

# Identifying Supporting Factors of Students` Entrepreneurship Intention - A Case Study of Palembang, Indonesia

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## Identifying Supporting Factors of Students` Entrepreneurship Intention: A Case Study of Palembang, Indonesia

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*One of the policies that must be implemented by the government in order to expand employment or to expand the labor market is the implementation of the entrepreneurship program. Therefore, the Ministry of Education and Culture of Indonesia support this policy through the Student Entrepreneurship Program. This study aimed to identify and analyze factors determining students` interest to participate in the student entrepreneurship program in Palembang, Indonesia. The method used was quantitative analysis. Primary data were collected using questionnaires and analyzed using Multiple Linear Regression. These results obtained from the respondents` data were that students in Palembang had a number of contributing factors that influenced their entrepreneurial interests, namely: autonomy, economic challenges, self-aware, social environment, confident feeling, academic support, social support, and freedom to work.*

**Keywords:** Labor Market, entrepreneurship, economics

**Field of Research:** Economics

### 1. Introduction

The entrepreneurship has a big contribution in the economy of many countries. The entrepreneurship has a very significant role in moving a nation's economy. This is due to the entrepreneurship encourages the job creation, income distribution improvement, as well as improving community's life quality and welfare.

Many developing countries implement the entrepreneurship as their economic base. Even in the United States and Japan, a solid economy is built by the entrepreneurship-based economy. A country is said to have a stable economy when the economy has at least 2% of the total entrepreneur's population (McClelland, 1961). Thus, the policies that support the implementation of the entrepreneurship program have to be implemented by the government in order to achieve the economic stability, through extending job employment or labor market. Accordingly, the Ministry of Education and Culture of Indonesia support the policies through the implementation of the Student Entrepreneurship Program. The student

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Entrepreneurship Program are attended by students who are still actively enrolled in college, with diverse time of study and reasons underlying the interests. Based on these ideas, this study aimed to analyze and to identify factors determining students' interests to participate in the student entrepreneurship program in Palembang, Indonesia.

The student Entrepreneurship Program is intended to facilitate the students who have entrepreneurial interest and talent to start with knowledge, technology and basic art, which are being studied (Dikti.net). The program provides education and training for entrepreneurship job training, business planning, capital and business mentoring supports. Through this program, it is expected to support the government vision and mission in achieving the national independence through the empowerment of UKM and job creation.

In the implementation of the entrepreneurship creation program, the students face various problems and obstacles; which in turn, the majority of the students program participants are not able to develop business continuity. This leads to the conclusion that the students cannot create jobs, and still more interested to become job seekers. Data collected from the Labor Department showed that in Palembang for the period 2008-2011, there was an increase in the number of job seekers with Diploma and Bachelor Degree (Disnaker Palembang, 2012). This indicated that graduates of higher education still showed a tendency to be job seekers.

Based on the above discussion, this study differs from the previous studies, because it is focused on the students enrolled in the Student Entrepreneurial Program conducted by the universities in Palembang, assuming that the students involved in the program have interest in entrepreneurship; in addition, it is necessary to review, particularly to find out factors influencing the interests of the Student Entrepreneurial Program participants to become entrepreneurs in the future. The formulations of the problems in this study were as follows: (1) what were supporting factors influencing the interests of the Student Entrepreneurial Program recipients to be entrepreneurs? And (2) What were the dominant factors influencing the interest of the Student Entrepreneurial Program grantees to be entrepreneurs?

The rest of the paper is structured as follows. The next section reviews the extant literature on the relationship between entrepreneurship intention and factor-factor that affecting the intention. Following this, we explain the econometric method, present the data and estimate the entrepreneurship intention among students. The final section summarizes the main findings and offers some recommendations.

