

# CHAPTER I

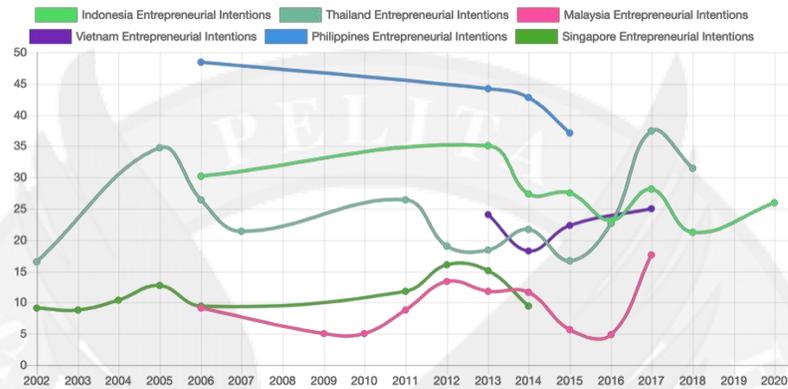
## INTRODUCTION

### 1.1 Background of Study

An entrepreneur can be defined as individuals who assemble as well as synchronize factors of production including land, labour and transforming these factors to generate goods and services which generates profits. In addition, entrepreneurship may be appraised as a milestone in an individual's journey which supplies to a country's development and wealth (Ribeiro-Soriano & Kraus, 2018). Though there are quite a lot of young individuals aspiring to be an entrepreneur, research indicates that the entrepreneurial activity among young individuals are considered low. With the low entrepreneurial activity rate, the main central question should be what are the reasons individuals chose not to be an entrepreneur. It is found that being an entrepreneur requires an entrepreneurial intention which is a major aspect that affects an individual to decide whether to be an entrepreneur or not, affected by the environment exposed to the individual, as well as personal background (Georgescu & Herman, 2020).

In addition, entrepreneurial intent can be defined as the purposely planned behaviour of creating, and starting a business and it is the first step towards entrepreneurial process Maheshwari & Kha (2022) and the decision for an individual to create an independent business firstly requires an entrepreneurial intention and entrepreneurial will (Moussa & Kerkeni, 2021). Entrepreneurial intention is a major factor in determining whether an individual will decide to be an entrepreneur or not, as it is an intentionally planned behaviour and will of an individual to start a new business (Maheshwari & Kha, 2022). Thus, there should be a positively-correlated relationship between entrepreneurial intention and established business ownership as higher entrepreneurial intention in an individual might increase the chance of them choosing to start a new business.

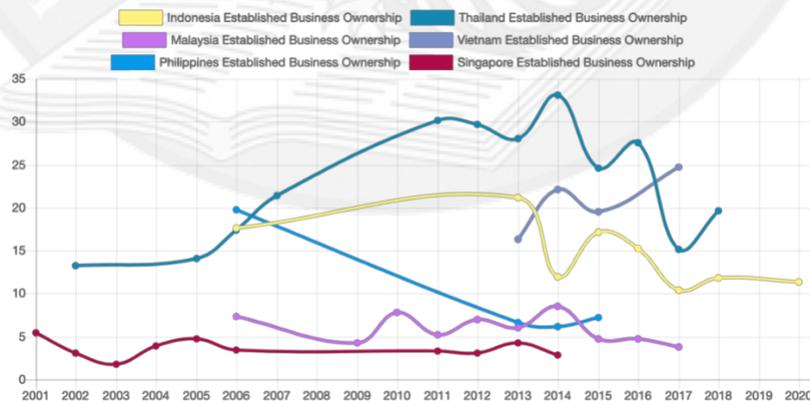
The entrepreneurial intention of multiple Southeast Asian Countries from the year 2002 to 2020 including Indonesia, Thailand, Malaysia, Vietnam, Philippines and Singapore are reflected in figure 1.1



