

DEEPER INSIGHT ON THE FACTORS THAT FORM ENTREPRENEURIAL INTENTION OF YOUNG ENTREPRENEUR IN SUBURBAN INDONESIA

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Submission date: 06-Apr-2023 10:58AM (UTC+0700)

Submission ID: 2057240535

File name: DEEPER_INSIGHT_ON_THE_FACTORS.pdf (536.66K)

Word count: 2600

Character count: 14726



DEEPER INSIGHT ON THE FACTORS THAT FORM ENTREPRENEURIAL INTENTION OF YOUNG ENTREPRENEUR IN SUBURBAN INDONESIA

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Abstract: Entrepreneurship is a solution to the increase in the unemployment-rate. Thus, it is important to do further research on this topic to determine factors affecting entrepreneurial intention and improve the important factors. This type of research is causal research with 100 respondents. The results showed that the four hypotheses were significantly and positively supported. The most important factor in forming risk-taking is innovation because when an individual makes an innovation, they are most likely prone to risks since the result of the innovation is not guaranteed success. This study's result contributes to expanding the theory of planned behavior and improving factors that lead to entrepreneurial intention.

Terms – entrepreneur, risk taking, entrepreneurial intention, planned behavior

I. INTRODUCTION

Economic growth is the indicator of prosperity in a country. Economic growth can be seen in the employment rate of a country. In Indonesia, the unemployment rate keeps on increasing from year to year. Hence, Indonesia's government has established "Gerakan Kewirausahaan Nasional" (GKN), intending to reduce the unemployment rate. The government also require every university in the country to change students' mindset from wanting to be regular employee to starting their own business as a key to solving the increasing unemployment rate. To support this movement, the Coordinating Minister for the Economy of Indonesia stated that the government would allocate additional funds for KUR (Kredit Usaha Rakyat) Program.

According to the Ministry of Cooperatives and SMEs data, the interest rate of building one's business from graduated students has increased compared to 2009. The 0.8% percentage of Indonesian citizens interested in doing business rise to 1.56% (Amrullah, 2012). In line with a survey held by Global Entrepreneurship Monitor (GEM), the entrepreneurial intention appears from individual motivation. A research study in the UK conducted by (Altinay et al., 2012) shows that factors that influence one's entrepreneurial intention are family, self-efficacy, innovation, and risk-taking entrepreneurial.

Regarding this phenomenon, this research studies factors that have a positive and significant effect on entrepreneurial intention. By completing this study, it is expected to expand the theory of planned behavior (TPB) that contributes to entrepreneurial intention. The managerial implications of this study are that the government could focus on improving factors that motivate potential entrepreneurs to increase the number of entrepreneurs in the country, which leads to economic growth.

14

2. Literature Review

2.1 Entrepreneurship

2.1.1 Definition of Entrepreneurship

According to (Scarborough, 2011), Entrepreneurship is an individual who build a new business by taking risks and uncertainty to reach profit and growth while also identifying opportunity and utilize resources. Entrepreneurship is a human process that relates to creativity and innovation in understanding opportunities, organizing resources, and managing to embody chances that result in profit or long-term value (Basrowi, 2011).

2.1.2 Objective of Entrepreneurship

(Soemohamidjaya, 1980), (Hisrich et al., 2017), (Zimmerer, T. W., & Scarborough, 1998), (Polah, Ambar & H., 2006) Formulate several objectives of entrepreneurship, as shown below.

- a. Ability to formulate life and business goals
The ability to formulate these goals is determined by an individual objective influenced by one's internal condition, such as family, education, and experience. External conditions, namely general information, economics, and industry, also form individual objectives.
- b. Ability to Initiate
The ability to initiate refers to a person's sensitivity to take the initiative in the long term without waiting for others' commands. This ability will lead to creativeness and innovativeness as the person is used to solving things based on their initiative.
- c. Ability to Generate Capital
This ability determines one's path in building up a business. Financial management is fundamental to generating Capital.
- d. Ability to Manage Time
Activities such as producing goods and services in an organization need discipline, attention to detail, and solemnity, which are also related to time management skills.
- e. Mental Ability and Religiosity
This ability is needed as an entrepreneur will face challenges and difficulties during the business process.
- f. Ability to Gain Wisdom through Experiences
Experience is a reference to behaving, policy-making, and running a business both in the present and future.

