DETERMINANTS OF ENTREPRENEURIAL INTENTION AMONG MILLENNIAL GENERATION IN EMERGING COUNTRIES

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ABSTRACT

This study aimed to investigate the role of contextual factors on entrepreneurial intention. Perceived educational support, perceived structural support, perceived formal network support, and perceived informal network support are treated as antecedents of entrepreneurial intention. In this study, 300 final year students were selected as sample from five universities in Jakarta, the capital city of Indonesia. The collected data were analysed through Structural Equation Modelling (SEM). This study carried out some findings. First, the role of perceived educational support, perceived structural support, and perceived formal network support were not proven. In contrast, we found perceived informal network support affects students’ entrepreneurial intention.

Keywords: Millennial Generation, Structural Support, Informal Network Support, Formal Network Support, Education Support, Entrepreneurial Intention, Emerging Countries.

INTRODUCTION

Entrepreneurship still had its attraction for researchers due to the recognition of entrepreneurship’s contribution towards the nation's economic growth and competitiveness (McClelland, 1961; Porter, 1990; Ari Saptono, 2018). Thus, this attention leads to the awareness of the importance to increase the number of entrepreneurs.

Despite this awareness, the proportion of entrepreneur in emerging countries still limited; reflecting the need to escalate the entrepreneurial intention. According to Global Entrepreneurship Monitor (2015), at the period of the year 2013 to 2014, most of emerging countries show negative growth of entrepreneurial intention. Entrepreneurial intention rate represents the percentage of the productive age group of society (18-64 years old) which had intention to run a new business for the next three years.

Among those countries, Indonesia showed the biggest one (4.7% to be exact); compare to Malaysia (-0.2%) and Philippine (-1.4%). As the 5th largest countries in the world, this negative growth became a concern of all parties within the country, particularly government, considering the effect to the unemployment rate. Many efforts had been made; include designing entrepreneurship programs for university students, courses for the owners of small and medium enterprises, and deregulation to facilitate funding for small and medium enterprises.
Being an entrepreneur was a career preference. Hence it was essential to build preference for young generation toward entrepreneur profession. The millennial generation, overtaken of Y generation, was the term to describe people born in the early of 1980s to 2000s. They had unique characteristics compare to the previous generation, make them valuable to be explored. Since career preference was formed on the university, it was reasonable to put undergraduate students to be the research subjects.

Entrepreneurship was an intention based (Bird, 1988; Krueger et al., 2000; Shapero & Sokol, 1982). Hence, it was essential to identify the determinants of entrepreneurial intention, particularly on the young generation. Most studies of entrepreneurial intention model were based on Ajzen’s theory of planned behaviour which claimed intention as the most valuable predictor of future behaviour. Plenty of evidence had proven the relationship between intention and behavior of entrepreneurship (Cholil, 2015; Kemepade Moruku, 2013; Malebana, 2014).

Studies had been conducted to investigate predictors of entrepreneurial intention. Most of these studies explored role of personality traits and psychological factors to affect entrepreneurial intention (Koe et al., & Ismail, 2012; Usaci, 2015). Therefore, scholars tried to study from a different approach to find determinants of entrepreneurial intention.

Contextual factors also play an essential role in determining entrepreneurial intention. However, it was still understudied. Focus on these elements then presumed will contribute significantly to the escalating entrepreneurial intention of the millennials. There were only a few studies conducted to investigate predictors of entrepreneurial intention in Indonesia (Astuti & Martdianty, 2012; Indarti & Langenberg, 2004; Kristiansen & Indarti, 2004). However, the studies focus on personality traits.

**Contextual Factors of Entrepreneurial Intention**

The concern of contextual factors raised as a result of studies of personality traits as a predictor of entrepreneurial intention had not always yielded expected results. Scholars had recognized the importance of contextual factors in predicting entrepreneurial intention. Shapero & Sokol (1982) revealed that the entrepreneurial intention came from the perceived feasibility and desirability of a person, and this connection is affected by the cultural and social context. This recognition also mentioned by Franke & Lüthje (2004) who suggested how students perceived the environment would affect their benefit-cost analysis of creating a new venture.

Parnell et al. (1995) proposed a model suggest that entrepreneurial propensity of university students is a function of three factors: (1) one's perceived level of entrepreneurial education, knowledge and competence concerning new venture operation, (2) one's beliefs regarding entrepreneurial opportunities in the economy (i.e., financial rewards, employment, etc.), and, (3) one's confidence in one's ability to access the available opportunities (i.e., self-employment, risk, etc.). They applied the model to compareentrepreneurial intention between American and Egyptian students. However, they did not study the relationship between the predictors with entrepreneurial intention.

