WHAT DETERMINANTS INFLUENCE STUDENTS TO START THEIR BUSINESS? EMPIRICAL EVIDENCE FROM UNIVERSITAS PANCASILA

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Abstract: This study aims to identify determinants in influencing students' decision to become entrepreneurs. Seven indicators were employed in order to investigate which determinants that has bigger effect on student’s decision. Those indicators are (1) parents' work, (2) household expenses, (3) entrepreneurial orientation, (4) attitudes towards risk, (5) innovation ability, (6) perceptions of financial difficulties, and (7) university support. 100 students in faculty of economics and business Universitas Pancasila were chosen as samples to be empirically tested using a series of questionnaire’s questions. Logistic regression technique was applied to obtained targeted results. The results revealed that all the seven analyzed variables shown positive and significant effects on students' intention to become entrepreneurs. Moreover, parent's job (POT) is shown as the most influencing determinant followed by Entrepreneurship orientation (OKW) and perception of financial difficulties (PKK). Accordingly, this research contributes practically how to develop student’s intention effectively to become entrepreneur where family and environment factors are the main determinants.

Keywords: Business, Entrepreneurship, Innovation

Abstrak: Penelitian ini bertujuan untuk mengidentifikasi faktor determinan yang memengaruhi keputusan mahasiswa menjadi wirausaha. Tujuh indikator digunakan, yakni (1) pekerjaan orang tua, (2) pengeluaran rumah tangga, (3) orientasi kewirausahaan, (4) sikap terhadap risiko, (5) kemampuan inovasi, (6) persepsi kesulitan keuangan, dan (7) dukungan perguruan tinggi. Sebanyak 100 mahasiswa Fakultas Ekonomi dan Bisnis Universitas Pancasila dipilih sebagai sampel untuk diuji secara empiris dengan menggunakan serangkaian pertanyaan angket. Teknik regresi logistik diterapkan untuk mendapatkan hasil yang diharapkan. Hasil penelitian menunjukkan bahwa ketujuh variabel yang dianalisis menunjukkan pengaruh positif dan signifikan terhadap niat mahasiswa menjadi wirausaha. Selain itu, pekerjaan orang tua (POT) ditampilkan sebagai determinan yang paling berpengaruh diikuti oleh orientasi Kewirausahaan (OKW) dan persepsi kesulitan keuangan (PKK). Dengan demikian, penelitian ini memberikan kontribusi praktis bagi mahasiswa mengembangkan niat mahasiswa secara efektif untuk menjadi pengusaha dimana faktor keluarga dan lingkungan menjadi penentu utama.

Kata Kunci: Bisnis, Kewirausahaan, Inovasi
INTRODUCTION

Entrepreneurship recently has been considered as one of the motors of economic growth and national competitiveness (Rideout and Gray, 2013), and also as a catalyst for improving the quality of life and changing society (Ooi and Nasiru, 2015). McClelland (1961) implies that a country to be prosperous requires a minimum of two percent entrepreneurs from the total population.

In the last five years, Indonesia has shown a remarkable development of entrepreneurship but that is not enough to meet the entrepreneur ratio according to McCelland (1961). Therefore, Indonesia needs to produce more and more new entrepreneurs. Furthermore, Indonesia is currently experiencing the phase of demographic bonus, which marked by the large number of productive age population. With an abundance of productive labor, the country has a greater opportunity to be able to accumulate consumptions and accelerate the circulation of economic activities. Numbers of countries have become advanced and developed because they have succeeded to optimize the advantage of demographic dividend.