**Figure 1.1 Entrepreneurial Intention of Southeast Asian Countries 2002-2020**

Source : Entrepreneurial Behaviour and Attitudes, 2020

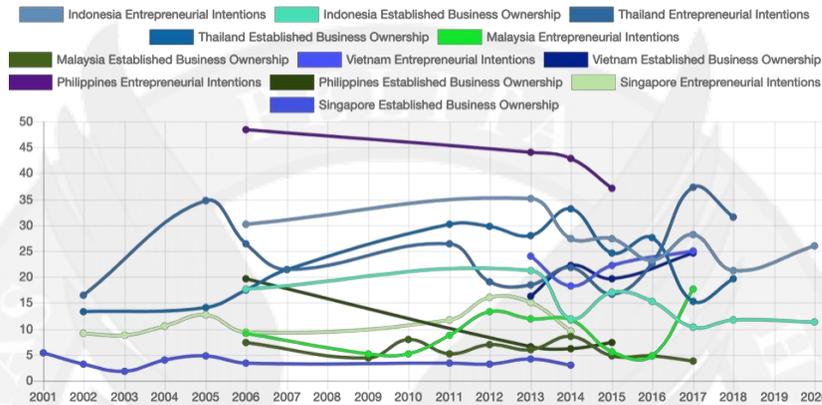
Furthermore, figure 1.2 shows the established business ownership of the previously mentioned Southeast Asian Countries from the year 2001 to 2020. Most of the data recorded by GEM on established business ownership ends around 2013 to 2017 for most countries though Indonesia ends on 2020.



**Figure 1.2 Established Business Ownership of Southeast Asian Countries 2001-2020**

Source : Entrepreneurial Behaviour and Attitudes, 2020

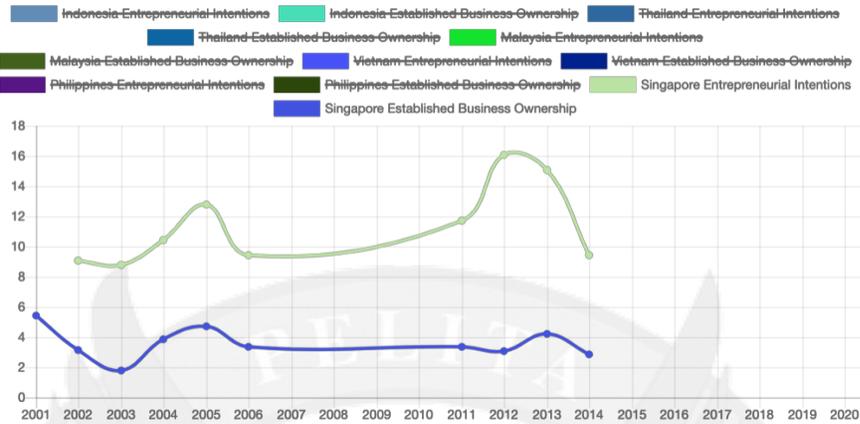
The entrepreneurial intention and established business ownership in Southeast Asian countries are combined together in figure 1.3. The results provided by the data indicates some positive correlations between entrepreneurial intention and established business ownership which will be further explained.



**Figure 1.3 Entrepreneurial Intention & Established Business Ownership of Southeast Asian Countries 2001-2020**

Source : Entrepreneurial Behaviour and Attitudes, 2020

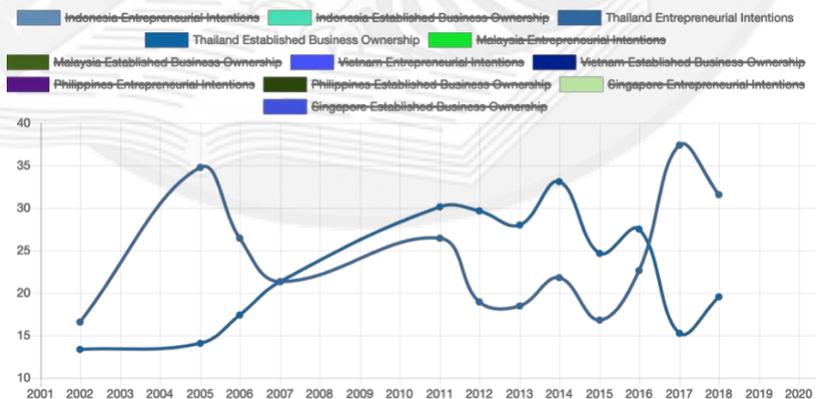
Firstly, a positive correlation can be seen in Singapore 2003 when the entrepreneurial intention of Singapore hit the all-time low, established business ownership also dropped to the all-time low in figure 1.4. Between 2003 to 2004, the entrepreneurial intention rose which affects the established business ownership to increase and both entrepreneurial intention and established business ownership increases and hit Singapore's first all-time high on 2005. Singapore's entrepreneurial intention decreases and remained steady from 2006 to 2008 and starts to increase slowly until 2011, this positively correlates with the established business ownership that also decreased and stayed steady from 2006 to 2011. On 2012, Singapore's entrepreneurial intention peaked to 16.4 which brought established business ownership up on 2013 with a year of delay.



