Drivers of entrepreneurial intentions on undergraduate students

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ABSTRACT

The growing number of café businesses makes undergraduate students attracting to the enterprise. The purpose of this study is to examine the relationship between Entrepreneurial Self-Efficacy (ESE) on the entrepreneurial intention with the mediating role of attitude toward entrepreneurship. This study is providing questionnaires on the respondent. Total respondents are from 92 undergraduate students as the owner of a cafe business in Surabaya, Indonesia. This study examines two hypotheses by smart PLS. Entrepreneurial self-efficacy has a significant and positive influence on entrepreneurial intention. Attitude toward entrepreneurial is partially mediating the relationship between entrepreneurial self-efficacy with entrepreneurial intention. Entrepreneurial self-efficacy includes beliefs about the capabilities of achieving desired outcomes as well as beliefs about one's abilities to complete tasks. ESE is crucial to building entrepreneurial intention because the survival of a business does not merely depend on success but also seeks opportunities in business development. Entrepreneurial self-efficacy is a crucial factor that should be had by the undergraduate student as an owner of a business. By having a higher entrepreneurial self-efficacy, the better impact on an entrepreneur has perceived competence for successfully starting a new enterprise

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Introduction

Surabaya is the second-largest city in Indonesia. The city population in Surabaya is the amount to 2.89 million in 2018 (Centre Of Statistic Department, 2019). Surabaya is famous as the centre of the culinary business in Indonesia, so many cafes and restaurants are grown and developed in Surabaya. Surabaya is not the only economic sector, but also the education sector is well developed. It has five state universities and 22 private universities. The growing number of café businesses in Surabaya causes many undergraduate students attracting to that business. Entrepreneurial intention is an individual motive to doing some business (Chen et al., 1998). Many factors influence individuals to become entrepreneurs, which come from the combination of self attributes, character, background, experience, and disposition (Mcgee et al., 2009). Entrepreneurial Self-Efficacy is valuable to predict a motive to develop some business (Borchers & Park, 2010; Drnovšek et al., 2010).

Entrepreneurial Self- Efficacy involves individuals' beliefs relating to their capabilities for achieving success in resolving challenging goals during the business start-up process. ESE is a self-belief as their ability to succeed in running some business so that influencing entrepreneurial intentions. Individuals have self-efficacy to build a successful business, and this expectation can motivate them to run some business (Bandura, 1994).

The study about entrepreneurial intentions, most commonly use is the Theory of Planned Behavior (TPB) (Ajzen, 1991). The theory of planned behaviour describes an attitude, subjective norm, and self-efficacy influence entrepreneurial intention (Ambad and Damit, 2016). The attitude toward entrepreneurship is the degree to which a person evaluates themselves as entrepreneurs (Kolvereid, 1996, Ajzen, 1991). ESE has a positive attitude to choose and have a career as an entrepreneur. This positive attitude as an entrepreneur makes them want to run and develop a business.

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Related to the TPB (Ajzen, 1991), this study does not examine subjective norms to influence entrepreneurial intention. Subjective norm refers to the perceived social pressure to perform entrepreneurial intentions. The respondent of this study is an undergraduate student in the Faculty of Economics and Business that provided support for the entrepreneurship program. Support including design curriculum, funding, and variety of activities increases knowledge and motivation to their entrepreneurial intentions. Undergraduate students with social support from the faculty will be motivated to their entrepreneurial intentions.

The objective of this study, first, examines that Entrepreneurial self-efficacy influences entrepreneurial intentions. Second, the mediating role of attitude toward entrepreneurship on the relationship between ESE and entrepreneurial intentions.

Literature Review

Entrepreneurial Intentions

The intention is a motivation factor to influence behaviour. Reflected by a person tries and effort to perform. In general, the stronger the intention to engage, the better its performance. Entrepreneurial Intentions is a driver factor in establishing new organizations. More specifically, Entrepreneurial Intentions are a commitment to run a new business (Zhang et al., 2014). Intention considers as motivational factors that influence attitude show how strong their trying, and how big the business scale they are planning to run (Ajzen, 2002). Entrepreneurial intentions is an attitude process toward entrepreneurship. More experience about entrepreneurship will provide a real contribution towards entrepreneurship, so it is indirectly influenced motive to professional career objectives (Lin et al., 2013).

