

Conference Paper

The Influence of Risk Attitude towards the Entrepreneurial Intention

Azzahra Filmina and Lidia Mayangsari

School of Business and Management, Bandung Institute of Technology - Indonesia

Abstract

Currently, Indonesia has a goal to increase the number of entrepreneurs for about 20,000 new enterprises in 2019. This number is increasing every year, which indicate the urgency of the government to emerge entrepreneurs within the society (Kompas, 2018). Many factors can form an entrepreneur. They can be encouraged from family background, hobbies, needs, and also through an educational system. A different method of teaching and treatment will drive different entrepreneurial results. Several studies show that entrepreneurs behave differently. Entrepreneurs create and manage their business to achieve their business goals. It makes the entrepreneur is having the willingness to give resource on it, such as pays the material used in the business, rent a place, and higher employee. It also makes them have more willingness to take the risk along the entrepreneurial activity (Paun, 2013). Therefore, the researcher wants to discover the relationship between entrepreneurial intention and risk attitude. This research uses a quantitative approach in order to explore the study and use a questionnaire as the tools. The result was analyzed using the single linear regression method with SPSS software. Single linear regression is a statistical method used to explain the relationship between dependent and independent variables. The independent variables in this research would be Risk Attitude, and the independent variable would be Entrepreneurial Intention. From that, the research hypotheses would be entrepreneurs risk attitude significantly affected entrepreneurial intention; the higher risk attitude of a person will increase their entrepreneurial intention.

Keywords: risk attitude, entrepreneurial intention, entrepreneurs

Corresponding Author:

Azzahra Filmina

azzahra.filmina@sbm-itb.ac.id

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1. Introduction

Indonesia has started to give more concern about entrepreneur development. In 2019, the government targeted about a 4% increase in new enterprises from the total population in Indonesia. Currently, Indonesia has a goal to increase the number of entrepreneurs for about 20,000 new enterprises in 2019. There is an increase from the previous year number, which generates 15,000 enterprises. In order to encourage the success of this program, the government facilitate the upcoming new enterprises by giving them training about business and being an entrepreneur. Based on Badan Pusat

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Statistik (BPS) (2016), currently, the amount of entrepreneurs in Indonesia reaches 3.1% from its total population. Although it is still not the representative number for developed countries, this number already increased from 2014, that is 2%. The occurrence of this number also supported by the presence of a business school in Indonesia, both formal and non-formal institute (Kompas, 2018).

Entrepreneurs create and manage their business to achieve their business goals. It makes the entrepreneur is having the willingness to give resource on it, such as pays the material used in the business, rent a place, and higher employee. The resources are not only about the material-related but also the efforts and other soft resources from the human side, such as an initiative, skills, and intellectual to run the business successfully. It includes developing, executing, managing, and controlling the business plan. However, there is also a potential gain, loss, and other business risks as the consequent of the unexpected and uncontrollable situation (Paun, 2013). These risky situations tend to be faced by an entrepreneur in the current business era, which reinforces the long list of studies about the differences of entrepreneurship among the other subject. Stewart & Roth (2001) have been researching for almost 20 years about the general risk-taking attitudes of entrepreneurs who found that entrepreneurs have a higher tendency to take risks compared to managers.

The above findings are unique. The entrepreneurs are more willing to face the uncertainty in the entrepreneurial activities, where usually people tended to choose certain things in the business context. As stated by Richard Cantillon in his *Essay on Economic Theory* (1755), entrepreneur acts as a risk bearer (e.g. Ahmed, 1985; Caliendo, Fossen, & Kritikos, 2010; Koh, 1996; Long, 1983). This claim is strengthened by Cromie (2000), who argues that a fundamental thing to get involved with entrepreneurial activity has an ability and willingness to bear and deal with the risk itself. Also, the recent studies show that the remarkable degree to a group of entrepreneurs behaved differently (e.g., Hurst & Wild Pugsley, 2011; Levine & Rubinstein, 2017).

2. Literature Review

2.1. Entrepreneurial Intention

Entrepreneurial intention defined as a position to owning a business or becoming self-employed or personal orientations, which might lead to venture creations (Hmieleski & Corbett, 2006). The other study stated that entrepreneurial intention indicates an individual motive to be an entrepreneur as one's preference job. Entrepreneurial intentions

commence to entrepreneurial action, which makes the individuals planning themselves to calculate the imminent risk, collect the resources needed, and set up their business (Karabulut, 2016). The intention is the state of mind that will direct an individual's intention and effort to entrepreneurial activity (Bird, 1998).

