

# THE RISE OF YOUNG ENTREPRENEURS IN THE COVID-19 PANDEMIC

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## ABSTRACT

*Every business requires intrinsic and extrinsic resource. Intrinsic resource including financial literacy and passion or entrepreneur intention. Extrinsic resource is access to finance or capital. They needs capital to increase and developing business. Access to capital also plays an important role in increasing business. The aim of this study was to determine how can entrepreneurs in University student increase during covid-19 pandemic? How does interaction between financial literacy and access to capital on entrepreneurial intention among student university students in Bali, Indonesia? This study uses primary data, questionnaires collected from 257 participants. Data analyze using path analysis. The findings in this study, entrepreneurs in University student are significantly increase during covid-19 pandemic. Access to capital has no significant effect on student entrepreneurial intentions, financial literacy has a significant positive effect on entrepreneurial intentions, and access to capital of university students in Bali, Indonesia.*

**Keywords:** Financial Literacy, Access to Capital, Entrepreneurial Intentions

## INTRODUCTION

Financial intelligence is one important aspect of life. Financial intelligence is intelligence in managing private assets (Widayati, 2012). People must have a knowledge and skill to manage their personal financial resources effectively. In addition to setting short-term financial decision such as savings and loans, people also have to use long-term financial decisions such as retirement planning and education for their children.

Financial literacy has developed in recent years and is getting more attention, especially in developed countries. The term financial literacy is the ability of an individual to make decisions in terms of personal financial arrangements. Some factors that lead to developing financial literacy, such as, a low savings rate, it enhances the rate of bankruptcy and debt level, and increasing individual responsibilities to make decisions that will affect their future wellbeing (Servon & Kaestner, 2008). In contrast, the level of financial literacy in Indonesia is at a low level compared to other countries. It is also revealed in a survey conducted by Visa (2012) initiation, Visa International Financial Literacy barometer conducted in 28 countries. The survey shows that Indonesia is in 27th position with a score of 27.7 is under the state of Vietnam and over the state of Pakistan. The third in the top of the survey are Brazil, Mexico, and Australia. The survey was conducted on 25,500 participants in 28 countries along February–April 2012.

Financial literacy is closely related to the well-being of an individual. Financial knowledge and skills of managing personal finances are very important in daily life, Krishna et al., (2010) explains that financial literacy helps people to avoid financial problems. Financial difficulties are not only a function of low income. Financial difficulties can also arise inside mis-financial management. Using improper use of credit, and lack of financial planning. Financial limitations can cause stress, and low self-confidence. Their financial knowledge and financial literacy will assist

individuals in managing personal financial planning, and the individual can increase their value of money and the income derived by the individual will be greater and will increase society through business activities.

An entrepreneurial activity requires financial capital. The capital requirements of each business vary greatly based on the type and scale of the business. Along with the development of the food business, the need for capital also increases. Access to sources of funds (capital) is expected to increase.

The Financial Services Authority of Indonesia explained that the condition of Indonesian people's access to formal financial institutions is still very low compared to countries in Asia. Based on the data examined by Worldbank (2011), Indonesia occupies the 6th position of the six Asian countries with a percentage of 20% and are under the Philippines.

Based on the phenomena that occurred and previous empirical studies, this research with the study of entrepreneurship in the younger generation was carried out by examining the interaction pattern between financial literacy and access to capital and business interest.

## LITERATURE REVIEW

### Pecking Order Theory

In pecking order theory, the use of internal financing (retained earnings) becomes the main choice before using external financing. If the company needs additional sources of funds, the company will issue securities (bonds, options, new shares) by considering the effect of information asymmetry and the cost of issuing shares (Myers & Majluf, 1984)

### Trade-Off Theory

Using of debt in the company's capital structure, to the optimum point can maximize company profits. Companies can get tax savings from the use of debt. Managers will use the tradeoff between tax savings and costs of losses that may arise in managing the company's capital structure (Modigliani & Miller, 1958).

### Financial Literacy, Entrepreneurial Interest and Access to Capital

Finance is an important aspect that is closely in the wider society. Financial literacy can help individuals in shaping financial decisions. Investment on some financial products can optimize their financial decisions. The definition of financial literacy, in Vitt, et al., (2000) is the inability to read, analyze, manage and communicate about personal financial conditions that affect material well-being. Understanding financial literacy, according to Bhushan & Medury (2013) is the ability to make informed judgment and effective decisions about the use and management of money. Financial literacy, (the ANZ Bank, 2011) is the ability to make an assessment of the information and make effective decisions regarding of financial management. Financial literacy is a combination of individual abilities, knowledge, attitudes and ultimately behavior of individuals associated with money. Based on these definitions, it can be concluded that financial literacy is an individual's knowledge of finance and an individual's ability to make informed financial decisions.