**Figure 1.4 Entrepreneurial Intention & Established Business Ownership of Singapore 2001-2014**

Source : Entrepreneurial Behaviour and Attitudes, 2020

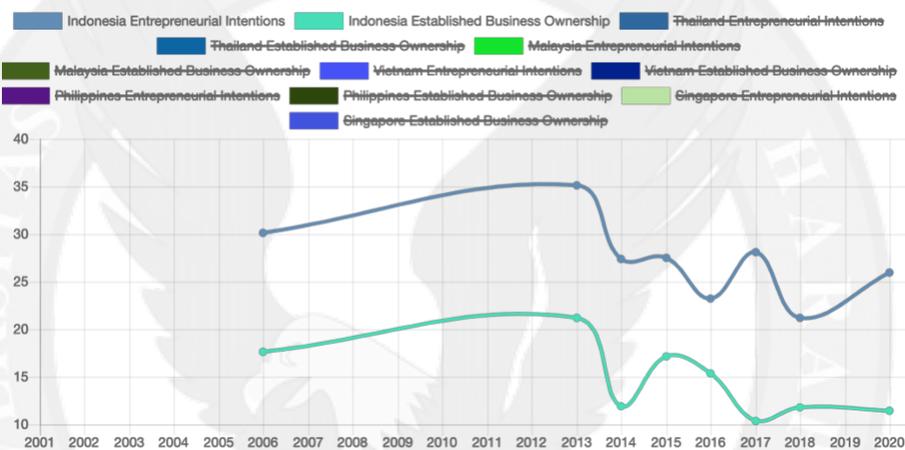
The second correlation can be analysed from Thailand's data that are presented in figure 1.5. From 2002 to 2005, established business ownership remained low and increasing very slowly, but from 2005 to 2007 the graph increased rapidly due to a rapid increase of entrepreneurial intention from 2002 to 2005. Both graph experienced a cross-over on 2007 and positive correlations can be seen from 2007 to 2011 and 2013 to 2014 where both graph increases and 2015 to 2016 shows how both graph decreases. The positive correlation remains until both graph experienced another cross-over on early 2016.



**Figure 1.5 Entrepreneurial Intention & Established Business Ownership of Thailand 2002-2018**

Source : Entrepreneurial Behaviour and Attitudes, 2020

Lastly, a mix positive and negative correlation can be seen from Indonesia's data that are shown in figure 1.6 though more than half of the graph shows a positive correlation between the two variables. It can be analysed that during 2006 to 2013, both entrepreneurial intention and established business ownership rose positively and both graphs experienced a decline during 2013 to 2014. Moreover, an increase in the entrepreneurial intention during 2014 to 2015 positively correlates with establishments of new business during that period of time.



**Figure 1.6 Entrepreneurial Intention & Established Business Ownership of Indonesia 2006-2020**

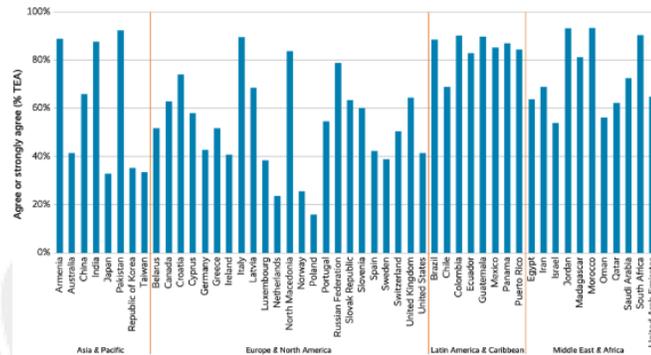
Source : Entrepreneurial Behaviour and Attitudes, 2020

Moreover, it is reflected that one of the causes of young adults and individuals choosing an entrepreneurial career is because of an increase in unemployment rate. considering that unemployment of individuals between the age of 18 to 24 is two to three times higher than the general unemployment rate (Georgescu & Herman, 2020). Selecting an entrepreneurial career can be considered as one of a preferred option to expose and integrate young individuals to the labour market and combat unemployment rate, increasing business activity and a country's economic growth. Entrepreneurship allows the creation of a new business, small and medium enterprises to occur which

will contribute to the country's GDP more than that of a large companies (Meyer & de Jongh, 2018).