2.2. Attitude to Risk

The risk is a word that has various meanings to various people (Adams, 2014). Despite all of the various meanings, Hilson and Murray (2004) stated that risk has two characteristics. First, it is related to uncertainty, and second, it has consequences. The critical distinction between uncertainty and risk arises from the consideration of the consequences. Therefore, they defined risk as to the uncertainty that could have a positive or negative effect on one or more objectives (Hilson & Murray-Webster, 2004).

Attitudes definition relates to the inner workings of the human mind, where the attitude is a state of mind, mental view or disposition concerning a fact or state. If we combine both definitions risk and attitude, risk attitude means chosen state of mind concerning those uncertainties that could have a positive or negative effect on objectives, or more chosen merely a response to the perception of significant uncertainty (Hilson & Murray-Webster, 2004).

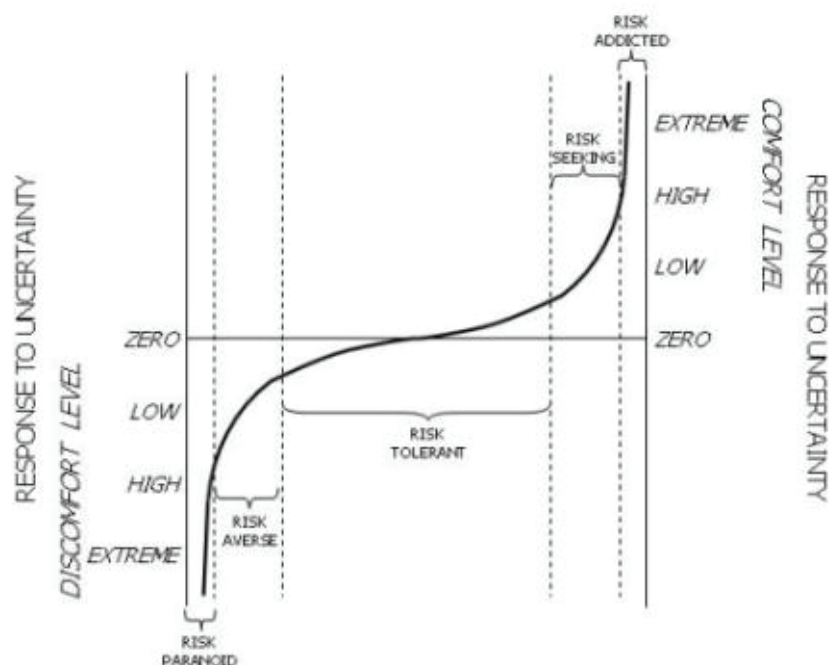


Figure 1: Risk Attitude Spectrum (Hilson & Murray-Webster, 2004).

Figure 1 represents the risk attitude spectrum in responding to uncertainty condition. Hilson & Murray-Webster (2004) said that a different group would exhibit a different attitude in facing the same uncertain condition. Since attitudes drive someone's behaviour, the different response caused by a result of the differences in underlying risk, or we can say perceptual dissonance. If we implement this finding, it can be concluded that different type of entrepreneur or different level of business exposure that they get will generate different attitude towards risk, especially in their business.

There is research that use a game as an experimental method to test people's behaviour in taking a risk. The author asks a group of people to pick a number between 0 - 100 for four rounds with rules that the winner is the person whose chosen number is closest to the means of all chosen numbers in the group. From four rounds experiment, we found that at the first round most of the people will choose a number with a range near 50, or we can say half of it. They use 50 as the initial reference point. Then in the other three rounds, the number chosen tend to decrease into the smaller number than the previous round. It shows that people tend to increase their adjustment factor in the direction of the optimal adjustment if it was below the optimal and reversely (Nagel, 1995).

Gender, age, height, and parental background has a significant impact on willingness to take risks. Women are having less willingness to take risks in general rather than men because women tend to play safe. For men, the willingness to take risks is decreasing steadily with age of men. While for women, it appears to decrease rapidly from the late teens to age 30, and it will stay flat until it begins decreasing again in the age of mid-50s. The more mature people will decrease their willingness to take risks, moreover if they have a son, daughter, and wife. The higher a person is, the more willing to take the risk. People who have a good parental background have more willingness to take the risk than the other one. It also depends on the economic condition and education background of their family. Better economic condition and education background will influence people on a willingness to take risks (Dohmen, et al., 2011).