## 2. Literature Review

Theoretically, the entrepreneurship led to the growth of employment (Henley, 2002; Hipple, 2010). Therefore, the expansion of the labor market is a possibility. The entrepreneurship is a creative and innovative process in moving resources from low to higher productivity levels with the aim to achieve individual, society and the environment welfare (Lupiyoadi, 2004). The entrepreneurship is a creative and innovative capability that forms the basis, tips and resources to find the opportunity to succeed (Suryana, 2003). Thus, it can be interpreted that an entrepreneurship is business activities (production and distribution of goods and

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services to meet human needs) conducted by business organizations through creative and innovative process using the existing resources to achieve success and prosperity.

The entrepreneurship actors are often referred as entrepreneurs. The definition of entrepreneur is the decision makers and the people having ability to take risks that help the formation of the free enterprise economic system (Longenecker, Moore and Petty, 2001). The entrepreneurs are people who are creative and innovative and be able to make the improvement of their shelves and surrounding welfare (Lupiyoadi, 2004). The creative people are those who have abilities to create something new or something that have not been done before. It referred to be innovative if they are able to make something different from the existing ones.

The intention is the interest of a person to a particular object. Intention or interest may imply a tendency to feel attracted or forced to pay attention to a person, a thing or an activity in a particular area (Loekmono in Mahesha, 2012). While interest in entrepreneurship is a passion, interest and willingness to work hard or a will to be independent or try to meet their needs without fear of risks that will happen, and always learn from failure (Santoso quoted from Mahesha, 2012). It can be simplified that entrepreneurship intention is a person interest to entrepreneurial activities.

To become an entrepreneur requires courage in facing uncertainty and risk. Praag and Cramer (2002) explicitly say that the importance of the role of risk in one`s decision making to be an entrepreneur. The courage to face the risks supported by a strong commitment will encourage the survival of entrepreneurs to struggle to find opportunities in achieving their goals. That goal must be clear and objective, and has feedback on the success of their business (Suryana, 2003).

In the preliminary study, the results showed that most of the students participating in the Student Entrepreneurial Program who had interest to be entrepreneurs were influenced by the tolerant level for high risk factors. Unfortunately, because it was not with entrepreneurial skills, the successful accomplishment of the Student Entrepreneurial Program was still low. Based on the previous research of the students motivation of the Department of Business Administration in the field of entrepreneurship (Ridho & Setiawan, 2010), indicated that the majority of students responded that they were interested to become entrepreneurs, although the driving factors of each of these students varied.

Several empirical studies related to the factors influencing the interests of entrepreneurs have been carried out, including those conducted by Wibowo (2011), Suharti & Siren (2011), Son (2012), Kadarsih, et al (2013), and Muhar (2013). Wibowo (2011) conducted research to determine the internal, external, learning, and instruments readiness factors that affected a vocational high school students in Surakarta. This study used quantitative descriptive and correlational methods. The analysis technique used was regression and correlation techniques. Data were obtained from 490 respondents, who were students from seven secondary vocational schools in Surakarta. The findings from these studies were that simultaneous internal factors (learning motivation, learning interest, and personality), external factors (family environment, school environment, companies), learning factors (industry training, entrepreneurship subject, school training), and instrument readiness

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factors (capital access, information availability, network) had positive and significant effects on students' interest in entrepreneurship after graduation. And the learning factors were the most dominant factors.

Suharti & Siren (2011) conducted a study to investigate factors influencing college students' interest to pursue entrepreneurial world. The factors analyzed included internal factors, attitudes factors towards entrepreneurship and contextual factors. Data were collected from six faculties at Christian University of Satya Wacana, Salatiga, using accidental sampling technique. The data were collected from 225 students, analyzed by using T-test and multiple linear regression analysis techniques. These results indicated that the attitude factors: autonomy and authority, self-realization factor, confidence factor, and safety warranty factor were significantly influenced students' interest in entrepreneurship. This study also proved the important role of contextual factors, such as academic support, social support in student entrepreneurship intentions.

Putra (2012) conducted a study to examine what factors determining Management Department students' interest in entrepreneurship. Samples were used from the Management students of Economics Faculty of Padang University, using accidental sampling technique, and factor analysis, and twenty-two questionnaire items were given to 100 students. These results proved that there were six factors determining Management student interests in entrepreneurship, namely environmental factors, self-esteem factors, opportunity factors, personality factors, vision and confidence factors.

