

# Entrepreneurial Intentions and Its Influencing Factors: A Survey of Student Cooperative Members in Indonesia

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**Abstract—** The intention of entrepreneurship is regarded as a determining factor for the decision to choose a career as an entrepreneur. A good understanding of the factors that influence students' entrepreneurial intentions is essential to reveal. The current research aims to explain the effect of Needs for Achievement, Self-Efficacy, and Readiness of the Instrument on the entrepreneurial intentions of cooperative members in Indonesia. It employs a quantitative approach to the correlational research. The relationship between variables is examined with Structural Equation Modeling (SEM). The research samples are 118 students. The data are collected using a questionnaire technique and processed with IBM AMOS v software. 22. The result shows that Needs for Achievement and Self-Efficacy partially causes significant positive effects on entrepreneurial intentions, while Readiness of the Instrument has no substantial and positive impact. The entrepreneurial intentions appears to 41% variability of Needs for Achievement, Self-Efficacy, and Readiness of the Instrument. The result indicates the need for support in the higher institution to initiate the cooperative members to meet prospective business partners.

**Keywords—** *Entrepreneurial Intentions, Needs for Achievement, Self-Efficacy, Readiness of the Instrument, Student Cooperative Members*

## I. INTRODUCTION

Entrepreneurship is regarded as a decisive concept for the advancement of the nation. It has encouraged many educational institutions to develop the entrepreneurship education programs in helping the government for preparing the human resources capable of creating job vacancies. Further, it also encourages the United Nations Educational, Scientific and Cultural Organization (UNESCO) to issue a recommendation that educational institutions have to conduct entrepreneurship education program. It aims students to be responsible, creative, innovative, and brave to take risks and to think outside the box. Therefore, they can anticipate and adjust any changes in society quickly[1].

The Massachusetts Institute of Technology (MIT) issued a report in 2014 that MIT alumni have launched more than 30,000 active companies, created around 4.6 million jobs, and generated annual revenues of \$ 1.9 trillion. Furthermore, the cumulative results are equivalent to the

10<sup>th</sup> largest economy in the world. There is even an increase in the percentage of graduates establishing new businesses after five years of graduation. Therefore, it shows a strong willingness from the students to have a start-up business before their graduations in the recent decade[2].

In Indonesia, the universities which have succeeded in producing graduates with successful career as entrepreneurs or founder of startups are (1) Bandung Institute of Technology, (2) Bina Nusantara University, (3) University of Indonesia, (4) Taruma Negara University, and (5) Pelita Harapan University[3]. The research results of Wahidmurni[4] on the practice of conducting entrepreneurship education at the university show that the concern of higher education leaders towards the practice of entrepreneurship education is very high manifested by (1) making entrepreneurship as a spirit in the development of higher education (university), (2) providing an excellent support for student entrepreneurial activities, (3) considering entrepreneurship education as a mandatory and/or elective course and facilitating business incubators as a medium for further entrepreneurship development.

This condition is different from that of other higher educations in general. After taking a sample of the students, it is found that student entrepreneurial intentions are influenced by various variables, both directly and indirectly. For example, the research from Indarti & Rostiani[5] on the independent variable needs for achievement (N-Ach), self-efficacy (SE), and Readiness of the Instrument (RI). The results show that SE and RI are influential on student entrepreneurial intentions in Norway; the SE affects student intentions in Indonesia, and the three variables do not affect student entrepreneurship intentions in Japan. Indarti[6] used the variables N-Ach, SE, environmental factors/EF (capital access, information access, social networks), demographic factors/DF (age, gender, educational background, working experience) as independent variables to measure its effects on student entrepreneurial intentions. Further, the results showed that the only influence is the SE variable in Indonesia; the influences are the EF, SE variables in Thailand; N-Ach, SE, EF, and gender in Taiwan; SE and EF in South Korea; and all variables have not been proven to be influential in Japan.

How if the theories are tested on students who are members of the cooperative because the establishment of student cooperatives is a place for students to learn to do business. Zimnoch[7] reported that the existence of student

cooperatives had an impact on increasing youth education, entrepreneurial attitudes, and participation in democracy in the early 20<sup>th</sup> century in Poland. Further, activities in cooperatives encourage cooperation activities, stimulate entrepreneurship, encourage respect for work and democracy. Cicopa[8] released that the European Commission recognized cooperative entrepreneurship having strong potential to overcome the youth employment crisis in Europe. Even in 2016, it promoted cooperative best practices in dealing with youth unemployment and helped to create and work in cooperatives through innovative schemes and modules training by launching a call for a specific proposal. European Commission[9] stated that the values and principles of cooperatives are very attractive to young people to be entrepreneurs.

