

Factors Influencing on Entrepreneurial Intention of Economics Bachelor's Degree Students in Timor-Leste

Erna Suryani^a, Ni Luh Putu Wiagustini^b, Augusto Da Conceição Soares^c

^a Institute of Business (IOB), Timor-Leste

^b Institute of Business (IOB), Timor-Leste

^c Institute of Business (IOB), Timor-Leste

ABSTRACT

Entrepreneurial intention has been confirmed as the first step toward the initiation of a new business enterprise in the near or distant future, hence it is an important construct in the field of entrepreneurship that should be considered. Little empirical research on entrepreneurial intentions of students in developing countries such as Timor-Leste. Refers to Timor-Leste Financial Inclusion Report 2020 that financial literacy level of Timor-Leste society is still very low, the reasons not to borrow money are the limited access to loans, not being able to repay, and not fulfil the requirements. Therefore, this study fills the knowledge gap on entrepreneurship and focusing on the combination of financial literacy, perceived access to finance, and attitude toward entrepreneurship as determinants to entrepreneurial intention.

Keywords: entrepreneurial intention, financial literacy, perceived access to finance, and attitude toward entrepreneurship

I. INTRODUCTION

Entrepreneurial intention has been confirmed as the first step toward the initiation of a new business enterprise in the near or distant future, hence it is an important construct in the field of entrepreneurship that should be considered. Entrepreneurial intentions refer to the inner personal conviction individuals have regarding their being prepared/propelled to initiate a new business venture and continuously plan to accomplish this in future (Farrukh et al., 2018; Fayolle & Liñán, 2014; Ridha et al., 2017).

Most research on entrepreneurship (Fatoki, 2010; Marire & Dhurup, 2018; Mwatsika, 2015; Benediktus et al, 2018; Mengesha, 2020; Sharmila, 2021) have explored various factors that influence entrepreneurial intentions, such as financial literacy, entrepreneurial education, access to finance, attitude towards entrepreneurship, social environment, entrepreneurial orientation, innovativeness, and risk-taking (Ekpe & Mat, 2012; Fayolle & Liñán, 2014; Khuong & An, 2016; Liñán & Fayolle, 2015).

In addition, little empirical research on entrepreneurial intentions of students in Timor-Leste and based on the Timor-Leste Financial Inclusion Report 2020 shows that financial literacy level of Timor-Leste society is still very low, the reasons not to borrow money are the limited access to loans, not being able to repay, and not fulfil the requirements, therefore, the objectives of this study is to fills the knowledge gap on entrepreneurship and focusing on the combination of financial literacy, perceived access to finance, and attitude toward entrepreneurship as determinants to entrepreneurial intention.

Refers to Timor-Leste Financial Inclusion Report 2020, only 6% of adults can calculate a simple percentage correctly (10% of 100) and know the definitions of these basic financial terms: rate, risk, inflation, and diversification. 69% of adults mention that banks are not considered the most important form to save money, 33% of them said that keep the money at home is important rather than save money at the banks, a significant 22% do not save the money at all.

The Timor-Leste Financial Inclusion report 2020 shows that among the main reasons to borrow money are paying for education and paying for a health emergency. A concerning 20% of borrowers admitted getting a loan to pay another loan. Regarding the sources and forms to borrow money, the family's member or friends is the preferred source to borrow money, followed by banks, ODTIs, and Credit Unions. Among alternative methods to borrow money, buy small things (food, clothes) to pay later is very popular. A significant 33% of adults never borrow money, and they don't even consider credit sources. Avoid being indebted is the main reason to avoid borrowing. 30% do not need credit. Other reasons are the limited access to loans, not being able to repay, and not fulfil the requirements.