Learning about financial management will decrease losses for individuals, whether as a result of inflation, a decline in economic conditions both domestically and abroad, or developing business make the economic system more consumptive people or more to be extravagant. In addition, the lack of financial literacy causes a person difficult to make an investment or access to financial markets. Krishnaet, et al., (2010) explains that financial literacy helps people to avoid

financial problems. Financial difficulties are not just a function of income alone (low income). Financial difficulties can also arise in case of errors in financial management such as the misuse of credit cards, and a lack of financial planning. Financial constraints can lead to stress, and low self-esteem.

Chen & Volpe (1998) categorize financial literacy into three groups: 1) <60%, which means that the individual has a low financial literacy 2) 60% -79%, which means that the individual has knowledge of financial moderate and 3) >80%, which indicates that the individual has a high financial knowledge. This categorization is based on the percentage of respondents who correctly from a number of question to measure financial literacy.

### **Relationship between Financial Literacy and Entrepreneurial Interest**

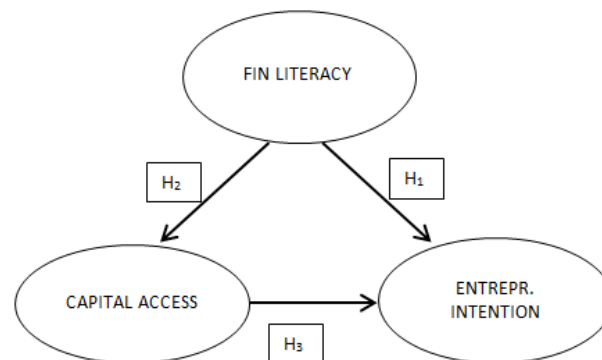
Segura & Zamar (2019); Cumurovic & Hyll (2019) found that an increase in financial literacy was in line with an increase in entrepreneurial interest. Goel & Madan (2019) found that financial inclusion had a significant impact on increasing women entrepreneurship. Hasan, et al., (2020) found that financial literacy had a significant positive impact on increasing self-employment. Students who take financial training have a significantly high entrepreneurial interest found in the research of Aljaouni, et al., (2020)

### **Relationship between Financial Literacy and Financial Access**

Hussein, et al., (2018) that increasing financial literacy has an impact on increasing access to capital (finance). Son & Park (2018) also found that financial literacy acquired through formal education has a substantial impact on access to sound financial use.

## **METHOD**

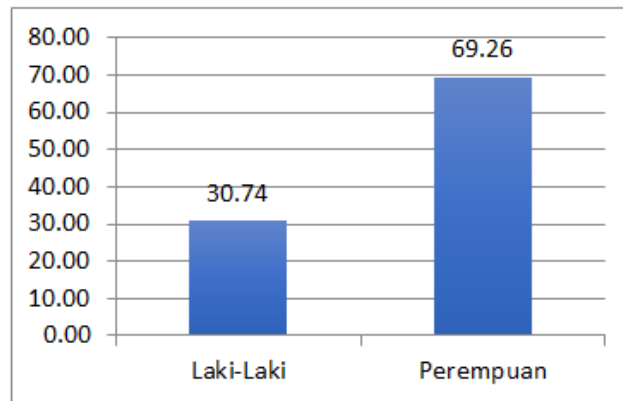
This research was conducted at private universities in Bali, Indonesia. The population in this study was all students of the economics faculty, with the consideration that they had obtained introductory courses in management, entrepreneurship, introductory accounting and financial management. The sampling technique used simple random sampling and 300 participants were sought. Data was collected by submitting a questionnaire containing a list of questions and statements regarding financial literacy, access to capital and interest in entrepreneurship. The data analysis technique used is Path Analysis (Figure 1).



**FIGURE 1**  
**CONCEPTUAL FRAMEWORK**

## RESULTS AND DISCUSSION

Respondent of this study are University student in Bali, Indonesia. There are conducted by female respondent are 69.26% and male respondent 30.74% (Figure 2).



