

# The Influence of Entrepreneurial Education, and Family Background on Entrepreneurship Intention with Self-efficacy as a Mediating Variable in Final Year Undergraduate Students in Jakarta

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## ABSTRACT

This study aims to examine the predictive ability of entrepreneurship education and family backgrounds on entrepreneurship intention through self-efficacy. Data was collected with the questionnaire and analyzed with SEM-PLS in order to know the predictive and mediation ability of each observed variables. The results of this research show that self-efficacy doesn't mediate the relationship between entrepreneurship education and entrepreneurship. Self-efficacy only mediate relationship between family background and entrepreneurship intention of final year undergraduate in Jakarta. Entrepreneurship education itself doesn't predict entrepreneurship intention. The implications of the results of this study are primarily aimed at entrepreneurial educators in designing more effective learning curricula to build entrepreneurial intentions.

**Keywords:** *Entrepreneurial education, family background, self-efficacy, entrepreneurship intention*

## 1. INTRODUCTION

According to Central Statistics Agency (BPS), in February 2018 unemployment has fallen to 5.13 percent or decreased by 40 thousand people in the past year [1]. In the aggregate the level of open unemployment does decline, but seen from the level of education, more diploma and university graduates are unemployed. Still according to BPS data, in February 2018 the number of unemployed graduates of diploma I / II / III rose by 1.57 percent to 7.92 percent and the number of unemployed university graduates rose by 1.33 percent to 6.31 percent [1].

There are number of factors that are considered to cause an increase in educated unemployment namely skills that are not in accordance with what is needed, lack of work experience, high income expectations, the desire to get higher status and other factors [2]. Therefore, someone tends to have a desire to start a new business but according to Krueger [3] sometimes in the process many entrepreneurial activities involve taking risks and managing difficult things. As a result, one's personality tends to waver and prefers to find work. Seeing this, it can be said that to start entrepreneurship does not only depend on desire but more on intention [4].

Ajzen said that entrepreneurial intentions are assumed as an indication of how hard people want to try, how much effort

is planned to carry out entrepreneurial behavior [3]. Someone who has an entrepreneurial intention will do everything they can to run their business towards success. The more efforts made the greater the entrepreneurial intentions of the individual.

According to Thompson [5] entrepreneurial intentions can be defined as a self-recognized belief that someone intends to establish a new business venture and consciously plans to do so at some point in the future. There are several factors that affect one's entrepreneurial intentions such as entrepreneurship education, self-efficacy, family background, personality, commitment, gender and other factors [4].

DeTienne and Chandler said that entrepreneurship education is the transfer of knowledge in business creation and management for students with a view that can arouse their interest in business creation [3]. The knowledge possessed through entrepreneurship education can be a driving force for developing greater intention to engage in entrepreneurship. Entrepreneurship education can be explained through two factors, namely entrepreneurship knowledge acquisition where a person has basic knowledge about the risks to be faced, how to solve difficult problems and develop abilities in opportunity recognition where one can recognize opportunities and take advantage of them [3]. According to Drnovsek *et al* [3] entrepreneurial self-efficacy can be interpreted as an entrepreneurial belief in

his ability to succeed in certain entrepreneurial situations or tasks. An entrepreneur who has high self-efficacy tends to have a strong intention towards entrepreneurial activities. Zhao *et al.* [3] express that someone whose self-confidence in entrepreneurship is influenced by self-efficacy through entrepreneurship education which is enhanced by knowledge of business making and the introduction of opportunities can increase entrepreneurial intentions. Study at a major British university revealed that self-efficacy influences the relationship between entrepreneurship education and entrepreneurial intentions [6]. Puni, Anlesinya and Korsorku [3] also revealed that self-efficacy mediates the relationship between entrepreneurship education and entrepreneurial intentions. The family plays a big role in influencing the child's intention to start a business [4]. A child whose family background is an entrepreneur is very likely to be involved in the family business. Especially if children get an important role in the business so that the possibility to have strong preferences in entrepreneurship in the future is very high. Carr and Sequeira [7] support the view that family background plays a major role in shaping entrepreneurial intentions. A child who gets an important role in his family's business gets experience about entrepreneurship from his parents who are considered as role models or role models [4].