The reasons not to borrow the money from banks, ODTIs, and Credit Unions are they don't want to be indebted to others (80%), don't have enough money to repay loans (55%), 10% said they cannot access loans, they don't know enough about lenders in my area (9%), don't have a guarantor/collateral (6%). Tried to borrow money but they were denied (4%), 1% other household members borrow, so they don't need to and 38% have another reason. The report confirmed that the issues above due to a lack of awareness and knowledge, and a large proportion of the population is unable to access formal financial services that provide them with the means to create sustainable livelihood opportunities, making better choices, to improve their lives.

In addition of all the facts above, attitude toward entrepreneurship also playing an important role on entrepreneurial intention. The study by Iakovleva et al. (2011) has found that attendance of attitudes has been a significant predictor of student's entrepreneurial intentions, although the students in undeveloped countries scored higher on each attendance including attitudes. According to Ajzen (1985) postulated that the performance of an action by an individual is determined by the individual's intention to attain the behaviour, whilst the intention is based on the individual's attitude, subjective norm, and perceived behavioural control.

Based on the foregoing, in addressing the facts and research gap identified above, the main objective of this study was to determine the influence of financial literacy, perceived access to finance and attitude toward entrepreneurship on entrepreneurial intention of Timor-Leste's economics bachelor's degree students.

II. LITERATURE REVIEW

A. Theory of Planned Behavior

The understanding of behavior is a core concern of psychology (American Psychological Association, 2013) and, accordingly, the discipline has developed models of how to predict behavior. A model particularly useful for understanding behavior that is to some extent under volitional control is the TPB (Ajzen, 1988). The theory assumes that a behavior is best explained by an intention to try to perform the behavior (Ajzen, 1988: 132). Intentions, in turn, are shaped by attitudes, subjective norms, and perceived behavioral control. Attitudes are determined by beliefs that a certain behavior will lead to a favourable outcome. Subjective norms are determined by beliefs of important others (friends, family) about a certain behavior and the degree to which one tends to comply with these beliefs.

The theory of planned behaviour considers that intentions and behaviour are the results of the three predictors namely attitude towards the behaviour (Personal Attraction) refers to the degree to which the individual holds a positive or negative personal valuation about being an entrepreneur (Ajzen, 2002, Kolvereid, 1996). It would include not only affective (I like it, it makes me feel good, it is pleasant), but also evaluative considerations (it is more profitable, has more advantages). Perceived Social Norms would measure the perceived social pressure to carry out -or not to carry out- that entrepreneurial behaviour. It would refer to the perception that “reference people” would approve of the decision to become an entrepreneur, or not (Ajzen, 2001). In a selective comparison of ten investigations that tested the theory, Ajzen (2005:120) found that all three antecedents of intention made significant contributions to the prediction of intentions. Perceived Behavioural Control would be defined as the perception of the easiness or difficulty in the fulfilment of the behaviour of interest (becoming an entrepreneur). It reflects the ability and capability of the people to perform a particular behaviour (Ajzen, 1987, p. 44; 1991, p. 182; 2007, pp. 118-119).

B. Entrepreneurial Intention

Entrepreneurial intention is a decision or planning to form a new business. A person can be an entrepreneur based on his/her own capabilities and self-efficacy but their transition into an entrepreneur may not be possible because of weak intention. The definition that is adopted in this study is that entrepreneurial intention refers to a person's intention to start a new business at some point in the future.

That point of time could be or could not be reached in the future. The entrepreneurial intention is not a static category. The intention varies through the time and among individuals (Thompson, 2009). Furthermore, it is essential to make acceptance that entrepreneurship is intentional determinate activity. In addition, this implies that the behaviour of starting a new business is intentional activity and intentions are the strongest predictors of planned behaviour. In other words, intentions have the key function in the prediction of planned behaviour (Arjen 1991 as cited in Krueger & Carsrud, 1993).

