

Self-Efficacy as a Factor of Entrepreneurial Intention

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Abstract

This study aims to analyze entrepreneurial intention that is influenced by self-efficacy owned by a person based on the theory proposed by Bandura. Self-efficacy beliefs determine how people feel, think, motivate themselves and behave. Such beliefs produce diverse effects through four main processes namely cognitive, motivational, affective, and selection processes. Self-efficacy can be developed by four main sources; Personal Experience, Role Model, Social Persuasion, and Psychological and Emotional Conditions Entrepreneurial intention has a relationship to a person's behavior. Self-Efficacy is closely related to actions that are influenced by one's feelings, way of thinking, and motivation. Self-efficacy possessed by a person can determine how a person can take opportunities with the abilities possessed. The determining factors of success and failure and how a person can immediately rise from failure are also greatly influenced by the self-efficacy possessed. The determination of one's career and desire to succeed and succeed depends on the self-efficacy a person has, including the desire to start a business. The higher a person's self-efficacy, the higher the chance of the person being able to decide whether his desire will be successfully achieved or not based on the abilities possessed.

Keyword: Self-Efficacy; Entrepreneur; Entrepreneurial Intention

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INTRODUCTION

The assumption that entrepreneurship is not a proud job choice is still a problem in the mindset of Indonesian people. Most parents still think that being an employee in a company or becoming a State Civil Apparatus (ASN) will have pride in the family. Even though the number of jobs in Indonesia is very limited compared to the number of undergraduate graduates it increases every year. So that the government encourages young scholars to open their businesses.

The economic development of a country is also influenced by a large number of entrepreneurs in the country. Indonesia also managed to get out of the economic crisis in 1998 due to the large number of small and medium entrepreneurs who helped the Indonesian economy. Business education is expected to foster the desire to open new businesses for the younger generation. Because in addition to affecting the economic growth of a country, entrepreneurship can also help the government in opening new jobs to reduce educated unemployment in Indonesia. According to the Global Entrepreneurial Monitor 2022/2023, successful entrepreneurship can drive economic recovery, and help create innovative business models (Hill, 2023). The act of starting a new business is a highly individualized outcome and personal decision-making process. This process reflects individual attitudes as well as personal attributes such as knowledge, experience, values, and motivations, in addition to their access to resources (Hill, 2023). Several things characterize a person to become a potential entrepreneur, namely: *perceived opportunity, perceived capabilities, entrepreneurial intention, and rate of fear of failure* (GEM, 2017)

Entrepreneurship has been used as a material that is taught, both at elementary school, junior high school, vocational and general high schools, and in universities. The goal is that the thinking paradigm of students changes (Saiman, 2009). The government hopes to arouse the desire of the younger generation to be able to open their businesses so that jobs can be created. Entrepreneurship is expected to increase students' entrepreneurial desire and can stimulate the accumulation of abilities and knowledge, which can be used to overcome various subjective norms and constraints on company resources (M. Z. Solesvik, 2013). Education can influence a person's intention in making decisions, especially to start a new business. A person who has an inadequate level of education results in a feeling of inferiority and a feeling of uncertainty that they will be able to achieve social status stability one day (Hakim, 1998). Along with the times and advances in technology and education, the growth of interest in entrepreneurship is increasing. One of the factors that drive the growth of interest in entrepreneurship is entrepreneurship education.

The desire for entrepreneurship has several determining factors that scientists have recognized. Among several studies that have been conducted, the influence of education on entrepreneurial desire still has limitations. Most entrepreneurs in Indonesia are dominated by people who are old or have experience working and mothers who need additional family income. It is very rare to find young entrepreneurs who have just graduated from education. Because the average graduate of a vocational school or college wants to become an employee or employee. It is realized that in Indonesia becoming an entrepreneur has its obstacles. In addition to a worker-oriented mindset plus the lack of government socialization about business capital programs. Data from the Global Entrepreneurship Monitor (GEM) shows the ratio of differences in entrepreneurs by age.