However, the realization of economic benefits from demographic bonus is not as simple as it says. Demographic bonus could be changed to a demographic burden if not utilized properly. The productive age population will become unproductive if they do not have a place to work and in the end, they will increase the accumulation of dependent citizen that must be borne economically and socially. This condition definitely causes an increase in the cost of social security and pension funds. In addition, this condition also potentially trigger stagnation in the economy as savings from the productive age diverted to finance the non-productive activities. Accordingly, to prevent this problem worsening, plenty of efforts need to be done to create broader employment opportunities. In February 2020, total of unemployment in Indonesia has reached 6.88 million people. This number is estimated to increase by 4-6 million people due to the pandemic Covid-19. Thus, the total will reach 10-12 million unemployment. The majority of these unemployed are productive citizens, not to mention the problem of additional labor each year which reaches 2 - 2.5 million people. Therefore, creation of large and accessible job opportunities is urgently needed. Furthermore, unemployment rate for university graduates increased from 5.71 percent in 2019 to 7.51 percent in 2020. In fact, Indonesia ranks the third after India and Brazil, as the country with the highest growth of university graduates. Data from the Central Statistics Agency (BPS) shows that average tertiary education graduate (PT) in Indonesia reaches 350 thousand students per year. The increase in the share of educated unemployment is because university graduates are deemed not to have standard of expertise and critical skills required by the industry. However, the orientation of university graduates in general is still looking for work, not creating jobs.

The situation with the high number of unemployed is exacerbated by the diminishing elasticity of investment in relation to new job opportunities in Indonesia. Data from the World Bank states that in 1998 - 2000, each additional new investment of IDR 1 billion from GDP could generate 41 new jobs. Meanwhile, in the following period, each additional investment of Rp. 1 billion only resulted in 13 new jobs. This decrease in labor absorption occurs because business actors prefer to allocate new investment to increase productivity rather than business expansion. Due to the relatively high real cost of labor, investors also prefer to invest in the capital-intensive sector which results in reduced employment opportunities.
According to this issue, the college-graduated-job-seeking pattern that commonly apply in higher education in Indonesia must be changed to graduate-college-creating jobs through entrepreneurial activity program. Therefore, Faculty of Economics and Business, Universitas Pancasila (FEB-UP) encourages students to shift their paradigm of job seeker after graduation to job creator after graduation of even before graduation. In order to achieve this target, FEB-UP has implemented several policies as well as programs. First, every student’s compulsory to take introductory courses (MK) on entrepreneurship. At the end of semester, students create a product as the last assignment and commercialize both offline and online via social media. Second, FEB-UP provides infrastructure in the form of entrepreneurial galleries that students can use as a show case for their products. Third, the faculty cooperates with Student Activity Unit (UKM) to organize various student-level entrepreneurial activities for instance, business competitions, business weeks, entrepreneurial festivals and bazaars (entrepreneur day). Apart from these programs, FEB UP has also made two work units that directly support the deepening of entrepreneurial practices, namely Business Incubator Unit and Creative Economy Unit. These units provide assistance in the form of mentoring student’s business to be more applicable in the real industry.

Unfortunately, there was no significant differences as the result of these programs. Number of FEB-UP graduates who actually become entrepreneurs only 5.5 percent, while the rest work in private or public institutions (94.5%). For graduates who became entrepreneurs, majority (80.2) of them built their business after graduation, while 19.8% have had their business since college. Moreover, according to the tracer study, more than 95.2 percent of alumni’s businesses run by themselves, while the rest (4.8 percent) in the form of partnerships.

Based on a program that is far from the target to be achieved, this study aims to see what determinants are the most dominant in increasing students’ intention to choose entrepreneurs as their main career choice in the future. This research employs six variables as follow: (1) parent's job, (2) household expenses, (3) entrepreneurial orientation, (4) attitudes towards risk, (5) innovation ability, (6) perceived difficulties, finance, and (7) university support (Zwan et.al, 2016; Pauceanu et.al, 2018). By surveying 100 entrepreneurship student program, the collected data will be analyzed using logistic regression technique to investigate which determinants have bigger effect on the development of entrepreneurial intention. The contributions that are expected to present from this research are in two folds. First is practically, for educational institutions, especially at the university level, to effectively provide effective programs to increase the intention and skills of students to enter the world of entrepreneurship as the main career choice. The second is the theoretical implication, this study will enrich the theme of entrepreneurship, especially among young people, to continue to identify and explore what factors most dominate the development of their intention to become entrepreneurs.