C. Financial Literacy

Refers to OECD, 2021, financial literacy is knowledge and understanding of financial concepts and risks, as well as the skills and attitudes to apply such knowledge and understanding to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life. It also means the possession of knowledge and skills by individuals to manage financial resources effectively to enhance their economic well-being. Additionally, Mason and Wilson (2000) confirm that a financial literacy is a "meaning - making process" in which individuals use a combination of skills, resources, and contextual knowledge to process information and make-decisions with knowledge of the financials consequences of that decision.

Mandell, L et al (2007) point out two dimensions of financial literacy, i.e. (i) acquiring financial knowledge and skills, (ii) modification in financial behaviour. It is an on-going process throughout the entire life span of an individual (O'Neill, B et al, 1997). Financial literacy influences the quality of financial decisions at the individual level as well as the society level (Lusardi, A et al, 2011). From the definition given above, it can be concluded that financial literacy is an individual decision making that uses a combination of several skills, attitudes to apply such knowledge, resources, and contextual knowledge to process information and make decisions based on the financial risk of the decision.

D. Perceived Access to Finance

Finance is one of the most common types of resource that is relatively easy to convert into other types of resources. It is one of the critical issues responsible for most business failure and it constitute a factor restraining youth from venturing into a business.

Access to finance is the ability of individuals or enterprises to obtain financial services, including credit, deposit, payment, insurance, and other risk management services. Those who involuntarily have no or only limited access to financial services are referred to as the unbanked or underbanked, respectively. Accumulated evidence has shown that financial access promotes growth for enterprises through the provision of credit to both new and existing businesses.

Financial Inclusion report 2020 of Bank Central Timor - Leste mention that the first step on the financial inclusion path is facilitating access to financial services through geographic distribution of brick-and-mortar branches, offices, and other distribution channels. The total number of financial services access points in Timor-Leste jumped from 1,642 to 4,925 during 2019 and 2020, a remarkable 200% increase. Most of the growth resulted from the increased network of e-wallet agents across the country, all types of financial services, except insurance, increased their number of access points since 2018.

E. Attitude toward Entrepreneurship

Research advocates that the success of entrepreneurship as a process can be highly attributed to attitudes towards this process. Attitudes play a critical role in shaping innovation and behaviour of individuals. The Global Entrepreneurship Monitor (GEM) global report Basu, A. & Virick, M. (2008) define entrepreneurial attitudes as attitudes towards entrepreneurship. It is about the extent to which people think there are good opportunities for starting a business. Attitudes play an important role in establishing entrepreneurial activity within a population.

The attitudes relevant to entrepreneurship includes willingness to bear the level of risk that individuals might be willing to bear and individuals perceptions of their own skills, knowledge, and experience in business creation. However, Schultz & Oskamp, 1996 mentioned that entrepreneurial attitude is not just a matter of personal perception, but it is an individual feeling, thought and conations toward entrepreneurship. It is considered as a function of value, belief, and favourability of entrepreneurship. Attitude is the reaction of an individual to an object in the environment, in the study of these objects is entrepreneurship. Cruz et al, (2015).

III. METHODOLOGY

A. Conceptual Framework

The independent variables (IV) included three measurements (Financial Literacy, Perceived access to finance, Attitude toward entrepreneurship). The dependent variable (DV) to be tested is the entrepreneurial intentions. In this study, the three variables will be used to test the influences on entrepreneurial intentions among bachelor's degree students in Timor-Leste.