2.1.3 Characteristic of Entrepreneurship

(Zimmerer, T. W., & Scarborough, 1998) state that an entrepreneur who is willing to grow and strive has characteristic that comes from long-term process based on experience and education. Below are the characteristics of an entrepreneur.

- a. Desire for Responsibility
An entrepreneur that success in a long-term must have the responsibility of their own business.
- b. Tolerance for Ambiguity
During the process of a business, an entrepreneur needs to build relation with other party. Hence, diversity for an entrepreneur is a common thing. Tolerance for ambiguity is one of the keys for entrepreneur to maintain their business for a long-term purpose.
- c. Vision
An entrepreneur will translate vision, goals, and motivation into one clear purpose, policy, budget, and procedure.
- d. Tolerance for Failure
Creativity and Innovativeness sometimes will face failures in achieving success. Therefore, if an entrepreneur is accustomed to failure, their tolerance for failure will more likely increase.
- e. Internal Locus of Control
A superior entrepreneur is a person who can manage their inner self. Someone who has such level of control will be able to survive in a complex business situation.
- f. Preference for Moderate Risk
There are 3 types of risk-taking which are *risk seeking*, *moderate risk*, *risk averse*. An entrepreneur will view a business with a level of personal understanding that is adapted to changing environments (Zimmerer, T. W., & Scarborough, 1998).
- g. Future Orientation
The unstable profit of a business encourages an entrepreneur in looking for opportunities, respect time, and future oriented. A determined entrepreneur is always able to predict changes in the future to increase productivity.
- h. High Commitment
Commitment is needed to generate long-term business growth. (Scarborough, 2011) express that the final way for an entrepreneur to increase creativity that support entrepreneurship is "Work, work, work."

2.1.4 Entrepreneurship Goals

Below are some of the entrepreneurship goals (Basrowi, 2011).

- a. Increase the number of entrepreneurs with a certain quality
- b. Actualize the ability and stability of entrepreneurs to generate progress and society welfare
- c. Cultivate the spirit, behavior, and entrepreneurial ability among people who is capable, reliable and superior
- d. Grow awareness and strong entrepreneurial orientation

2.2 Entrepreneurial Intention

According to (Katz, J., dan W. Gartner, 1988) entrepreneurial intention is a process of finding information that can be utilized to achieve the goal of establishing a business. (Lee & Wong, 2004) states that entrepreneurial intention is the initial step of a process of establishing a long-term business. Entrepreneurial intention according to (Krueger, 1993) refers to a reflection of one's commitment in starting a new business and is a central issue that needs to be considered in understanding the entrepreneurial process of establishing a new business.

2.2.1 Risk-taking

According to (Meredith, 2002), Entrepreneurs are people who prefer more challenging endeavors to achieve success or failure than less challenging methods. Entrepreneur who dares to take risks is the beginning of the process of starting a business (Rye, 1996). From the statement, we propose the following hypothesis:

H4: Risk-taking has a positive effect on Entrepreneurial Intention

2.2.2 Family

Parents who work as entrepreneurs will support and encourage independence, achievement and responsibility. Jacobowitz dan Vidler in (Hisrich et al., 2017) founds that 725 entrepreneurs studied have fathers or parents who are relatively close to entrepreneurs. With the following statement, we conclude the following hypothesis:

H1: Family has a positive effect on Risk-taking

2.2.3 Innovation

The process of creativity is a process of generating ideas in which individuals and groups proceed to produce something new more effectively and efficiently. Excellent entrepreneurs always face changes quickly, relate to imagination, systemic creative thinking and the ability to process logically (Koratko, Donald dan Hodgetts, 2007). Thus the following hypothesis is proposed:

H2: Innovation has a positive effect on Risk-taking

2.2.4 Commitment

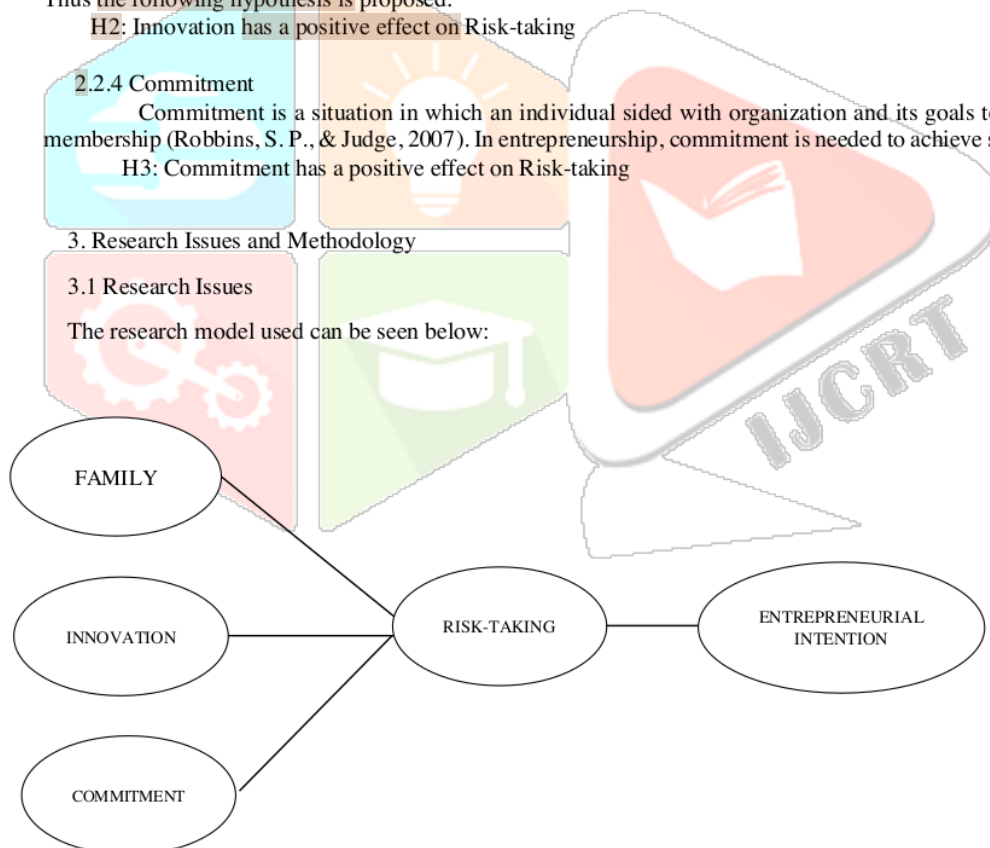
Commitment is a situation in which an individual sided with organization and its goals to maintain its membership (Robbins, S. P., & Judge, 2007). In entrepreneurship, commitment is needed to achieve sustainability.

H3: Commitment has a positive effect on Risk-taking

3. Research Issues and Methodology

3.1 Research Issues

The research model used can be seen below:



Source: Researcher (2022)

This type of research is causal research because this research is used to explain the causal relationship between variables in the research model. The population that will be used in this study are all young entrepreneurs in Jombang. The sampling method used in this research is non-probability sampling and purposive sampling. The characteristics of the respondents determined were men and women aged 18-60 years where that age was early adulthood (Kotler and Armstrong, 2010), and are young entrepreneurs in Jombang. The sample used in this study was 100 respondents.

4. Findings and Discussion

4.1 Findings

This study uses multiple regression using SPSS 15.00 in testing the variables. The statistical analysis tool used to answer the formulation of the research problem is SPSS.

4.1.1 Validity Test

Based on the data validity test from Table 4.1, it is evident that all indicators used to estimate each variable are valid, because the factor loading value for each question is more than 0.160 (critical r).