Kadarsih, Susilaningsih, and Sumaryati (2013) conducted a study to find out interests in entrepreneurship and factors influencing interest in entrepreneurship of students of Economics Education Department of Teacher training and Education Faculty of Sebelas Maret University. This study used twenty-two questions quested to form seven new factors, namely: self-efficacy, freedom to work, visionary, expertise, capital availability and the social environment, contextual, and perception to entrepreneurial figures. The method used was descriptive quantitative. Data were collected from 100 students with a proportional random sampling technique. Using factor analysis exploratory technique, the study found that 96% student interests in entrepreneurship were relatively high category, and 4% were classified as moderate category. The factors influencing student interest in entrepreneurship were: 1. Self-efficacy, 2. Freedom to work, 3. Visionary, 4. Expertise, 5. Capital availability and the social environment, 6. Contextual, 7. Perception to entrepreneurship figures.

Muhar (2013) conducted a study to understand the student interest in entrepreneurship in order to introduce how to establish and run an entrepreneurship among students of public universitie<sub>3</sub> by a comparative study of students at USU, UNIMED, and IAIN, using variables: personality factors (need for achievement and self-efficacy), environmental factors (access to capital, information, and social networking), and demographic factors (gender, age, education, and work experience). Using the purposive sampling method, respondents used were the active students, did not exceed semester nine, a total of ninety respondents, the data were analyzed by using the multiple regression analysis technique. The results of this study found that there were differences in factors that influenced student interests in entrepreneurship in different colleges. For USU, the influential factors were need to

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achievement, self efficacy, UNIMED: self efficacy factor, and IAIN: accessibility and gender factors, which affect the interests of entrepreneurship.

Ridho & Setiawan (2010) conducted a study to determine the interest or motivation of students in entrepreneurship. Samples were taken from the students of Business Administration Department of State Polytechnic of Sriwijaya, forty-one students out of 156 students year 2008/2009 with the simple random sampling method. By using the mean test analysis technique, this study found that the interest factors of students to be entrepreneurs were: 1. The internal standard fulfillment, 2. Primary Incentives, 3. Social incentives, 4. Status Incentives and influence incentives.

This study differs from previous studies in the use of data analysis methods and variables used, either in part or in entire, as well as the study object specialization on the student participants in the Student Entrepreneurship Program. This research differs from research conducted by Wibowo (2011), because Wibowo divided research variables into two major groups, namely internal factors and external factors. This was not done in this study. It also differs in the research samples, that study used a sample of students from seven vocational high schools in Surakarta, whereas this study focused for students in higher educations.

This study is also not similar to that performed by Kadarsih, Susilaningsih & Sumaryati (2013). As in this study the samples were students at colleges in Palembang with different majors, either religion study, engineering or social majors. While Kadarsih, Susilaningsih & Sumaryati (2013), only specialized on the **students of Economic Education Study Program of Teacher Training and Education Faculty of Sebelas Maret University**.

Similarly, Putra (2012) only focused on students with one study background; that was, the students of the Economic Faculty, with a minor management, at the State University of Padang. Another thing that distinguishes this study with Putra's study (2012) was, the study conducted by Putra (2012) was analyzed by using six factors: environmental factors, self-esteem factors, opportunity factors, personality factors, vision factors, and income and confidence factors whereas this study used seven variables: economic challenges, social environment, perceive confident, academic support, freedom of work.

Meanwhile, the research conducted by Suharti & Siren (2011), there are also differences in terms of the variables studied. Suharti & Siren (2011) examined only three factors (internal factors, attitude factors, and contextual factors) that influenced student interests in entrepreneurship. There was also a difference in the analytical technique, Suharti & Siren (2011) used the factor analysis technique, whereas this study used the multiple linear regression technique.