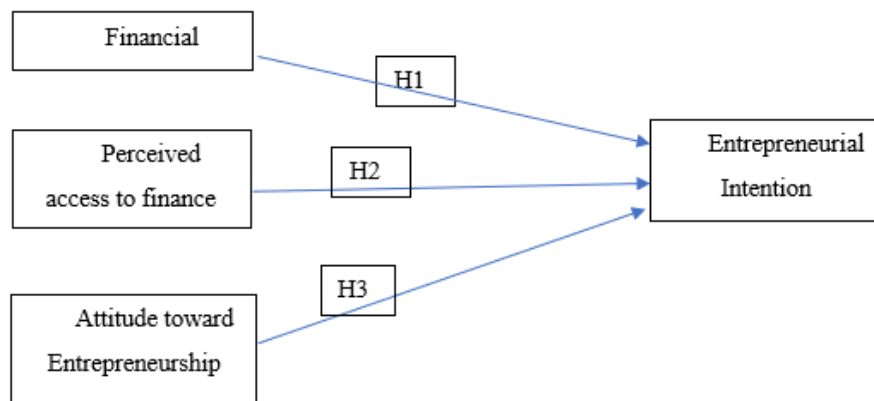


Figure 1. Conceptual Framework

B. Hypothesis

The hypothesis of this study is as followed:

H1: Financial literacy positively influences the Entrepreneurial Intention of economics undergraduate students in Timor-Leste.

H2: Perceived access to finance is positively related to entrepreneurial intention.

H3: Attitude toward entrepreneurship is positively related to entrepreneurial intention

C. Question Design and Data Collection

The study utilized questionnaires. The questionnaire was designed using a five-point Likert scale and it consisted of close-ended questions (structured). A five-point Likert scale ranging from strongly agree (SA) to strongly disagree (SD) was adopted and the respondents had to indicate their level of agreement/ disagreement on each statement.

This research was conducted among Economics bachelor's degree students in Timor-Leste. In this study, the target population comprised of 4,872 economics bachelor's degree students. This study uses the Slovin's formula with the error margin 5%. The sample in this study were 370 economics bachelor's degree students who came from public and private tertiary institutions in Timor-Leste and their maximum age is 24 years old. Sampling was carried out by accidental sampling, namely sampling who happened to meet the criteria and wanted to fill out a questionnaire to collect data from economics bachelor's degree students about their perspective of what the influence of financial literacy, perceived access to finance and attitude toward entrepreneurship on Entrepreneurial Intentions.

D. The Instrument of Validity Tests

Testing the validity of the instrument is calculating the correlation coefficient between item score and total score. Sugiyono (2010) states the criteria the tester used on the instrument is said to be valid if the R value ≥ 0.3 and correlation significance value $\leq$ of 95% or $\alpha = 0.05$. Instruments that valid is an instrument that can be used to measure what should have been measured.

E. The Instrument of Reliability test

A reliability test is a measure of the internal consistency of an indicator construct that indicates the degree to which each variable indicator identifies a common latent factor. Reliability testing is performed on the question items used in this study is by Cronbach's Alpha method. The value received for Cronbach's Alpha level is ≥ 0.60 despite this is not an absolute standard (Sekar, 2003).

F. Data Analysis Techniques

1) Descriptive Analysis

Descriptive statistical analysis includes age, gender, and respondents' responses to each statement on each research variables. In consistent with the study as descriptive research, therefore descriptive statistics is used to describe the tendency of respondents' responses to question items related to the research variables in the questionnaire.

2) Inferential Analysis

The data analysis method chosen to answer the purpose of this study is to use Structural Equation Modelling (SEM)-Partial Least Square (PLS). The SEM-PLS method has its own reliability, which is more flexible, can be used on models with small sample size data, and able to analyse models with great complexity (100-1000 indicators) Ghozali, (2011:5).

G. Measurement Model Testing (Outer Model)

The measurement model used is a model reflective measurement. Several criteria used for testing validity and reliability in reflective models are convergent validity, discriminant validity, composite reliability, and Cronbach's Alpha.

H. Structural Model Testing (Inner-Model)

The next stage of testing is to complete the inner model with the help of statistical methods of regression. Several criteria in inner model testing used in this study, namely: R-Square (R^2), Q-Square Predictive Relevance, and GoF (Goodness of Fit).

