

**EMPIRICAL STUDY OF ENTREPRENEURIAL ATTITUDES AND
INTENTIONS AMONG INDONESIAN BUSINESS STUDENTS**

NUGROHO J. SETIADI

Widyatama University, Indonesia,
nugroho.setiadi@widyatama.ac.id

DEVY MAWARNIE PUSPITASARI

Widyatama University, Indonesia,
devy.mawarnie@widyatama.ac.id

ABSTRACT

The study investigated the entrepreneurial attitudes and intentions of Indonesian business students. The focus of the study is to compare the determinant factors of entrepreneurial attitudes and intentions based on the Resurreccion's (2010) study. One hundred eighteen students in their final year of study participated in the survey and the data were collected through self-administered questionnaires. The collected data were analyzed for their content, presented in the form of graphs and were given a simple statistical treatment. The results indicated that Indonesian business students are aware of the competencies and the qualities strongly associated with entrepreneurial success. Specifically, they have favorable views on entrepreneurs and entrepreneurship in

terms of their impact to society. Interesting finding showed that entrepreneurial intentions are not solely determined by the possession of what are believed to be entrepreneurial qualities. These are jointly influenced by several factors including social factors, values system, self-efficacy, and perceptions.

Key words: *entrepreneurial capital, entrepreneurial intentions, entrepreneurial attitudes, business students' entrepreneurship*

INTRODUCTION

Since the economic crisis struck Indonesia in 1998, small enterprises in Indonesia have received renewed attention from the government as they proved to be more resilient than the highly indebted conglomerates. In fact, if all forms of enterprises, formal and informal, are included in all sectors. There were an estimated 48,9 million of small enterprises operating in Indonesia or a total of 99,98% of the total enterprises in Indonesia. Indonesia's SMEs employ approximately 85.4 million people (96.18% of the total national number of employment) and contribute to 53.3% of Indonesia's GDP. The SMEs contribution of 3.1% to the national GDP growth of 5.5% is also greater than the contribution from the large enterprises of 2.4% (Ekopuri, Widyadari & Tamani, 2007). Despite this seemingly optimistic observation, statistics show that poverty incidence has increased in this country.

The government has installed mechanisms through programs geared towards poverty alleviation, such as livelihood trainings and financing. Furthermore, even private individuals and institutions have also crusaded to promote entrepreneurship with similar initiatives as that of the government. Among the reform agendas and action plan contained in both policy packages were those aimed to empower the small enterprises (Tambunan, 2005). These deliberate policies on small enterprises were intended to enhance the productivity of small enterprises and improve the effective implementation of small enterprise empowerment programs and

activities. Despite such efforts, the impact seemed so trivially evident, if there is any. Moreover Tambunan (2005) mentioned that most cases involved non-pursuit of or indifference to entrepreneurial undertakings or if individuals do pursue, oftentimes, the entrepreneurial undertakings could not be sustained.

Entrepreneurs mainly depend on potential for entrepreneurship that requires potential entrepreneurs (Kruegel & Brazeal 1994). The entrepreneurial potential of potential entrepreneurs has emerged as a frontline national agenda item and succeeded to attract the interest of policy makers, educationists and development agencies all over the world (McLarty, 2005; Sobel & King, 2008). The empirical results, based on 365 Italian potential business founders, indicate that entrepreneurial projects based on a rich information set, a first-best choice and on self commitment are more likely to develop into actual start-ups and better post-entry performances (Vivarelli, 2004). It was confirmed through research that the entrepreneurial intentions and attitudes lead potential entrepreneurs to entrepreneurial activities. Guerrero, Rialp and Urbano (2008) found that attitudes towards entrepreneurship are the determinant factors to be an entrepreneur.

Entrepreneurship has been considered by a lot of developing and underdeveloped countries as one possible solution to address poverty issues. Many governments have not been remiss in initiating programs and campaigns to promote entrepreneurial activities, especially among the youth to encourage them to be active contributors to the thrust of poverty alleviation. Despite these efforts, the students' mindsets still appear to be focused on corporate employment (Setiadi, Puspitasari, & Merginawati, 2012). Therefore, this study inquires into possible factors influencing entrepreneurial attitudes and ultimately their intention to pursue an entrepreneurial career.

