
The Determinants of Entrepreneurial Intention among Generation Z during Covid-19 Pandemic: Evidence from Indonesia

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Abstract

Generation Z, known as people who grow with technology, have a preference for starting their own business which is estimated to be different than other generations during the covid-19 pandemic. Understanding their behavior becomes very important because they will become the next generation that drives the economic sector. This study aimed to investigate the key determinants of entrepreneurial intention among generation Z during the Covid-19 pandemic. 225 data were collected through online tools and analyzed using partial least square – structural equation modeling. The finding indicates that entrepreneurial intention among generation Z is positively correlated and influenced by family's entrepreneurial tradition, profit orientation, and personality traits. This study used the family's entrepreneurial tradition and profit orientation as new variables which have received little attention to determine the entrepreneurial intention. The phenomenon of covid-19aa will bring new contributions to the field of management and entrepreneurship.

Keywords: Entrepreneurial intention, Generation Z, Covid-19 pandemic, Profit orientation, Family's entrepreneurial tradition.

I. INTRODUCTION

Covid-19 pandemic has caused significant impact on the economic sector due to the social distancing rules that force the closure of various types of business starting from start-up, micro, small and medium enterprises (SMEs), to large companies. Since its first case reported in Indonesia in March 2020, 84,20% of SMEs experienced significant losses [1].

The average daily turnover of SMEs was only 10 – 15 percent of normal conditions.

Business routines have certainly been altered as the disease spreads and grows. Majority of companies take such extreme measures to ensure business stability and survival during this uncertain time, such as reducing work hours, wages, and even the number of employees [1]. Declined in interaction and economic transmission is expected to continue to slow down the economy throughout the rest of the year [2].

Despite the negative impacts, the growth of new business ventures online is quite promising, supported by the ever-increasing online purchasing abilities and the constant development of several digitalized industries [3]. During this covid-19 pandemic, there was a significant increase for approximately 59% in the number of businesses entering the e-commerce market and 69% increase in the number of digital transactions [4]. COVID-19 has managed to force traditional business owners such as SMEs including traditional markets to move their ventures online. It means that social distancing rules have encouraged people to be innovative in doing their business.

Generation Z are young people that are highly adapted to technology and use it as their instrument [5]. The emergence of e-commerce during this pandemic is an interesting fact that majority of the business players are young people at aged 16 – 35 years old which is still considered as part of millennials and generation Z [6]. It is important to learn more about the behavior of generation Z because their characteristics are likely to be different than other generations which may have some changes in their behavior [7]. In addition, generation Z also will be the next drivers of the digital economy who prefer to start their own business [8].

There is some previous research that discusses Generation Z's characteristics and preferences toward entrepreneurial intention. Ozaralli and Rivenburgh [10] found that personality traits, such as optimism, innovativeness, competitiveness and risk-taking had correlation with intentions towards entrepreneurship (ITE) in the case of Turkish and American Students. Eysel and Ismet [11] conducted a study about entrepreneurial intention among undergraduate students in Turkey and found that personal attitude is positively correlated to entrepreneurial intention. The other study conducted by Ghazali, Nor, and Fakhrol [12] mentioned that personal traits are found to be significant on the entrepreneurial intention

among students in Malaysia. Ali and Emad [13] added that innovativeness and cultural valuation were found to be significant on entrepreneurial intention among students in Sudan.

In the context of Indonesian young people, only a few studies that tried to find the correlation between entrepreneurial intentions with personal factors. The study conducted by Cindy and Rodhiah [14] found that creativity, education and self-efficacy had positive relationships with entrepreneurial intention among generation Z. Devi and Grace [15] found that academic support, social support, personal traits, and social privilege had positive relationships with entrepreneurial intention among students in Surabaya.

However, the factors that influence them to start have not had their fair share of light in recent years in Indonesia yet. In addition to that, this study is a pioneer to further investigate the implication of Covid-19 pandemic on the entrepreneurial intention among generation Z. This study use family's entrepreneurial tradition and profit orientation as new variables. Family's entrepreneurial tradition is more likely to influence children's behavior in choosing their career whether entrepreneur or non-entrepreneur. In addition, covid-19 pandemic caused income losses in many businesses, it would be very interesting to see the relationship between profit orientation and entrepreneurial intention during this pandemic.

Therefore, this study aimed to fill the gap between practice and theory which further analyse the key determinants of entrepreneurial intention among generation Z using three independent variables, such as personality traits, profit orientation, and family's entrepreneurial tradition. The finding of this study is expected to give an insight for policymakers and the government about the opportunity for maximizing generation Z entrepreneurs' skills and provide a reference for academicians and students in the field of management, especially business strategy. In a crisis that changes the normal business management, personal resilience which is manifested in entrepreneurial attitude possessed by a businessman becomes a very important factor in managing a business [16].

