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Students' Entrepreneurial Intentions by Using Theory of Planned Behavior: The Case in Indonesia

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STUDENTS' ENTREPRENEURIAL INTENTIONS BY USING THEORY OF PLANNED BEHAVIOR

The Case in Indonesia

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Abstract

This research aims to study the intentions of students in entrepreneurship by using the theory of planned behavior of Fishbein and Ajzein. This study was conducted in six state universities in Indonesia, namely University A in Northern Sumatra, University B in Western Sumatra, University C in Jakarta, University D in Yogyakarta, University E in Eastern Java and University F in Southern Sulawesi with total sample of 600 final year students. Data were analyzed using descriptive and inferential statistics using SPSS 11.5 and structural equation models using LISREL software to test the models. The result shows that the theory of planned behavior is proven significant to predict students' entrepreneurial intention simultaneously in those six universities, whereas subjective norm was the strongest variable in the modeling. However, significant differences were found between results from each university, when analyzed separately. The model has different partial impact in each university, whereas the model only worked significantly in University D and F. Meanwhile, in University A, B and E some variables do not significantly influenced entrepreneurial intention and for University C, we believe that there are other variables that may explain the students' entrepreneurial intention in University C since the model proved insignificantly to predict their entrepreneurial intention.



Keywords: Entrepreneurial intention, theory of planned behavior, entrepreneurial attitude, undergraduate students, Indonesia.

The relationship between education and employment in Indonesia has been less than consistent. National labor survey data of 2009 issued by the Indonesian National Planning Agency (BAPPENAS) revealed that out of 21.2 million Indonesian people who entered labor force, there are 4.1 million people or about 22.2 percent who are unemployed. Out

of these unemployed, nearly half are diploma and university graduates with a total of approximately 2 million people (Pengangguran Akademik Lebih dari Dua Juta, 2010). Indonesian Central Statistics Bureau (BPS) recorded that the number of unemployed in Indonesia in February 2009 reached 9.259 million people. Of that figure, the total of unemployed with universi-

ty education reached 626,621 people, diploma of 486,399 people, and over 7 million people have high school degree or lower.

Center for Educational Research and Innovation Policy of the Ministry of Education and Culture recorded that in 2009; only 6.14% of the total college graduates worked independently (as entrepreneurs), while 83.18% worked as employees. The data gives indication that higher education level would lower the propensity of self-employment and conversely higher inclination to working as employees (Hendarman, 2010).

This condition becomes evident when more college graduates would prefer to be job seekers rather than as job *creators*. Several factors may contribute to this phenomenon, such as the learning system applied in various colleges which focused more on how to quickly prepare students to graduate and get jobs, rather than to prepare them as a job creator. Therefore, it is important to discover how the perceptions, attitudes and norms developed in college contribute to students' intention toward entrepreneurship as a career alternative.

In psychology literature, intention has been proved to be the best predictor of planned behavior, especially when the behavior is rare, difficult to observe, or involves time lags that cannot be predicted. Entrepreneurship or becoming self-employment has been confirmed as one of the types of planned behavior (Krueger et al., 2000). The theory of planned behavior is rooted in the theory of reasoned action (Fishbein and Ajzen, 1975; 1991). This theory

not only helps us to understand how we can predict and change the behavior of others but also implies that one's intention are factors that influence behavior (Bakotic, et al., 2010).

The aim of this research is to present empirical investigations of the entrepreneurial intention of university students in six states University in Indonesia. This study uses theory of planned behavior by Fishbein and Ajzein (1975), in which intentions are considered as resulting from attitudes, subjective norms and perceived behavioral control. This is especially relevant when studying the entrepreneurial intention of the undergraduate student samples. Students might not decide their career preferences yet and are still exploring the options available (Nabi et al., 2006; Schein, 1978, 1990). This research may also provide insight to the university in order to increase students' positive attitudes and their willingness to become an entrepreneur by having programs that support. Therefore, this could help increase the number of educated self-employment while decreasing number of educated unemployment in the future.

LITERATURE REVIEW

In general, there are three fundamental factors in the Theory of Planned Behavior as an antecedent of intentions, namely attitude towards behavior, perception toward social environment, and perception towards behavior control or self efficacy (Fishbein and Ajzen, 1975). Attitude can be defined as a consistent response to either love or hate, good or bad to a certain object (Fukukawa, 2002). Attitude is relatively less stable than individual characteristics, as it may change over

time and different situations. Thus, one's attitude towards entrepreneurship can be influenced by educators or practitioners. However, finding a specific attitude towards entrepreneurship requires further investigation and modeling.