In parallel with the developing interest in entrepreneurship throughout the world, Indonesia has also witnessed an increasing interest in entrepreneurship among academic scholars, government policy makers and business leaders. Some universities and vocational training institutes in Indonesia have incorporated entrepreneurship and small business management in their course curricula so as to provide the necessary exposure for students to the entrepreneurial and industrial climate of the country. While the literature on entrepreneurship in Indonesia is

growing, no study has so far tried to explain the relative contribution of the factors that affect students' intentions of becoming entrepreneurs and the relationship between entrepreneurship education and students' entrepreneurial attitudes and intentions. This study was undertaken to better understand the students' attitudes towards entrepreneurship and it was predominantly accepted that the educational system of universities have to provide a rigorous academic environment that may serve as a catalyst for emerging enterprises.

LITERATURE REVIEW

Human capital theory asserts that individuals with more or higher levels of human capital achieve higher performance in executing relevant tasks (Becker, 1964). From an entrepreneurship perspective, it has also been suggested that individuals with greater human capital would be more likely to pursue and be successful in entrepreneurial endeavors (Greene, 2000; Douglas & Shepherd, 2000). The specific human capital relevant to entrepreneurship also needs to be distinguished from the more general concept of human capital. Aldrich, Renzulli and Langton (1998) define the concept of "entrepreneurial capital" as the experience and skills associated with business ownership and managerial experience. Douglas and Shepherd (2005) define entrepreneurial capital as the composite of the individual's entrepreneurial attitudes and abilities. Entrepreneurial attitudes are those towards autonomy, risk, work, income and perquisites, while entrepreneurial abilities include opportunity recognition, viability screening, and creative problem solving skills.

The decision to act entrepreneurially has been argued to be related to the utility derived from self-employment (Eisenhauer, 1995). Individuals with more positive entrepreneurial attitudes and stronger entrepreneurial abilities are more likely to attain higher levels of utility in self-employment than in employment (Douglas and Shepherd, 2000). Previous studies have been conducted to identify the determinant factors of entrepreneurial attitudes and intentions (Byabashaija, Katono & Isabalija, 2010; Fitzsimmons & Douglas, 2005; Resurreccion, 2010). Their study reports the results of potential entrepreneur that focused on the impact

of entrepreneurial education and societal subjective norms on entrepreneurial attitudes and intentions to start a business of university students. The above evidence supports the idea that attitudes influence behaviors by their impact on intentions. Additionally, intentions and attitudes depend on the market situation and personal variables. Accordingly, intention models predict behaviors better than either individual (e.g. personality) or situational (e.g. employment status) variables. The predictive power is critical to better post hoc explanations of entrepreneurial behavior; intentions models provide superior predictive validity (Krueger, Reilly & Carsrud, 2000). Moreover, a strong link was identified between the psychological characteristics of both potential and successful entrepreneurs as well as business success (Taormina & Lao, 2007). It was found that tolerance for risk, perceived feasibility and net desirability significantly predicted entrepreneurial intentions, with an adjusted R^2 of 0.528 (Segal, Borgia & Schoenfeld, 2005).

Enhancing an innovative and entrepreneurial culture is a crucial part for developing countries to improve their future economy. Entrepreneurship directly leads to more business, more job opportunities and better quality of life. Starting and running a business can be a real option for young people, offering an alternative means of achieving both financial and personal independence. Resurreccion (2010) mentions that encouraging young people to consider business ownership as a viable option becomes increasingly important, giving the current trend towards globalization. Supporting youth entrepreneurship can benefit both young people and economy of a country. Youth entrepreneurship can create career opportunities through self-employment and by providing additional job opportunities. It also gives young people a sense of meaning and purpose. Moreover, youth entrepreneurship promotes innovation and resilience of young people as well as helping them develop life skills.