LITERATURE REVIEW

Over the past three decades, entrepreneurship has been considered as the main driving force for the local economy. It has a positive impact on the growing business ideas and initiatives that support the creation of new job markets, boost the economy, develop new solutions for problems, creating technologies that increase efficiency (Acs, Szerb and Lloyd, 2017). Moreover, entrepreneurship is seen as a strategy for the country's economic growth and
maintaining a sustainable competitive advantage during the globalization era (Shamsudin et al., 2017). Many scholars emphasize the role of entrepreneurship as a solution to problems that are constantly emerging in a dynamic and fast changing world (Pauceanu, 2016). It may because the nature of entrepreneurship is not only related to one discipline, but also many other disciplines such as psychology, sociology, culture, and environmental studies (Gaddam, 2008). Because the perceived value of entrepreneurship is very high, many universities and colleges then include entrepreneurship as a discipline of study and sometimes as a study program. Entrepreneurship education is the main instrument for strengthening entrepreneurial intentions, mindsets and behavior; However, it is debatable whether such education has been effective or not (Singh, Verma, and Rao, 2015).

Entrepreneurship is more than just starting a new business or venture, but more as a way of thinking, reasoning, and acting (Schoof, 2006). The theory of personality traits places more emphasis on personal characteristics in building entrepreneurial intentions such as need for achievement, locus of control, risk taking, innovation and tolerance (Simpeh, 2011). Another important aspect of identifying potential entrepreneurs is locus of control. It was first introduced by Julian Rotter (1966), who referred to an individual's perception of the main causes underlying events in his life. In other words, control locus orientation is a belief about whether the results of our actions depend on what we do (internal control orientation) or on events outside our personal control (external control orientation).

Entrepreneurial intention has been shown to be the basic construct and most often used in research on entrepreneurship (Carr & Sequeira, 2007). Several results have confirmed that intention effectively predicts behavior and attitudes towards entrepreneurship. Shinnar et al. also explained that the sample of students is very suitable for the study of entrepreneurial intentions because students directly face the problem of career choice after graduating and during the study process in college, they continuously consider various career possibilities and entrepreneurship is one of their choices consideration (Shinnar, Giacomin & Janssen, 2012).

The individual factor model, often known as the traits model, is primarily concerned with the personality qualities of businesspeople (Gürol and Atsan, 2006; Karabulut, 2016; Koh, 1996; Popescu et al., 2016). Koh (1996) asserts that this paradigm is based on the premise that entrepreneurs have particular distinctive qualities, values, and attitudes that set them apart from other people. In the study of entrepreneurship, this approach has received good marks (Gürol and Atsan, 2006). With the use of this model, several studies (De Pillis and Reardon, 2007, Gürol and Atsan, 2006, Karabulut, 2016, Karimi et al., 2015, Koh, 1996, Lián and Rodriguez-Cohard, 2015, Popescu et al., 2016, Uddin and Bose, 2012) have looked at certain traits of entrepreneurs. For instance, the utilization of locus of control, need for achievement, tendency for taking risks, and innovation is prevalent in the studies mentioned above.

According to Jaafar and AbdulAziz (2008), the large number of small and medium-sized businesses in Malaysia’s construction sector highlights the important role that entrepreneurship education plays in particular courses, such as construction management. According to Othman et al. (2012), students at Malaysia’s public universities have a high level of entrepreneurship readiness. According to Ahmad (2013), entrepreneurial education should be integrated into all stages of the educational process rather than being restricted to any particular institutions. According to Milian and Gurrissi (2017), the purpose of entrepreneurship education is to
provide students with a collaborative learning environment, practical hands-on skills that have real-world applications, and an entrepreneurial mindset.