II. LITERATURE REVIEW

One of the most important contributions to the early developments of life is the role of parents, families, and closed ones. Entrepreneurial intention can be influenced by a family's entrepreneurial tradition. When people have an exposure to family business, they are more likely to start their own business or choose to have a career as an entrepreneur [17, 18, 19]. The skills will be transmitted by parents through experience, knowledge, and guiding their children in career options through indirect behavior or direct resources [20]. Students which came from families with entrepreneurial backgrounds may feel pressured to develop

entrepreneurial intentions. For instance, a family which has an entrepreneur within its first two generations might pressure the third to continue their steps [21, 22]. Based on majority of the result, the hypothesis from this study would be:

H1: Family's entrepreneurial tradition has a positive effect on entrepreneurial intention among generation z during covid-19 pandemic

a. Personality traits

There have been many researches discussing the relationship between personality traits and entrepreneurial intention and they found consistent results [23, 24, 25, 26]. Personality traits are considered as a strong indicator to explain the personality of people when they choose their career. Personal characteristics also distinguish entrepreneurs with non-entrepreneurs. People who choose to be entrepreneurs have different personality traits than those who want to have a career in organization. [27] proved in his study that individuals with a high entrepreneurial intention would more likely start a business of their own than those who have lower intentions. People who start their own business have strong entrepreneurship traits, such as profit motivation. It refers to the need for people to make profit and improve in their purchasing and living standard. Based on majority of the result, the hypothesis from this study would be:

H2: Personality traits has a positive effect on entrepreneurial intention among generation z during covid-19 pandemic

H3: Personality traits has a positive effect on profit orientation among generation z during covid-19 pandemic

b. Profit orientation

Entrepreneurship is positively impacting the young as a way to increase living standards, employment rate, and even owning their own reason to success [28]. Previous study conducted by Douglas and Shepherd [29] found that entrepreneurial motives are correlated to their intentions of profit making. It is quite common to expect a specific return on investments and to increase the company's value all at once. This is referred to—often time—as a broad economic-oriented interest. This is supported by the fact that entrepreneurship has such high flexibility in terms of method, time, and resources. Previous study that discussed the entrepreneurial intention in Slovakia and found that they prefer to pursue 'Sole Traders-Entrepreneurs'. This refers to a course of independently pursued business actions on their own behalf for the purpose of earning profits under a trade license

[28]. In the context of covid-19 pandemic, the majority of businesses suffer from income losses. So, getting income could be one of the reasons to start a new business. Based on majority of the result, the hypothesis from this study would be:

H4: Profit orientation has a positive effect on entrepreneurial intention among generation z during covid-19 pandemic

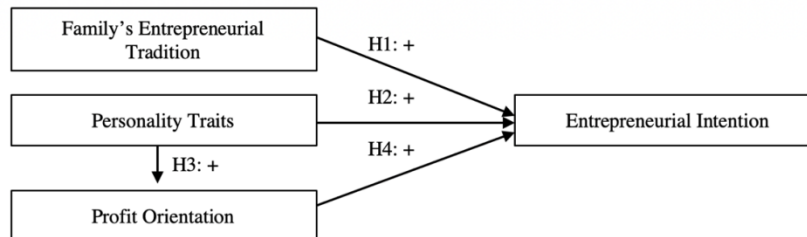


Fig. 1. Theoretical framework and hypothesis.

III. METHODOLOGY

a. Research Design

The objective of this study is to investigate the key determinants of entrepreneurial intention among generation Z during Covid-19 pandemic. Following [28] and [21], the dependent variable in this study is entrepreneurial intention, while the independent variables are family entrepreneurial tradition, personality traits, and profit orientation. This study used a quantitative approach with a survey method. Convenient sampling technique is employed in this study to get more respondents during the pandemic.

b. Data Collection Method

The primary data were collected through questionnaires using online tools. 280 questionnaires were distributed, but 225 data were valid. The questionnaires are divided into two sections. First section is demographic respondents, while the second section consists of variables used in this study. Five-point Likert scale is used to measure their inclination and preferences with a particular statement. The scale 1 (one) will represent the respondents' "strongly disagree" and 5 (five) will represent their "strongly agree". The measurement of this study are as follows:

Table 1. Measurements

Variables	Items	Sources
Family Entrepreneurial Traditions (FET)	My family encourage me to start my own business	Sung and Park (2018)
	I want to start my own business because one of my family members also has his/her own business	
	Starting a business has been a tradition in my family	
Personality Traits (PT)	I want to start my own business because I want to have control on my own time and decisions	Ghazali et al (2012); Eysel and Durmaz (2019); Wei-Loon (2012)
	I believe the business that I started will succeed	
	I feel innovative to start my own business	
	I can identify the potential value of an idea	
Profit Orientation (PO)	Starting a business will generate more money than being employed	Bajziková, et al., 2013; Stacho, et al., 2013
	I'm interested on how many works inside a business	
	I want to start a business because it generates a lot of money	
Entrepreneurial Intention (EI)	I often think about starting my own business	Ghazali et al (2012); Eysel and Durmaz (2019); Wei-Loon (2012)
	I would do anything to start my own business	
	My goal is to have my own business	
	I will start my own business in less than 5 years	

c. Data Analysis Method

Data were analyzed using partial least square. The analysis of this study consists of several steps. In the first step, goodness of fit test was used to determine the suitability of the model. [30] stated that the value of 0.6 is considered good. Followed by validity and reliability tests with the aim to measure the level of validity of the questionnaire and its ability to answer research questions. [31] mentioned that the value obtained from validity and reliability tests should be above 0.5. In the next step, hypothesis testing is performed to answer the research questions and achieve the research objectives using significance value 0.05% or 95% of significance level.

IV. RESULT AND DISCUSSION

a. Profile of Respondents

Below table shows the profile of respondents. The result found that 53.3% of respondents were male and 46.7% of respondents were female. In addition, most of the respondents are aged between 19 – 21 (68%), majority of respondents are educated to undergraduate (72.4%), and students (82,2%).

Table 2. Respondents' Profile

Demographic Variables		Frequency	Percent
Gender	Male	120	53.3
	Female	105	46.7
Age	16 – 18	21	9.3
	19 – 21	153	68.0
	22 – 24	51	22.7
Education	High School	4	1.8
	Diploma - 1	1	0.4
	Diploma - 3	57	25.3
	Undergraduate	163	72.4
Occupation	Students	185	82.2
	Employee	17	7.6
	Entrepreneur	14	6.2
	Freelancer	9	4.0

b. Reliability and Validity Test

Table 3 shows the result of the validity and reliability test. In terms of Cronbach's Alpha and composite reliability, the value of all variables is above 0.7 which is considered as reliable and can be used for further analysis in the research [32]. The value of average variance extracted (AVE) is above 0.5 which shows that the latent variable used in this study fulfills the requirement for validity. In addition, the result shows that the value of loading factor is above 0.5, it indicates that all questions are valid to explain the [31].

Table 3. Reliability and Validity Test

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Entrepreneurial Intention	0,741	0,754	0,837	0,564
Family's Entrepreneurial Tradition	0,805	0,809	0,884	0,718
Personality Traits	0,789	0,790	0,864	0,614
Profit Orientation	0,816	0,815	0,891	0,732

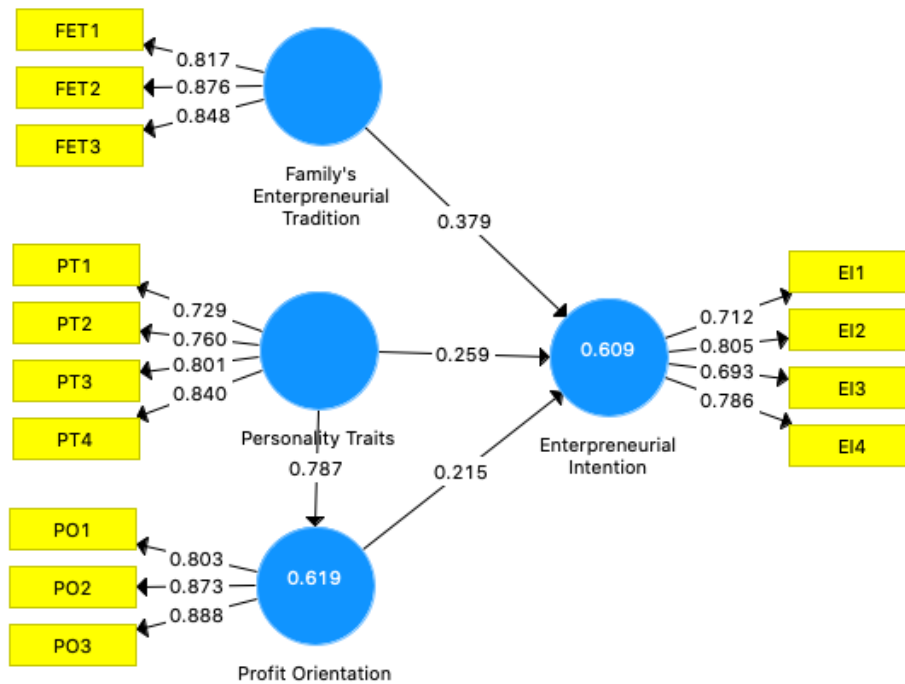


Fig 2. Outer Loading.

c. Multicollinearity Test

Table 4 shows the result for VIF. [33] stated that the common threshold for VIF is 5. Based on the result, this study passed the multicollinearity test.