2.3. Relationship between Risk Attitude and Entrepreneurial Intention

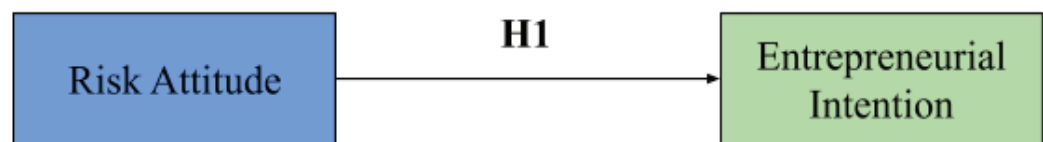
Entrepreneurs will be faced by uncertainty condition when running a business. According to Brockhaus and Horwitz (1986), entrepreneurs should take risks when they do the decision making. An entrepreneur has tolerated scales more than non-entrepreneur because this attitude is a major personality trait for entrepreneurs to succeed. People

that able to tolerate risk can have entrepreneurial intentions and create their business. When entrepreneurs choose entrepreneurship as their job, they also have to face financial, family, and reputation risks (Karabulut, 2016).

H0: Entrepreneurs risk attitude does not correlate entrepreneurial intention.

H1: Entrepreneurs risk attitude correlate entrepreneurial intention.

Hypothesis Development and Conceptual Framework



3. Method

3.1. Measures and Research Instrument

The research use questionnaire as the tools to collect the measurement data. This research questionnaire is using Likert scale method based on Krosnick and Presser (2009) to measure the risk attitude and entrepreneurial intention. The range of scale that will researcher used in the research is 10-point scales, which represent: 1 = Strongly Disagree - 10 = Strongly Agree. The 10-point scales used to avoid the respondent's tendency to choose the neutral option.

The researcher adopts the questionnaire from the other researcher's questionnaire. Researcher adapts the questionnaire that has been used by other researchers to make it more relevant and understandable to the respondents since it has been tried and tested by other researchers. Table 1 shows the questionnaire design of the research.

3.2. Sampling and Data Collection

According to Sugiyono (2013), there are two types of sampling techniques. The techniques are probability sampling and non-probability sampling. Probability sampling is a sampling technique that gives the same opportunity for the population's members to be chosen as the respondent. Non -probability sampling is a sampling technique that gives a different opportunity for the population's members to be chosen as the respondent. This research use non-probability sampling technique by selecting entrepreneurs which

TABLE 1: Operational Variable.

Author, Year	Construct	Operational Definition	Indicator	Item	Code
Blais and Weber, 2006	Risk Attitude	Risk attitude means chosen state of mind with regard to those uncertainties that could have a positive or negative effect on objectives, or more simply chosen a response to the perception of significant uncertainty (Hilson & Murray-Webster, 2004).	Perception on Uncertainty	I easily create a cooperation with someone I just met.	RA1
				Investing 10% of your annual income in a new business venture.	RA2
			State of Mind	It is safety for me to ride a motorcycle without wearing a helmet.	RA3
				It is really fun for me to ride a rollercoaster.	RA4
Liñán and Chen, 2009	Entrepreneurial Intention	Entrepreneurial intention is defined as a position to owning a business or becoming self-employed or personal orientations which might lead to venture creations (Hmieleski & Corbett, 2006)	Owning a Business	I have got the intention to start a firm one day.	EI1
				My professional goal is to become an entrepreneur.	EI2
Gozukara and Colakoglu, 2016			Self Employed	How likely is it that you will pursue a career as self-employed?	EI3
				It is a pleasure for me to become a self-employed one day.	EI4

domiciled in Bandung. The researcher uses Solvin formula to determine the number of people that will be the research respondent. This research used 5% error tolerance, which make the accuracy of the data is 95%. Based on Slovin formula, this is the formula to determine the minimum of sample number:

$$n = \frac{N}{1 + Ne^2}$$

Description:

n = Sample needed

N = Total population in Bandung

E = Margin error

Based on Badan Pusat Statistik (BPS) (2016), the number of population in Bandung which working as entrepreneurs is 90 thousand people. From Slovin formula, the minimum number of respondents needed in this research are 398 people.

4. Analysis of Result

The researcher uses Statistics Package for Social Science (SPSS) software to test the validity and reliability of the data. According to Hair, J., W., & Anderson (2010), a data can be concluded as a valid variable if the value of calculated R is bigger than the value of R table. While data can be concluded as a reliable variable if the significance value is above 0,05. From the validity and reliability test on SPSS software, the result shows that all the items are valid and reliable. Risk attitude items valid with value of calculated R around 0,607 - 0,694, while entrepreneurial intention items valid with value of calculated R around 0,717 - 0,830. For the reliability, all the data are above the value of R table, which is 0,098. Thus, the data are valid and reliable.