Douglas (1999) has investigated the relationship between a person's intention to start a business with a person's attitudes toward income, independence, risk and effort. The result is a person who has more positive attitude toward self-reliance and risk, has a higher willingness to become entrepreneurs. However, a person's attitude toward his work effort is negatively correlated with intention to entrepreneurship. He also found that there was no significant difference between attitudes and income.

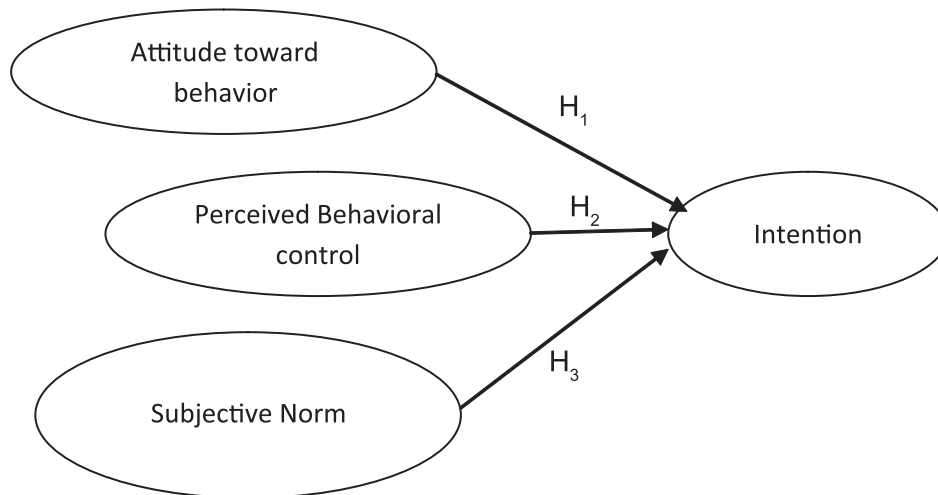
Krueger et al., (2000) discovered support for this planned behavior theory. One's attitudes towards action, i.e. self-employed and self-efficacy affect a person's intention to entrepreneurship, with attitude found to be the most influential factor. However, another variable, i.e. perception towards social norms, didn't affect intentions. Similarly, Franke and Luthje (2004) in their study on business students in Germany and the United States of America found a strong, positive relationship between one's attitude to work independently and the intention to be an entrepreneur.

Another path in the study of entrepreneurship focuses on the environmental conditions as a factor affecting a person's aspirations to start a company. That is because entrepreneurship is a process that involves the social, cul-

tural and economic. Past studies have demonstrated the importance of the external environment especially those in one's social network with a view of local people towards entrepreneurs, socio-cultural norms, and the barriers to entrepreneurship (Schwarz et al., 2009).

Perceived behavioral control (PBC) refers to people's perception of the easiness or difficulty of performing behavior. Franke and Luthje (2004) revealed that students' intention to entrepreneurship is also directly influenced by perception towards entrepreneurship enablers and obstacles. In particular, the more positive the students perceive the support for entrepreneurship, the stronger their entrepreneurial intention is. In another study, Franke and Luthje (2004) investigated the influence of college environments on the intentions of students for entrepreneurship. Their study found that students have lower entrepreneurial intentions because they perceived that higher education does not have enough support in providing knowledge and experience to start a business. Entrepreneurial intention also depends on the perception of students relative to their college environment. In essence, this factor may prove to be more significant and stronger in influencing entrepreneurial intentions than differences in personal characteristics, attitudes or student socio-economic factors.

The subjective norm or perceived social norm (SN) refers to the perceived social pressure to perform or to not perform the behavior (Fishbein & Ajzen, 1975). The subjective norm is defined by the degree of perceived approval or disapproval from people who is im-



Source: Fishbein and Ajzen, 1991

Figure 1. Research Model

portant for the student. The opinion of parents or friend and significant others might be important in this process because students are still in the stage of exploring their career options.