**FIGURE 2**  
**GENRE OF RESPONDENCES**

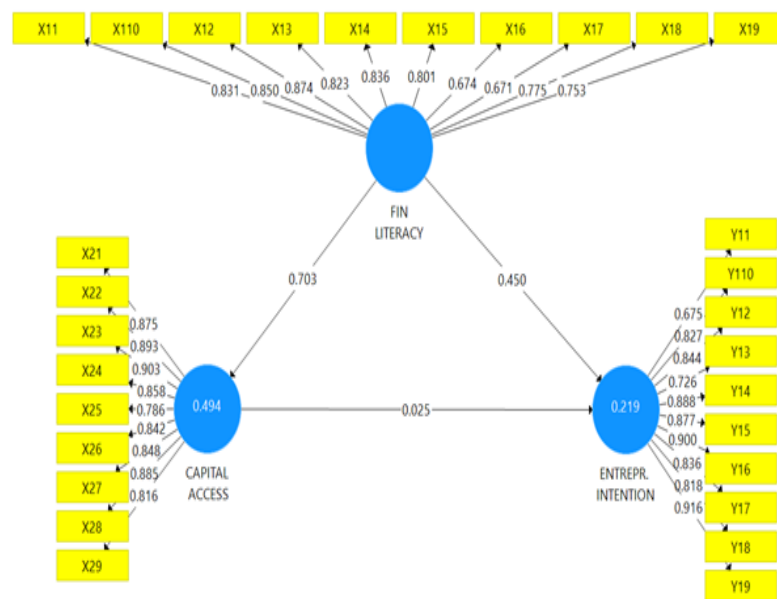
According to the type of business, the respondents in this study were dominantly developing business in the trade sector 84.05% and in the service 15.95%. Based on business ownership, respondents in this study were categorized into private ownership, family and partnership, where family ownership was the most dominant, 132 business units or 51.36%, partnerships 81 business units or 17.12% and private ownership are 44 business units or 31.52%,

Based on statistical testing, it was found that financial literacy had a significant positive effect on the entrepreneurial intentions of private university students in Bali, Indonesia. The results of this study mean that financial literacy in this study is dominantly reflected by knowledge about investment, specifically short-term investment "saving" which is increasing, has an impact on increasing student entrepreneurial intentions in private universities which is dominantly reflected by "the desire to develop a business". Financial literacy is knowledge about financial concepts, financial management and investment and financial planning that students gain through learning as well as through seminars and training on finance or financial planning. The results of this study are in line with research conducted by Segura & Zamar (2019); Cumurovic & Hyll (2019); Hasan, et al., (2020) that financial literacy has a significant positive impact on increasing self-employment. Goel & Madan (2019) found that financial inclusion had a significant impact on increasing women entrepreneurship. Aljaouni, et al., (2020) found that students who participated in financial training had significantly high entrepreneurial intentions (Table 1).

Table 1 PATH COEFFICIENT					
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	Ket
CAPITAL ACCESS ->ENTREPR. INTENTION	0,025	0,020	0,072	0,346	nSig
FIN LITERACY ->CAPITAL	0,703	0,707	0,043	16,466	Sig

ACCESS					
FIN LITERACY ->ENTREPR. INTENTION	0,450	0,460	0,111	4,068	Sig

Examination of the relationship between financial literacy and access to capital found the interaction pattern has a positive and significant effect. The results of this study mean that the increasing financial literacy of respondents (students) has an impact on increasing access to capital. Based on the results of respondents' answers related to financial literacy, it is known that students who were respondents in this study had a fairly high average level of financial literacy, which was 90.1% where according to Chen & Volpe's (1998) criteria the score >80% indicates that the individual has a high level of financial knowledge. This high level of financial literacy encourages increased access to capital, which is dominantly explained by the ease of respondents in obtaining loans (capital) from financial institutions. With an understanding of financial literacy, respondents better understand the theoretical lending mechanism; understand the requirements determined by financial institutions, making it easier for respondents to meet the specified qualifications/requirements so that it is easier to obtain loans (credit) as business capital. These results confirm the pecking order theory that the use of external funding sources is an option when the business has developed. The results of this study are in line with the research conducted by Hussein et al., (2018) that increasing financial literacy has an impact on increasing access to capital (finance). Son & Park (2018) also found that financial literacy acquired through formal education has a substantial impact on access to sound financial use (Figure 3).



**FIGURE 3  
OUTER LOADING & PATH ANALYSIS**

In the relationship between access to capital and entrepreneurial intentions found a positive and insignificant interaction pattern. The results of this study mean that increasing access to capital does not necessarily have a significant impact on entrepreneurial intentions. The dominant entrepreneurial intentions in this study were explained by "the desire to develop their own business" which did not arise because of the ease of access to capital, but was caused by other factors. the

characteristics of the respondent's business, the dominant student who became the respondent in this study established a business since 2019 which was 45.91% with a dominant position as the owner of 52.53%. The results of in-depth interviews can be traced that since the COVID-19 pandemic around the world and in Bali also, has bad impact. There are many parents and even respondents who previously worked for companies that were terminated. The demands of life encourage them to look for other alternatives, one of which is setting up a business. This business is dominant in the trade sector, which is 84.05% with a small scale employing 1-10 people, which is 83%. The results of this study are a unique finding in the midst of the COVID-19 pandemic.

## CONCLUSION AND RECOMMENDATION

The findings in this study, entrepreneurs in University student are significantly increase during COVID-19 pandemic. Access to capital has no significant effect on entrepreneurial intentions of university students in Bali, Indonesia. Financial literacy has a significant positive effect on access to capital and entrepreneurial interest of university students in Bali, Indonesia.

Subsequent research conducted a study specifically related to genre in self-employment decisions. It is recommended for universities to enrich materials related to financial literacy and entrepreneurial literacy to increase student interest in entrepreneurship

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