In addition, young entrepreneurs may become more responsive to the opportunities that arise from new trends. Enterprise education programs are one of the ways for young people to be introduced to entrepreneurship. It involves learning about business development, administration and management and also developing the skills of enterprise through teaching methods that encourage responsibility, initiative and problem solving (Concepcion, 2009). Drucker (1994),

Bygrave and Zacharakis (2004), and Timmons and Spinelli (2004) believe that entrepreneurship education should create a capacity for imagination, flexibility, creativity, willingness to think conceptually, and the art to see changes as an opportunity. This should be in addition to the basic skills of starting and managing a business.

According to ILO's estimation, 66 million young people are searching for work but cannot find any. 80% of them come from developing countries and countries under going economic transition. Situation in Indonesia is not different from the ILO's estimation. Unemployment and underemployment are higher amongst the youth as compared to the wider population. Hence, young people can be considered as underutilized national assets and are generally disadvantage (MR& WKB, 2005). To further emphasize the importance of developing entrepreneurship education, university students may be considered potential entrepreneurs, since they are approaching a career decision point at which they might either seek employment or create self-employment.

METHODS

Research Design. This study aims to analyze the entrepreneurial intentions of students. The researcher assumed that certain entrepreneurial intentions and their demographic background motivate persons to become entrepreneurs. In order to access the relevance of the introduction of entrepreneurship intention in the curriculum of higher education, it was considered appropriate to administer a structured questionnaire to the students. A structured questionnaire was designed to gather data required for this research.

Respondents of the study. The respondents of the study are business students in Indonesia. The sample constitutes of undergraduate students registered for business courses. These individuals may be considered potential entrepreneurs, since they are approaching a career decision point at which they might either seek employment or create self-employment. In any case, since the actualization of entrepreneurship must await the simultaneous occurrence of the motivation, means

and opportunity, our interest is solely in their intentions to behave entrepreneurially at a later point in time.

Instrumentation. The primary data collection tool is an instrument adopted from the questionnaire of the Resurreccion's (2010) study, including the adaptation which involves three additional entrepreneurial qualities from the Personal Entrepreneurial Competencies (Resurreccion & Vinuya, 1998).

Statistical analysis. Analysis of gathered data was subjected to various statistical tests depending on the data's level of measurement. The tests included basic descriptive statistics, such as frequencies and proportions, mean and median to measure central tendencies, and standard deviations and coefficients of variation to measure variability. The collected data were analyzed for their content, presented in the form of a graph and were given a simple statistical treatment.

RESULTS AND DISCUSSION

One hundred fifty questionnaires were distributed and 118 were returned indicating a response rate of 78.6%. Seventy respondents were males and 48 were females while 24 respondents were aged below 20 and 94 above 20. The vast majority of the students' mothers' occupations is *unemployed or house-wives* (43%) and employed as *blue collar workers* (30%) with the remaining *running a business* (19%) or *others* (8%). Results further revealed that 69% of the respondents' fathers have either finished college or had some college education.

Perceived Importance of Entrepreneurial Qualities and the Respondents' Self Assessment on Each Quality. Perceived importance of entrepreneurial qualities and the respondents' self assessment on each quality were measured by a twelve-item assessment scale based on Entrepreneurial self-efficacy. *Self-efficacy or self confidence* in a given domain is based on the individuals' self-perceptions of their skills and abilities. This concept reflects the individuals' belief as to whether they have the abilities perceived as important to performance, as well as the belief that

they will be able to efficiently convert those skills into a chosen outcome (Bandura, 1989, 1997).

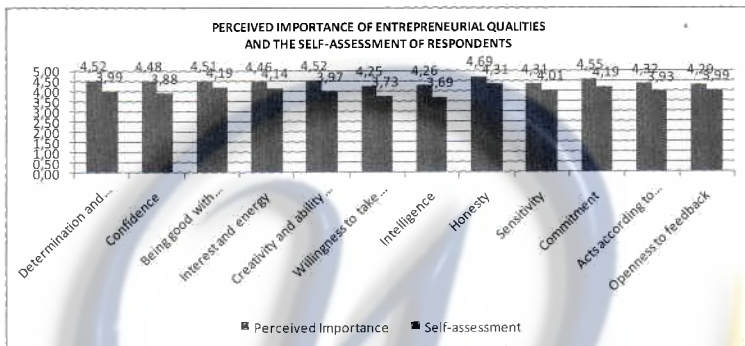


Figure 1. Perceived Importance of Entrepreneurial Qualities and the Self-Assessment of Respondents