In addition, there are unlimited reasons on why an individual would want to start a business from light reasons such as wanting to give a good impression among peers, wanting to make a change to the world, having a strong desire and wants for independence, to situations where an individual might suffer when not having a well-established business income. In 2019, GEM collected survey results concerning the respondent's motives for starting their own business and becoming an entrepreneur. Respondents were given a set of 4 motives in starting a business which includes to make a difference to this world, to create wealth and get high income, to continue family tradition, and to become an entrepreneur because jobs are scarce, and were told to choose one of the five point Likert scale ranging from strongly agree to strongly disagree.

Figure 1.7 are the outcome of respondents agreeing and strongly agreeing on the motive to earn a living because jobs are scarce are shown in figure 1.7. This is more common in Latin America and Caribbean and around half of entrepreneurs confirming in 35 of the economies. Thus, it is not a rare cause for an individual choosing to become an entrepreneur due to job scarcity and unemployment. This has been a problem in many countries even in Indonesia and the statistics shows how the unemployment rate is expected to increase 5.46% to 5.70% during the COVID-19 period from March to June 2020 (Rizky et al., 2020). Entrepreneurship allows the creation of a new business, small and medium enterprises to occur which will contribute to the country's GDP more than that of large companies (Meyer & de Jongh, 2018).



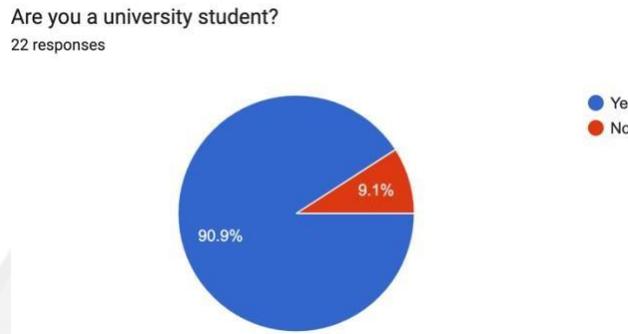
**Figure 1. 7 Motivation to earn a living because jobs are scarce: somewhat/strongly agree as % TEA**

Source: Bosma et al., (2020)

Furthermore, multiple researchers has hypothesized that family environment have the ability to affect an individual's entrepreneurial intention. As stated by Moussa & Kerkeni (2021), an individual can be affected positively or negatively to launch a business by the environment exposed to themselves. Family environment have the ability to influence and help set a goal of an individual's career choices as well as developing the personality and behaviour that will be practised by an individual (Moussa & Kerkeni, 2021). This idea can be seen by how families with entrepreneurial backgrounds can influence the entrepreneurial intention of their offspring's career options, access to entrepreneurial knowledge which increases entrepreneurial opportunities and skills (Georgescu & Herman, 2020; Criaco et al., 2017; Eesley & Wang, 2014; Carr & Sequeira, 2007; Sorensen, 2007).

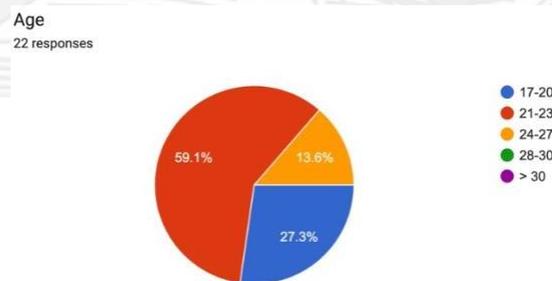
Moreover, the researcher made a pre-test survey in order to obtain a rough image on the research outcome, as well as to further support the idea and the decision to continue this research by making and distributing an online survey to 20 university students (respondents) which consists of all the variables needed for this research which includes parental promotion of independence and volitional functioning, entrepreneurial role model, and lastly family's financial and social capital support. A total of 12 questions were distributed, 2 of them being preliminary questions which aims to find out the age of the respondents and whether the respondents are a university

student or not and the other 10 questions are directed towards the variables used in the research. The survey was distributed to 22 respondents and the majority of the respondents consists of university students and 2 respondents are not.



