

CHAPTER I

INTRODUCTION

1.1 Background of the Research

It is widely recognized that entrepreneurs play a significant role in the economic development of any country in the world since entrepreneurial activity is linked to economic growth, innovation, productivity and job creation. The relationship between entrepreneurship and economic growth of a country has captured the attention of economists and policy makers over the years. The main reason of this concern is the urgent need for entrepreneurs who act as agents of change who could accelerate economic development through generating new ideas and converting them into profitable ventures.

The role of entrepreneurship in economic development through job creation has turned out to be the priority for many countries. Therefore, directed policies toward a managed economy have moved to an entrepreneurial economy. Hence, entrepreneurship is considered to be a driving force within the economy.

Since last two decades, Indonesia as a developing country often faces economic crisis due to the high unemployment rate which is rooted from the imbalance of human population with the job availability. Based on latest Badan Pusat Statistik (BPS) data, the population of Indonesia is ±238 million in 2010 and it is known as the fourth populous country in the world (after China, India, and United States).

Moreover, the unemployment rate of Indonesia is 5.1% in 2018, which is not really satisfying, even though it has been decreased from the previous years which are 5.5% in 2017 and 5.6% in 2016. It may happened because more of the economic



development process in Indonesia needs to be based on individual business starters and small-scale enterprises.

In contrast, Australian population is just 22.3 million of people in 2010 (based on World Bank data). According to Australian Bureau of Statistics (ABS), the unemployment rate of Australia in 2018 is 5.1% which is decreasing from 5.5% in 2017, and 5.8% in 2016. Australia as a developed country has a stronger economy conditions where much of the entrepreneurial and innovative processes take place within established and large-scale firms.

It can be concluded that entrepreneurial activities have a critical role in the development of a country. The young generation must take part in navigating the fate of the country in order to achieve success by reducing unemployment and creating more jobs. The people intended in this study are university students, who have great potential to become the change maker due to their spirits, enthusiasm, capability, and productivity.

The decision to pursue entrepreneurial career path has received increasing attention by researchers and educators due to the dramatically critical role that entrepreneurship phenomenon plays in fostering socioeconomic development of both developed and developing countries (BarNir et al., 2011).

Entrepreneurship refers to a way of life and something which helps in the thinking process when overcoming threats and taking up challenges and opportunities (Gerba, 2012). Before started a business, entrepreneurs have to seek for opportunity and this process is clearly an intentional process which requires the readiness to realize and/or create that opportunity (Cooper & Park, 2008). Within

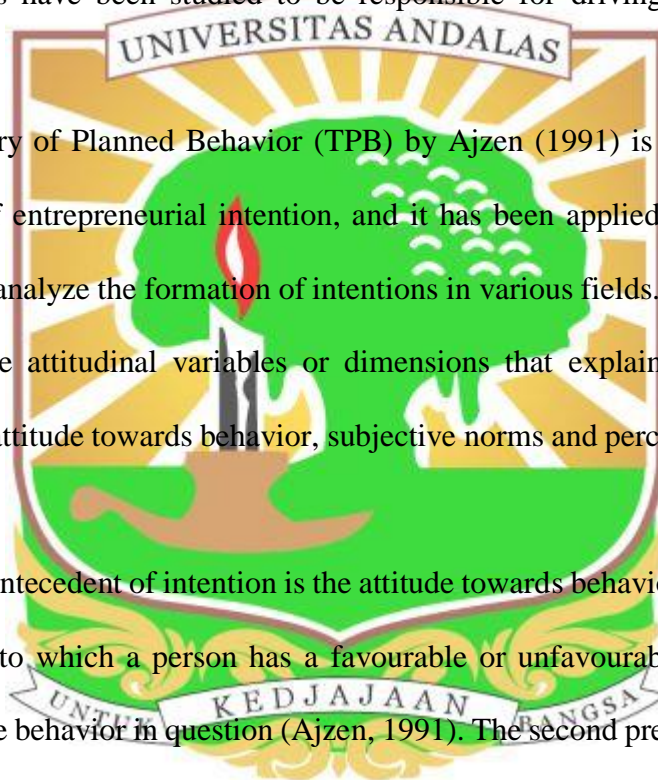


this perspective, entrepreneurial intentions are needed to develop entrepreneurship (Bae et al., 2014). It is because entrepreneurship is taken to be an intentionally planned behaviour likewise all other strategic decisions (Liñán et al., 2011).

Understanding the antecedents of entrepreneurial intentions allow us to get a vivid illustration of how intentions are formed and how new venture founders' beliefs, perceptions and motives impact the intent to start a business. Particularly, various factors have been studied to be responsible for driving entrepreneurial intention.

The Theory of Planned Behavior (TPB) by Ajzen (1991) is one of the most used model of entrepreneurial intention, and it has been applied as a theoretical framework to analyze the formation of intentions in various fields. The TPB model considers three attitudinal variables or dimensions that explain entrepreneurial intention i.e., attitude towards behavior, subjective norms and perceived behavioral control.

The first antecedent of intention is the attitude towards behavior that points out as the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behavior in question (Ajzen, 1991). The second predictor is a social factor named subjective norms which refer to the perceived social pressure to perform or not to perform the behaviour (Ajzen, 1991). The third is the degree of perceived behavioral control which defined as the perceived ease or difficulty of performing the behavior and it is assumed to reflect past experience as well as anticipated obstacles (Ajzen, 1991).



