

Drivers of Entrepreneurial Intention among University Students: The Mediating Role of Subjective Norms

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Abstract

Entrepreneurs have been disproportionately responsible for genuinely radical innovation in modern economic history. It has radically transformed the lives of customers and evolved into outlets for many sectors that have, together, changed economies as a whole. As they develop creative business concepts that eventually lead to social and economic development, entrepreneurs are considered the industry's backbone. Every year in Indonesia, thousands of students graduate, but only a few are planning to begin their own business. The issue of entrepreneurship among students has become a current research topic, and agreed that it could reduce the unemployment rate. In line with the current case, this study investigates the mediating role of subjective norms on entrepreneurial intention drivers among university students in Aceh and North Sumatera provinces, Indonesia. This study's design is a quantitative approach through a survey questionnaire (e.g. hardcopy and online) collected from 94 university students. The data analysed using Structural Equation Modelling – Partial Least Square and assisted by SmartPLS-3. This study shows that personality traits and subjective norms have a significant effect on entrepreneurial intention. We also found that the subjective norms mediates the relationship between personality traits and entrepreneurial intention among university students in Aceh and North Sumatera provinces, Indonesia. In conclusion, this study has proved that subjective norms explain its relationship between personality traits and entrepreneurial intention among university students. Thus, we suggest the government, especially the universities, provide a supportive curriculum and specific topic on entrepreneurship to boost their entrepreneurial intention.

Keywords

Personality traits, subjective norms, entrepreneurial intention, university students, Indonesia context

1. Introduction

The National Socio-Economic Survey (Susenas) results by the Central Statistics Agency (BPS) in March 2006 stated that the number of poor people in Indonesia in March 2006 was 39.05 million or 17.75 per cent of the total 222 million

population. The number of poor people increased by four million people compared to that recorded in February 2005. The unemployment rate is in the range of 10.8% to 11% of the workforce who are categorised as open unemployed. And the number is increase year to year. It is even more difficult for those who graduate from college to find jobs because there is not much business expansion. In a situation like this, the problem of unemployment, including those with high education, will have a negative impact on social and social stability. The condition mentioned above is also supported by the fact that most tertiary education graduates are more job seekers than job creators. It could be because the learning system applied in various universities is currently more focused on how to prepare students who graduate quickly and get a job, rather than graduates who are ready to create jobs (BPS, 2006). Also, entrepreneurial activity (Entrepreneurial Activity) is still relatively low.

Entrepreneurial activity is translated as individuals active in starting new businesses and is expressed as a percentage of the total active population. The higher the Entrepreneurial Activity index, the higher the country's level of entrepreneurship (Boulton and Turner, 2005). In reality, there are three choices that Higher Education graduates may experience after completing their studies. The first is to become a civil servant, the private sector, BUMN, secondly, intellectual unemployment and the third to open their own business (entrepreneurship). In overcoming the challenge of limited employment opportunities, which the government has not been able to meet. So, entrepreneurs who can provide solutions for new business fields that can absorb labour are needed (Purmiyati, 2004). So after graduating from college, they have to think about their fate. They cannot only hope to work as government civil servants whose capacity is limited and to work in other companies, which is also difficult due to the high competition to enter and work in the company. After graduating from college, students should be able to open their jobs. One way is by doing entrepreneurship, which makes them more independent and automatically reduces the number of unemployed in Indonesia. This study examines whether personality traits affect interest in entrepreneurship with subjective norms as a mediating variable.

Entrepreneurial intention is defined as an individual's conscious awareness and determination to set up a new business venture (Bird, 1988). While Fayolle and Linan (2014) state that entrepreneurial intention is the quality that leads an individual to pursue a career in self-employment. Krueger and Carsrud (1993) state that entrepreneurial intention plays a vital role in explaining why individuals establish a new business. Zeffane (2010) assumed that to become an entrepreneur is influencing of personality trait. The same statement from Caliendo, Fossen, and Kritikos (2014) states that personality traits affect career choice as an entrepreneur. While Rauch and Frese (2007) found that need for achievement, innovativeness, need for autonomy, locus of control, propensity to take risks and stress tolerance were associated with entrepreneurship. Some studies find some evidence that entrepreneurial ability, attitude toward risk, preference for autonomy, innovativeness, and locus of control are important in determining who starts and operates businesses (Caliendo, Fossen, and Kritikos 2010; Zhao and Seibert 2006). These last factors will be investigated in this study.