IV. FINDINGS AND DISCUSSION

A. Respondent Characteristics

The frequency distributed among students based on their gender. 178 of the respondents are male while 192 of them are female. The respondent characteristics in this research are based on university students between the age of 18-24, with most respondents being the age of 22-24. The frequency of the respondents within the age of 22-24 amounts to 119 people or 32%, while respondents within the age of 18-19 amounts to 98 people or 27%, and respondents within the age of 20-21 amounts to 153 people or 41%.

B. Validity Test

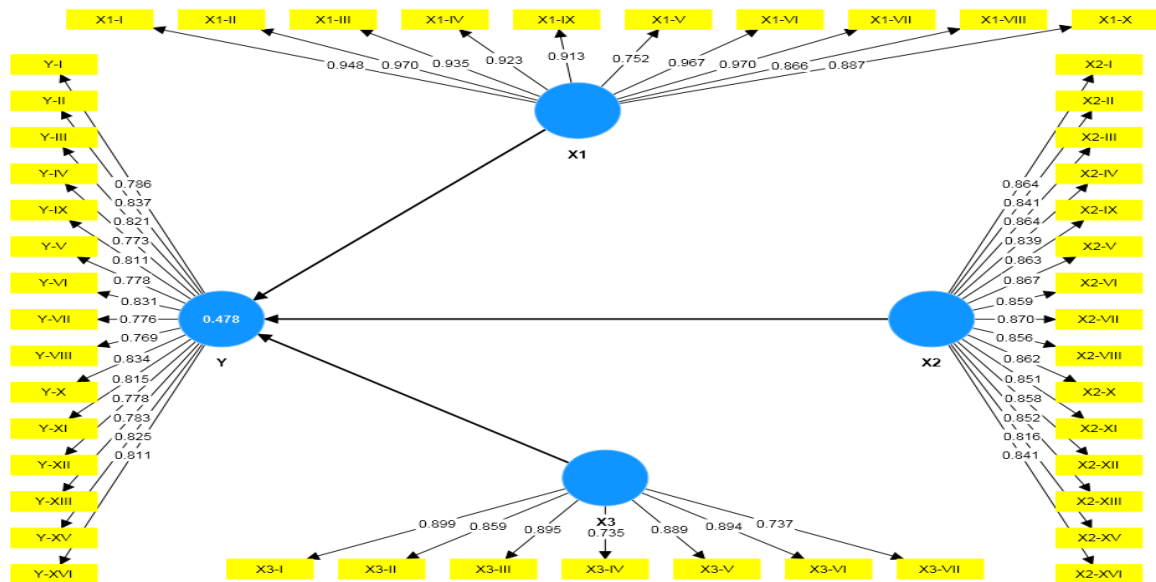
Answers from 370 respondents were used to test the validity of the instrument. The significance level used is 0.05. Based on the results of validity testing, all instruments can be declared valid because the correlation value (Pearson correlation) is positive and is greater than 0,1020 and the correlation probability value or sig. (2-tailed) < a significant level (α) 0.05.

C. Reliability Test

Based on the reliability tests presented, the Cronbach alpha value is greater than 0.60 so it can be concluded that the next analysis can be continued because all constructs used are reliable.

D. Outer Model Evaluation

The indicators on the latent variables in this study are all is reflective, so the evaluation of the measurement model is based on criteria convergent validity, discriminant validity, composite reliability, and Cronbach's Alpha



Source: Data Processed in 2023

Figure 2. Outer Model

E. Inner Model Evaluation

This research will explain the result of path coefficient test and hypothesis test.

1) Path Coefficient Test

Based on the data, R-Square score for entrepreneurial intention variable is 0,631. This score shows that the Entrepreneurial Intentions of Economics bachelor's degree students can be influenced by financial literacy, perceived access to finance and attitude toward entrepreneurship that amounts to 63,7%. Then it can be explained that all exogenous constructs (X_1 , X_2 and X_3) simultaneously affects Y (strong model).

