Examining Entrepreneurial intention of Generation Z in Indonesia

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Abstract— This study aims to examine the entrepreneurial intentions of generation Z in Indonesia. This study reveals the factors that influence the entrepreneurial intentions of generation Z and analyzing the relationship between these factors. The study was conducted using the FGD method on young entrepreneurs of generation Z to obtain input on the conditions of young entrepreneurship, especially generation Z. Reviewing the previous related literatures on entrepreneurial intention research were used to obtain a selection of factors that influence entrepreneurial intentions among young people. Models and hypotheses were built based on input from FGDs and previous related studies and then they were tested using the questionnaire data from survey techniques. Data testing was carried out using descriptive statistical methods, validity tests, reliability tests, and correlation tests using SPSS. Analysis of individual respondent factors was also carried out to reveal the characteristics of generation Z. The causality test using correlation technic were used to reveal the relationships between the factors studied. The output of this study is a model of entrepreneurial behaviors (entrepreneurial intentions) of generation Z in Indonesia. The results of this study reveal that factors naming Attitude towards money, Entrepreneurship education, Advance in technology, and Entrepreneurship efficacy have association with Entrepreneurship Intention. All factors also have a relationship with each other. Surprisingly, the personal factor Gender only has a relationship with Entrepreneurship education. Men and women have different relationships; women have a stronger relationship with entrepreneurship education. Meanwhile, Age has no relationship with all factors in this study. These results provide insight to entrepreneurship educators, the government, and stakeholders regarding the progress of young entrepreneurship in Indonesia. This insight is useful in assisting young people, especially generation Z, in entering and engaging in the entrepreneurship.

Keywords— entrepreneurship intention, generation Z, young entrepreneurship, entrepreneurship education, Indonesia

1. **I. INTRODUCTION**

The Indonesia's economic conditions amidst the global economic slowdown showed a growth of 4.94% in the third quarter of 2023 (1). One of the pillars of this growth is from the business world. The Presidential Regulation of the Republic of Indonesia No. 2-2022 concerning the Development of National Entrepreneurship in 2021-2024 is committed to targeting an entrepreneurial ratio growth of 3.95% of the Indonesian population in 2024 (2). Meanwhile, the press release of the Coordinating Ministry for Economic Affairs of the Republic of Indonesia no. HM.46/52/SET.M.EKON.3/2/ 2022 stated that 35.5% of young people aged 15-35 years have the desire to become entrepreneurs (3). The BPS Indonesia data for 2024 states that the population of young people in the age range of 15-34 is 56.64 million (4).

Based on these data, it is interesting to examine the entrepreneurial intentions of young Indonesians, especially generation Z who are in the age range of 12-27 years. This study aims to conduct behavioral research on the entrepreneurial intentions of generation Z in Indonesia. What factors influence generation Z to have the desire to become entrepreneurs? How is the relationship between these factors so that they can become determining factors in the decision of entrepreneurial intentions? Together with the profile data of generation Z respondents who are the objects of the study, the output of this study will be useful for entrepreneurship educators, the government, and parties interested in increasing the seeds of young entrepreneurs to maintain and advance the Indonesian economy.

1. **II. Method**

This study starts with Focus Group Discussion on young entrepreneurs of generation Z to obtain input on the conditions of young entrepreneurship, especially on generation Z. Reviewing the previous related literatures on entrepreneurial intention research were used to obtain a selection of factors that influence entrepreneurial intentions among young people. Models and hypotheses were built based on input from FGDs and previous related studies and then be tested using the questionnaire data from survey techniques. Data testing was carried out using descriptive statistical methods, validity tests, reliability tests, and correlation tests using SPSS. Analysis of individual respondent factors was also carried out to reveal the characteristics of generation Z. The causality test using correlation technic were used to reveal the relationships between the factors studied.