2. Method

Participants in this study were students from universities in Aceh and North Sumatra provinces. The minimum criteria are those who have taken a minimum study period of 2 semesters. The number of respondents obtained in this study was 94 students from various universities from two provinces. The questionnaire was used to collect the participants' data, which distribution both directly and online. All variables were measured using scales developed and validated by the authors of previous studies. The entrepreneurial intention was measured by six items from Liñán and Chen (2009). Responses are recorded on a five-point scale (1 = not at all to 5 = to a large extent), indicating the extent of intention to become an entrepreneur or start one's own business. Innovativeness was quantified using two items (Thomas and Mueller, 2000). Locus of control was measured using a modified two-item (Thomas and Mueller, 2000). The need for autonomy was measured with a four-item scale developed by Kolvereid (1996). The propensity to take risks was measured through a scale developed consisting of four items. Finally, stress tolerance was quantified using a measurement published by Canada's Business Development Bank (BDBC 2009). All measures used five-point Likert-type response scales from 1 (strongly disagree) to 5 (strongly agree).

3. Results and Discussion

A valid measurement model was produced. All standardised factor loadings were more than 0.5, CR ranged from 0.73 to 0.93, and AVE was above 0.5, indicating satisfactory convergent validity (Table 1). The statistics in Table 2 confirm that the requirements for discriminant validity were also satisfied.

Table 1. Result of construct validity and reliability- First order

Constructs	Loadings	Composite Reliability	Average Variance Extracted (AVE)
Entrepreneurial Intention	0.763	0.907	0.620
	0.811		
	0.862		
	0.673		
	0.859		
Innovativeness	0.739	0.812	0.687
	0.719		
	0.925		
Locus of Control	0.642	0.735	0.586
	0.872		
	0.870		
Need for Autonomy	0.764	0.883	0.655
	0.727		
	0.867		
Propensity to take Risk	0.783	0.934	0.876
	0.892		
	0.627		
Stress Tolerance	0.782	0.934	0.876
	0.941		
	0.932		
Subjective Norms	0.667	0.896	0.636
	0.814		
	0.895		
	0.787		
	0.808		

Table 2. Results Discriminant Validity using Fornell-Larcker Criterion

No	Constructs	1	2	3	4	5	6	7
1	Entrepreneurial Intention	0.787						
2	Innovativeness	0.325	0.829					
3	Locus of Control	0.611	0.447	0.766				
4	Need for Autonomy	0.712	0.378	0.454	0.809			
5	Propensity to take Risk	0.762	0.395	0.608	0.691	0.777		
6	Stress Tolerance	0.696	0.381	0.743	0.583	0.637	0.936	
7	Subjective Norms	0.674	0.415	0.571	0.503	0.572	0.618	0.797

Table 2 displays the result of discriminant validity using Fornell-Larcker Criterion. The result of its testing indicated that the variables used in this study are discriminant.

Table 3. Result hypothesis testing- direct effect

Path	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Personality Traits -> Subjective Norms	0.669	0.061	10.919	0.000
Subjective Norms -> Entrepreneurial Intention	0.674	0.058	11.625	0.000

Table 3 shows that personal traits have a positive and significant relationship to subjective norms. The sample mean is 0.669, the standard deviation is 0.061, t-stat is 10.919 and significant at the level 1 percent. Subjective Norms also have a positive and significant effect on entrepreneurial intention, with the sample mean is 0.674, standard deviation is 0.058, t-stat is 11.625 and significant at the level 1 percent.

Table 4. Result Hypothesis Testing- Mediating Effect

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Personality Traits -> Subjective Norms -> Entrepreneurial Intention	0.450	0.459	0.073	6.138	0.000

Table 4 indicates that subjective norms play as a mediation variable between personal traits and entrepreneurial intention. The results show that personality traits can affect the formation of entrepreneurial intention and that they are likely to act indirectly by affecting the attitudinal and perceived control antecedents of intention. We found the same for innovativeness, propensity to take risk and stress tolerance. When effects are indirect, a relatively large sample is required if the effects are observed, particularly homogenous samples. Although the average personality effects were small, our results suggest several ways in which personality could affect some students' entrepreneurial intention development.

In our study, the propensity to take risk had the strongest effect on entrepreneurial intention and its antecedents. It is explaining starting a new enterprise necessitates taking decisions and actions under uncertainty. Entrepreneurs, it is argued, need to be prepared to take risks (Gürol and Atsan 2006; Stewart and Roth 2004). Hisrich, Peters, and Shepherd (2005) explained that entrepreneurial risk-taking involves "assuming the financial, psychic, and social risk" that accompanies the entrepreneurial process. Our test of the potential mediation effect of subjective norms on the impact of personality on entrepreneurial intention formation and found a significant effect. It is supported by Trafimow and Finlay (1996); it appears that their attitudes drive the actions of most individuals, and subjective norms are important to relatively few. Finally, we suggest the government, especially the universities, provide a supportive curriculum and specific topic on entrepreneurship to boost student entrepreneurial intention.

4. Conclusion

In conclusion, this study has proved that subjective norms explain its relationship between personality traits and entrepreneurial intention among university students. Thus, we suggest the government, especially the universities, provide a supportive curriculum and specific topic on entrepreneurship to boost their entrepreneurial intention.

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Biographies

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