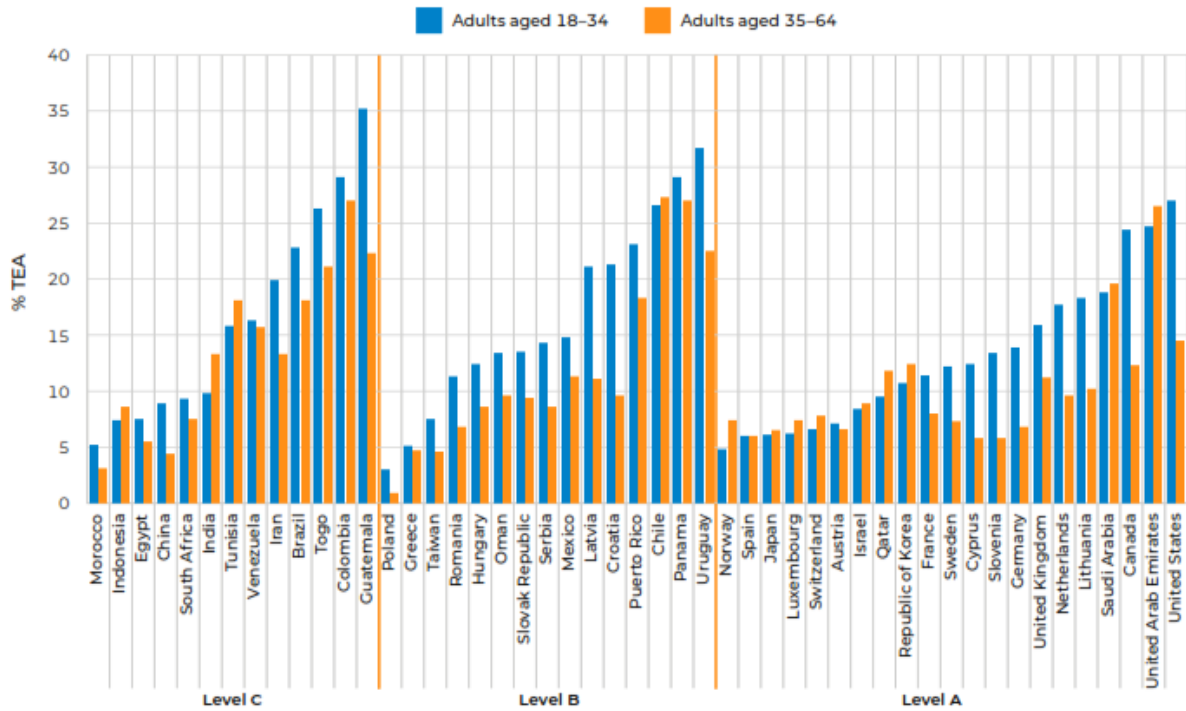


Figure 1. The Level of Total Early-Stage Entrepreneurial Activity (TEA)
 Source: GEM, 2023

Based on figure 1, it can be seen that entrepreneurs in Indonesia are still dominated by the age of 35-64 compared to young people. This shows that entrepreneurial intention is not entirely based on entrepreneurship education which is compulsory in Indonesia. A person has desire to start a business is influenced by many factors, such as experience, motivation, environment, ability, opportunity, and others that can affect the behavior of someone.

The entrepreneurial intention has a relationship to a person's behavior. This behavior is the result of psychological processes that will affect a person's mindset in taking action. The entrepreneurial intention has a relationship to a person's behavior. This behavior is the result of psychological processes that will affect a person's mindset in taking action. One of the things that drive the formation of behavior is education and age. Several studies have shown a positive relationship between education and the desire to start a business. Completion of one entrepreneurship program increases the likelihood of having an entrepreneurial desire by 1.3 times (Farashah, 2013). Individuals who participate in entrepreneurship programs tend to have the higher entrepreneurial motivation and are more likely to become entrepreneurs (M. Solesvik et al., 2014). The following is an overview of the Total Early-Stage Entrepreneur level based on differences in Education.