The proposed model of Lüthje & Franke (2003) pointed out the contribution of contextual factors to complement personality traits as determinants of entrepreneurial intention. Two contextual factors were identified in their study, perceived environmental support and perceived contextual barriers. These two factors directly affect entrepreneurial intention along with attitude toward entrepreneurship while personality traits had an indirect effect. Perceived support defined as an external or contextual factor which was perceived will deliver advantage to start a new venture. It consisted of three indicators represent a good image of an entrepreneur as
a career choice, the availability of qualified consultants and service support, and the creative atmosphere environment. Perceived barriers described as an external or contextual factor which was perceived will deliver disadvantage to start a new venture. It consisted of three indicators represent difficulty in gathering loan from the bank to start up business, rules and regulation were adverse to run business, and difficulty to generate unique ideas due to tight competition.

Later, they modified their previous model by combining perceived barriers and perceived support into the perception of environmental factors. This modification seemed rational since both the dimensions of perceived barriers had potential to be supportive and unsupportive as well. In this new model, Franke & Lüthje (2004) emphasized on the role of university support to accompany other dimensions: market, financing, government policy, and society.

The study that conducted by Turker et al. (2005) also considered external factors, namely perceived level of education, perceived opportunities, and perceived support as predictors of the entrepreneurial propensity of university students, in line with internal factor self-confidence. Their entrepreneurial support model (ESM) take into account mainly the impact of contextual factors on entrepreneurial intention. ESM was an extension of Parnell et al. (1995) model by adding new predictors of entrepreneurial intention, perceived level of support as an external factor and motivation as the internal factor.

This model was modified (Turker & Sonmez Selcuk, 2009). Perceived level of education was replaced with perceived educational support. Perceived opportunities were replaced with perceived structural support. Also, another support was added, namely relational support.

Another research that investigates the role of contextual factors came from Parvaneh Gelard, (2011). In his model, he proposed that educational support, structural support, informal network, and formal network affected entrepreneurial intention. Among these variables, the informal network was the only variable which had no significant relationship with entrepreneurial intention.

All of the studies of contextual factors relied on perception level instead of the actual environment. The argument about the perceptions of the individual was important for determining the opportunities and resources in the environment.

### Perceived Educational Support and Entrepreneurial Intention

The study conducted by Gorman, Hanlon, & King (1997) proved that entrepreneurial intention could be positively influenced by educational programs. Another study, Kolvereid & Moen (1997) also pointed out a connection between education in entrepreneurship and entrepreneurial behaviours.

Henderson & Robertson (2000) pointed out universities can offer an awareness into entrepreneurship that could inspire the choice of entrepreneur career. Moreover, adequate training and education on running a business can also direct people towards such a career. Thus, it was obvious that effective entrepreneurship education can motivate people to choose an entrepreneurial career.

Universities played a critical role to inspire the young generation to choose an entrepreneurial career. However, they were sometimes suspected of being too academic and nurturing entrepreneurship insufficiently (Gibb, 1993, 1996). Wang & Wong (2004) pointed out the fact that the failure of universities to provide sufficient business knowledge and adequate preparation to start a new venture will likely discourage students from choosing an entrepreneurial career.

Franke & Lüthje (2004) suggested that creative atmosphere, development programs, and
active support provided by the university had a significant impact on students entrepreneurial intention. Regarded to cultural influence, the study of Lee et al. (2005) revealed that the design of entrepreneurship education should take into consideration their unique cultural contexts to foster entrepreneurship.

We sum the perceived level of education was the perception of students about the quality of entrepreneurship programs provided by the university to prepare the students to be an entrepreneur. When students think universities provide adequate preparation for them to start a new venture, then it will increase the likelihood of entrepreneurial intention. Thus, our first hypothesis is:

\[ H1: \text{Perceived educational support has positive effects on the entrepreneurial intention of university students.} \]

**Perceived Structural Support and Entrepreneurial Intention**

Perceived structural support defined as perceived entrepreneurial assistance from the country’s economy, public and private and non-governmental agencies (Ambad & Damit, 2016). Perceived structural support was a modification of perceived opportunities by Turker et al. (2005). This construct captured the favourability of the economic environment and government support to a new venture. Saeed et al. (2015) used different terminology, perceived institutional support which had a similar meaning. When the environment was favourable, it will increase the propensity to be an entrepreneur, vice versa. Turker et al. (2009) pointed out that the behaviour of the actors in the public, private, and non-government sectors will affect the perception of whether the business environment generates opportunities or threats.

Government regulation about the difficulty in acquiring the loan to start a business were the barriers perceived by students then discourage them from being an entrepreneur (Lüthje & Franke, 2003). Franke & Lüthje (2004) suggested that government policy and financing affect students’ likelihood to become an entrepreneur. Studies had proved the relationship between structural support and entrepreneurial intention (Ambad & Damit, 2016; Saeed et al., 2015). Thus, it was hypothesized that:

\[ H2: \text{Perceived structural support has positive effects on entrepreneurial intention.} \]

**Perceived Informal Support, Perceived Formal Support Network and Entrepreneurial Intention**

Johannisson (2000) argue that networks are interconnected, dyadic relationships in which several ties can be analysed in terms of content. First, information ties provide business information; secondly, exchange ties extend access to resources; and thirdly, influence ties legitimate the entrepreneur’s activities and create barriers to entry.