Tabel 4.1 Validity Test

Indicators		Indicators		Indicators		Indicators		Indicators	
FA		IN		CO		RT		EI	
FA1	0.643	IN1	0.514	CO1	0.353	RT1	0.710	EI1	0.665
FA2	0.723	IN2	0.603	CO2	0.479	RT2	0.680	EI2	0.772
FA3	0.498	IN3	0.528	CO3	0.465	RT3	0.675	EI3	0.774
FA4	0.656	IN4	0.462			RT4	0.595		
FA5	0.630								

Source: own calculation, 2022

4.1.2 Reliability Test

The results of the reliability test are as follows:

Tabel 4.2 Uji Reliability Test

Variable	Cronbach's Alpha
FA	0,833
IN	0,736
CO	0,698
RT	0,834
EI	0,852

Source: own calculation, 2022

From table 4.2, it can be proven that all Cronbach alpha regression values are higher than 0.60. Thus, it can be concluded that the statements that develop these variables are consistent/reliable and can be used for further analysis.

Table 4.3 Multiple Regression and t test

Regression	Standardized Coef.	t Test Sig
RT*FA	0.318	0,000
RT*IN	0.397	0,000
RT*CO	0.270	0,000
EI*RT	0,840	0,000

Source: own calculation, 2022

From table 4.3, The results of the t-test sig show that the 4 hypotheses are supported because the T-test is lower than 0.05. From the standard coefficient results, it can be seen that Risk-taking has a big influence on Entrepreneurial Intention. Meanwhile, Innovation has the biggest influence on Risk-Taking.

4.2 Discussion

The results of this study indicate that the following variables, namely Family, Innovation, and Commitment, have a positive and significant effect on Risk-Taking. Hence, we can conclude that of the four hypotheses proposed, all hypotheses are significantly and positively supported.

The first hypothesis is Family has a significant effect on Risk-Taking. This hypothesis is accepted as the coefficient regression is 0.318. Family is the second most important variable in creating risk-taking as one of the psychological factors of an entrepreneur. This is because family plays a big role in decision-making and influences other family members. Family is still one of the important factors although the coefficient regression result of this hypothesis is less high than Innovation. It was also found that the indicators can increase risk-taking.

Based on the research results, innovation has the biggest influence in creating Risk-Taking. The significance value of this second hypothesis is 0.397. Therefore, this hypothesis is accepted. The hypothesis is that innovation has a significant effect on Risk-Taking. Innovation stimulates individuals to take risks, whereas risk-taking is the main characteristic of an entrepreneur. Study conducted by (Korotko, Donald dan Hodgetts, 2007) also shows that risk-taking is influenced by Innovation.

In addition, another variable that influences Risk-Taking is Commitment. This is because an entrepreneur is future-oriented and aims to run their business for a long-term period. Align with this, commitment is also a factor that affects Risk-taking that leads to Entrepreneurial Intention.

5. Conclusion

The managerial implications of this finding can be based on the theories that have been developed as follows:

First, Innovation is an important factor that affects Risk-Taking in becoming Entrepreneurial Intention. To support this, we can conduct webinars to educate young entrepreneurs and encourage them to take low to high-risk step by step. The topics brought up during webinars must be related to trends, planning, analysis, and budgeting.

Second, Family is an important factor that affects the Risk-Taking of becoming an Entrepreneurial Intention. Therefore, it is important to educate their family members, especially parents, about the importance of business and let them get involved in their children's decision-making to be entrepreneurs.

Third, Commitment is an important factor affecting Risk-Taking of Entrepreneurial Intention. In this case, the steps that can be taken are encouraging young entrepreneurs to focus on their goals and make them long-term. The practice of Commitment can also be done by committing small tasks so that the individual gets used to making commitments.

6. Research Limitations

This study has limitations because it only examines young entrepreneurs in Jombang. Further research can take location objects in other cities or even countries with higher number of entrepreneurs. Further research can also specify the business field and industry.

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