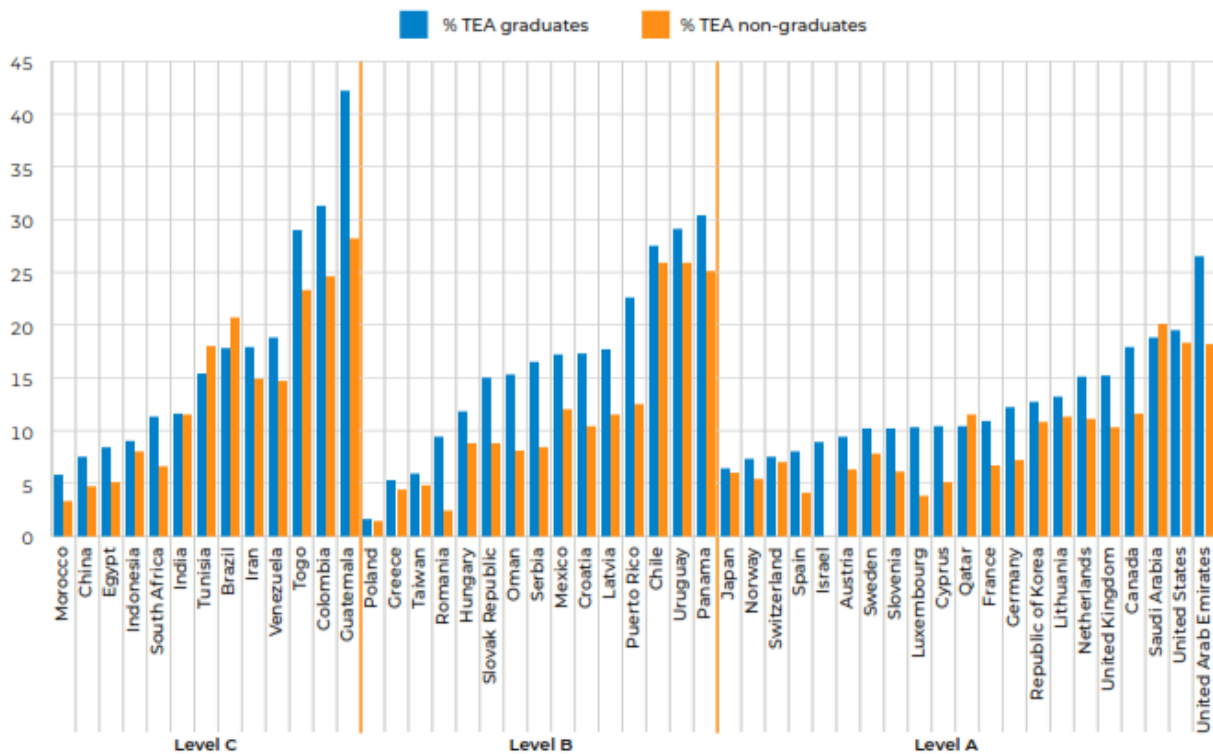


Figure 2. The Level of Total Early-Stage Entrepreneur for Graduates and Non-Graduates
Source: GEM, 2023

Based on figure 2 it can be seen that education determines whether the person has the desire to start entrepreneurship or not. Figure 2 presents the number who started entrepreneurship for the highly educated than the uneducated. This is very influential on a person's behavior pattern which will ultimately shape a person's desire to start entrepreneurship. Mc Stay (2008), states that *self-efficacy* is a dynamic construct that can be improved by learning and accumulation of knowledge and experience (as cited in Boukamcha, 2015). A person who has a high level of education tends to have high *self-efficacy*. *Self-efficacy* shapes a person's personality and confidence about one's beliefs and decisions in completing one's tasks. *Self-efficacy* is becoming an important construct in entrepreneurial research. However, there are shortcomings to self-efficacy and how to conceptualize measures of *self-efficacy*. It remains unclear whether *self-efficacy* focuses on tasks or outcomes (Drnovšek et al., 2010). Krueger et.al (2000) states the concept of *self-efficacy* is also closely related to entrepreneurial outcomes such as the intention to start (Drnovšek et al., 2010; Krueger, JR. Norris F., Reilly, Michael D., Carsrud, 2000). This will affect the emergence of one's intention to start entrepreneurship.