According to Bandura [8] the source of self-efficacy can come from several things, one of which is vicarious experience, namely self-efficacy that comes from our observations of the experiences of others that we consider to be role models. The success of role models namely parents in entrepreneurship will increase a child's self-efficacy in entrepreneurship. Thus, it can be said that self-efficacy can mediate the relationship between family background and entrepreneurial intentions.

The aims of this research are to empirically examine the ability to directly predict entrepreneurial education and family background on entrepreneurship intentions and empirically examine the predictive ability of entrepreneurial education and family background on entrepreneurship intentions through self-efficacy. The results of this research can be input for the world of higher education in developing an entrepreneurial curriculum that considers education, family background and efficacy in building student entrepreneurial intentions and increase the number of references for future research to the influence of entrepreneurship education and family background on entrepreneurship intentions where self-efficacy is a mediating variable.

## 2. LITERATURE AND HYPOTHESIS

According to the Kauffman Center for Entrepreneurial Leadership [9] entrepreneurial education is a process that provided the knowledge and skills for the individual to grasp the opportunity that others do not notice and a process that trained students with insight and self-confidence in the others' undecided issues.

According to Thompson [5] entrepreneurial intentions are defined as a self-acknowledged conviction by a person that they intend to setup a new business venture and consciously plan to do so at some point in the future.

The knowledge possessed through entrepreneurial education can be a driving force for developing greater intention to engage in entrepreneurship. Puni *et al.* [3] in their research shows the positive effect of entrepreneurial education toward entrepreneurship intentions. The first hypothesis (H1) is defined as entrepreneurial education can positively influence entrepreneurship intentions.

Self-efficacy is the belief that a person has sufficient ability and capability to excel in what he or she decides or wants to achieve [8].

In terms of entrepreneurship someone who has high self-efficacy tends to have a strong intention towards entrepreneurial activities. Farrukh, Khan, and Soladoye [4] shows that self-efficacy has positive effect toward entrepreneurship intentions. The second hypothesis (H2) formulated as self-efficacy can positively influence entrepreneurship intentions.

"... a family where other family members, most notably the mother or father have started and run their own business ..." [10]. Individuals who are other family members, especially fathers or mothers, start and run their own businesses can be said to have an entrepreneurial family background. A child whose family background is an entrepreneur is very likely to be involved in the family business. Especially if the child gets an important role in the business so that it is likely to have strong preferences in entrepreneurship in the future. Prieto, Wang, Hinrichs and Aguirre-Milling [11] in their research found that family background positively predicted entrepreneurship intentions. The third hypothesis (H3) is formulated as family background can positively influence entrepreneurship intentions.

Entrepreneurship education given from the beginning can increase insight and skills in obtaining opportunities, with the development of knowledge and skills, the level of effectiveness will also increase and then increase entrepreneurial intentions. Puni *et al.* [3] found the positive effect of entrepreneurial education toward entrepreneurship intentions through self-efficacy so that the fourth hypothesis (H4) is defined as entrepreneurial education can positively influence entrepreneurship intentions through self-efficacy.

According to Carr and Sequeira [7] family background is a key element to building the informational requirements and behavioral skills necessary for self-employment, with existing skills, the level of confidence will also increase for self-employment. The prediction capability of family background toward entrepreneurship intentions through self-efficacy is shown by Weiser and Riggio [12] in their research so that the fifth hypothesis (H5) formulated as family background can positively influence entrepreneurship intentions through self-efficacy.

## 3. METHOD

Descriptive cross-sectional is chosen as the research design of this research which data collected once in May 2020. The described subject is a final year undergraduate students in Jakarta, specifically class of 2015, 2016 and 2017, while described objects are entrepreneurial education, family background, self-efficacy, and entrepreneurship intentions. Sampling method in this research is non-

probability purposive sampling of 100 respondents, considering an unlimited number of population and none existed sampling framework. The data is collected using a questionnaire survey with an interval scale which is divided from 1-5 Likert's scale (1 for very disagree, 5 for very agree).