2) Goodness off Fit Model

Based on calculations, the average ave is 0.673 while R^2 is 0.631. Then the GoF value can be calculated which is 0.673 or 67.3%. Because the result of the GoF value above. 0.36. Then the value is a large Gof value. The conclusion that can be drawn from the results of the Gof is that the performance between the structural model and the measurement model as a whole is very good, meaning that this model can be used with different cases.

F. Hypothesis Test

Table 1. Hypothesis Test

Hypothesis	Influence	T statistic	P values	Results
H1	$X_1 \rightarrow Y$	10.989	0.000	Accepted
H2	$X_2 \rightarrow Y$	0.913	0.361	Rejected
H3	$X_3 \rightarrow Y$	20.995	0.000	Accepted

Based on the data in Table 1 above, we can see that between the three hypotheses in this research, two X variables namely financial literacy (X_1) dan attitude toward entrepreneurship (X_3) are accepted. H1 and H3 are accepted as each of the influence shown to have P-Values score of > 0.05 . H1 is accepted as it has a P-value score of $0.000 < \alpha (0.05)$ and H3 has a P-value score of $0.000 < \alpha (0.05)$ which means variable X_1 and X_3 have a significant impact on entrepreneurial intention (Y). Meanwhile, perceived access to finance (X_2) variable has a P-value score of $0.361 > \alpha (0.05)$ which means perceived access to finance (X_2) doesn't have a significant impact on entrepreneurial intention (Y).

V. DISCUSSION

This study had three main objectives. This section will present the findings as per the objectives of the study.

1. The findings of this study indicate that financial literacy influence entrepreneurial intention which indicates that the higher the financial literacy, the higher the entrepreneurial intention of economics bachelor's degree students in Timor-Leste. Based on the results of this research, learning to increase financial literacy needs to be developed to be able to encourage students to be entrepreneurs. The higher financial literacy leads to better probability in continuing the entrepreneurship endeavours [Wise. S, 2013].
2. The findings of this study shows that the perceived Access to Finance doesn't influence the student's entrepreneurship intention which indicates that there is no relationship between perceived access to finance and the entrepreneurial intention of economics bachelor's degree students in Timor-Leste. The level of a student's entrepreneurship intention isn't determined by the level of perceived access to finance. The higher perceived access to finance, the level of entrepreneurship intention will not increase.
3. One study found that there are no direct relationship between perceived access to finance and social entrepreneurial intention, but that perceived access to finance indirectly increases entrepreneurial intention through attitude towards behaviour and perceived behaviour (Anne-Sofie Engelschiön, 2014) and confirmed by Phan Tan Luc, 2018 that perceived access to finance may not be a fixed dispositional feature that directly influences social entrepreneurial intentions; rather the effect of perceived access to finance on social entrepreneurial intentions is mediated through other factors such as attitude towards behaviour, perceived behavioural control.

The attitude toward entrepreneurship in this study shows that the result positively significant influences entrepreneurial intention. This means that the more students have positive views about attitude towards entrepreneurship, the stronger their intention to become entrepreneur. This result is consistent with Dohse and Walter (2009); Paço et al. (2011); Kolvereid and Tkachev (1999), Krueger et al. (2000), Frazier and Niehm (2006) which reveals the significant between attitude toward entrepreneurship and entrepreneurial intention. It indicates that the students have favourableness of being self-employed. When the students have a more positive view about the outcome of getting a business to be started, the more favourable their attitude toward the behaviour and subsequently, the stronger their intention to take the initiative to start-up a business.