RESULTS AND DISCUSSION

(Bandura, 1977, 1999) states self-efficacy known as social cognitive theory or social learning theory is a person's belief that he or she can perform a particular task successfully (as cited by Lunenburg, 2011). Bandura states that the trust a person has in his ability to regulate a situation is based on circumstances that he considers favorable. *Self-efficacy* is closely related to actions that are influenced by feelings, ways of thinking, motivations, and



how the person acts (Bandura, 1999). The theory of *self-efficacy* was developed by Bandura and his colleagues to explain the different things that individuals have in achieving goals. Self-efficacy beliefs determine how people feel, think, motivate themselves, and behave. Such beliefs produce diverse effects through four main processes namely cognitive, motivational, affective, and selection processes (Bandura, 1998).

Self-efficacy can be developed by four main sources; First, the experience of mastery. This experience is owned by a person based on the successes and failures he experiences. Second, the maximum substitute experience is that a person sees the experience of others who are considered role models for their success and feels that they have the same ability. Social persuasion is a third way to reinforce a person's belief that they have the abilities needed to succeed. This is related to the motivation obtained from the environment. The stronger a person gets a boost in his ability that he will succeed, the higher the self-efficacy a person has. Finally, it depends on a person's psychological and emotional state in assessing their abilities. Someone who has a strong belief in their abilities and believes in success in completing work will have a high success rate and vice versa .(Bandura, 1998)

Self-Efficacy has three dimensions: *magnitude*, the degree of difficulty of a task that a person believes can achieve; *strength*, beliefs about the magnitude of strengths or weaknesses; and *generality*, the extent to which that general expectation occurs throughout the situation (Lunenburg, 2011). *Self-efficacy* or social cognitive theory also affects a person's choice of career. This is influenced by the behavior of a person's decision about his career choice based on the education that the person has. Bandura and Locke (2003) state research on self-efficacy shows that the higher the perceived *self-efficacy* to meet educational requirements and job roles, the wider the career options people consider pursuing, the greater the interest they have, the better they prepare educationally for a variety of occupational careers, and the greater their endurance in pursuing a career (Bandura & Locke, 2003).

The role of *cognitive learning* is also influential in entrepreneurship. Mitchell et.al (2002) defines *cognitive learning* in *entrepreneurship* as a knowledge structure that people use to make judgments, or decisions involving opportunity evaluation, business creation and growth. *Self-efficacy* in entrepreneurship has theoretically been proposed to lead to entrepreneurship and behavior (Barbosa et al., 2007; Boyd & Vozikis, 1994). Self-efficacy possessed by a person can determine how a person can take opportunities with the abilities possessed. The determining factors of success and failure and how a person can immediately rise from failure are also greatly influenced by the self-efficacy possessed. The determination of one's career and desire to succeed and succeed depends on the self-efficacy a person has, including the desire to start a business. The self-confidence of *efficacy* has a key role in personal motivation. People motivate themselves and direct their anticipatory actions with prior thought exercises. Motivation shapes people's beliefs about what they can do, anticipates the outcome of actions, and sets valuable goals and plans for the future (Bandura, 1998).

Intention plays a role to develop entrepreneurial activities and the ability to become a real entrepreneur (Moh. rusli, 2013; Mohamad, Noorkartina., Lim, Hock Eam., Soon,



2015). Entrepreneurial intention is a person's state of thinking that the person has the desire to create a new company or new value that drives the organization (Wu & Wu, 2008). The desire for entrepreneurship is an acknowledgment of their own belief that they intend to establish a new business venture and consciously plan to do so in the future (Thompson, 2009) Boukamcha, 2015). A person's desire or intention to perform a task and start something has a relationship to one's behavior. This behavior is the result of a psychological process that will influence a person to make decisions in starting something. The intention is based on the way a person perceives the state of the social and physical environment along with the way a person anticipates future outcomes as a result of his behavior. This process also contains self-efficacy, which is the result of social cognitive processes, and the development of *self-efficacy* is mainly influenced by experience, observational learning, social persuasion, and physiological perceptions derived from personal and contextual variables (Boyd & Vozikis, 1994). *Self-efficacy* moderates the relationship between the development of entrepreneurial intentions and the likelihood that those intentions will result in entrepreneurial activity or behavior. Entrepreneurial intentions will not always result in new businesses, only people who have high *self-efficacy* can see opportunities.