1. **III. Proposed Model and Hypotheses**

This study conducted a focus group discussion (FGD) with generation Z, who own start-up businesses in beverages, cosmetics, and clothing, and an adviser of young business groups to determine the factors that influence Generation Z in their desire to become entrepreneurs. The result of the FGD is shown in Table 1. According to Table 1, the main motivation for Gen Z to become entrepreneurs is money and additional income. They also have a passion for exploration and creativity. The comparison of Gen Z with previous generations is that they are more familiar with technology. This factor will be a driver in generating motivation, which ultimately gives rise to the intention to become entrepreneurs. The last factor that drives Gen Z is the entrepreneurial efficacy created thanks to the entrepreneurial ecosystem in the family/school/university.

The results from the FGD are confirmed by previous literatures in entrepreneurial intention studies. The studies related to entrepreneurial intention [EI] in general and published on 2014 – 2022 had been conducted by [5], [10], [11], [12], [13], [15], [19], [21], and [23]. The authors employed factors having association with EI. On study conducted study on women’s entrepreneurship intention [15]. Other studies on young people’s intention to engage entrepreneurship conducted by [5], [7], [8], [9], [14], [16], [17], [18], [20], [22], [24], and [25].

Based on the result of FGD and previous related studies this study employs four factors naming Attitude towards money, Entrepreneurship education, Advance in technology, and Entrepreneurship efficacy to have association with Entrepreneurship Intension. This study also investigates the association of these factors to each other’s.

**Attitude towards money and Entrepreneurship Intension**

According to studies on entrepreneurial intention (EI) among students conducted by [7], (25), (20), (17) the student’s attitude has relationship with EI. Other studies also reveal that attitude have relationship with EI [8], [11]. Based on the results on these previous studies and FGD, this study proposes:

**H1:** Attitude towards money has association with Entrepreneurship Intension.

**Entrepreneurship education, Advance in technology, and Entrepreneurship Intension**

Entrepreneurship education is a prominent factor and it has become a concern for educational institutions in many countries. The studies conducted by [20], [9], [21], [19], [17], [16] reveal that Entrepreneurship

**Table 1. The FGD result of young entrepreneurs (Gen Z) and their adviser**

|  |  |  |
| --- | --- | --- |
| **Beverage start-up business** | **Clothing start-up business** | **Cosmetic start-up business** |
| Looking for additional income | have an economic motive for doing business | Entrepreneurial intention is due to the need for money and income |
| Business according to consumer desires, and does not require many resources. | began to realize the passion for entrepreneurship while in college | have habits and hobbies in entrepreneurship since childhood |
| Entrepreneurial intention due to family factors and friends | Parental support was lacking at the start of the business, but then became supportive as the business progressed. | Family and friends support the entrepreneurial intentions |
| Entrepreneurial intention due to entrepreneurial education | Entrepreneurship education during college is considered more to add to the track record of experience and application of theory. | Entrepreneurial ecosystem in educational institutions strengthens entrepreneurial intentions. |
| Time for business can be flexible | Time for business can be flexible | - |
| Social media technology for selling increases entrepreneurial intentions | The existence of social media and supporting technology makes entrepreneurship easier | Technology factors add motivation, inspired to start a business |
| The feeling of having entrepreneurial talent determines the intention to become an entrepreneur. | The courage factor to try entrepreneurship influences entrepreneurial skills | - |
| **Adviser SMEs:**  Factors that determine entrepreneurial intention: the need for money and additional income, entrepreneurial education in the family and school/university, technology that facilitates entrepreneurial activities, and the entrepreneurial ecosystem created in the family/school/university that encourages entrepreneurship efficacy. | | |

education has relationship with EI. Other study [18] has result on the indirect relationship among Entrepreneurship education and EI through entrepreneurship motivation [18]. Another study [24] states that knowledge of entrepreneurial skills also has a relationship with EI. Another factor, Advance in technology has a relationship with EI [19]. Based on these results, this study proposes:

**H2:** Enterpreneurship education has association with Entrepreneurship Intension

**H3:** Advance in technology has association with Entrepreneurship Intension.

**Enterpreneurship efficacy and Entrepreneurship Intension**

Previous related studies on the relation of entrepreneurship efficacy and entrepreneurship intension were conducted by [7], [10], [19], [20], [24], [25]. Other study [5] reveals that self-efficacy has indirect relation of entrepreneurship efficacy and entrepreneurship intension through entrepreneurial goal intention. Based on these results, this study proposes:

**H4:** Enterpreneurship efficacy has association with Entrepreneurship Intension.



**Figure 1. Proposed model**

This research instrument was designed using questionnaires to obtain data to test the proposed model or hypothesis. The questionnaire was prepared using questionnaires adapted from previous entrepreneurial intention studies. The indicators of entrepreneurship education factor were adapted form [27], [28], [Liñán, 2004], [Gurbuz & Aykol, 2008], and[Yeng Keat & Ahmad, 2012]. Attitude toward money were adapted from [26], [Chinyamurindi &amp; Shava (2019)]. Furthermore, Advance in technology was adapted from [28] and Entrepreneurship efficacy were adapted from [7], [28] and [Jiatong et al, 2021]. The last, entrepreneurship intention was adapted from [7], [8], [19], [Liñán & Chen, 2009], [Handayati et al, 2020].

1. **III. Results and Discussion**
2. **RESULT**

The Respondent of this study is generation Z in age range of 12 – 27 years old and the distribution of the respondent is shown on Table 2. Table 2 describes the mean of respondent is 20-year-old and the most of respondent is on age range of 16 – 21 years old (71.8%).

**Table 2. Distribution of Respondent**

|  |  |  |
| --- | --- | --- |
| **Age** | **Frequency** | **Percent** |
| 12-15 | 4 | 1.2 |
| 16-18 | 115 | 35.3 |
| 19-21 | 119 | 36.5 |
| 22-24 | 59 | 18.1 |
| 25-27 | 29 | 8.9 |
| Total | 326 | 100.0 |

The gender distribution of respondent is shown on Table 3. The distribution of males and females are quite balance, 56.4% for females and 43.6 for males.

**Table 3. Distribution of Respondent**

|  |  |  |
| --- | --- | --- |
| **Gender** | **Frequency** | **Percent** |
| Males | 142 | 43.6 |
| Females | 184 | 56.4 |
| Total | 326 | 100.0 |

Tables 4 and 5 show the results of the validity and reliability tests of the questionnaire instrument. Based on Table 5, the Cronbach's alpha value of all variables is more than 0.8, so the internal consistency of all variables is good.

**Table 4. Result of Validity Test**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Tech - EI** | **EE** | **Edu** | **AtM** |
| AtM1 | .304 | .330 | .150 | .587 |
| AtM2 | .092 | .135 | .094 | .866 |
| AtM3 | .196 | .316 | .087 | .684 |
| AtM4 | .116 | .130 | .153 | .768 |
| Edu1 | .038 | .076 | .822 | .164 |
| Edu2 | .209 | .043 | .844 | .067 |
| Edu3 | .131 | .082 | .860 | .107 |
| Edu4 | .079 | .259 | .736 | .076 |
| Tech1 | .817 | .174 | .146 | .175 |
| Tech2 | .830 | .209 | .119 | .101 |
| Tech3 | .808 | .184 | .132 | .157 |
| Tech4 | .754 | .129 | .212 | .263 |
| EE1 | .216 | .689 | .124 | .320 |
| EE2 | .053 | .858 | .152 | .109 |
| EE3 | .192 | .802 | .148 | .258 |
| EE4 | .388 | .641 | .109 | .238 |
| EI1 | .564 | .353 | .131 | .413 |
| EI2 | .543 | .420 | .134 | .330 |
| EI4 | .588 | .321 | .171 | .247 |

**Table 5. Result of Reliability Test**

|  |  |  |
| --- | --- | --- |
| **Variable** | **Cronbach’s alpha** | **Internal Consistency** |
| AtM | .812 | Good |
| Edu | .859 | Good |
| Tech | .899 | Good |
| EE | .853 | Good |
| EI | .843 | Good |

The last tests are correlation and t-test on Table 6 and 7, respectively, to reveal the association of all variables and relationship of age, Attitude toward money, entrepreneurship education, advance in technology, and entrepreneurship efficacy with entrepreneurial intention of Gen Z.

