

FACTORS AFFECTING ENTREPRENEURIAL INTENTION: AN EMPIRICAL STUDY OF STUDENT IN ACEH AND NORTH SUMATERA

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ABSTRACT

This research examined the effect of Need for Autonomy, Propensity to Take Risk, Attitude towards Entrepreneurial on Entrepreneurial Intention among students in Aceh and North Sumatera. The data were collected from undergraduate's students in Aceh and North Sumatera randomly, 120 questionnaires were distributed and 114 responses were collected and analyzed. The findings confirmed the positive relationship between variables of the study, except Attitude towards Entrepreneurial. Need for Autonomy, Propensity to take Risk, Attitude towards entrepreneurial factor account for 43.1% of the variance in Entrepreneurship intention. The study try to give some recommendation for the Universities to be mindful of entrepreneurship to motivate student accumulate intentions to start a business.

Keywords: *Entrepreneurship Intention; Need for Autonomy, Propensity to take risk, student entrepreneurship*

1. INTRODUCTION

Entrepreneurs are the builders of an economy in many countries, Kalabeke, W. (2018). When individual embrace an opportunity to create something successfully, they become independent and employers of labor, consequently, entrepreneurs reducing unemployment rate and perhaps the dependents of the employee's economic situation improves which in return creates harmony and economic growth in the society (Shepherd., H. & Patzelt., 2017). The entrepreneur's contributions to society are immeasurable due to the decreasing of the unemployment rate. Many countries have identified the importance of entrepreneurship as the economy been run by entrepreneurial activities, therefore, several measures have been designed to foster and promoting entrepreneurship by many governments as well as educational institutions voracious researches on this line of specialization recognizing the importance of entrepreneurship, Kalabeke, W. (2018).

One of the tough challenges faced by the Indonesian nation today is the huge number of unemployed people which continue to increase from time to time. Even though reducing the unemployment rate has always been a priority for the government's program, every year it is difficult to reduce this figure. Even if it is reduced, the amount is very small. From the existing data on the number of unemployed, it turns out that the unemployed among the educated show an increasing trend. The Ministry of National Education recorded that the number of students who graduated from public and private universities for the 2005-2006 academic year was 323,902 (Kompas, 11 February 2008). However, not all of those who graduate are absorbed by the job market. Data from the National Labor Force Survey (Sakernas) as of February 2007 issued by the Central Bureau of Statistics (BPS) shows that

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the open unemployment rate decreased to 9.75% compared to the August 2006 period which was 10.28%. Although it has decreased, the number of unemployed among university alumni has actually increased. If in August 2006 unemployment among the educated was 6.16%, half a year later this number had increased to 7.02%. Symptoms of this increase have actually been seen since 2003. In fact, in previous years, educated unemployment had decreased after 1999 reached its highest rate, namely 9.2%.

1.1. Research Problem

The number of university graduates who are underemployed is greater than the number of open unemployed. College graduates will choose to be underemployed rather than not working at all so that the number will continue to grow. One of the solutions offered by the government to reduce unemployment is to create labor-intensive jobs. However, educated people tend to avoid this choice of work because their preference for office work is higher. A higher preference is based on calculating the costs they have incurred while studying and expecting a comparable rate of return. The choice of the main employment status of college graduates is as an employee in an agency or company by receiving a wage or salary. The results of Sakernas in the first semester of 2007 showed that three out of four university graduates chose this status. Only a few have an entrepreneurial spirit. The existence of university alumni who experience many difficulties in entering the world of work market, can be seen from the data on the average waiting time for graduates to get a job, the lack of ability of prospective workers, the lack of enthusiasm and entrepreneurial skills of graduates. For this reason, it is deemed necessary for students to be provided with entrepreneurial knowledge and skills so that they have experience in entrepreneurship and increase their strong competitiveness in the world of work. This underlies the importance of efforts to develop entrepreneurship among students. Hence, the purpose of this research was to examine the effect of Need for Autonomy, Propensity to take Risk, Attitude towards entrepreneurship on entrepreneurial intention among student in Aceh and North Sumatera.