The differences also exist between this study and the study conducted by Muhar (2013), despite having a similar purpose, they both aimed to determine the interest in entrepreneurship among students. In Muhar's study (2013), it only focused on students at three universities, in North Sumatera, while this study focused not only students in public universities but also students in private universities, who participating the entrepreneurial students and got funding from the program. Another thing that distinguishes are: Muhar's study (2013) saw the differences among those three colleges while this study did not.

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Meanwhile, in the research conducted by Suharti & Siren (2011), there are also differences in terms of the variables studied. Suharti & Siren (2011) examined only three factors (internal factors, attitude factors, and contextual factors) that influenced student interests in entrepreneurship. There was also a difference in the analytical technique used; Suharti &



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### 3. Methodology

The study was the research application or applied research, which was a descriptive study. Data collecting methods used were literature studies and surveys. Respondents in this study were students who got the Entrepreneurship program. This research was conducted at the State Polytechnic of Sriwijaya and other institutions of universities which participated in the Student Entrepreneurship Program. By using the intact sampling technique, the respondents in this study were all students as the population. To identify the determinant factors as discussed earlier, we used the questionnaire research instruments. In terms of methodology, this study tried to develop previous studies by enlarging the study population and if the previous studies used factor analysis techniques more, this study used the multiple linear regression analysis technique.

The analysis unit or object of this study was the students who participated in the Student Entrepreneurship Program and received a grant from the program, who were currently studying in colleges in Palembang, Indonesia. The samples used are as shown in Table 1 below:

**Table 1: The Respondents**

Colleges	Number of Student
Sriwijaya University	42
State Polytechnic of Sriwijaya	40
PGRI University	1
Muhammadiyah University	2
Bina Darma University	2
Islamic Study Institute of Raden Fatah	15
Total	102

Source: based on each university data, 2013

The variables used in this study were the independent and dependent variables. This study used an entrepreneurial interest as the dependent variable, while the independent variables were: autonomy, economic challenge, security, avoid responsibility, self realize, social environment, perceive confidence, academic support, social support, entrepreneurial environment, entrepreneurial intention, risk tolerance, self success, freedom of work. For each variable the number of indicators used varied. Interval scale was as the scale of

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measurement, selected Likert scale consisting of four scales of assessments, namely: strongly disagree, disagree, agree and strongly agree.

The instrument validity and reliability were used in this research. Data were analyzed by using multiple linear regression and t-test, after the validity and reliability of the data were processed. The validity test of the questionnaire was performed by using Pearson Product Moment Correlation formula, while reliability measurements used Cronbach Alpha. The methods of this research were the study of literature and surveys.

### 4. Findings

In the early stages the data were processed to test the validity and reliability, by comparing the value R and value R table. Value R tabulated for the student sample was 0.1220. Based on the validity and reliability test results, it was found that the entire statements of all variables have calculated the value R, where value R was greater than the value R tabulated. Therefore, this means that all item statements were valid and reliable.

Furthermore, the test validity had also been carried out by comparing the Cronbach Alpha. A variable was said to be valid, if the Cronbach rate Alpha variable was greater than 0.6, so that further testing could be performed. Based on the results of data processing, there were three variables having a Alpha Cronbach coefficient was smaller than 0.6, so it could not be included in the next data processing or further testing. The three variables had to be reduced to avoid responsible variables with Cronbach Alpha 0.273, the entrepreneurial intention variables with Cronbach Alpha 0.585 and self variable, variable success with Cronbach Alpha 0.293.

In processing the data, it would seem, from the results, whether there was a relationship between each independent variable and the dependent variable partially, by looking at the correlation between the two variables. The correlation between each independent variable and the dependent variable as shown in the Table 2, Table 2 shows the non-parametric data correlation taken from the analyzing the correlation analysis data. Based on these data, there were two independent variables that were not correlated with the variable of students' entrepreneurial intentions, namely security and entrepreneurial environment variables. This conclusion was supported by the fact that the value of the correlation coefficient was -0.007 and a significance value was 0.943, which was greater than 10% (not significant), with the correlation coefficient value, it could be said that the security variable did not have any relationship with entrepreneurial intentions variable. Similarly, entrepreneurial environment variables did not have a relationship with entrepreneurial intentions variable, as the data in Table 2 shows that the correlation coefficient was 0.143 with significant value was 0.147 more than 10%.

