilities, infrastructure facilities interferences of external parties and safety of business. Knowledge of microcredit ($\beta = 0.318$) significantly and positively influenced seeking microcredit

intentions, which implies that the stronger the youth's knowledge of microcredit towards seeking microcredit, the greater would be their Purchase Intentions. This finding suggests that youth's awareness of terms and prerequisites relating to microcredit and their knowledge relating to the management of microcredit is enhancing their intentions in seeking microcredit.

As the results suggest, perceived government support ($\beta = 0.123$) significantly and positively influenced on intentions in seeking microcredit. This finding suggests the government institutions are providing advisory support, financial & technical support and providing entrepreneurship trainings to develop the entrepreneurship among youths. Tolerance for risk ($\beta = 0.187$) seemed to have significantly and positively influenced on intention in seeking microcredit. This implies that youths are ready to manage and accept the uncertainties and challenges in their business environment. As well as they ready to face the physical and mental problems due to the business activities and obtaining and owing the credits (Ummah, 2009). This will help and equip youths with creativity, innovation, risk-taking and ability to interpret successful entrepreneurial role models and identification of business opportunities. This may help reduce the rising unemployment situation in the country (Samuel, Ernest & Awuah, 2013).

Results suggest that entrepreneurial desire ($\beta = 0.192$) seemed to have significant and positive effects on the intentions of seeking for microcredit. This finding suggests that youth's enthusiasm, interest and hard work towards becoming entrepreneurs increase their intentions of seeking for microcredit. Hence those who can identify entrepreneurial opportunities like ideas of new product development and new market

opportunities tend to apply for microcredit. This finding is consistent with that of the extant literature (Jebarajakirthy et al., (2014); Ayayi and Yusupov, 2012; Park and Ren, 2001; Peprah, 2012).

In summary, bi-variate correlation results suggest that positive effect, perceived benefits, perceived deterrents, subjective norms, perceived behavioural control, knowledge of microcredit, perceived government support, tolerance for risk and entrepreneurial desire are positively and significantly related to the youths intention in seeking micro credit. Moreover, regression analysis proved that our study model contributes significantly to the youth's intentions in seeking microcredit with are indicated significant at 0.05 levels ($F= 37.840$; $P < 0.05$). 52.3 percent of the variation has been found which is in the significant level. While subjective norms, knowledge of microcredit, perceived government support, tolerance for risk and entrepreneurial desire significantly increased the youth's intentions of obtaining microcredit.

5.1 Implications to theory and practice

This study has many contributions to theory. Because it is the combination in the field of microfinance and the entrepreneurship. Hence this research being the first of its kind, propose a unique conceptual model to investigate the factors that determine the youth's intentions in seeking microcredit, which suggesting that the conceptual model can possibly be applied in similar countries like Sri Lanka. Although many studies have applied the TPB model to investigate Purchase Intentions of microcredit. In this research we adopted and used the same model by the conceptualization of Jebarajakirthy *et al.*, (2014). Thus, perceived government support and the tolerance for risk were included as additional antecedents that measure the

entrepreneurship intentions. This seems to be relevant to the context of microcredit.

Additionally, this research contributes a new body of knowledge in the field of microfinance and entrepreneurship. Beneficiaries of this study include various stakeholders, like youths in Jaffna region, the government institution, government policy makers and other commercial & micro financial institutions.

Besides contributing to theory, the result demonstrate that, this study have several practical implications for the institutions operating in Jaffna, especially for microcredit institutions. Further we found out, subjective norms, knowledge of microcredit, perceived government support, tolerance for risk and entrepreneurial desire are significantly contribute the youth's intentions of seeking microcredit. Therefore the government institutions and policy makers may consider these factors when they make the policy.

5.2 Limitations and directions for future research

Throughout the progress of conducting this study, some important limitations is to be pointed out in order for the researcher to learn and acknowledge. The study was limited to only the youths in Jaffna. Therefore, may not be generalizable so it is essential to do similar studies in other regions in Sri Lanka as well as the other countries like Sri Lanka, which in turn can contribute to better generalization of findings. Also, the size and the time of submission, due to academic schedule the researcher had the limited time frame to complete this research. And the amount of the sample used for this research is another potential limitation of this finding because this sample only included youths, the future researchers should include all the adults.

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