According to Bird (1998), intention is the state of mind directing a person's attentions and action towards a specific object (goal) or a path in order to achieve something. Intention also represents one's motivation to plan or make a decision. Measuring entrepreneurial intention can be done by asking these questions: "will you start a venture" (measures desire), "what will you chose, work for yourself or work for others" (gauges preference), "are you planning to start a business" (regarding planning), "estimate the chance that you will start a business in the next 5 years" (expected behavior) (Gelderen et al., 2008).

Research Approach and Hypotheses

This research uses theory of planned behavior (Fishbein and Ajzen, 1991) as the research model, the theory ap-

pears to provide the proper framework for this study, as it is both straightforward and robust and enables the researcher to achieve a better understanding of entrepreneurial processes (Krueger, 1993).

Attitude toward behavior is positive or negative evaluation of a person on performance of certain behavior. This variable is influenced by the total behavioral beliefs. Based on studies conducted by Gelderen et al. (2008) there are five attitudes toward behaviors that affect a person's intention to entrepreneurship, namely independence, challenge, and the accumulation of wealth as an interesting aspect for an individual, while lack of income security and high workload were perceived as uninteresting aspects to be entrepreneur. The attitude or desirability component has been researched with more specificity than the PBC or feasibility component (Gelderen et al., 2008). Attitude to autonomy and attitude toward risk were found to be related to entrepreneurial intention (Douglas and Shepherd (2002), while attitudes to-

ward workload and income were not. Davidsson (1995) also found that attitudes toward achievement and toward change explained entrepreneurial intention. Thus, it is hypothesized that:

H₁: Students' attitude toward entrepreneurial behavior affects their intention to start a business

Perceived behavioral control, respectively self-efficacy, has been identified as a main component of the theory of planned behavior. The concept of self-efficacy belongs to the social learning theory (Scheiner 2009). Perceived Behavioral Control is an individual's perception about the difficulty level when starting a behavior, it is assumed that this variable is influenced by control beliefs. Gelderen et al., (2008) discovered the factors within this variable, namely perseverance, creativity, entrepreneurial alertness, and self efficacy. Hence, the second hypothesis would be:

H₂: Perceived behavior control positively related to entrepreneurial intention

Fishbein and Ajzen (1975) defined *subjective norm* as a form of influence from the social environment which affects the individual that has the intention to do something, and certain behavior. Gelderen et al., (2008) revealed that parents, peers, and significant others would affect person's intention to be an entrepreneur. Thus, the third hypothesis would be:

H₃: Students who have more positive subjective norm to work as entrepreneur would have higher intention to start a business.

Eventhough the theory of planned behavior only consists of the three hypotheses above, since this study was conducted in six state universities to analyze possible differences among universities, any variations of the model among them would also be important to be studied. Therefore, it is hypothesized that:

H₄: there are differences in variables influencing entrepreneurial intentions among the six state universities

RESEARCH METHOD

In general, primary and secondary data were gathered for this research. Secondary data was gathered from the study of literature from various writings and previous research in the field of psychology and marketing related to the theory of *planned behavior* and consumer behavior. Primary data was obtained by survey.

The respondents of this study were undergraduate students on their final year, or the seventh and eighth semester. Sampling was carried out using purposive sampling technique. The sample comprised of 600 university students from six state universities in Indonesia, namely University A in Northern Sumatra, University B in Western Sumatra, University C in Jakarta, University D in Yogyakarta, University E in Eastern Java, and University F in Southern Sulawesi. The six state universities were selected because they have entrepreneurship education program and business incubators as extra-curricular activity for students.

The instrument was developed based on the modification of previous instruments developed by several authors

Table 1. Operationalization of Variables

Variable	Definition	Indicator	Sources
Attitude toward behavior (Outcome beliefs)	Attitude toward entrepreneurial behavior, desirability	Attitude to autonomy	Douglas & Shepherd (2002)
	What aspect do you think are attractive about self-employment	Attitude toward risk	
	What aspect do you think are unattractive about self-employment	Attitude toward workload	Davidsson (1995)
		Attitude toward income	
	Attitude toward achievement		
	Attitude toward change		
	Attitude toward challenge		
	Lack of financial security		
	Accumulation of Income		
	Wealth		
Social desirability			
Perceived Behavioral Control (Student's Control Belief)	Perception to entrepreneurial behavior	Perseverance	
	What is needed to set up business	Creativity	
	What is needed to be successful in business	Entrepreneurial alertness	Kristiansen & Indarti (2004)
Subjective Norm	External influence (Influence from outside the individual)	Cultural differences	De Pillis & Reardon (2007)
		Parental business experience	
		Difficult childhood	Drennan et al (2005) Kolvereld (1996)
		Spouse	
		Family	
		Friends	
		Significant others	
Entrepreneurial Intention	Intention to be entrepreneur	Desires (to start business)	Armitage & Conner (2001)
		Preferences	
		Plans (to start business)	
		Behavioral expectancies	