2. LITERATURE REVIEW

2.1. Entrepreneurial Intention

Entrepreneurship intention is defined as the increasing conscious condition of the mind that a person desires to start a new enterprise or create new organization (Khuong & Nguyen., 2016; Doug Scott .,1999). While Nabi, et al., 2006 defined entrepreneurial intention as a state of mind that people wish to create a new business or a new value driver inside an existing one. Every behavior and action is born of intention (Farruk., 2017). The intention to start a business is born by the cognitive affirmation of the will of a person to exercise a giving behavior. Behavior is controlled by several factors either culture, education, status, prestige etc., According to Fayola and Gaily (2009) the behavioral intention, is explained in a theory used in the sciences of the behavior, which is the result of three abstract precursor, firstly, Attitudes to the behavior make up the first precursor or antecedent. "The intention to create a company is a function of the degree of favorable or unfavorable evaluation of the behavior in question".

Entrepreneurial intention can be best explained with the Theory of Planned Behavior (TPB) model propounded by Ajzen's (1991) TPB and Shapero's (1982) model of the entrepreneurial event (Karali., 2013). This model is of the opinion that humans are rational in the choices they make, based on this rationality the intentions of an individual may be restricted to certain behavior, rational business intentions are likely to appreciate than absurdity, (Kalabeke, W. 2018). Lack of employment make citizens go creative and innovate to be self-reliant, the lack of employment commutes some individuals to commit crimes

Jeddah (2016). Entrepreneurship is the most effective way that will uplift the problem of unemployment in many countries (European Commission., 2003). Ofili (2014) also affirm that “entrepreneurship is critical to the development of societies” therefore youths should imbibe the intention to start a business, entrepreneurial intention is the intention to start a new business (Pillis & Reardon., 2007). Entrepreneurial intention as a state of mind that people wish to create a new business or a new value driver inside an existing one (Nabi, et al., 2006). Ihugba, Odii & Njoku (2012) study confirm that the entrepreneurial development agencies exist in theory but practically lifeless because the desired result is not achieved due to poor implementation.

2.2. Need for Autonomy and Entrepreneurial Intention

Autonomy is the right to exploit opportunities for a firm's competitive advantage, which then relates to the user's intervention in introducing another fundamental concept or perception and seeing it through until it reaches the end successfully. Autonomy is an essential attribute of Entrepreneurial Intention. Autonomy is commonly associated with business strategy in the lexicon of Entrepreneurial Intention. Whenever team members or individual candidates are given more autonomy, they can develop ideas and expectations required to solve the problems that lie ahead for them. Many of these higher relative levels of autonomy are tactical measurements of individual autonomy. Here, entrepreneurial autonomy refers to the capability to make crucial decisions as to what gets accomplished, how everything gets accomplished, and even when it gets accomplished, as well as the whole company's business corporate strategy (Lumpkin et al., 2009). Moreover, autonomy refers to a person's behavior or a group of people's potential to establish and successfully implement an entrepreneurial venture within an organization. People have been given the maximum flexibility that users need to introduce a different idea to make it a reality in high-autonomy organizations with unlimited access to corporate bureaucracy. Team members could indeed examine and champion innovative ideas more effectively, even when they are not constrained by organizational cultures and principles (Edwards et al., 2014).

H1. Need for Autonomy positively influences students' entrepreneurial intention

2.3. Propensity to take risk and Entrepreneurial Intention

In the context of this study, perceived risk is identified as risk-taking as it relates to entrepreneurial intention. Van Praag & Cramer, (2001) found one of the core personality traits of any entrepreneur has been found to be that of risk-taking. Risk factors go hand in hand with entrepreneurial decision-making process and is essential in general theory of entrepreneurship (Chen, et al., 2020). The spectrum of risk taking as a personality trait spans from a person being risk averse and risk seeking (Van Praag & Cramer, 2001). This means that they have less of a chance of becoming an entrepreneur (Agarwal & Teas, 2001). Hence, it is important to understand what leads students from having the intention to take a risk, to taking the risk. Entrepreneurship is associated with a certain level of risk (Havierniková & Kordoš, 2019). The concern here is finding out what factors influence students' willingness to take risk. More specifically, this study focuses on the risk-taking propensity among student respondents in Aceh and North Sumatera. Thus, in this study, the following hypothesis is proposed:

H2. Propensity to take risk positively influences students' entrepreneurial intentions