Several studies in Indonesia have been carried out related to entrepreneurial intentions among university students, both within Indonesia itself as a sample and comparative studies with other countries, some based on gender comparisons or events. For example, Anggadwita and Dhewanto, (2016) who analyzed the influence of environmental factors on perceptions of behavioral control on the intention of women entrepreneurs who do SMEs. The results showed that perceptions of behavioral control significantly influenced women's entrepreneurial intentions and also influenced the competitive environment rather than government support. On the other hand, Rizki, Burhanuddin, Budi (2017) in their research analyzed entrepreneurial characteristics and factors that influenced the intention of 189 respondents in three different provinces, namely Bogor, Lampung and Bandung. The results of the study found that attitudes towards behavior and perceptions of behavior control did not affect entrepreneurial intentions in the agricultural sector. Factors that influence entrepreneurial intentions in agriculture are subjective norms or external factors.

Rokhman and Ahamed (2015) stated differently that both social factors such as family background, education system and social status as well as psychological factors such as need for achievement, propensity to risk and locus of control, were quite prominent and were significant indicators of becoming entrepreneurs among Islamic students. As an extension of her work, in 2008 Indarti compared 3 different countries namely Indonesia, Japan and Norway to show entrepreneurial interest among students and emphasize the factors that influence it. Unlike his previous research, educational background is the main factor influencing students' interest in entrepreneurship. Correlation analysis shows that youth entrepreneurial intentions are positively correlated with their personality traits (propensity to take risks, innovation and tolerance for ambiguity), and social learning (knowledge and experience and family care). Other study also reveals that family influences (subjective norm) is the most dominant antecedent to encourage youth intention to become entrepreneurs through a survey of 377 Muslim youth in Indonesia (Baharuddin and ab Rahman, 2021).

Another research by Karyaningsih, (2020) their findings shows that the entrepreneurial mindset, knowledge, and intention are three factors that are impacted by entrepreneurship education. Entrepreneurial knowledge affects students' desire to start their own businesses, but it has little bearing on their entrepreneurial mindset. Their implications research stated that given its crucial role in educating aspiring entrepreneurs, such as through curriculum revitalization, entrepreneurship education in Indonesia should be further expanded.

With regard to entrepreneurship and educational institutions, it has been proven empirically that students who have taken entrepreneurship classes at universities have a greater intention for entrepreneurial activities than those who have not (Alloway and Brown, 2002). In Spain, this kind of course develops self-efficacy, pro-active and risk-taking abilities (Sanchez, 2013). University and entrepreneurship curricula became the biggest influence of students' entrepreneurial attitudes in a study conducted among 1500 Arab undergraduate students at government universities (Bakri and Mahrez, 2017). One empirical study conducted among Pakistani students revealed that educational support is perceived as the most important factor in developing students' desire for entrepreneurship (Saeed, Muffato and Yousafzai, 2014). This is in line with a study in the Philippines which has supported the hypothesis that entrepreneurial
knowledge positively affects students' perceptions of entrepreneurial desire and self-efficacy (Roxas, 2014). Further evidence points to the same results among Saudi students. The likelihood of expressing entrepreneurial intentions was significantly and positively influenced by previous qualifications and training (Almobaireek and Manolova, 2012).

Based on the discussion in the literature review, this study decides to measure the extent of student decisions at the University of Pancasila by considering several factors that can influence entrepreneurial decisions, namely (1) the work of parents, (2) household expenses, (3) entrepreneurial orientation, (4) attitudes towards risk, (5) innovation ability, (6) perceived difficulties. finance, and (7) university support (Zwan et.al, 2016; Pauceanu et.al, 2018).

