

# CHAPTER I

## INTRODUCTION

### **1.1. Background of Research**

Entrepreneurial activity is activities of an individual or a group of individuals aimed at initiating economic activities in the formal sector under a legal form of business (World Bank). Entrepreneurs were seen as the “agents of change” that moved the economy forward by serving new markets (Schumpeter, 1934). Entrepreneurship has essential roles in the enhance economic activities through creation of new jobs and business, developing stronger competition and increasing productivity through technological changes. Smith (2010) noted that entrepreneurship is significant determinant of economic growth. The existing entrepreneurship does not only affect GDP growth but also inclusive growth, measured as real disposal household income (Lundin, 2015).

Entrepreneurship has created many benefits, such as investment, stimulating a sense of competition, increasing change and innovation, creating new job, improving quality of life, and encouraging income distribution (Chirani, Farahbod, and Pourvahedi, 2013). The highest rates of job creation can be seen from leisure-based activities (i.e. art, entertainment and recreation); professional, scientific and technical activities; real estate, food and accommodation: and ICT (OECD, 2018).

The fact entrepreneurial activities have contribution to economic growth, therefore it becomes a major concern in both developed and developing countries.

Intention to be entrepreneur can be indicator that individuals willing to start a new business (Rasli *et al.*2013). A study conducted by Nabi and Linan, (2011) found that entrepreneurial intentions seem to be higher in developing countries when compared with developed ones. Their study compared that students from developing economies (South Africa, Uganda and Kenya) are more likely to imagine future careers as entrepreneurs and are more positive towards entrepreneurship than their developed counterparts (Germany, Finland, Ireland and Portugal), even though motivation for employment/self-employment are similar across the samples”. Kolvereid (1996) also revealed developing countries have stronger entrepreneurial intentions than developed countries. Nevertheless, there is very few research in comparing entrepreneurial intention between developing and developed world. The current research attempts to address about students entrepreneurial intention in the developing and developed countries by comparing Indonesia and Australia countries.

Table 1.1 shows some phenomenon regarding entrepreneurship activity in both countries, Indonesia and Australia. The result was tracked rate by GEM (Global Entrepreneurship Monitoring) in 2017 about the differences of entrepreneurship situation in different countries. The table shown three indicators related entrepreneurial activity, which are, entrepreneurial intention, high status to successful entrepreneurs, and entrepreneurship as a good career choice

**Table 1.1**

**Indicator of Entrepreneurship**  
**(sample population from age between 16-64 y.o)**

Country	Year	Indicator ( <i>in percent</i> )		
		Entrepreneurial Intention	High Status To Successful Entrepreneurs	Entrepreneurship As A Good Career Choice
Indonesia	2017	28.14	80.95	70.01
Australia	2017	13.19	68.91	53.87

*Source: GEM (Global Entrepreneurship Monitoring)*

The entrepreneurial intention of Indonesia is higher than Australia, it means the percentage population in Indonesia who are latent entrepreneurs and who intent to start a business within three years is higher than in Australia. High status to successful entrepreneurs in Indonesia is higher than Australia, it means percentage of population in Indonesia who agree with the statement that in their country, successful entrepreneurs receive high status is higher than in Australia. Entrepreneurship as a good career choice in Indonesia is higher than in Australia, it means percentage of population in Indonesia who agree with the statement that in their country, most people consider starting a business as a desirable career choice is higher than in Australia.

Based on the data that conducted by Bureau of Statistics (BPS) of Indonesia in 2018, Indonesia has high number of unemployment, which was 6.87 million people, with the rate of unemployment was 5.13 % from total population. In contrast, Australian Bureau of Statistic revealed unemployment rate in 2018 was 5.1% from total population, or 683,100 people. From the data, Indonesia has large number of

unemployment rather than Australia, although unemployment still becomes an issue for the Australian government because the availability of job vacancies in 2018 were only 242,900.

Encouraging entrepreneurial spirit is viewed as a potential solution to reduce unemployment and poverty, especially for university students as youth. Most of public policy improves their attention in stimulating and reigniting entrepreneurial spirits and activities. In declining entrepreneurs' number, efforts are being pursued by various universities to develop entrepreneurial skills amongst students and to help them consider entrepreneurship as a career alternative (European Commission, 2016). Entrepreneurship education should not only about theoretical education, but also includes practical education. This practice in order to make university graduates have the provision and encouragement to enter the world of entrepreneurship (Utami 2017).

This study examines the cognitive approach through the application of an entrepreneurial intention model. Education factor is not enough to encourage students in the intention of entrepreneurship, but is also driven by how students behave in handling entrepreneurship. According to the theory of planned behavior (TPB) by Ajzen (1991), an individual's intention to do something is shaped by three factors, including personal attitude, subjective norms and perceived behavioral.