**Table 6. Result of Correlation Test**

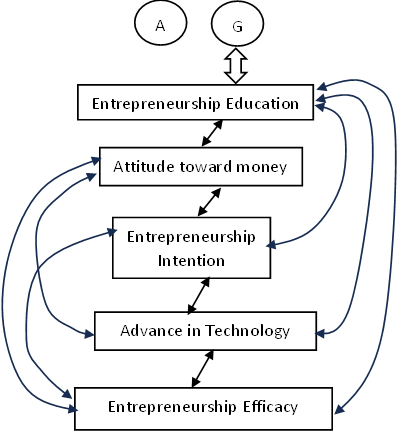
|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Age** | **AtM** | **Edu** | **Tech** | **EE** | **EI** |
| Age | 1 | .077 | .027 | .055 | .097 | .025 |
| AtM | .077 | 1 | .328\*\* | .480\*\* | .582\*\* | .583\*\* |
| Edu | .027 | .328\*\* | 1 | .343\*\* | .344\*\* | .355\*\* |
| Tech | .055 | .480\*\* | .343\*\* | 1 | .508\*\* | .679\*\* |
| EE | .097 | .582\*\* | .344\*\* | .508\*\* | 1 | .609\*\* |
| EI | .025 | .583\*\* | .355\*\* | .679\*\* | .609\*\* | 1 |

Based on the results from Table x and xx, the relationship diagram can draw to visualize all relationship of variables in this study. The diagram is shown on Figure 2.

**Table 7. Result of Correlation Test**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Levene's Test for Equality of Variances** | | **t-test for Equality of Means** | | | |
| **F** | **Sig.** | **t** | **df** | **Sig. (2-tailed)** | **Mean for Males – Mean for Females** |
|
| AtM | 2.584 | .109 | .782 | 324 | .435 | .06407 |
| Edu | 5.752 | .017 | -3.600 | 324 | .000 | -.32494 |
| Tech | .361 | .548 | -.685 | 324 | .494 | -.04757 |
| EE | .002 | .964 | 1.562 | 324 | .119 | .11962 |
| EI | .032 | .858 | -.393 | 324 | .695 | -.02942 |

Notes: (a) For Levene’s test variances are assumed to be equal if and only if the statistical significance is 0.05 or greater; (b) Shaded rows indicate variables for which there was a statistically significant difference between the mean for males and females (p < 0.05).



**Figure 2. The relationship diagram of variable on the entrepreneurial study of Gen Z**

1. **IV. Conclusion**

Study on Entrepreneurial intention of Generation Z is important for government, educational institution, and other institutions that have an interest in the development of entrepreneurship among young people. Based on FGD and the results of the analysis in this study, there are four factors that have a strong association with the entrepreneurial intention of Generation Z, including attitude toward money, entrepreneurship education, advances in technology, and entrepreneurship efficacy. All of the factors have strong association with Entrepreneurial intention. Surprisingly, the relationship between these four factors and gender has also been successfully revealed based on correlation and T-test analyses. All factors on this study have relationship to each other. Gender only has association to entrepreneurship education. The last Age has no association to all factors in this study.

Based on the results of this study, the government and educational institutions that care about increasing entrepreneurial intentions in generation Z can strengthen these factors by conducting socialization, literacy, and mentoring on managing attitudes towards money, strengthening entrepreneurship education, strengthening technological literacy, and improving entrepreneurship efficacy.

**ACKNOWLEDGMENT**

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