Figure 1 shows the mean ratings for the perceived importance of each entrepreneurial quality. Results show that most students consider these entrepreneurial qualities as very important. This is in accordance with what most literatures have discussed regarding specific qualities that are critical to entrepreneurship success. It can also be seen from the graph that the students' self-assessment on the same qualities identified as essential to entrepreneurial success is less than the perceived importance. This may indicate the self-efficacy levels inherent to young people who tend to feel that they have yet a lot to learn to become successful in any endeavor.

Attitudes on Entrepreneurs. An attitude towards an entrepreneurs' behavior is a reflection of the individual's appraisal of their behavior. The appraisal may be placed along a continuum running from favorable to unfavorable. The theory of planned behavior (TPB, see Azjen, 1987, 1991) corroborates that the more favorable the appraisal, the greater the intention. It refers to the degree to which family, friends, peers and society at large expect or compel the individual to

perform the behavior. In terms of the present study, the expectation is invariably linked to the prestige and respect accorded to entrepreneurship as a career choice by society (Audet, 2001). The TPB model suggests that the greater the expectation or pressure, the greater the gravitation towards the behavior.

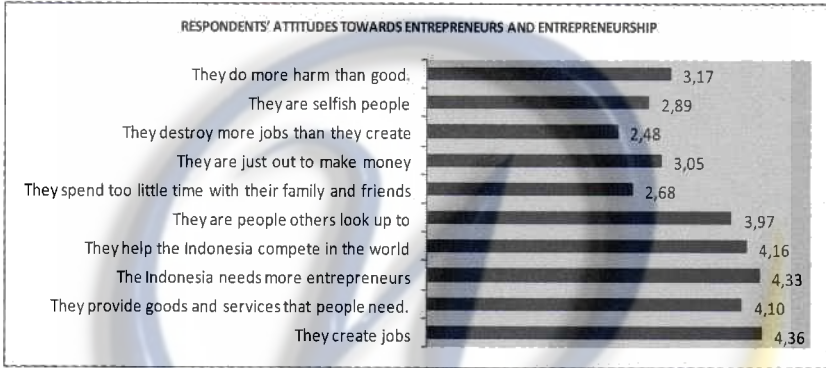


Figure 2. Respondents' attitude towards entrepreneurs and entrepreneurship

Figure 2 shows the students' views on entrepreneurs. The statements to which the respondents are to agree or disagree pertain to entrepreneurs' and entrepreneurship's impact on the society. The students generally have a favorable view of entrepreneurs. They are most agreeable to statements pertaining to the Indonesian needing more entrepreneurs, entrepreneurs providing goods and services that people need, and entrepreneurs creating jobs. These results confirm the Resurreccion's (2010) study. Moreover, the following statements elicited disagreement:

1. They do more harm than good;
2. They are selfish people;
3. They destroy more jobs than they create;
4. They are just out to make money; and
5. They spend too little time with their family and friends

It must be noted though, that the mean rating of the statement, “*They do more harm than good*” falls at the uppermost limit of the range of “*disagree*”, bordering on “*agree*”. This might be influenced by the image of businessmen most often portrayed in this actual phenomenon. For instance, every small-business owner, regardless of his or her formal role, is also often involved in sales. That’s why many small-business owners constantly seek to improve their sales skills. But some sales trainings and strategies can do more harm than good, especially if the techniques they adopt are taken from what works best for the owner only.

Entrepreneurial intention. To measure the entrepreneurial intention of the graduates, this study analyzed the respondents’ perceived importance of various benefits and values, the respondents’ perceptions on the prerequisites for starting a business and the extent to which these prerequisites act as barriers, and the role of influencers in the respondents’ views and perceptions on entrepreneurship. This part presents the findings pertaining to the respondents’ desires to start a business in the future and the deterring factors and benefits that they perceived as inevitable when starting a business. At the onset of this part of the questionnaire, the respondents were asked of their desires to have their own business in the future. Their responses are shown in Figure 3.