Table 2. The Cluster of Respondent

Cluster	Universities						TOTAL	
	A	B	C	D	E	F	n	%
Health	13	14	4	5	26	9	71	12%
Natural Science	31	26	16	24	0	10	107	18%
Engineering & Computer	8	11	13	22	0	21	75	13%
Social Science	43	41	67	22	0	38	211	35%
Economics & Business	5	8	0	27	74	22	136	23%
TOTAL	100	100	100	100	100	100	600	100%

such as Douglas and Sheperd (2002), Davidsson (1995), Armitage and Conner (2001), Kristiansen and Indarti (2004), De Pillis and Reardon (2007), and Drennan et al (2005). The reliability of each set of constructs has a Cronbach value ranged between .84 and .93. The measurement of items in the survey questionnaire was based on six point Likert scales with 1 demonstrating "strongly disagree" up to 6 demonstrating "strongly agree". Data were analyzed using descriptive and

inferential statistics using SPSS 11.5 and structural equation model using LISREL software to test the hypotheses. Multi sample test is used to find out the differences of model among group, which are 6 state universities (Wijanto, 2008). Operationalization of variables can be seen in following Table 1.

RESULT AND DISCUSSION

The data of 600 respondents was composed from roughly equal gender

Table 3. The Career Choice of Respondent

Career Choice	Universities						TOTAL	
	A	B	C	D	E	F	n	%
Full-time entrepreneur	34	25	34	18	27	21	159	27%
Full-time employee or professional	4	5	18	4	25	12	68	11%
Civil servant	11	4	13	8	24	10	70	12%
Both employee and entrepreneur	51	66	35	70	24	57	303	51%
TOTAL	100	100	100	100	100	100	600	100%

Table 4. The Most Influential Indicator in Each Variable

Variable	Two Topmost Influential Indicators	t-value
Attitude	Being an entrepreneur, I am challenged to be more successful	21.10
	Being an entrepreneur, I have opportunities to realize my dreams	20.68
Perceived Behavior	I love to create something different	19.16
Subjective Norms	I have many innovative ideas	18.89
Entrepreneurial Intentions	My family supported me to be an entrepreneur	19.37
	My friends supported me to be an entrepreneur	18.74
Entrepreneurial Intentions	I will prepare everything to be an entrepreneur	24.72
	I am determined to have my own business in the future	24.20

proportion, with 52% male and 48% female respondents. The respondent was recruited from different faculties which then grouped into several clusters, namely health, natural science, engineering and computer science, social science, and economics & business. Only 136 out of 600 respondent or 23% of the respondents are economics and business student. The percentages of the clusters among the universities are shown in Table 2.

Out of 600 respondents, 51% of the respondents have future plans to be employee in an organization while also having their own business, and 27% of the respondents want to be full-time entrepreneurs. Among the six universities, respondents from university A & C have the highest willingness to be entrepreneur. It showed that becoming an entrepreneur has emerged as one career choice among university students in Indonesia. Percentages of career choices selected by the respondents from each university are shown in Table 3.

More than half of respondent (55%) agree that they have entrepreneurial spirit, only 5% of them stated the contrary. Respondents from University C have the highest agreement that they have entrepreneurial spirit. Consistent with previous result, 51% of the respondents also agree that they have what it takes to become a successful entrepreneur; only 4% of them disagree with that. Moreover the respondents perceive that entrepreneurs are independent, creative and courageous person.

The respondents also perceive that their university already provides them with the necessary information that relates with entrepreneurship (56%), gives them the facility to start their own business (44%), and stimulates them to be entrepreneur (50%). It revealed that the entrepreneurship programs in form of the curriculum and extracurricular activities being held by the six universities was both well known and well received by the students.