II. METHOD

It is a quantitative research with Structural Equation Modeling (SEM). The research subjects are students from various universities in Indonesia with cooperative members and management (activist) backgrounds participating in the annual meeting and entrepreneurship seminar at Maulana Malik Ibrahim State Islamic University Malang in 2017. They were asked to participate in surveys by filling out questionnaires. The question items are related to the variables of Needs for Achievement, Self-Efficacy, and Readiness of the Instrument; Entrepreneurial Intentions are adopted from Indarti & Rostiani[5]. Furthermore, the questions developed in the questionnaire were 12 items from four variables, and 12 indicators are presented in table 1. For each question, the alternative answers use a Likert scale with seven choices from numbers 1 to 7.

Table 1. Variable and Research Indicator

Variable	Research Indicator
<b>Need for Achievement (N-Ach)</b>	<ul style="list-style-type: none"> <li>• Doing difficult task optimally.</li> <li>• Striving for working improvement.</li> <li>• Looking for the higher responsibility.</li> <li>• Striving to be better than others.</li> </ul>
<b>Self-Efficacy (SE)</b>	<ul style="list-style-type: none"> <li>• Having a leadership skill to be an entrepreneur.</li> <li>• Having great mental to have entrepreneurship.</li> </ul>
<b>Readiness of the Instrument (RI)</b>	<ul style="list-style-type: none"> <li>• Having modal access.</li> <li>• Having a social network.</li> <li>• Having information access to have entrepreneurship.</li> </ul>
<b>Entrepreneurial Intentions (EI)</b>	<ul style="list-style-type: none"> <li>• Choosing career to be an entrepreneur.</li> <li>• Not interested in being employment.</li> <li>• Prefer to be an entrepreneur rather than employment.</li> </ul>

Resource: Indarti & Rostiani

From 165 participants who were given questionnaires when they entered the seminar room, only 155 questionnaires were returned. However, only 118 questionnaires could be further processed because 37 of which were incomplete. Furthermore, the research data is processed with IBM AMOS v. 22.

This research model can be seen in figure 1.

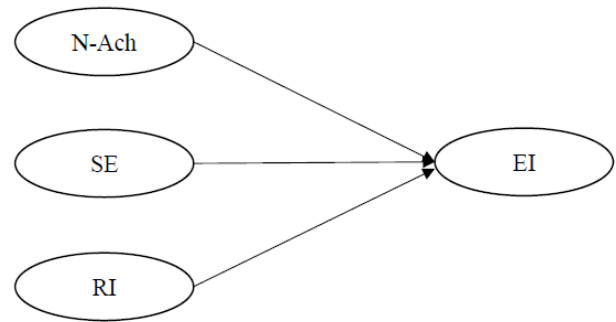


Figure 1. Hypotheses Structure Model

Research hypotheses:

Hypotheses 1: Needs for achievement has a positive and significant effect on student entrepreneurial intentions.

Hypotheses 2: Self-Efficacy has a positive and significant effect on student entrepreneurial intentions.

Hypotheses 3: Entrepreneurial Intentions has a positive and significant effect on student entrepreneurial intentions.

III. RESULT AND DISCUSSION

The index of each dependent and independent variable is determined from the average respondent's answers for each indicator. Respondents' answers are presented in Table 2.

Table 2. The Summary of Respondents' Answers

Variable	Average	SD
<b>Need for Achievement (N-Ach)</b>		
• Doing difficult task optimally.	5.91	1.046
• Striving for working improvement.	6.15	.957
• Looking for the higher responsibility.	5.47	1.052
• Striving to be better than others.	6.08	.907
<b>Self-Efficacy (SE)</b>		
• Having a leadership skill to be an entrepreneur.	4.96	1.105
• Having great mental to have entrepreneurship.	4.95	1.124
<b>Readiness of the Instrument (RI)</b>		
• Having modal access.	4.41	1.486
• Having a social network.	4.93	1.286
• Having information access to have entrepreneurship.	4.97	1.219
<b>Entrepreneurial Intention (EI)</b>		
• Choosing a career to be an entrepreneur.	5.81	1.104
• Not interested in being employment.	3.98	1.695
• Prefer to be an entrepreneur rather than employment.	5.86	1.147

Resource: Primary data processed

Annotation: SD = Standart Deviation

Based on the respondents' answers presented in Table 2, it can be seen that the level of student entrepreneurial intentions of cooperative members is high, reaching an average of 5.8. Further, the factors assessed as being moderate/sufficient were self-efficacy and readiness of the instrument, which only had an average value of 4.8. The

effort to have better (the need for achievement) has been made well, as indicated by an average value of 5.8.