Entrepreneurial Self-Efficacy (ESE)

Many factors affecting an individual has a combination of self attributes, character, background, experience, and disposition (Borchers & Park, 2010). In between self attributes, it is an entrepreneurial self-efficacy (ESE) valuable to predict entrepreneurial intention. Entrepreneurial self-efficacy is a construct that measures individual self-belief about their ability to run some business (Mcgee et al., 2009). The individual is only doing the entrepreneurial when they have a high level of self-efficacy is related to the needs perceived on some opportunities. Moreover, individuals will value the psychological cost of failure, such as self embarrassment, loss of their pride, and afraid of looking for new jobs. Individuals who have skills can make them run businesses. They will be developing skills such as introduce opportunities, creativity, problem-solving, leadership, communication, innovation, and networking needed in entrepreneurship (Liñán & Chen, 2009).

Individual intention to develop new business needs some self-efficacy. Individuals with a high level of entrepreneurial self-efficacy usually look for challenges intolerant of failure and have learning goal orientation in running their business. An individual with a low level of entrepreneurial self-efficacy tends to avoid the challenge and have performing goal orientation more focus on minimal effort. The study by Tsai et al. (2016) found that individuals with a high level of ESE will have better entrepreneurial intentions. A high level of ESE will increase the intention of gathering resources in developing business. The hypothesis in this study is:

H₁: Entrepreneurial self-efficacy has a significant and positive influence on entrepreneurial intentions

Attitude Toward Entrepreneurship (ATE)

Attitudes are what we feel for a concept (the object), a people, brand, ideology, or any other entity that attracts a feeling. In other words, attitude is the evaluation (is it good or bad?). It is developed from someone's belief, aligned with the object.

Ajzen (2002) suggests that attitude is a disposition to positively or negatively respond. Attitude towards behaviour by self-belief states as behavioural beliefs. Behavioural beliefs connect the attitude towards a result of achieving from them. In general, the more individuals have a positive evaluation, the more favourable; in contrast, the more individuals have a negative, the more unfavourable. The individual attitude or personal attitude relates to their positive or negative evaluation of becoming some entrepreneurial (Liñán & Chen, 2009).

Attitude toward entrepreneurship is a professional identity that formed self-efficacy towards the business their running will have positive consequences. Individuals who have a high level of professional identity have some potential capabilities to avoid the failure risk endangering their enterprise in the future (Tsai et al., 2016). The study by Liñán & Chen, 2009 found that individuals with a high level of entrepreneurial self-efficacy will have a better attitude toward entrepreneurship. An individual with a better attitude towards entrepreneurship will have a more entrepreneurial intention (Ajzen, 2002). A higher self-efficacy on entrepreneurship will form a personal identity. An individual with a better personal identity will involve an attitude that every retention in business is a task that must better be solved and have minimal risk (Tsai et al., 2016). An individual with a high level of self-efficacy to begin the business tends to expect that they will build a successful business. It can motivate their attitude towards entrepreneurship.

The hypothesis in this study is:

H₂: Attitude toward entrepreneurship is mediating the relationship between Entrepreneurial Self-Efficacy (ESE) and entrepreneurial intentions

Figure 1: Conceptual Framework

Research and Methodology

The sample in this study is an undergraduate student who is minimum 1-year having a cafe business near their colleges, consisted of 92 respondents. The respondent characteristic data are 41 (44, 5%) undergraduate students from state universities, and 51 (55.5%) undergraduate students from private universities. 67 are men (73, 6 %) and 24 women (26,4%). The length of the business about one to two years is 68%, and the rest is above two years.

Measurement

Entrepreneurial self-efficacy variable measured by five items (can understand the opportunities, develop business, skill to solve the problem, skill leadership and professional networking) adopted from Liñán & Chen, (2009). The entrepreneur Intention variable by five items (having the readiness to business, professional goal as an entrepreneur, not having hesitation to starting a new business, wants to business development) adopted from Liñán & Chen (2009). The attitude toward entrepreneurship variable by five items (benefit, interest, and satisfaction as an entrepreneur) adopted from Liñán & Chen (2009).

Result

Hypothesis testing of the research examined with the approach of the Structural Equation Model (SEM) based on Partial Least Square (PLS). The first step is the outer model test to examine the construct of validity and reliability. The second step is the inner model test. See Table 1 Indicators have loading factor values > 0.5, A construct has good construct validity of the average variance extracted value (AVE) is above 0.5. Composite reliability is > 0.7, and Cronbach's alpha is > 0.5 (Hair, et al., 2014). This result of this study meets the validity and reliability criteria. The estimation result of direct and indirect influence measures with the Partial Least Square method on t-statistic value > 1.96.