**Figure 1. 8 Pre-Test Survey Are you a university student?**

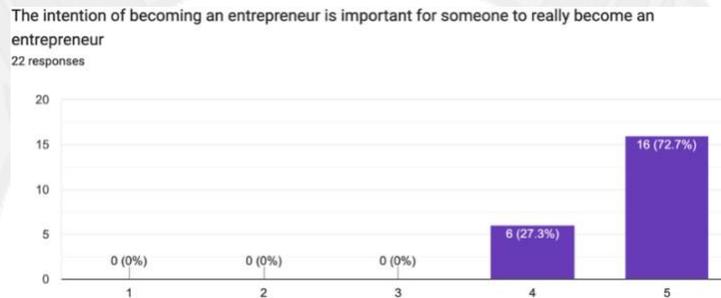
As can be seen from Figure 1.9, 59.1% or 13 of the respondents are aged between 21 to 23 years old. 6 or 27.3% of the respondents are aged between 17 to 20 years old which is predicted as ages between 17 to 23 years old are the most common age of a university students though 13.6% or 3 of the respondents are aged between 24 to 27 years old



**Figure 1. 9 Pre-Test Survey Age**

The first question that were asked was to find out whether most of the respondents agree that entrepreneurial intention is needed for an individual to become an

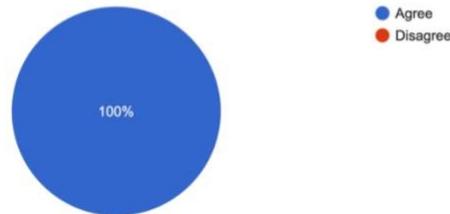
entrepreneur. As shown by the results, more than half of the respondents which translates to 16 respondents strongly agreed that entrepreneurial intention is important for one to really become an entrepreneur. Furthermore, more than a quarter of the respondents (27.3%) chose the 4<sup>th</sup> point from the Likert-scale meaning that 6 respondents lean more towards strongly agreeing with the statement. Thus, it can be said that most of the respondents agree that entrepreneurial intention is necessary for an individual to become an entrepreneur.



**Figure 1. 10 Pre-Test Survey The intention of becoming an entrepreneur is important for someone to really become an entrepreneur**

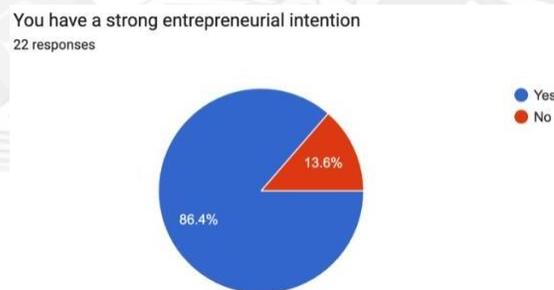
Figure 1.11 reflects the response of the second statement from the pre-test which is similar to the first statement and that is to find out if the majority of the respondents agree if entrepreneurial intention is a major factor which affects an individual choice to become an entrepreneur and without it, an individual will not or tend to not become an entrepreneur. From the results shown, 100% or 22 of the respondents agreed that entrepreneurial intention is a major predicting factor which decides whether an individual will become an entrepreneur or not.

Entrepreneurial intention is a major factor that affects an individual's choice in deciding to become an entrepreneur or not. Without the intention, it is...that the individual will not become an entrepreneur.  
22 responses



**Figure 1. 11 Pre-Test Survey Entrepreneurial intention is a major factor in deciding whether an individual will become an entrepreneur or not**

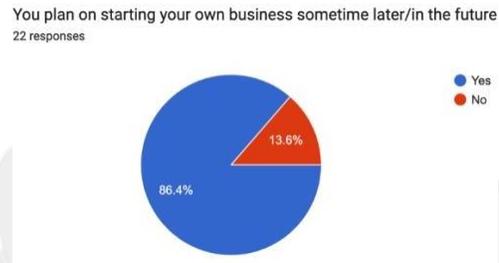
The next part of the survey shown in figure 1.12 is to simply find out whether the respondents have a strong entrepreneurial intention or not which will be connected with the next part of the survey. A positive correlation is expected between this question and the next part of the survey as it is mentioned before that those with a strong entrepreneurial intention tends to be an entrepreneur. The results from figure 1.12 shows that 86.4% of the respondents have an entrepreneurial intention and the absence of entrepreneurial intention in 3 of the respondents.