**A. Testing SEM Assumption**

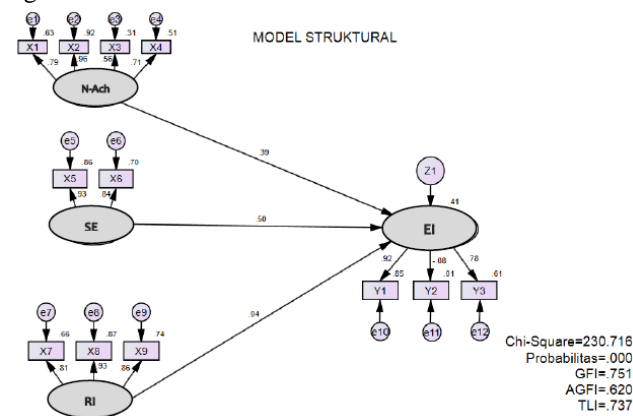
Testing the SEM assumption has to be done before testing the structural model. The test results are presented in Table 3.

Table 3. The Summary of SEM Assumption Testing Result

Assumption	Indicator	Rule of thumbs	Decision
Normality: multivariate testing data	Critical value (c.r.) multivariate	Critical value (c.r.) multivariate < 2.58	Value c.r. multivariate = 1.686. Therefore, the data are normal.
Outlier: testing the observation indicator data score from the centroid score	Testing The Mahalanobis Distance	Probability value p2 > 0.000	All p2 value > 0.000. Therefore, all data observation are not an outlier.
Multicollinearity: testing the correlation between variables	Matrix sample correlation	Sample correlation value < 0.90	All correlation value < 0.9. Therefore, there is no problem with multicollinearity.

**B. Hypothesis Testing (Evaluation of Structural Model)**

An evaluation of the structural model is carried out to test the structural model, and the significance of the probability from each path tested in the research model. The Structural Output Model of this research is presented in Figure 2.



Resource: Data processed

Figure 2. Structural Model Output  
The Regression of Equation Model is:

$$IE = 0.395 \text{ N-Ach} + 0.503 \text{ SE} + 0.038 \text{ RI} + e$$

The testing of significance probability was done by looking at the P-value in the Regression Weights table presented in Table 4.

Table 4. Regression Weights

		Estimate	S.E.	C.R.	P	Label
EI	<--- N-Ach	.445	.100	4.455	***	par_9
EI	<--- SE	.460	.090	5.120	***	par_10
EI	<--- RI	.029	.065	.449	.654	par_11

Resource: Data processed

The above data show that the Need for Achievement (N-Ach) has a positive effect on entrepreneurial intentions with a standardized coefficient of 0.395 significant at a P-value of 0.001. Self-Efficacy has a positive impact on entrepreneurial intentions with a standardized coefficient of 0.503 significance at P-value 0.001 while Readiness of the Instrument does not significantly influence the intention of

entrepreneurship with a standardized coefficient of 0.038 at a P value of 0.654 (> 0.1).

Structural model testing is done by looking at the R-squared value to see the ability of independent latent variables explaining the latent dependent variables simultaneously. The higher the value of R-squared means, the better the research model is. The value of R-squared is shown by the value of Estimate Squared Multiple Correlation Entrepreneurship Intent of 0.410. Thus, it means that the variability of entrepreneurship intentions can be explained by the variability of the Need of Achievement, Self-Efficacy, and Readiness of the Instrumentation by 41% while 59% of other variables are not examined.

**C. The influence of the Need for Achievement on entrepreneurial intentions**

Based on the analysis, it showed that the Need for Achievement has a positive and significant effect on student entrepreneurial intentions. It showed that the high intention or desire to become entrepreneurs could be predicted from the high sense of need for achievement, and vice versa. The result of this research successfully supports several previous studies such as: Ratniasih & Setia[10] student cases in Indonesia, Indarti[6] student cases in Taiwan, and Tong[11] student cases in Malaysia, even for the case of students in the United Arab Emirates which is the most significant factor influencing the entrepreneurial potential[12].