Since all the items are valid and reliable, thus the data can proceed to the next process. The data were tested using five classical assumptions. The result shows that risk attitude and entrepreneurial intention data are normal, have no multicollinearity, no autocorrelation, and have no heteroscedasticity. The data are also linear with weak relation. To find the relation between each item, the researcher uses bivariate analysis. Table 2 shows the correlation values of each item.

According to table 3.2, the risk attitude and entrepreneurial items have significance value above 0,5 and also have star remarks, which can be concluded that the variables correlate. It is also performing that the variables have a positive and strong correlation.

4.1. Single Linear Regression

The research test one dependent variable and one independent variable. The dependent variable in this research is entrepreneurial intention while the independent is risk attitude. The result performs in the table 3.

TABLE 2: Construct's Correlation

Construct	Correlation
Risk Attitude	
I easily create a cooperation with someone I just met.	0,630**
Investing some of your annual income in a new business venture/equity.	0,675**
It is safety for me to ride a motorcycle without wearing a helmet.	0,530**
I am scared of shark	0,559**
Entrepreneurial Intention	
I have got the intention to start a firm one day.	0,683**
My professional goal is to become an entrepreneur.	0,880**
How likely is it that you will pursue a career as self-employed?	0,842**
It is a pleasure for me to become a self employed one day.	0,826**

TABLE 3: Variable's Coefficient.

Model	Unstandardized Coefficients (B)	t-test	Sig.
Constant	31,299	13,144	0,000
TOTRA	0,158	1,353	0,181

Table 3 shows that the significance value of the variable is 0,181. It can be conclude that risk attitude does not influence the entrepreneurial intention. It is also shows the value of unstandardized coefficients for the variable. The constant value is 31,299 and the risk attitude value is 0,158. Using the single linear regression equation, the equation for these variables would be:

$$Y = 31,299 + 0,158X1$$

Description:

Y = Entrepreneurial Intention

X1 = Risk Attitude

4.2. Exploratory Factor Analysis

In order to do the exploratory factor analysis, the data should be tested with KMO and Bartlett's test. Based on the KMO value, risk attitude and entrepreneurial intention have KMO value for 0,476 and 0,746. Table 4 shows the MSA values of each item of the construct. Since the values of KMO are above 0,3, it can be concluded that the data are significance, and both variables can analyzed use factor analysis.

From table 5, we can conclude that risk attitude consists of two components and entrepreneurial intention consist of one component.

TABLE 4: Value of MSA.

Construct	MSA
Risk Attitude	
I easily create a cooperation with someone I just met.	0,483
Investing some of your annual income in a new business venture/equity.	0,484
It is safety for me to ride a motorcycle without wearing a helmet.	0,414
I am scared of shark	0,438
Entrepreneurial Intention	
I have got the intention to start a firm one day.	0,737
My professional goal is to become an entrepreneur.	0,729
How likely is it that you will pursue a career as self-employed?	0,762
It is a pleasure for me to become a self employed one day.	0,756

TABLE 5: Component of Construct.

Construct	Component	
	1	2
Risk Attitude		
I easily create a cooperation with someone I just met.	0,836	-0,002
Investing some of your annual income in a new business venture/equity.	0,853	0,112
It is safety for me to ride a motorcycle without wearing a helmet.	-0,065	0,775
I am scared of shark	0,165	0,703
Entrepreneurial Intention	1	
I have got the intention to start a firm one day.	0,730	
My professional goal is to become an entrepreneur.	0,873	
How likely is it that you will pursue a career as self-employed?	0,816	
It is a pleasure for me to become a self employed one day.	0,827	

According to Hilson & Murray-Webster (2004), it reveals that risk attitude consists of two indicators, which are the perception of uncertainty and state of mind. However, it is different from (Sugiyono, 2013)Hmieleski and Corbet (2006) statement that state entrepreneurial intention consists of two indicators, which are owning a business and self-employed.

5. Discussion and Conclusion

The purpose of this research is to reveal the relationship between risk attitude and entrepreneurial intention. According to the data analysis results using SPSS software, the researcher found that risk attitude and entrepreneurial intention are having a positive and strong correlation. The result indicates that the null hypotheses (H0), which is

entrepreneurs risk attitude does not correlate entrepreneurial intention, are rejected. The findings also show that the risk attitude divided into two categories. It is related with Hilson and Murray-Webster (2004) statement that state risk attitude is chosen a state of mind concerning those uncertainties that could have a positive or negative effect on objectives, or more chosen merely a response to the perception of significant uncertainty. This research is conducted in Indonesia, precisely in Bandung city. Future research in larger scales needed to develop our findings.

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