Table 4. Collinearity Assessment (VIF)

	Entrepreneurial Intention	Family's Entrepreneurial Tradition	Personality Traits	Profit Orientation
Entrepreneurial Intention	0,000	0,000	0,000	0,000
Family's Entrepreneurial Tradition	2,538	0,000	0,000	0,000
Personality Traits	3,420	0,000	0,000	1,000
Profit Orientation	2,790	0,000	0,000	0,000

d. Structural Model

Table 5 shows the result of R-Square. The results show that the values of Entrepreneurial intention and profit orientation are all above 0.6, meaning that the model used is already good.

Table 5. R-Square

	R Square	R Square Adjusted
Entrepreneurial Intention	0,609	0,603
Profit Orientation	0,619	0,617

e. Hypothesis Testing

Table 6. Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Decision
Family's Entrepreneurial Tradition -> Entrepreneurial Intention	0,379	0,377	0,084	4,529	0,000	Accepted
Personality Traits -> Entrepreneurial Intention	0,259	0,259	0,086	3,024	0,003	Accepted
Personality Traits -> Profit Orientation	0,787	0,788	0,031	25,449	0,000	Accepted
Profit Orientation -> Entrepreneurial Intention	0,215	0,219	0,079	2,731	0,007	Accepted

Based on the result, hypothesis 1 is accepted because p-value (0.000) is lower than significant value (0.05) and t-value is 4,529 which means there is a positive and significant relationship between family's entrepreneurial tradition and entrepreneurial intention. This is

because families that have experience in running a business will transfer the experience, skills, knowledge to their children through direct or indirect ways. When there is higher exposure to the business in their family, there will be a higher intention for their children to follow their parents' steps, especially during this pandemic. They will have more confidence to start a new business compared to those who never get exposed to the business in their culture. The finding of this study is in-line with the study conducted by [17] and [21].

Hypothesis 2 is accepted because p-value (0.003) is lower than significant value (0.05) and t-value is 3,024 which means there is a positive and significant relationship between personality traits and entrepreneurial intention. This finding is in-line with the study conducted by [25] and [27]. Personality traits in entrepreneurship combined creativity and initiative with a high need for achievements. They are more likely to take risks compared to non-entrepreneurs. In relation to the covid-19 pandemic, this condition requires everyone to quickly adjust to new work or life patterns. People with entrepreneur characteristics will be more ready to accept this challenge in starting a new business idea. [34] added that a small business owner will perceive a crisis as either a growth vulnerability paradox and risk elasticity. In other meaning, the crisis will frame the personality of the entrepreneur to prevent themselves from taking uncontrolled risks (lack of control and lack of cash) that increases their financial crisis, but they also should be more flexible with the time.

Hypothesis 3 is accepted because p-value (0.003) is lower than significant value (0.05) and t-value is 25,449 which means there is a positive and significant relationship between personality traits and profit orientation. The study conducted by Shaver [35] stated that the reason people start a business in normal condition consist of customers orientation, growth in industry sectors, opportunity or potential, product or service itself, and uniqueness of the business. In a time of crisis, the situation is very uncertain and it affects people mindset to seek more potential in order to gain profit.

Hypothesis 4 is accepted because p-value (0.007) is lower than significant value (0.05) and t-value is 2,731 which means there is a positive and significant relationship between profit orientation and entrepreneurial intention. This is because financial consideration becomes one of the important factors in doing business during the crisis. When the majority of people lose their jobs, income, salary cuts, or even lose family during the pandemic, people will seek other opportunities to gain more income through new business ideas.

V. CONCLUSION AND RECOMMENDATION

The purpose of this study is to investigate the key determinants of entrepreneurial intention among generation Z during the Covid-19 pandemic. The result found that entrepreneurial intention was significantly influenced by the family's entrepreneurial tradition, profit orientation, personality traits. The study also found that profit orientation was influenced by personal traits in doing business. The results imply that the youth's intention to be entrepreneurs is strongly influenced by their internal factors during the covid-19 pandemic.

However, this study has some limitations. First, the variables chosen in this study only consider the internal factors. The future study is expected to expand the research by comparing the internal factors with external factors, such as government support, financial support, technology support, and others. Second, this sample size in this study is small compared to the population of Generation Z in Indonesia. Therefore, future study should collect a bigger sample in order to make the result more generalizable.

Despite the limitation, this study brings contributions to academicians and universities where they could emphasize and develop the curriculum by adding an entrepreneurial environment. Moreover, the finding also can be used by policymakers to develop policies and guidelines to prepare the new generation of entrepreneurs

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