The result indicated that the Need for Achievement determined the growth of student entrepreneurial intentions. Finogenow[13] concluded from various research results that individuals with a high level of Need for Achievement have the characteristics of (1) taking personal responsibility to find solutions from the problems, (2) having tendencies to work hard, find challenges, and outperform toward others in all situations, (3) looking for improvements and ways continually to do things better, (4) being motivated to see challenging tasks as opportunities to experience positive influences related to skills and mastery, (5) preferring to like the goal of achieving moderate, realistic but challenging tasks, and doing better at these tasks, and (6) interested in regular and concrete feedback related to their progress.

The characteristic of an individual with a high level of Need for Achievement is very relevant to the characteristics of successful entrepreneurs. Therefore, it is very rational if students who have a high level of Need for Achievement will have a high level of entrepreneurial intention because they will be very challenged to realize their desires.

**D. The influence of Self-Efficacy on entrepreneurial intentions**

Based on the analysis, it showed that Self-Efficacy (SE) had a positive and significant effect on student entrepreneurial intentions. It showed that the high intention or desire to become entrepreneurs could be predicted from the high sense of self-confidence of students towards their abilities, and vice versa. Thus, the results of this research support Peng[14] the case of the students in China, Aslam & Hasnu[15] the case of the students in Pakistan, Carda[16] the case of the students in Japan especially for international



student, and Nakayama[17] the case of the students in Japan, which showed that self-efficacy is a variable that can be a predictor of student entrepreneurial intentions.

The SE coefficient had the highest score compared to the N-Ach and RI coefficient scores. It indicated that SE had the highest role in determining EI. Thus, it meant that the confidence of the ability to succeed in entrepreneurship is high. Therefore, it increases student intentions in entrepreneurship. Thus, this finding supports Bandura's Self-Efficacy theory that a person's belief about his ability to produce a designated level of performance influences his life events. Self-efficacy beliefs determine how people feel, think, motivate themselves, and behave. People with high guarantees in their ability to approach difficult tasks as a challenge that must be mastered rather than a threat that must be avoided[18]. Therefore, it is very relevant to entrepreneurship because it needs people who have high confidence and self-ability to deal with jobs with high uncertainty.

#### E. *The influence of Readiness of the Instrument on entrepreneurial intentions*

Based on the analysis, it showed that Readiness of the Instrument (RI) did not have a positive and significant effect on student entrepreneurship intentions. Thus, this research result supports Indarti & Rostiani's[5] research findings for the case of students in Indonesia and Japan. Instrumentation readiness variables do not have a significant positive effect on student entrepreneurship intentions. These results reject the theory which stated that the ease of accessing capital, the ease of accessing social networks, and the ease of accessing information would facilitate or support one's entrepreneurial intentions.

The absence of the influence of instrumentation readiness on student entrepreneurship intentions can be seen from the lowest average perception score compared to the average score perception of the need for achievement and self-efficacy. The absence of this influence can occur due to the lack of facilitation of universities in bridging communication between students and third parties which have an interest in entrepreneurship. It can be learned from the universities that have successfully developed entrepreneurship programs and proven to produce the most startup founders in Indonesia by (1) facilitating students with potential third parties or partners (industry, prospective consumers and the government) that enable the collaboration through a variety of activities such as exhibitions, seminars, or festivals, (2) developing business incubator units and provide mentors to guide business teams, and (3) involving successful alumni in managing businesses to give motivation and business assistance[4].

#### IV. CONCLUSION

Need for Achievement and Self-Efficacy generate positive and significant effects on student entrepreneurial intentions of cooperative members, while the Readiness of the Instrument does not. These findings indicate that the Need for Achievement and Self-Efficacy are good predictors of student entrepreneurial intentions in cooperative members. The results of this research differed from the findings of Indarti and Rostiani[5] as a research replicated

with student samples shows that only Self-Efficacy factor affects student entrepreneurial intentions, while Need for Achievement affects a sample of students of cooperative members. It indicates that the Need for Achievement of the student in a cooperative member is a good predictor of entrepreneurial intention than in general. Thus, student cooperative is highly essential to increase the students' confidences to do business. Another finding shows that the Readiness of the Instrument does not have a positive and significant effect on student entrepreneurial intentions in cooperative members, and students in general. The university environment has not fully supported the entrepreneurial environment for students to access capital, social networks, and business information. The recommendation for higher institution is to create an entrepreneurial environment on campus by maximizing cooperation with industry, government, successful alumni in doing business, and procuring business incubator units to help students' business team to develop and to achieve a successful business.

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