Birley & Stockley (1999) stated, at the beginning phase of running a business; entrepreneurs depend profoundly on the informal network of friends and family members to obtain relevant data. As the business had settled, entrepreneurs extend their networks to include formal networks such as bankers, accountants, lawyers, suppliers, government agencies, customers, and consultants. Besides of informational aspect, free network support related to their approval regards to entrepreneurial career choice. The study of Henderson & Robertson (2000) showed that family was the second leading factor affecting career choice of respondents after their personal experience. The study of Begley et al. (1997) indicated that the social status of entrepreneurs might
be predicted as a factor to start a business.

In this study, we defined perceived informal networks support as information, financial and social legitimation support from friends and family to be an entrepreneur. When informal networks showed a positive attitude toward entrepreneurial career and see an entrepreneurial career as noble as any other career, it will encourage students to choose an entrepreneurial profession. Therefore, based on the above discussion, it was hypothesized that:

\[ H3: \text{Perceived informal network support has a positive effect on entrepreneurial intention.} \]

\[ H4: \text{Perceived formal network support has a positive effect on entrepreneurial intention.} \]

Based on our research hypotheses, we develop a research model as follows:

**FIGURE 1**
**RESEARCH MODEL**

**METHODODOLOGY**

In this study, 300 final year students were selected as the sample from five universities in Jakarta, the capital city of Indonesia. Regarded to their reputation, these universities had the fascination to attract students from all over the region within the country, thus represent the diversity of their ethnic and culture. The self-administered questionnaire was distributed to the respondents. The collected data were analysed through AMOS 19.

The instrument used in this study was developed based on the scale of Turker & Sonmez Selçuk (2009); Parvaneh Gelard (2011). Perceived Educational Support was measured using three items captured information of encouraging, to develop creative ideas, provide sufficient knowledge, and develop entrepreneurial skill. Perceived Relational support was measured using two items to summaries information of support from family and friends. Perceived Structural Support was measured using four items to get information of the structural system, economic opportunity, loan ease, as well as rules and regulation.

Perceived educational support was measured using seven items, perceived structural support with four items, perceived formal support with three items, perceived informal network support with four items, and entrepreneurial intention with four items. In the questionnaire, all responses were gained on a 5-point Likert-type scale from strongly agree to strongly disagree.
Factor analysis was employed for validity test, and reliability test used Cronbach alpha. Simultaneous analysis of measurement and the structural model was conducted using the structural equation model. We used AMOS 19 for this purpose. A goodness of fit model was tested based on the value of CMIN/DF, CFI, and RMSEA.

RESULTS AND DISCUSSION

Exploratory Factor Analysis

The response rate was high, 273 respondents returned the questionnaire with complete answers. In this study, confirmatory factor analysis was performed to determine the underlying factorial structure of the scale. The result of Bartlett’s analysis revealed on Table 1, indicated that process of factor analysis could be continued since KMO value of each variable was more significant than 0.50 and p-value of Bartlett’s test for each variable was less than 0.05.

Value of loading factors exposed in Table 2. Since the value of factor loading was less than 0.6, item STRS_2 was removed. The rest items’ of factor loading ranged between 0.643 to 0.872. For reliability test, the value of Cronbach alpha was: 0.826 for entrepreneurial intentions, 0.870 for perceived educational support, 0.679 for perceived structural support, 0.804 for perceived formal network support, and 0.791 for perceived informal network support.

Hypotheses Testing

The result of the goodness of fit model testing on this research model was shown in Table 1. Since all of the results achieve the criterion, so we can conclude that the model was fit.

| TABLE 1 | GOODNESS OF FIT RESULTS |
| --- | --- | --- |
| Parameters | Criterion | Result |
| Chi-Square Significant Probability | ≥ 0.05 | 0.85 |
| RMSEA | ≤ 0.08 | 0.026 |
| GFI | ≥ 0.90 | 0.969 |
| AGFI | ≥ 0.90 | 0.945 |
| CMIN/DF | ≤ 2.00 | 1.18 |

Among four hypotheses which had been tested, H1, H2, and H3 were rejected (Table 2). However, we found that free network support had a significant impact on entrepreneurial intentions.