2.4. Attitude towards entrepreneurship and Entrepreneurship Intention

Attitude toward a behavior refers to “the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question” (Ajzen, 1991). In the entrepreneurship context, attitude toward self-employment has been defined as “the difference between perceptions of personal desirability in becoming self-employed and organizationally employed” (Souitaris, Zerbinati, & Al-Laham, 2007). For Liñán and Chen (2009), “attitude toward start-up is the degree to which the individual holds a positive or negative personal valuation about being an entrepreneur.” Theorists have argued for a distinction between two components of attitude: affective/experiential attitude, on the one hand, referring to feelings or emotions (e.g., joy, satisfaction), and drives engendered by the prospect of performing a behavior; and instrumental/cognitive attitude, on the other hand, referring to beliefs, thoughts, or rational arguments (Ajzen, 1991; Trafimow & Sheeran, 1998; Yan, 2014).

H3. Attitude towards entrepreneurship positively influences entrepreneurial intentions

Research Model

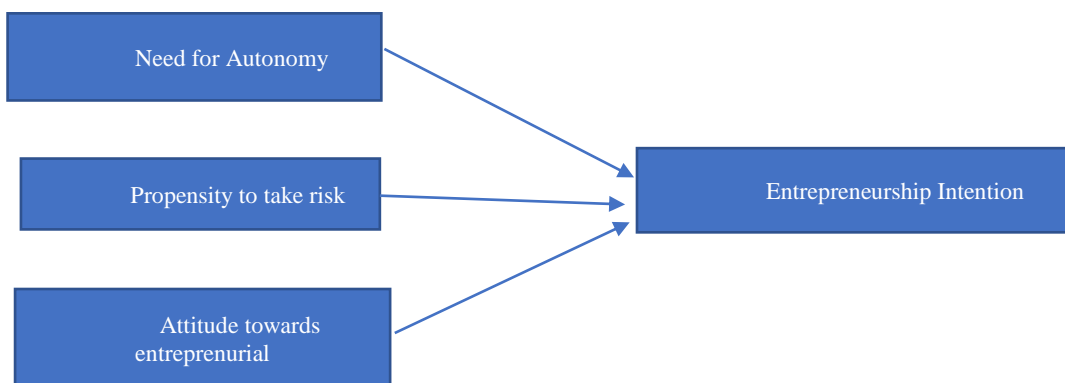


Fig. 1 Frame Work of the Study

3.METHODOLOGY

Quantitative approach was applied in this study. This method changes non-numeric into numeric data therefore allows the researcher to analyze the data through statistical instrument by using SPSS software. The population of the research is the yearly estimated number of student from various universities in Aceh and North Sumatera. A total of 114 respondents were used for the analysis, in the first part, the multiple-choice questionnaires were designed to collect the demographic information of the respondents. The second part of the questions is the viewpoint of the respondents on entrepreneurship intention and its affecting factors. “All measures were collected based on a five point Likert scale” in which “1” represents “strongly disagree” and “5” is “strongly agree” Chen (2009), The data in the survey were collected from undergraduates students 120 questionnaires were distributed and 114 responses were collected and analyzed.

3.1. Demographic Profile of Respondents

Based on result it can be explained that the majority of respondents in this study were women with the percentage being 73.68%, and men amounting to 26.32%. The data shows that the majority of respondents are from the engineering faculty (51.75%), followed by students from the Economics faculty (39.47%), while the rest are from other faculties. Furthermore, it can also be explained that 64.91% of respondents came from Universitas of Malikussaleh, Aceh, followed by other universities from Aceh Province (14.91%), Universities in North Sumatra Province (11.40%), and the rest came from several state universities located in Aceh Province. The majority of the respondents who took part in this study had not taken Entrepreneurship Courses (69.30%), and only 30.70% had taken Entrepreneurship Courses. The majority of one/both of the respondents' parents did not own a business (58.77%), and 41.23% were students where one/both of their parents were entrepreneurs.

4. RESULTS AND DISCUSSION

The variables on the analysis showed the high level of internal consistency, Cronbach's alpha more than 0.7 and analysis confirmed the research variables and dependent variable to have a positive relationship. Need for Autonomy, Propensity to Take Risk and Attitude Towards Entrepreneurship Factor account for 43.1% of the variance in Entrepreneurial intention, this measures the amount of variance in the dependent variable that the research variables account for when taken as a group. The findings further shows Propensity to Take Risk as the most closely positively related to Entrepreneurial intention of students, Followed by Need for Autonomy but Attitude Toward Entrepreneurial is not related to Entrepreneurship Intention. To reconfirm this finding, Ajzens theory of planned behavior was used to explain the intention, to start a business, is a process of planning and the planning process involve an intentional behavior (Krueger Jr et al., 2000).