Self-efficacy is consistently shown as an explanatory variable for why people pursue a given task and persist in their efforts to succeed at it (Prabhu et al., 2012). Saraih et.al in their research on 345 students of public institutions showed high interest in entrepreneurial desires with self-efficacy as a moderator variable (Saraih, U. N., et al, 2017). According to (Segal et al., 2005) *self-efficacy* reflects an individual's belief in his ability to take action to achieve a goal. Therefore, it is not an objective assessment of abilities that drives behavior, but a subjective perception that motivates to act on *self-efficacy* in a person (Segal et al., 2005). (Boyd & Vozikis, 1994) say that a person's intention to open a business will be stronger when the person has a high level of *self-efficacy* as a result of experience, seeing role *models*, social persuasion, and high goal setting (Izquierdo & Buelens, 2011).

(Hutasuhut, 2018) in his research stated that there was a significant relationship between self-efficacy and entrepreneurial intention in 349 students of the Faculty of Economics (Hutasuhut, 2018). The survey was conducted on 114 students enrolled in different entrepreneurship courses at British universities. Results showed that higher *self-efficacy* was associated with lower entrepreneurial intent in theoretically oriented courses and higher entrepreneurial intent in practice-oriented courses (Piperopoulos & Dimov, 2015). The relationship between Self-Efficacy and entrepreneurial desire is also proven by (Yousaf et al., 2021) who state that there is a strong relationship between self-efficacy and entrepreneurial desire (Sameer, et. al, 2020).

Data was collected from 601 people in Iran by the Global Entrepreneurship Monitor (GEM). Use binary logistic regression to evaluate the relationship of variables. Results showed that completion of one entrepreneurship program increased the likelihood of having entrepreneurial intent 1.3 times. Wald's criteria indicate *self-efficacy*, education and training are significant predictors of entrepreneurial intention. The perceived



opportunity is not a strong predictor but moderate (Farashah, 2013). *Self-efficacy* shows how a person has the ability, confidence, and motivation toward a goal. A person who has high *self-efficacy* tends to have the confidence to succeed. In addition, *self-efficacy* also affects a person's career choices. A person usually tends to choose a career that suits their education and abilities. (Krueger, JR. Norris F., Reilly, Michael D., Carsrud, 2000) states that someone who has high *self-efficacy* tends to perceive existing business opportunities (Fayçal Boukamcha, 2015; Krueger, Jr., Norris F., Reilly, Mich., 2000). There is a positive relationship between entrepreneurship education and entrepreneurial intention with self-efficacy as a connecting variable, this study was conducted on students in Vietnam (Hoang et al., 2020). *Self-efficacy* in entrepreneurship, in theory, leads to entrepreneurial intentions and behaviors (Boyd & Vozikis, 1994). (Chen et al., 1998) empirically found a positive relationship between the intention to entrepreneurship (Barbosa et al., 2007).

CONCLUSION

Self-efficacy is a construct derived from Bandura's cognitive social theory. *Self-efficacy* determines how a person feels, thinks, motivates, and behaves to carry out a task. Someone who has high *self-efficacy* will usually be more motivated in developing a strong intention toward desired behavior. Proof of this theory has been proven by previous researchers. The results of the study show that Self-Efficacy influences a person's entrepreneurial intention. This happens because Self-Efficacy is a person's confidence in his ability that he can complete a job. Self-Efficacy is what then shapes a person's behavior to make decisions in completing their tasks. So that a person's decision to start a business depends on Self-efficacy that the person. The higher a person's self-efficacy, the higher the chance of the person being able to decide whether his desire will be successfully achieved or not based on the abilities possessed.

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