Table 5. *t*-values of Each Path in Structural Model

Hypotheses	Path	Std. Loading	<i>t</i> -value	Interpretation	Result
H ₁₁	Attitude to Intention	0.18	3.87	Significant	Accepted
H ₁₂	PBC to Intention	0.26	6.26	Significant	Accepted
H ₁₃	SN to Intention	0.54	11.00	Significant	Accepted

Table 6. Multi Sample Estimation Result

Statistics	Model A (Assuming Indifference)	Model B (Assuming Difference)	Delta	p-value
Chi-square	23,909.88	22,163.49	1,746.39	
df	10,132	9,767	365	
				0.00000 (Significant)

Each of the indicators in questionnaires has *t*-value greater than 1.96, therefore it can be concluded that all indicators are valid (Wijanto, 2008) and the analysis can be continued. Moreover, the goodness of fit measurement of the model showed the Root Mean Square Error Approximation (RMSEA) to be greater than 0,080, indicating that the model has good fit (Wijanto, 2008). The two topmost influential indicators from each variable based on their *t*-value are shown in Table 4.

Shown in table 4, attitude toward challenge and achievement (Davidsson, 1995) are the most influential indicator for students' attitude toward entrepreneurial behavior. Entrepreneurial alertness (Kristiansen & Indarti, 2004) is the most influential indicator for students' perceived behavior control to be an entrepreneur. While family and friends (Kolvereid, 1996) are most influential indicator for students' subjective norm. The first three hypotheses were all accepted, based on the *t*-value of each path as shown in Table 5.

The first hypothesis that students' attitudes toward entrepreneurial behavior affect their intention to start a busi-

ness was accepted. This finding is in line with results from Gelderen, et al. (2008) which stated that student's intention to be entrepreneur is affected by their attitude, that is attitude toward achievement and challenge (Davidsson, 1995) and attitude toward autonomy (to be more independent) and risk (Douglas & Sheperd, 2002).

The second hypothesis that students' perceived behavior control (PBC) positively related to entrepreneurial intention was also accepted. It is also similar to results from Gelderen, et al. (2008) that entrepreneurial alertness (Kristiansen & Indarti, 2004) and perseverance (Armitage & Conner, 2001) affects the students' intention to be entrepreneur.

The third hypothesis that students' *subjective norm* to work as entrepreneur positively related to their intention to start a business was also accepted. This is consistent with Gelderen, et al. (2008) that students' entrepreneurial intention also affected by their family and friends (Kolvereid, 1996).

Based on results shown in Table 5, it is proved that the Theory of Planned

Table 7. *t*-value on Each Path among University

Path	Univ.	Std. Load	<i>t</i> -value	Conclusion
Attitude to Entrepreneurial Intention	A	0.14	0.19	Not significant
	B	0.15	1.28	Not significant
	C	-0.17	-0.67	Not significant
	D	0.19	2.21	Significant
	E	0.39	3.42	Significant
	F	0.24	2.51	Significant
Perceived Behavioral Control to Entrepreneurial Intention	A	0.29	2.53	Significant
	B	0.16	1.47	Not significant
	C	0.04	0.23	Not significant
	D	0.28	3.49	Significant
	E	0.25	2.59	Significant
	F	0.34	3.53	Significant
Subjective Norms to Entrepreneurial Intention	A	0.71	4.14	Significant
	B	0.75	3.46	Significant
	C	1.00	1.54	Not significant
	D	0.27	3.13	Significant
	E	0.13	1.21	Not significant
	F	0.52	4.24	Significant

Behavior by Fishbein & Ajzen (1991) could be used significantly to predict Indonesian students' intention to be entrepreneurs. Moreover, subjective norms are shown to be the most influential variable in affecting the Indonesian students' entrepreneurial intention. It means that Indonesian university student was affected most by the external environment or surrounding which is the support from their family and friends rather than internal factors such as attitudes or perceived behavioral control. Support from family and friends proved important to increase their intention to be entrepreneurs. This contradicts the findings of Krueger, et al. (2000) and Boissin, et al. (2009), that Subjective Norm insignificantly influenced the entrepreneurial intention of university student in France and United States. Furthermore, differences in structural model among the six universities can be tested using the multi sample test

(Wijanto, 2008). The result is shown in Table 6.

The result shown in table 6 revealed that there are significant differences among groups, so the fourth hypothesis 4 is accepted, that there are differences among university on how the variables influences entrepreneurial intention. The differences of the path structural model among university are shown in Table 7.