The first is personal attitude, refers to the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question (Ajzen, 1991). The second predictor is subjective norm, it refers to the perceived social pressure to perform or not to perform the behavior (Ajzen, 1991). The third antecedent of

intention is the degree of perceived behavioral control, refers to the perceived ease or difficulty of performing the behavior and it is assumed to reflect past experience as well as anticipated impediments and obstacles (Ajzen, 1991). As a general rule, the more favorable the attitude and subjective norm with respect to a behavior, and the greater the perceived behavioral control, the stronger should be an individual's intention to perform the behavior under consideration.

To examine such an entrepreneurial intention, most of studies have utilized the TPB theory for examining entrepreneurial intention among university students. Utami (2017) and Ni *et al.* (2012) revealed personal attitude, subjective norm and perceived behavioral control toward entrepreneurship, and entrepreneurship education significantly influence entrepreneurial intention among higher educational student. Shah & Soomro (2017) also found personal attitude and subjective norm positively effect entrepreneurial intention, otherwise perceived behavioral control had no significant effect with entrepreneurial intention. However, a lot of research is still needed to better comprehend what the factors affecting entrepreneurial intentions are.

This research aims to predict intention of university student toward entrepreneurship. Predicting intention to be entrepreneur using TPB model which include variable personal attitude, subjective norm, and perceived behavioral control. This model is extended by considering entrepreneurship education as predictor of intention. TPB model is used in this research because it has been tested, accredited and has been adopted by many previous researches in determining the intention toward behavior in the context related with entrepreneurship. This research using comparative

analysis between Indonesia and Australia students to see the differences of entrepreneurial intention between developing and developed world.

## **1.2. Problem Statement**

Based on that background of the research, the problem statement of this research are :

1. How does personal attitude influences entrepreneurial intention in Indonesia and Australia?
2. How does subjective norm influences entrepreneurial intention in Indonesia and Australia?
3. How does perceived behavioural control influences entrepreneurial intention in Indonesia and Australia?
4. How does subjective norm influences personal attitude in Indonesia and Australia?
5. How does subjective norm influences perceived behavioral control in Indonesia and Australia?
6. How does entrepreneurship education influences entrepreneurial intention in Indonesia and Australia?

## **1.3. Objectives of the Research**

This research intended to have a good understanding on antecedents of entrepreneurial intention of undergraduates. Next, it also to analyze whether

attitude toward the behavior, subjective norm, perceived behavioral control, and entrepreneurship education will affect entrepreneurial intention of students.

1. To analyze the effect of personal attitude towards entrepreneurial intention.
2. To analyze the effect of subjective norm towards entrepreneurial intention.
3. To analyze the effect of perceived behavioural control towards entrepreneurial intention.
4. To analyze the effect subjective norm towards personal attitude.
5. To analyze the effect subjective norm towards perceived behavioural control.
6. To analyze the effect entrepreneurship education towards entrepreneurial intention.

#### **1.4. Contribution of the Research**

The research is expected to contribute as follows :

1. The research is expected to understand factors influencing turnover intention among university student.
2. The research is expected to strengthen theory related to entrepreneurial intention.
3. This research is expected to become reference to develop policy in improving intention to be entrepreneur in higher education institution.
4. The result of this research expected will contribute for other researchers who are interested in investigating the similar topic in the future.

## **1.5. Scope of the Research**

During doing this research, there are some limitation that need to consider into a notice in terms of variable and object of the research. The researcher limits the research context by focusing on early adults, especially students. This research will collected the data sample from universities students in Indonesia and Australia. The model was estimated using Structural Equation Modeling (SEM) and this research data is in the form of primary data sourced from the questionnaire by using census technique.

## **1.6. The Organization of Research**

To help to analyze the problem stated above, it is very important to organize and divide this research study into 5 chapter as follow:

- Chapter 1 – Introduction

This chapter will analyze the background problems, the statement of problem, the objective of this research, the contribution of the research, scope of research, and the organization of study.

- Chapter 2 – Literature Review

This chapter will review the theory or view from previous research that correlated and relevant. The previous research would be used as a basic information and knowledge on conducting this research.



- Chapter 3 – Research Methodology

This chapter explains how the research is designed, population and sample of the research, operational definition and measurement of research variable, sources and methods in collecting the data, and method used in analyzing the data

- Chapter 4 – Analysis and Discussion

This chapter elaborates the result of the analysis, the characteristic of the respondent, descriptive and comparative analysis, and structural measurement of the impact of attitude, subjective norms, perceived behavior, and entrepreneurship education toward entrepreneurial intention university student.

- Chapter 5- Conclusion and Suggestion

This chapter is the conclusion of the analysis and research that was conducted previously, the limitation and benefit in application of research and generating the conclusion regarding the effect of attitude, subjective norms, perceived behavior, and entrepreneurship education toward entrepreneurial intention university student. This chapter will also give some advices for the future research.