**Figure 1. 12 Pre-Test Survey You have a strong entrepreneurial intention**

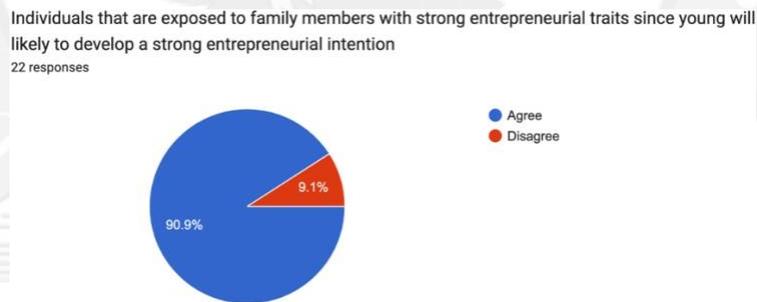
Figure 1.13 represents the part of the survey that aims to know whether the respondents plan on starting a business in the future. The result shows 86.4% of the

respondents plans to start a business in future. In addition to that the 13.6% or 3 of the respondents reported to not have any entrepreneurial intention.



**Figure 1. 13 Pre-Test Survey You plan on starting your own business sometime later/in the future**

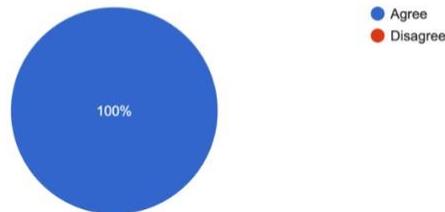
The next part of the survey is to investigate whether most of the respondents agree that exposure of entrepreneurial traits by family members affect the entrepreneurial intention of an individual. As reflected in figure 1.14, most 90.0% of the respondents agree with this statement which further supports the research idea, with only 9.1% of the respondents disagreeing with the statement.



**Figure 1. 14 Pre-Test Survey Individuals that are exposed to family members with strong entrepreneurial traits since young will likely to develop a strong entrepreneurial intention**

All of the respondents agreed to the idea that entrepreneurship-related positive encouragement and influence showed by parents would increase the chance of the child developing entrepreneurial intention and becoming an entrepreneur in the future as shown in figure 1.15.

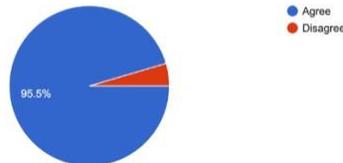
The more frequently parents provide positive encouragement and influence on children regarding entrepreneurship, the more likely the child will te...t in entrepreneurship and become one in the future  
22 responses



**Figure 1. 15 Pre-Test Survey Children’s exposure to positive encouragement and influence regarding entrepreneurship by parents on the development of entrepreneurial intention**

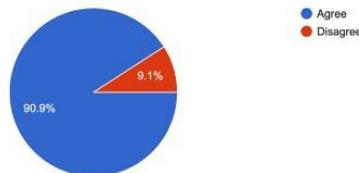
Figure 1.16 and 1.17 shows that more than 90% of respondent agreed that social capital and financial capital would have a positive impact on the development of entrepreneurial intention.

An individual's entrepreneurial intention will be further developed when their family expose them to entrepreneurship-related social capital (network, potential customers and partners, encouragement).  
22 responses



**Figure 1. 16 Pre-Test Survey Individual’s entrepreneurial intention will be developed through family’s social capital**

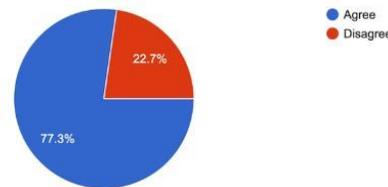
An individual's entrepreneurial intention will be further developed when their family supports them financially (example : capital to start a business w...ents with them not expecting much in return, etc).  
22 responses



**Figure 1. 17 Pre-Test Survey Individual’s entrepreneurial intention will be developed through family’s financial capital**

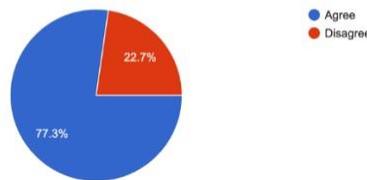
There are two variables that reflect parental support on autonomy in young individuals which are support on independence and support on volitional functioning. Firstly, figure 1.18 represents more than half of the respondents that agreed that parental encouragement for independence would strengthen the development of entrepreneurial intention. Secondly, figure 1.19 shows 77.3% of the respondents agreeing that individuals that are allowed to make conscious decisions (Volitional functioning) will tend to develop a stronger entrepreneurial intention.