**RESEARCH METHODOLOGY**

This study involved 100 active students as the sample study from the Faculty of Economics and Business, Pancasila University who were randomly selected. FEB UP was chosen as the object of research because the faculty has permanent program to prepare students to become entrepreneurs. Further, six measurements to investigate student’s intention towards starting a business will be analyzed with logistic regression. Following table is the presentation of those six variables altogether with the notation and its descriptions in the questionnaires.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Notation</th>
<th>Variable Description/Questionnaire Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent’s Occupation</td>
<td>POT</td>
<td>One of the parents work as an entrepreneur = 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Both the parents are not entrepreneur = 0</td>
</tr>
<tr>
<td>Household Expence</td>
<td>PRT</td>
<td>Respondent’s Perception toward the family expence condition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Very insufficient = 1; Insufficient = 2; Sufficient = 3; Very Sufficient = 4)</td>
</tr>
<tr>
<td>Entreprenuer Orientation</td>
<td>OKW</td>
<td>Work independently (self employed) = 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Working as an employee = 0</td>
</tr>
<tr>
<td>Attitude toward the risk</td>
<td>STR</td>
<td>Generally (Totally disagree = 1; Disagree = 2; Agree = 3; Very Agree = 4)</td>
</tr>
<tr>
<td>Inovation Competences</td>
<td>KIN</td>
<td>I am a person with full ideas/opinion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Totally disagree = 1; Disagree = 2; Agree = 3; Very Agree = 4)</td>
</tr>
<tr>
<td>Financial Difficulties Perception</td>
<td>PKK</td>
<td>It’s difficult to start a business if it doesn’t have financial support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Disagree = 0; Agree = 1)</td>
</tr>
<tr>
<td>University Supports</td>
<td>DUS</td>
<td>The teaching, Curriculum, facilities and infrastucture are available on campus that build the interest</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to become the entrepreneurs. (Totally disagree = 1; Disagree = 2; Agree = 3; Very Agree = 4)</td>
</tr>
</tbody>
</table>

Source: Data analysis, 2023.

**RESULT AND DISCUSSION**

The results show that the variables analyzed can affect the entrepreneurial decisions of the students. Parents' occupation (POT) is statistically proven to have a positive and significant
effect on students’ decisions to become entrepreneurs. In this case, if a student’s parent works as an entrepreneur, the student is most likely to become an entrepreneur 116 times higher than student whose parents are not entrepreneurs. Among the variables studied, the influence of POT on students’ business intentions is the greatest. As an external factor, family factor especially parents is a role model figure by children. Specifically, having an entrepreneurial mother and father inspires children to become entrepreneurs.

<table>
<thead>
<tr>
<th>Variables in the Equation</th>
<th>Variabel</th>
<th>Koef</th>
<th>Std. Error</th>
<th>z</th>
<th>Prob</th>
<th>Odds Ratio</th>
<th>95% C. I. For EXP (B)</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>POT</td>
<td>4.754</td>
<td>1.928</td>
<td>2.47</td>
<td>0.014</td>
<td>116.139</td>
<td>2.651</td>
<td>5087.517</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRT</td>
<td>1.978</td>
<td>0.949</td>
<td>2.08</td>
<td>0.037</td>
<td>7.230</td>
<td>1.125</td>
<td>46.464</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OKW</td>
<td>3.937</td>
<td>2.327</td>
<td>1.69</td>
<td>0.091</td>
<td>51.287</td>
<td>0.535</td>
<td>4913.068</td>
<td></td>
<td></td>
</tr>
<tr>
<td>STR</td>
<td>2.002</td>
<td>1.136</td>
<td>1.76</td>
<td>0.078</td>
<td>7.404</td>
<td>0.798</td>
<td>68.685</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KIN</td>
<td>2.182</td>
<td>1.021</td>
<td>2.14</td>
<td>0.033</td>
<td>8.869</td>
<td>1.197</td>
<td>65.717</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PKK</td>
<td>2.490</td>
<td>1.534</td>
<td>1.63</td>
<td>0.100</td>
<td>12.068</td>
<td>0.596</td>
<td>244.109</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DUS</td>
<td>2.536</td>
<td>0.704</td>
<td>3.60</td>
<td>0.000</td>
<td>12.634</td>
<td>3.177</td>
<td>50.237</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-23.608</td>
<td>7.659</td>
<td>-3.08</td>
<td>0.002</td>
<td>5.58e+11</td>
<td>1.69e-17</td>
<td>0.001</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data analysis, 2023.