University A has significant path from Perceived Behavioral Control and Subjective Norms to Intention, while path of Attitude to Intention was not significant. It means that the entrepreneurial intention of students in University A is affected by their perceived behavioral control, which are their entrepreneurial alertness (I always build the trust of other people) (Kristiansen & Indarti, 2004) and their perseverance (I am never give up) (Armitage

& Conner, 2001). Besides that student in University A is mostly influenced by subjective norm, which are their friends and family who support them to be entrepreneur (Kolvereid, 1996).

University B only has significant path from Subjective Norms to Intention, while Perceived Behavioral Control and Attitude to Intention was not significant. This proved that the entrepreneurial intention on students in University B is only affected by the subjective norms, which are their friends and family who support them to be entrepreneur (Kolvereid, 1996).

In this study neither attitude, PBC nor SN influence the entrepreneurial intention of students in University C. It means this model proved insignificantly to predict entrepreneurial intention of students in University C. There are probably other variables that may explain the students' entrepreneurial intention in University C. According to Table 2, none of the university C's respondent is from Economics & Business cluster, so this background might influence their attitude and entrepreneurial intention, since business students was proven to have stronger entrepreneurial attitude than did non business students (Harris & Gibson, 2008).

Conversely, Theory of Planned Behavior significantly predicts entrepreneurial intention of students in University D, since all paths on this model are proven significant. This is in line with Gelderen, et al. (2008) which found that entrepreneurial intention of students is influenced by their attitude toward entrepreneurial behavior, perceived behavioral control, and

subjective norm. In this study, student of University D was mostly influenced by their perceived behavioral control, which is their perseverance (i.e. by never giving up and believing that they could be a successful entrepreneur) (Armitage & Conner, 2001).

There are different findings from University E, in which the student's entrepreneurial intention was influenced by their attitude and perceived behavioral control, while subjective norms were proven insignificant. The students in University E was mostly influenced by their attitude toward entrepreneurial behavior, which are attitude toward change (by being an entrepreneur, I would be a better person) and attitude toward challenge (by being an entrepreneur, I would be challenged to be a successful person) (Davidsson, 1995).

The model is also significant to predict entrepreneurial intention in University F while subjective norm is the most influential variable in predicting the intention. Some factors that could support those differences are the varieties of the educational background of respondent, according to Harris & Gibson (2008) business students would have stronger entrepreneurial attitude than non business students. The limitation of this study is that the study did not analyze the differences among faculties.

Entrepreneurship educational program and university support could also be another factor. Turker & Selcuk (2009) proved that entrepreneurial intention of university students positively relates with perceived educational support. This study involved six different universities which each have curricu-

lum and activities in entrepreneurship, but in this study the differences in those educational programs are not included.

Another factor that might support the differences is the variation in cultural background. Goel, et al. (2006) found that differences in cultural between India and China influenced entrepreneurial attitude of the youth in both country. Even though the six universities in this study are located in Indonesia, but they are located in different island and different province. Every island or even each province in Indonesia has their own unique culture which might influence the people's attitude, perceived behavior control or subjective norm so it will be good opportunity for further research to study entrepreneurial intention based on cultural background in more detail.

CONCLUSION

It can be concluded that the Planned Behavior Model of Ajzen and Fishbein can be used to significantly predict the entrepreneurial intention of Indonesian undergraduate students, especially students in six state universities selected in this study. Students with higher attitude toward entrepreneurship (i.e. be-

ing challenged to be more successful and having opportunity to implement their dreams and idea), perceived behavioral control (i.e. they love to create something different and they perceived having many innovative ideas), and subjective norms (i.e. having family and friends who support them to be entrepreneur) has greater intention to be self-employed. Between the three variables, student's subjective norm is the most significant variable to predict their entrepreneurial intention.

The model also discovered significant differences on how the model explains entrepreneurial intentions of students in each university. All three variables, while attitude, perceived behavioral control and subjective norms significantly predict entrepreneurial intention for students in the state university in Yogyakarta and Southern Sulawesi. The entrepreneurial intention of students of University A in Northern Sumatra was only influenced by perceived behavioral control and subjective norms, while students of University E in Eastern Java was only influenced by attitude and perceived behavioral control. Lastly, the model fails to predict the entrepreneurial intention of students in university C.

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