Parental encouragement for their children's autonomy (self-governing, responsible for controlling their own lives, being independent with decisions i...strengthen the children's entrepreneurial intention  
22 responses



**Figure 1. 18 Pre-Test Survey Parental encouragement on autonomy on the development of children's entrepreneurial intention**

Young individuals that are allowed to make conscious and deliberate decisions in their lives will tend to develop an entrepreneurial intention  
22 responses



**Figure 1. 19 Pre-Test Survey Parental encouragement on volitional functioning on the development of children's entrepreneurial intention**

From the pre-test survey done by the author, it can be said that the environment that are exposed to an individual have the potential to facilitate or inhibit the launching of a new business which includes the family environment as one of the factors that have

the ability to influence the behaviour and personality of an individual. This is due to the fact that family environment is the first social experience of individuals from a very young age thus having the potential to give a huge effect on individuals. Family environment designates the underlying system that conveys entrepreneurial values and in consequence to this, it is important to identify how entrepreneurial intention is affected by family environment (Moussa & Kerkeni, 2021). It is agreed that one of the variables that positively influence entrepreneurial intention is family background, with effective entrepreneurship education and entrepreneurial personality traits as the other two (Georgescu & Herman, 2020).

### **1.3 Problem Formulation**

1. Does parental promotion of independence strengthen the entrepreneurial intention of university students in Indonesia?
2. Does parental promotion of volitional functioning strengthen the entrepreneurial intention of university student in Indonesia?
3. Does exposure to an entrepreneurial role model strengthens the entrepreneurial intention of university students in Indonesia?
4. Does the family's social capital strengthen the entrepreneurial intention of university students in Indonesia?
5. Does family's financial capital strengthen the entrepreneurial intention of university students in Indonesia?

### **1.4 Research Objectives**

1. To determine whether parental promotion of independence strengthen the entrepreneurial intention of University students in Indonesia.
2. To determine whether parental promotion of volitional functioning strengthen the entrepreneurial intention of University students in Indonesia.

3. To determine whether exposure to an entrepreneurial role model strengthen the entrepreneurial intention of University students in Indonesia.
4. To determine whether family's social capital strengthen the entrepreneurial intention of University students in Indonesia.
5. To determine whether family's financial capital strengthen the entrepreneurial intention of University students in Indonesia.

### **1.5 Theoretical Contribution and Practical Contribution**

The main cause of the author choosing to conduct this research is to further see and collect evidence whether family environment which in this case consists of parental promotion of independence and volitional functioning, entrepreneurial role model, and family financial capital and social capital support towards entrepreneurship would affect and positively correlates with the entrepreneurial intention of individuals. The author is attracted towards the topic of this research as it have the potential to find out the reason why an individual would want to be an entrepreneur and how to motivate an individual to become an entrepreneur by activating their entrepreneurial intention and if the results came out as predicted, it could help families that want to pursue an entrepreneurial career to motivate one another. The author expects to see a positive correlation between family environment and the entrepreneurial intention of an individual.

Moreover, the author was able to use multiple resource and specifically a study made by (Moussa & Kerkeni, 2021) which analyzes the role of family environment in the development of entrepreneurial intention on young Tunisian students. This study is the replication of the study made by (Moussa & Kerkeni, 2021) in order to analyze how substantial is the impact of family environment on the development on an individual's entrepreneurial intention.

## **1.6 Scope of the Study**

This study explores a total of six variables which consists of five independent variables and one independent variable. Parental promotion of independence and volitional functioning, entrepreneurial role model, and family's social and financial capital support for entrepreneurship act as independent variables whilst entrepreneurial intention acts as a dependent variable. The object of this study will be university students in Indonesia.

## **1.7 Organization of Thesis**

Furthermore, the content of the study will be reflected as shown:

**Chapter 1** – Introduction, research background, problem formulation and research objectives.

**Chapter 2** – Literature review, definition of the variables used (Entrepreneurship, family environment, parental support for autonomy, promotion of independence, promotion of volitional functioning, entrepreneurial role model, social capital and financial capital), the connection of the independent variables towards entrepreneurial intention, hypothesis development and theoretical framework.

**Chapter 3** – Methodology and pre-test data collection and processing results.

**Chapter 4** – Real test data collection and processing results.

**Chapter 5** – Conclusion, implications, limitations and suggestions for future research.