Table 1: Factor loadings, composite reliability, and AVE

Variable	Indicator	Loading Value	CR	AVE	α
Entrepreneurial Self-Efficacy	ESE ₁	0,859	0.899	0.697	0.612
	ESE ₂	0,702			
	ESE ₃	0,820			
	ESE ₄	0,828			
	ESE ₅	0,756			
Attitude Toward Entrepreneurship	ATE ₁	0,841	0.879	0.598	0.593
	ATE ₂	0,730			
	ATE ₃	0.864			
	ATE ₄	0,755			
	ATE ₅	0,763			
Entrepreneur Intention	EI ₁	0,899	0.844	0.734	0.688
	EI ₂	0.678			
	EI ₃	0.814			
	EI ₄	0.656			
	EI ₅	0.697			

Table 2: Path coefficient and Parameter coefficient

The influence between variable	Direct coefficient	Indirect coefficient	T statistic	P-value	VAF	Result
Entrepreneurial Self-Efficacy -> Attitude Toward Entrepreneurship	β_1 0,77		3.448	0.001		Sign
Attitude Toward Entrepreneurship -> Entrepreneurial Intentions	β_2 0,62		2.537	0.011		Sign
Entrepreneurial Self-Efficacy -> Entrepreneurial Intentions	β_3 0,40		2.651	0.008		Sign
Entrepreneurial Self-Efficacy -> Attitude Toward Entrepreneurship -> Entrepreneurial Intentions		$\beta_2 \beta_3$ 0,1974 0,47 x 0,42 = 0,1974	2.970	0.003	0,1974 ----- (0,40+0,1974) = 0,233491 = 33,04%	Partially Mediation

Discussions

The Influence between Entrepreneurial Self-Efficacy and Entrepreneurial Intentions

The result of this study, entrepreneurial self-efficacy has a significant and positive influence on entrepreneurial intentions H_1 accepted. Entrepreneurial self-efficacy has a direct influence on the entrepreneurial intentions of the undergraduate student who owned a cafe business in Surabaya. Entrepreneurial self-efficacy for starting a new business is a crucial factor in increasing the success of business start-up activity. Kolvereid (1996) suggest that self-efficacy has a functional influence on entrepreneurial intent even after controlling for an entrepreneur's attitudes and subjective norms. ESE includes beliefs about the capabilities of achieving desired outcomes as well as beliefs about one's abilities to complete tasks. The survival of a business does not merely depend on completing planned tasks but on attaining desired outcomes that result from those tasks. The higher the self-efficacy beliefs, the greater an entrepreneur has perceived competence for successfully starting a new business and, consequently, the more positive outcomes of the intention. An undergraduate student who owned a cafe business, most of them have studied in faculty. The faculty provides them with learning entrepreneurship so that they have business skills, how to involve creative ideas, make a business plan, or execute the business. The understanding of the business process for a few undergraduate students is considered opportunities increases ESE and entrepreneurial intention. The result of this study is related to a study by Tsai et al. (2016). Entrepreneurial self-efficacy has a significant and positive influence on entrepreneurial intentions.

The role of Mediating Attitude Toward Entrepreneurship on the relationship between Entrepreneurial Self-Efficacy and Entrepreneurial Intentions

The result of this study proves that there has a significant and positive influence on entrepreneurial self-efficacy on attitude toward entrepreneurship and attitude toward entrepreneurship on entrepreneurial intentions. Attitude toward entrepreneurship partially mediating the relationship between entrepreneurial self-efficacy and entrepreneurial intentions. The role of entrepreneurial self-efficacy important to attitude toward entrepreneurship (0.77) sees table 2. Individual self-efficacy about their ability to be successful in running some business involves a positive attitude attracting to have a career as entrepreneurial. The choice as an entrepreneur is not only to have a career as an entrepreneur but also continuous business development. The theory of planned behaviour suggests that personal beliefs in the ability to perform influence perceptions of attitudes toward behaviours, thus affecting to perform those behaviours (Ajzen, 2002). This view implies that there are processes mediating attitudes toward entrepreneurship on the relationship between entrepreneurial self-efficacy with entrepreneurial intention. The result of this study is related to a study by Tsai et al. (2016) that attitude toward entrepreneurship can be mediating the influence of entrepreneurial self-efficacy on entrepreneurial intention.

Conclusion

Entrepreneurial self-efficacy is crucial to entrepreneurial intentions for starting a new business. Entrepreneurial self-efficacy includes beliefs about the capabilities of achieving desired outcomes as well as beliefs about one's abilities to successfully the tasks. Moreover, Entrepreneurial self-efficacy involves a positive attitude for an undergraduate student to have a career as an entrepreneur.

Undergraduate students have entrepreneurial self-efficacy from the support by the university. University has a curriculum, support funding for activity and development program entrepreneurship. The excellent development program entrepreneurship by university helps the undergraduate student to have a career as entrepreneurs. It can help the government to reduce unemployment.

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