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**Table 2: Non Parametric Correlations**

Variable	Correlation Coefficients With Entrepreneurial Intention Variable	Sig	
Autonomy	0,322	0,001	Significant
Economic challenge	0,370	0,000	Significant
Security	- 0,007	0,943	Not Significant
Avoid responsibility	0,056	0,572	Significant
Self realize	0,275	0,005	Significant
Social environment	0,440	0,000	Significant
Perceive confident	0,583	0,000	Significant
Academic support	0,442	0,000	Significant
Social support	0,323	0,001	Significant
Entrepreneurial environment	0,143	0,147	Not Significant
Entrepreneurial intention	0,284	0,004	Significant
Self success	0,314	0,001	Significant
Freedom of work	0,388	0,000	Significant

Source: data processed, 2014

By relying on the validity and reliability test results, as well as the correlation coefficient had been done, the data processing could be performed by using regression for valid and reliable variables. The regression test results are shown in the following table:

**Table 3: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.656 <sup>a</sup>	.430	.382	2.31165

a. Predictors: (Constant), t\_freedomofwork, t\_socialsupport, t\_economicchallenge, t\_academicsupport, t\_autonomy, t\_selfrealize, t\_socialenvironment, t\_perceiveconfident

Source: data processed, 2014

Based on Table 3 Model Summary, the value R was 0.656 indicated that the correlation or entrepreneurial intentions relationship and independent variables were closely related. This was because the value was above 0.5. The influence of the independent variables (freedom of work, social support, economic challenges, academic support, autonomy, self-aware, social environment, feeling confident) was large enough to the entrepreneurial intention variables, this was reflected by the determinant coefficient (R<sup>2</sup>) was 0.430. That was, the variation degree of freedom of work, social support, economic challenges, academic support, autonomy, self realize, social environment, feeling confident could explain the entrepreneurial intention variation by 43%, and 57% by other variables out of the model.

However, the adjusted R-square value was 0.382. This means that 38.2% of the entrepreneurial intention variation could be explained by the variation of the eight

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independent variables. And the rest, 61.8% were influenced by other variables out of the model. But it met the criteria of a good fit model because it had passed several tests (reliability, validity, and correlation). The sign coefficient expected that there was a positive effect of the variable value of freedom of work, social support, economic challenges, academic support, autonomy, social environment, self-confident and feeling the negative effects of self realize variables.

Based on the F test, the statistical value F was 8.879 with a significance level was 0.000. That was, all the independent variables in the model had a significant effect in entrepreneurial intentions at the 95% confidence level, even at the level of 99%. The significance of the eight independent variables was also indicated by the value of the probability  $F = 0.0000 < 0.05$  (ie the value  $\alpha = 5\%$ ), and even the probability value  $F = 0.0000 < 0.01$  (ie the value  $\alpha = 1\%$ ). Because the probability of significance was much smaller than 0.05, then the regression model could be used to predict the students' interest in entrepreneurship. Otherwise, it could be said that the autonomy, economic challenges, self realize, social environment, looking confident, academic support, social support and working together freedom variables affect student interest in entrepreneurship.

**Table 4: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	379.554	8	47.444	8.879	.000 <sup>a</sup>
	Residual	502.310	94	5.344		
	Total	881.864	102			

a. Predictors: (Constant), t\_freedomofwork, t\_socialsupport, t\_economicchallenge, t\_academicsupport, t\_autonomy, t\_selfrealize, t\_socialenvironment, t\_perceiveconfident

b. Dependent Variable: t\_intention

Source: Data Processed, 2014

Based on the output of the processing of the data shown in Table 4, the regression model can be written as follows:

$$Y = 3.469 + 0.028 \text{ autonomy} + 0.078 \text{ economic challenges} - 0.147 \text{ Self Realize} \\ 0.181 \text{ social environment} + 0.424 \text{ feeling confident} + 0.217 \text{ academic support} + \\ 0.144 \text{ social support} + 0.121 \text{ freedom to work.}$$

Constant value 3.469 stated that without the influence of the eight independent variables (autonomy, economic challenges, self realize, social environment, looking confident, academic support, social support and freedom to work), the students' entrepreneurial intention was 3.469.