Entrepreneurial orientation (OKW) also has a positive and significant effect on student decisions toward entrepreneurship. OKW is an internal factor that influences student decisions. Related to this, the study found that the likelihood of students to become entrepreneurs is 51 times higher than students whose orientation willing to work in a company. To be effective therefore, entrepreneurship education must encourage harder to change student’s orientation from employment to self-employed orientations.

Perceptions of financial hardship (PKK) measures student responses to financial support in starting a business. The result found a positive and significant effect on student entrepreneurial decisions. The majority of respondents stated that they disagreed with the statement that it is difficult to set up a business if they have no financial support. The study describes that students who believe that limited financial access was not an excuse. The Odds ration of 12 illustrates that students think that financial limitation is not an obstacle to become entrepreneurs has higher 12 times rather than students who felt that it is difficult to set up a business without financial support.

This study also found that students who come from families with higher levels of expenditure (PRT) have a greater entrepreneurial intention. This factor is closely related to the support of financial needs (funds) in the initial period of business formation. Although it is not the only one, this study proves that the level of household expenditure is a strong external factor and privilege to encourage students to become entrepreneurs.

In addition, students’ attitudes toward risk (STR) also determine their decision to become entrepreneurs. The result found that students with a high risk tolerance level are 7.4 times more likely to become entrepreneurs than students with a low risk tolerance level. This is reasonable considering that risk is an inherent factor in business activities, thus people with a higher risk tolerance have more intention to start a business.
With regards to internal factors, this study found that students with innovation abilities have a positive and significant effect on their intention to become entrepreneurs. In this case, students who are innovative have a greater chance about 8.8 times than those who are less innovative to become entrepreneurs. This is because the ability to innovate is related to a person's ability to generate ideas / perspectives that are different from before, so that they can put these ideas into reality to get high added economic value. Therefore, the ability to innovate is basically an important prerequisite for entrepreneurs.

Regarding to university support (DUS), respondents considered that the role of university is important in encouraging them to become entrepreneurs. This is evidenced by the statistical result, that this variable has a positive and significant effect on students' intention to become entrepreneurs. Studying entrepreneurship subject, facilities and infrastructure can build students' interest in becoming entrepreneurs. University support can increase students' intention to become entrepreneurs 12.6 times greater than if there is no support.

CONCLUSION

This study aims to identify what factors can influence students' decisions to become entrepreneurs. For this reason, there are several factors being tested, namely (1) parents' work, (2) household expenses, (3) entrepreneurial orientation, (4) attitudes towards risk, (5) innovation ability, (6) perceptions of financial difficulties, and (7) university support. These factors themselves are a combination of internal and external aspects that can influence individual decision making (intention). By taking 100 students of FEB UP as a sample, this study found that all the variables analyzed have a positive and significant effect on students' intention to become entrepreneurs.

Among the variables analyzed, parental occupation (POT) was proven statistically to have the greatest positive and significant effect on student decisions to become entrepreneurs. This shows that the family environment, especially parents, as a role model figure by the children. In this case, having an entrepreneurial mother and father inspire their children to become entrepreneurs. Regarding to the university support (DUS), respondents consider university plays an important role to encourage them to become entrepreneurs. This is evidenced by the results which show that DUS has a positive and significant effect on students' intention to become entrepreneurs. In this case, the DUS supports in the form of teaching entrepreneurship subjects, facilities and infrastructure which can build students' interest to become entrepreneurs.

This research expects to contribute practically as well as theoretically. The study suggests for educational institutions, especially at the university level, to carefully formulates curriculum and programs in the field of entrepreneurship to be effectively influence the student’s intention toward entrepreneurship. If the indicators studied in this research listed, thus parent’s working background is the first place. This also illustrates that university needs to create program that involved student’s parent thus the student feels that they have full support from their families. The second place is entrepreneurship orientation (OKW) then followed by University support (DUS), perception of financial difficulties (PKK), Innovation ability (KIN), attitude towards risk (KIR) and the last indicator is household expenses (PRT). For theoretical
implication, this study expects to enrich more references in the discourses of entrepreneurship especially from education institutions specific theme.

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