Colleges are the places where new products and processes, that lay and combine the foundation of new firms and enterprises, are created. Particularly, college students are the most promising sources of entrepreneurship (Veciana et al., 2005). Consequently, this study aims to explore the factors influencing entrepreneurial intentions among university students in cross-cultural countries such as Indonesia and Australia by investigating the differences or similarities in intentions by adopting Ajzen's model (1991) and their antecedents by adding risk-taking propensity, self-efficacy, and university environment and support as variables.

1.2 Problem Statements

Based on the background of the research, the problem statements of this research are:

1. How does *attitude towards entrepreneurial behavior* influences entrepreneurial intentions among university students in Indonesia and Australia?
2. How does *subjective norms* influence entrepreneurial intentions among university students in Indonesia and Australia?
3. How does *perceived entrepreneurial behavior control* influences entrepreneurial intentions among university students in Indonesia and Australia?
4. How does *risk-taking propensity* influences entrepreneurial intentions among university students in Indonesia and Australia?

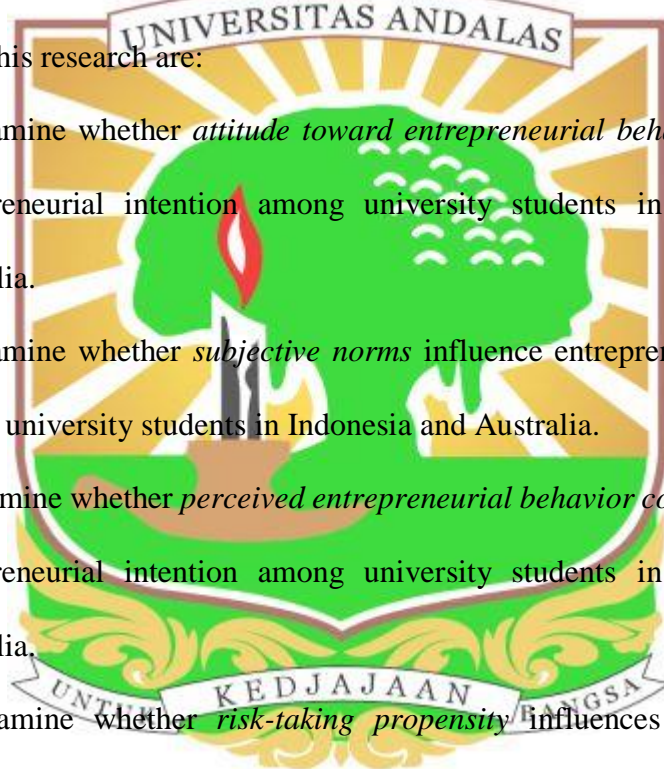


5. How does *self-efficacy* influences entrepreneurial intentions among university students in Indonesia and Australia?
6. How does *university environment and support* influences entrepreneurial intentions among university students in Indonesia and Australia?

1.3 Research Objectives

Based on the problem statements above, the goal of this study is to obtain data and information that are appropriate in analyzing the data. Particularly, the objectives of this research are:

1. To examine whether *attitude toward entrepreneurial behavior* influences entrepreneurial intention among university students in Indonesia and Australia.
2. To examine whether *subjective norms* influence entrepreneurial intention among university students in Indonesia and Australia.
3. To examine whether *perceived entrepreneurial behavior control* influences entrepreneurial intention among university students in Indonesia and Australia.
4. To examine whether *risk-taking propensity* influences entrepreneurial intention among university students in Indonesia and Australia.
5. To examine whether *self-efficacy* influences entrepreneurial intention among university students in Indonesia and Australia.
6. To examine whether *university environment and support* influences entrepreneurial intention among university students in Indonesia and Australia.



1.4 Contributions of the Research

This research is expected to generate several contributions as follow:

1. It is expected to provide feedback for educational institutions and government to be able to know what exactly the drivers of university students to be an entrepreneur. So they can facilitate those who are expected to be the agent of change.
2. It is expected to be one of the references regarding the decision making for university students to be self – employed (entrepreneur) or work as an employee after graduated from university.
3. The findings hopefully will help future researchers in understanding factors influencing entrepreneurial intention of university students.

1.5 Scope of the Research

This research focuses on seven variables to be tested, including attitude toward entrepreneurial behavior, subjective norms, perceived entrepreneurial behavior control, risk-taking propensity, self-efficacy, university environment and support and entrepreneurial intention. The researcher limits the research context by focusing on four universities which are Universitas Andalas, Universitas Padang State University, Southern Cross University, and Griffith University.



1.6 Outline of the Research

In consideration of moderating the content, this research will be divided into five chapters:

CHAPTER I - INTRODUCTION

This chapter contains of background of the research, problem statement, objectives of the research, contribution of the research, scope of research and outline of the research.

CHAPTER II - LITERATURE REVIEW

This chapter contains of descriptions of theoretical variables which supported by some theories which are linked to the topic.

CHAPTER III - RESEARCH METHOD

This chapter contains the explanation of research method consists of research design, population and sample, data collecting method, operational of variables, data processing, data analysis method and data analysis.

CHAPTER IV - DATA ANALYSIS AND DISCUSSION

This chapter explains about survey results which consist of respondent characteristics, frequency of distribution of each variable, validity test, reliability test, and discussion about analysis of determinants of entrepreneurial intention.

CHAPTER V - CONCLUSION

In this chapter, researcher will exhibit the conclusion of the research, suggestion of the research, limitation of the research, and recommendation for further research.