Based on the coefficient / regression parameter, the autonomy coefficient was positive; this was in accordance with the findings of previous studies. The autonomy regression coefficient was 0.028, which means that for every 1 point addition of autonomy would

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enhance student entrepreneurial intentions 0028, assuming other variables value were constant.

Based on the coefficient parameter / regression, the economic challenge coefficient was positive. The regression coefficient of economic challenge was 0.078, which means that for every 1 point addition of the Economic Challenge would improve student entrepreneurial intentions 0078, assuming other variables value were constant.

Based on the coefficient / regression parameters, Realize Self coefficient was negative, that was -014, which means that for every 1 point addition or 1 point increased Realize Self variable would discourage entrepreneurial students -0147, with other variables assuming a constant value.

**Table 5: Table of Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.469	2.577		1.346	.018
t_autonomy	.028	.073	.037	.391	.070
t_economicchallenge	.078	.096	.085	.812	.042
t_selfrealize	-.147	.134	-.115	-1.100	.027
t_socialenvironment	.181	.179	.116	1.015	.031
t_perceiveconfident	.424	.148	.336	2.867	.005
t_academicsupport	.217	.106	.189	2.054	.043
t_socialsupport	.144	.098	.126	1.480	.014
t_freedomofwork	.121	.077	.142	1.571	.012

a. Dependent Variable: t\_intention

Source: Data Processed, 2014

Based on the coefficient / regression parameter, the social environment coefficient was positive. For the Social Environment variable obtained regression coefficient result was 0.181, which means that for every 1 point addition of Social Environment variables would increase student interest in entrepreneurship 0181, assuming other variables value were constant.

Based on the coefficient / regression parameter, confidence coefficient was positive. The results of the study showed that the regression coefficients obtained for this variable was 0424, which means that for every 1 point addition of feeling confident would increase student interest in entrepreneurship 0424, assuming other variables value were constant.

Based on the coefficient / regression parameter, the academic support coefficient was positive. The regression coefficient of academic support regression coefficient was 0217, which means that for every 1 unit addition of academic support would increase student interest in entrepreneurship 0217, assuming other variables value were constant.

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There are some similarities and differences of the new articles results and the previous studies. The results of this study showed that there was a significant positive affect of academic support variable to student interest in entrepreneurship. Similarly, the new article result posted conducted by Suharti and Siren (2011) but different in self-aware variables; the study of Suharti and Sirens (2011) found that the variable had significant positive effect, while Research done by Suami, the results showed a significance negative effect.

### 5. Conclusion

**1** This study was to identify and to analyze supporting factors determining students' interest to participate in student entrepreneurship program in Palembang, Indonesia. The results, obtained by processing data from the respondents, it was concluded that based on the research conducted in Palembang, students had a number of supporting factors that determined their entrepreneurship intentions, namely: autonomy, economic challenges, social environment, feeling confidence, academic support, social support, and freedom to work.

The results of this study support previous research that factors such as economic support, self-efficacy and confidence factors had positively and significantly positive effects, although not supporting the result showing that self Realize positively affect, because in this study it was found the results indicated that these factors affected negatively.

Supporting factors (or had significant and positive effect) toward the student entrepreneurship interest should be developed, maintained and enhanced in order to create the entrepreneurial intention, and the entrepreneurial economy can be established in a nation. It is recommended for the government to implement the policies that support the increase of the students' entrepreneurial intention in order to change the student mindset in terms of entrepreneurship.

Furthermore, considering there are limitations to this study, in terms of population, the variables used, analysis techniques, we suggest to do further research by using this type of research, theoretical review, more variables and different methods, so that you can find a number of results new research which are useful in broaden horizons and develop theories and knowledge that can be used for solving problems.

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