Entrepreneurial education is measured with eight statements, which is entrepreneurship education provides lessons on how to generate business ideas, entrepreneurship education allows me to recognize alternative career choices, entrepreneurship education enhances my ability to recognize business opportunities better in my environment, entrepreneurship education is able to make me solve economic and social problems in my environment, education entrepreneurship gives me a sense of independence, entrepreneurship education provides the skills, knowledge and competencies needed to build, develop, and manage new businesses, entrepreneurship education allows me to identify traits of successful entrepreneurs, entrepreneurship education has increased my understanding regarding how to obtain a source of capital to start a new business [3]. Family background is measured with five statements, which is parents provide views and examples of how to become entrepreneurs from an early age, parents provide support in making entrepreneurial decisions, parents provide financial support in entrepreneurship, high attention from parents motivates me to entrepreneurship, according to my family background (entrepreneurial family) is very supportive to start entrepreneurship [13]. Self-efficacy is measured with five statements, which is I am sure that I can handle unexpected events, I can remain calm when facing difficulties because I can rely on my abilities, when I am faced with problems, I can usually find some solutions. If I am in trouble, I can usually think of solutions, I usually can handle everything [4]. Entrepreneurship intentions is measured with five statements, which is I want to make a business in the future, my professional goal is to become an entrepreneur, I am ready to do anything to become an entrepreneur, I am very seriously thinking about starting a business, I will make every effort to start and run my own business [3].

#### 4. DATA ANALYSIS

The data of this research is analyzed with Structural Equation Modelling approach with the consideration of a small number of the sample, and model complexity which contains two mediations. Structural Equation Modelling in this research is analyzed with PLS outer model to measure validity and reliability and inner model to examine the hypothesis. Reliability of this research is examined using Cronbach's alpha ( $\geq 0.7$ ), composite reliability ( $\geq 0.7$ ), and *loading factor* ( $\geq 0.5$ ) [14]. While the validity of this research is examined using average variance extracted ( $\geq 0.5$ ), cross loading (loading value higher than cross loading) [14].

Subsequent to reliability and validity in outer model fulfilled, there is a few step to examine the hypothesis in inner model which are model predictability with Q square ( $> 0$ ) and model validity with R square ( $\geq 0.1$ ), effect size

( $\geq 0.02$ ), path coefficient and mediation examination (t statistic  $\geq 1.96$  or p value  $\leq 0.05$ ) [14].

### 5. RESULT

#### 5.1. Validity and Reliability (Outer model)

All of the indicators has a loading factor higher than 0.5 which are valid [14]. All of the variable average variance extracted is also higher than 0.5, specifically 0.807 for self-efficacy, 0.717 for entrepreneurship intentions, 0.674 for family background and 0.589 for entrepreneurial education which are also valid [14].

All of the variable composite reliability of this research is higher than 0.7, specifically 0.954 for self-efficacy, 0.927 for entrepreneurship intentions, 0.911 for family background and 0.919 for entrepreneurial education and all of the variable Cronbach's alpha of this research is higher than 0.7, specifically 0.940 for self-efficacy, 0.901 for entrepreneurship intentions, 0.878 for family background, and 0.910 for entrepreneurial education. This indicated that all the variables and indicators in this research are valid and reliable.

#### 5.2. Data Analysis

According to R square analysis to predict the strength of a model, the correlation between entrepreneurial education and family background toward self-efficacy, and entrepreneurial education and family background toward entrepreneurship intentions are enough with the value of 0.372 and 0.435 [14]. While Q square of self-efficacy is 0.245 and entrepreneurship intentions is 0.242 higher than 0, hence that the model is relevance [14].

Based on path coefficient analysis showed on table 1 entrepreneurial education can predict entrepreneurship intentions positively but not significantly with t statistic value of 1.775 which is lower than 1.96 and coefficient value of 0.201 so that the first hypothesis (H1) is not supported by data. In the same time, self-efficacy can predict entrepreneurship intentions positively and significantly with t statistic value of 2.387 which is higher than 1.96 and coefficient value of 0.286 so that the second hypothesis (H2) is supported by data. Family background also can predict entrepreneurship intentions positively and significantly with t statistics value of 2.286 which is higher than 1.96 and coefficient value of 0.296 so that the third hypothesis (H3) is supported by data. T statistic of the fourth hypothesis (H4) is lower than 1.96 which is 1.655, while the coefficient value is 0.071 which mean the fourth hypothesis (H4) is not supported by data. According to Ghazali and Latan [15] the model has no mediation. Therefore, self-efficacy doesn't mediate the relationship between entrepreneurship education and entrepreneurship intention.

