

Financial literacy and risk-taking propensity as predictors of undergraduates' entrepreneurial intention

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Abstract: Entrepreneurial intention, as one of the best entrepreneurship predictors, is related to the individual's choice to start a new business. Entrepreneurship education is, without a doubt, the topic that arouses the greatest interest in the entrepreneurship research community. However, empirical evidence is contradictory regarding the influence of entrepreneurship education on entrepreneurial intention, leading academics to the recent claim to delve into the existing heterogeneity regarding the relationship between knowledge, skills and competencies and entrepreneurial intention. Consequently, this article proposes individuals' financial literacy as a relevant predictor of undergraduates' entrepreneurial intention. Financial literacy-entrepreneurship evidence is scarce and limited: (1) they do not focus on entrepreneurial intention; (2) they incompletely measure the multidimensional construct of financial literacy; (3) they do not analyse undergraduates, despite being an important starting point for entrepreneurship. Therefore, this article applies covariance-based structural equation models to 568 Spanish undergraduates with business and tourism degrees to obtain the impact of financial literacy (measured through its three dimensions, i.e., financial knowledge, attitude, and behaviour) on entrepreneurial intention through the mediating role of risk-taking propensity. The results show that: (1) financial knowledge positively influences indirectly; (2) financial attitude negatively influences indirectly; (3) financial behaviour positively influences both directly and indirectly. These findings are highly relevant for the entrepreneurship research community in general and policymakers in particular since we demonstrate the entrepreneurial potential derived from undergraduates' financial literacy thanks to the mediating role of risk-taking propensity, which establishes a novel channel to promote entrepreneurship and, thus, solve the serious youth unemployment problems.

Keywords: Entrepreneurial intention, financial literacy, risk-taking propensity, undergraduates.