Table 1 Coefficient (Alpha =.05)

Model	Unstandardized Coefficients		Standardized Coef.	t	Sig.
	B	Std. Error			
(Constant)	0.763	0.362		2.108	0.037
Need for autonomy	0.286	0.136	0.243	2.108	0.037
Propensity to take risk	0.400	0.101	0.395	3.949	.000
Attitude toward entrepreneurial	0.125	0.108	0.113	1.165	.247

a. Dependent Variable: EI

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In the Coefficient Table 1, Need for autonomy variable is 0.037 sig, which is much less than 0.05 Alpha value, therefore this variable are significant predictors of entrepreneurial intention. Looking at the Propensity to take risk it is also a significant predictor of entrepreneurial intention since its sig < 0.05 which is 0.000, but Attitude toward entrepreneurial is not significant determinant of entrepreneurship intention with sig 0.247 > 0.05.

Table 2 Correlations

		Attitude toward entrepreneurial	Need for autonomy	Propensity to take risk	Entrepreneurial Intention
Attitude toward entrepreneurial	Pearson Correlation	1	.675**	.524**	.484**
	Sig. (2-tailed)		.000	.000	.000
	N	114	114	114	114
Need for autonomy	Pearson Correlation	.675**	1	.701**	.596**
	Sig. (2-tailed)	.000		.000	.000
	N	114	114	114	114
Propensity to take risk	Pearson Correlation	.524**	.701**	1	.625**
	Sig. (2-tailed)	.000	.000		.000
	N	114	114	114	114
Entrepreneurial Intention	Pearson Correlation	.484**	.596**	.625**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	114	114	114	114

** . Correlation is significant at the 0.01 level (2-tailed).

Therefore, the three predictor variables are statistically significant which means they account for a unique amount of variance in entrepreneurship intention most especially need for autonomy and propensity to take risk. Person correlation was conducted to examine the relationship between need for autonomy, propensity to take risk, attitude toward entrepreneurial and Entrepreneurship intention, Entrepreneurship intention was more closely positively related to propensity to take risk $r = .625$, $p < 0.001$, followed by need for autonomy, $r = .596$, $p < .001$ then Attitude towards Entrepreneurial, $r = .484$, $p <$

.001. These findings indicate that propensity to take risk more of variability in entrepreneurship intention as well as need for autonomy and attitude toward entrepreneurial does.

4.1.Limitations and Future Suggestion

There was some limitation in the research. From previous research, there are several factors affecting entrepreneurial intention ranging from economic, social, and personal factors but this research focused only on need for autonomy, propensity to take risk, attitude toward entrepreneurial and entrepreneurship intention. Other important factors such as motivation, family background and etc., were not mentioned for narrowing the findings to three factors. Subsequent research will consider such other important factors affecting business orientation of the student entrepreneurship intention. There are many factors should be including for the next research to find more factors related to Entrepreneurship Intention.

5.CONCLUSION

The main purpose of this study was to find out Need for Autonomy, Propensity to take Risk and Attitude towards Entrepreneurial could have effect on entrepreneurship level for university student in Aceh and North Sumatera. The study used a quantitative approach and collection of data was done in Aceh and North Sumatera. The Need for Autonomy and Propensity to Take Risk showing positive relationship with Entrepreneurial Intention, it was ascertained to support findings of the theory of planned behavior, but Attitude towards Entrepreneurial was not significant effect to Entrepreneurship Intention. Furthermore, there is need for government to reduce the barriers related to student going into business as well as loosening the requirement for young graduated to have financial access to start a business and government provision for reasonable capital for micro-finance banks. Furthermore the government policy should be made to raise the awareness level of the citizens on the various programmed instituted to stimulate and encourage entrepreneurship between different cultures in the high school and universities. Promoting entrepreneurial education direct teaching in universities and other tertiary institutions as well as its inclusion into school curriculum is required. Special funds should be provided and focused on the graduate student as they motivate to start up business.

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