The fifth hipotesis (H5) is also supported by data with t statistic value of 2.084 which is higher than 1,96 with a coefficient value of 0.123 and have partial mediation [15]. Therefore, self-efficacy mediates the relationship between family background and entrepreneurship intention.

Table 1. *Path Coefficient Test*

	Coefficient	T Statistics	Significancy
SE ->EI	0.286	2.387	Significant
FB -> SE	0.429	4.564	Significant
FB -> EI	0.296	2.286	Significant
EE -> SE	0.250	2.282	Significant
EE -> EI	0.201	1.775	Not Significant
FB -> SE-> EI	0.123	2.084	Significant
EE -> SE -> EI	0.071	1.655	Not Significant

## 6. DISCUSSION

Entrepreneurial education can predict entrepreneurship intentions positively but not significantly toward final year undergraduate students in Jakarta, so that the first hypothesis (H1) is not supported by data. The insignificant results of this research can be caused by several factors such as online data collection techniques which have weaknesses such as the difficulty of ascertaining whether respondents respond to questions in earnest and respondents who pay less attention to the questionnaire given so that they tend to be careless in answering.

Self-efficacy also can predict entrepreneurship intentions significantly and positively toward final year undergraduate students in Jakarta. In other word, the second hypothesis (H2) is accepted, in line with the research conducted by Puni *et al* [3], Farrukh *et al* [4] and Prieto *et al* [11] who demonstrates that self-efficacy positively and significantly predict entrepreneurship intentions.

Hypothesis testing reveals that the third hypothesis (H3) is supported by data, family background can predict entrepreneurship intentions significantly and positively toward final year undergraduate students in Jakarta. In line with the research conducted by Farrukh *et al* [4], Prieto *et al* [11] and Galvão *et al* [16] who discover that family background can positively and significantly predict entrepreneurship intentions.

The fourth hypothesis (H4) analysis shows that self-efficacy doesn't mediate the relationship between entrepreneurship education and entrepreneurship intention. The insignificant results of this research can be caused by several factors such as the weakness of online data collection techniques, namely the difficulty of ascertaining whether the respondent's answer is careless or not. The results of this study aren't in line with research from Puni *et al* [3] which states that the effect of entrepreneurship education on entrepreneurial intentions through self-efficacy has a positive effect. The results of this study state that the mediation of self-efficacy is categorized as no mediation because according to Ghazali and Latan [15] if the value of indirect effect ( $X \Rightarrow M \Rightarrow Y$ ) of the mediation relationship has a T-statistics value  $< 1.96$  has the effect of no mediation.

The fifth hypothesis (H5) is also accepted, so self-efficacy mediate the relationship between family background and entrepreneurship intention. The results of this study support the Social Cognitive Theory that the family environment is the closest to students, in this case students who have an entrepreneurial family background will either directly or indirectly gain knowledge, experience and skills regarding entrepreneurship, the experience will increase self-confidence and then influence entrepreneurial intentions. The results of this study state that the mediation of self-efficacy is categorized as partial mediation. So the sixth hypothesis is supported by data

## 7. CONCLUSION

The results of this research demonstrate that entrepreneurial education can positively predict entrepreneurship intentions, self-efficacy can positively predict entrepreneurship intentions, family background can positively predict entrepreneurship intentions, and family background can positively predict entrepreneurship intentions through self-efficacy.

There are a few limitations in this research, such as the scope (only in Jakarta) and variables observed, so caution is needed to generalize the results of this study. Future research is suggested to utilize wider scope or use another variable such as gender and commitment.

The implications of the results of this study are primarily aimed at entrepreneurial educators in designing more effective learning curricula to build entrepreneurial intentions

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