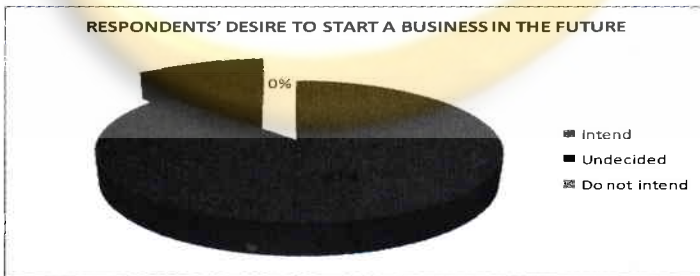


Figure 3. Respondents’ desire to start a business in the future.

As shown in Figure 3, more than half of the respondents are thinking of starting a business. In the Cross-tabulating data gender with the intention to start a

business in the future, figure 4 reveals that males are more inclined to start a business compared to females. In fact, more females are undecided to start a business than males. This result is contrary to the findings of the Resurreccion's (2010) study.

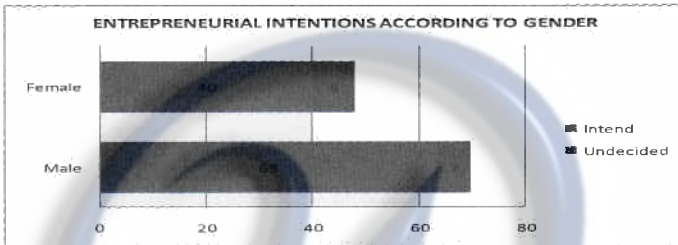


Figure 4. Entrepreneurial intentions according to gender

The students were likewise asked to indicate how important some values and benefits are to them. As can be seen in Figure 5, findings of the study show that most students value careers that allow them to fully use their skills and abilities. Moreover, they also value earning a living by doing something they enjoy and having control for being his or her own boss more than putting their ideas into practice, making lots of money, and being able to work the hours they want. From these results, it appears that students consider self-actualization as more important compared to some extrinsic factors of a job or a career. These results also confirm Resurreccion's (2010) study.

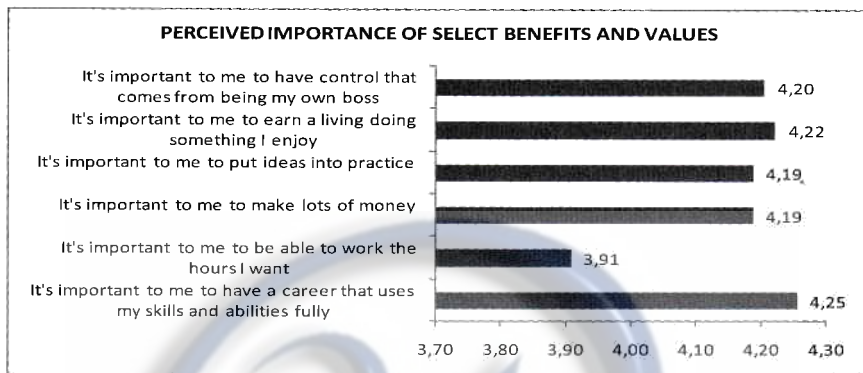


Figure 5. Perceived importance of select benefits and values

It must be noted also that even though the mean of the level of agreement to the statement *“It’s important for me to be able to work the hours I want”* indicates an *“agree”* value, 28% of the respondents disagreed with the statement. There is no significant difference in the perceived importance of the benefits in starting a business between those who intend to start a business in the future and those who do not; as well as, between those who intend to start a business in the future and those who are still undecided.