| TABLE 2 | RESULT OF THEORETICAL TESTING |
| --- | --- | --- | --- | --- |
| | Parameters | → | EI | C.R | P | Results |
| H1 | Educational support | → | EI | 1,154 | 0.248 | rejected |
| H2 | Structural support | → | EI | 1,653 | 0.098 | rejected |
| H3 | Formal network support | → | EI | 1,498 | 0.134 | rejected |
| H4 | Informal network support | → | EI | 5,361 | 0 | accepted |
FIGURE 2
MEASUREMENT AND STRUCTURAL MODEL

The nonsignificant effect of perceived educational support on entrepreneurial intention in this study did not confirm the survey conducted by Parvaneh Gelard (2011); Turker & Sonmez Selcuk (2009); Denanyoh et al. (2015); Rauch & Hulsink, (2015). However, several studies found a similar finding (Ambad & Damit, 2016; Kadir et al., 2012). Perceived structural support was found had no significant effect on entrepreneurial intention. This result also did not confirm the study conducted by Parvaneh Gelard (2011), Turker & Sonmez Selcuk (2009), Denanyoh et al. (2015). However, several studies found similar results (Ambad & Damit, 2016). Also, a specific study by Vidal-Suñé & López-Panisello (2013) found the perception of opportunities had no impact on entrepreneurial intention.

There was no significant effect of perceived formal network support on entrepreneurial intention in this study. It had not similar results as Parvaneh Gelard (2011), Turker & Sonmez Selcuk (2009), (Denanyoh et al., 2015). The significant association between the perceived informal network and entrepreneurial intention confirmed many previous studies, except for Parvaneh Gelard (2011).

DISCUSSION

The result of this study did not confirm the significant role of universities in fostering intention of becoming an entrepreneur among university students. This result was surprising since all universities effort is to encourage students’ intention. Argument of this finding of entrepreneurial education had a long-term, instead of the short-term effect. Students wanted to try to experience working in a big company first before deciding to create a venture. Another argument about perceived educational support and perceived structural support affect entrepreneurial intentions indirectly, for example through self-efficacy (Saeed et al., 2015).

Based on this argument, we were still thinking about entrepreneurial education even
important. The compelling program design in line with contextual learning process was essential to develop students’ knowledge and skill. It was also important to inspire students to choose their entrepreneurial career. Regarded to the diversity, entrepreneurship educational program surely should consider context and culture.

Structural support also found to be an insignificant predictor of entrepreneurial intention. We argued that this result came from a consideration that in Indonesia several start-up ventures successfully enter the market recently. The owner of these enterprises represents optimism of achieving success even when the structural factors are unsupported. Furthermore, we suspected that although the recent condition perceived as uncorroborated, students think that near future situation will get better since entrepreneurship had become one on primary goal in the government program. The role of optimism had been brought by (Ozaralli & Rivenburgh, 2016).

Despite the result, for the practical purpose, we were still recommending an active role of government, private sectors, and universities to jointly build a robust supportive infrastructure and socialize it effectively with students. While government induces entrepreneurship through policy, regulation, and practical programs, and private sectors develop some pro-entrepreneurship agenda, neither of this action nor the information targeting university students as the target audience. Therefore, a collaboration between government, private sectors, and universities were needed, so students were well informed and experiencing the direct benefit of this policy, regulation, and action.

The third result did not confirm the effect of perceived formal network support to entrepreneurial intention. We suspected the cause of this finding also related to the optimism of students for the better near future. For accommodating this expectation, the government's role as the extension of the university was necessary. It means that students need to feel secure after they graduate and start a new business without the university's help. The networks will function as strategic alliances for purposes, including managing the business, accessing resources, ideas generating, and promote social support.

In the final result, we find that entrepreneurial intention related to perceived formal network support. This result was not surprising since one of Indonesian’s strong characteristics was a collectivist culture. Thus, it was crucial to awake parents’ consciousness to support their children to choose an entrepreneurial career. Parents should be informed, and educated that entrepreneur profession as prestigious as any other profession, instead of being a government employee. The effort will be challenging since the old generation has a way of thinking to put entrepreneur as a second-class profession, the last alternatives when there were no job opportunities available, mainly as a government employee. Hence, it is a must thing to do.

CONCLUSION & RECOMMENDATION

This study aimed to investigate the role of contextual factors on entrepreneurial intention. Perceived educational support, perceived structural support, perceived formal network support, and perceived informal network support are treated as antecedents of entrepreneurial intention. This study carried out some findings. First, the role of perceived educational support perceived structural support and perceived formal network support were not proven. In contrast, we found that perceived informal network support affects students' entrepreneurial intention.

The study contributed an insight of how the millennial generation reacts to their environment and the relation of it to their intention to become an entrepreneur. First, the optimism tend to neglect the current situation and their behaviour somewhat affected by their near future expectation. Second, in emerging countries where the bureaucracy was complicated and
the regulation sometimes unsupported for entrepreneurship development, government reliability played an important role to fulfil the expectation.

REFERENCES