VI. CONCLUSION AND RECOMMENDATION

A. Conclusion

Based on the research results and discussions, the research conclusions of this study are summarized as follows:

1. There is a positive and significant impact of financial literacy towards entrepreneurship intention as measured by this study. The higher the influence of financial literacy, the higher the entrepreneurship intention will become. Confirmed by Wise, S, 2013 that higher financial literacy leads to better probability in continuing the entrepreneurship endeavours.
2. Perceived access to finance as measured by this study has no effect on entrepreneurship intention or on economics bachelor's degree students in Timor-Leste. This means that a high perceived access to finance won't produce a higher entrepreneurship intention in economics bachelor's degree students in Timor-Leste. Confirmed by Anne-Sofie Engelschiøn, 2014 and Phan Tan Luc, 2018 that there is no direct relationship between perceived access to finance and social entrepreneurial intention, but that perceived access to finance indirectly increases entrepreneurial intention through attitude towards behaviour and perceived behaviour.
3. The absence of a direct impact of perceived access to finance on entrepreneurial intention suggests that perceived access to finance may not be a fixed dispositional feature. Despite the limitations, this study has generated some interesting findings of perceived access to finance. Identifying behavioural factors mediating the effect of a perceived access to finance on entrepreneurial intention will be more effective than considering the direct relationship between perceived access to finance and the entrepreneurial intention.
4. Attitude towards entrepreneurship shows a positive and significant impact between attitude on entrepreneurship and entrepreneurship intention which indicates that the higher the attitude toward the entrepreneurship, the higher the entrepreneurial intention of economics undergraduate students in Timor-Leste. This means that the more students have positive views about attitude towards entrepreneurship, the stronger their intention to become entrepreneur. This result is consistent with Dohse and Walter (2009); Paço et al. (2011); Kolvereid and Tkachev (1999), Krueger et al. (2000), Frazier and Niehm (2006) which reveals

the significant between attitude toward entrepreneurship and entrepreneurial intention. It indicates that the students have favourableness of being self-employed.

B. Recommendation

Based on the result, the writer acknowledges that there are still many limitations and imperfections within the research. However, we hope that this research can contribute many useful information to be used in the future:

1. For future research and studies, to examine this research more closely using samples from other universities, other faculties, using different research objects or even from citizens with the entrepreneurial intention to start a business as this research is still considered new and can add more variables outside this research as well as find other theories that can be applied directly to dependent variables.
2. Financial service providers to work more closely, crate a collaboration with key stakeholders with education service providers (Budgeting and planning, debt management, record keeping, saving and retirement planning) and others to promoting, developing, implementing, and scaling up Financial Literacy as the foundation for a well-functioning financial sector.
3. Financial service providers to consider reducing the bank lending rates especially to young entrepreneurs, and to small and medium business entrepreneurs.
4. Financial service providers to consider simplify the process and procedure of borrowing money at the bank including existing collateral especially to young entrepreneurs, and to small and medium business entrepreneurs.
5. Ministry of education should constantly improve the entrepreneurial education curriculum and system, carry out the target course design according to the market demand, reduce the theoretical courses, and shift the theory-based entrepreneurial courses to those oriented by increasing skills and practical experience, thus enabling students to acquire more practical and effective entrepreneurial knowledge, such as formulating entrepreneurial plans, registering, and managing enterprises, etc.
6. Universities and Government agencies should highlight how entrepreneurial competencies can be developed, pay attention to propaganda and atmosphere building in students to contribute to the future generation of entrepreneurs. For example, universities can widely publicize in the university newspapers, websites, broadcasts, and other campus media, regularly invite experts, scholars, and successful entrepreneurs to hold entrepreneurial lectures, thus enhancing the entrepreneurial motivation of college students. At the same time, universities should also focus on guiding college students to establish reasonable reference goals and avoid unrealistic fantasies.
7. It is important for both the public and private institutions, the schools, family, and friends to put efforts in influencing the person especially students on the attitudes of entrepreneurship positively. Positive attitudes lead to positive behaviours and future oriented. That is, firms with better entrepreneurship attitude have more competitive advantage than those with poor attitudes.

8. For all students who have intentions to become entrepreneurs, self-learning and become a constructive self-learner can help you develop important skills to become self-employed and gain valuable knowledge to use in multiple facets of your life. It's important to explore different approaches and techniques that can help you acquire and use new information.

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