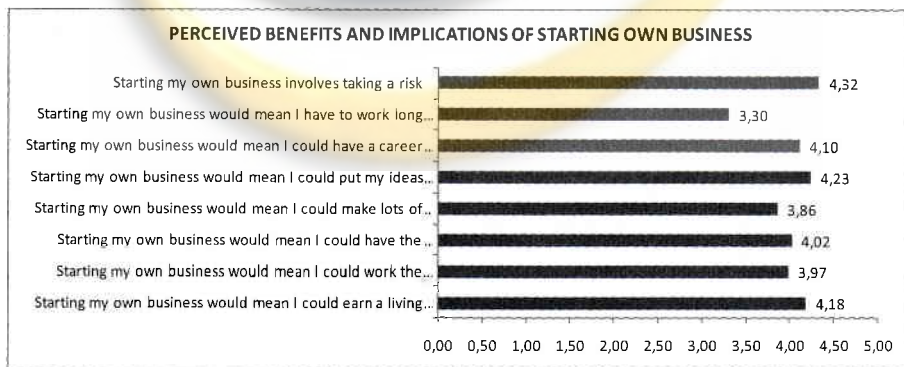


Figure 6. Perceived benefits and implications of starting own business

After the students were asked on the importance of certain benefits and values, they were then asked to evaluate the degree to which starting a business would provide these benefits. The respondents' levels of agreement to the statements to achieve this objective are shown in Figure 6. Findings of the study tell us that students strongly believe that starting their own business involves taking risk, putting their ideas into practice and earning a living while doing something that they enjoy. It must be noted that these three points are highly valued by the respondents. The fact that the students strongly agree on these three statements also confirms the findings of the Resurreccion's (2010) study.

To better understand the respondents' notions on starting a business, this study asked them to indicate their levels of agreement on statements identifying certain requirements in starting a business. Findings of which are exhibited in Figure 7. Most students strongly agree that they would need good communication skills, management skills to start a business, and proper knowledge about money. Students also agree but to a lesser extent that they would need a business degree and a lot of money to start a business.

Figure 7 shows some evidence of respondents' awareness that starting a business certainly requires some prerequisites. Some of the results include a very strong recognition that venturing into business would mean having good communication skills, management skills, and a proper knowledge about money. Students also tend to agree, though to a lesser extent, that a business degree and a lot of money are necessary if one intends to start a business. The fact that the students strongly agree on the three prerequisites also confirms the findings of the Resurreccion's (2010) study.

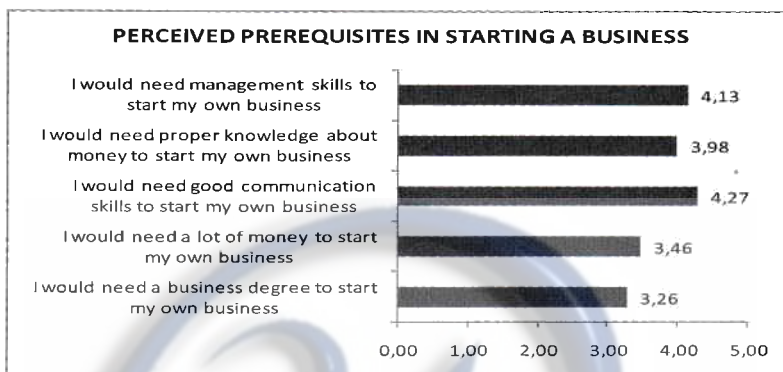


Figure 7. Perceived prerequisites in starting a business.

CONCLUSIONS

Based on the aforementioned findings and analysis, the following conclusions are drawn. Indonesian business students are aware of the competencies and qualities strongly associated with entrepreneurial success. Even though they have lower efficacy levels on the qualities of successful entrepreneurs compared to the ideal levels, generally, they have favorable views on entrepreneurs and entrepreneurship in terms of its impact to society. Though certain benefits and values important to the respondents are favorably perceived as could be attained by starting a business, relationships found to be inconsistent with earlier studies suggest that starting a business is not the only means to enjoy these benefits and values. Entrepreneurial intentions are not solely determined by the possession of what are believed to be entrepreneurial qualities. These are jointly influenced by several factors including social factors, values system, self-efficacy, and perceptions. Most of these results confirm the findings of the Resurreccion's (2010) study, except on entrepreneurial intentions according to gender.

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DLSL Journal of Management
Volume I, Issue No. I

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Printed by G & P Printing Press, Kapitan Simeon Luz St., Lipa City

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