

# Examining the Determinants of Agripreneurial Intention Among University Students in Indonesia During Covid-19 Pandemic

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## ABSTRACT

Agribusiness is one of the most important economic sectors in the Indonesian economy. The interest of Indonesian students in agripreneurship is crucial in reducing unemployment rate and maintaining economic growth during covid-19 pandemic. This research aims to determine the impact of the agriculture competency, family background, knowledge&technology competency, and financial capability on students agripreneurial intention. Data collection is conducted using questionnaires, while data analysis process is calculated using Partial Least Squate-Structural Equation Model (PLS-SEM). The research sample is all Indonesian students totally 153 respondents. Based on the results of data analysis, agriculture competency, networking competency and family background have a significant effect on agripreneurial intention. While knowledge&technology competency and financial capability have no correlation with student intention in entrepreneurship, especially in the agribusiness sector. Therefore stakeholders should consider those essential aspects in exploring student interest on agripreneurship and then developing strategy to maintain sustainable institutional and policy environment in agriculture sector.

**Keywords:** *Agribusiness, entrepreneurship, agripreneurial intention, PLS-SEM*

## 1. INTRODUCTION

The country level of development is closely related to the readiness of its human resources to compete in the global market. According to data from [4], the number of youth in Indonesia in 2020 almost reached 64.50 million people with the open unemployment rate (TPT) of Indonesian youth in 2020 of 15.23 percent. As consequences of high level youth unemployment, Indonesia needs nurturing new entrepreneurs. Shortage of new entrepreneurs will have an impact on the slow expansion of job opportunities, which will increase the number of unemployed people. In younger age, there will be more opportunity in the future, but without any job, it will be the disaster for the nation. Therefore, this problem should be solved [19]

In solving the problem of youth unemployment, [6] argued that developing agriculture sectors is essential to ensure job opportunities for young people in developing countries. In addition, agribusiness has the potential to promote sustainable, inclusive and diverse growth, which can address challenges such as poverty,

food shortages, hunger and youth unemployment. According to Darmansyah et.al (2014) agribusiness development in Indonesia can increase competitiveness level in the globalization due to several reasons: Firstly, Indonesia agribusiness and agro-industry are in growing step. In the future Indonesia agribusiness will continue to grow Secondly, Indonesia has potential natural resource, including land, climate, rainfall etc., which support the optimum growth of agriculture commodities. Natural reasource is a fundamental the development of agribusiness and agro-industry. Thirdly, ranked as the fourth largest population in the world, Indonesia is a promising market for agribusiness development.

Despite the potential of agriculture in providing employment for youth, there has been a slow response from youth to participate in agribusiness. This is motivated by the perception that being a farmer does not promise a bright future. In the results of his study, Njeru (2017) found that most youths lacked interest in the agribusiness sector. Youth have no idea that

agriculture will be a lifelong career that can sustain their lifestyle. Given the income earned by farmers is relatively low and full of uncertainty. Young people see the agricultural sector as an activity for the poor or reserved for those who fail in school and have no other choice for a career. Furthermore, the research shows that most youth view this sector as employing heavy (tiring) types of work resulting in low productivity and offering less income. Although this is a sentiment that is less valid and not necessarily experienced across youth demographics, policy makers need to take into account the unfavorable sentiments of youth towards the agricultural sector.

Seeing these conditions, it is important for policy makers to increase the involvement of young people in the development of agricultural sector development policies. In the future, more inclusive youth participation is needed to influence the existing policy process. In addition, the relationship between youth and agriculture is only partially developed, often this relationship is limited by the unavailability of channels and media to accommodate youth involvement in the agribusiness sector.

Based on the explanation above, we are interested in observing one problem that is finally used as a problem formulation in this study, namely whether there is an influence between the agriculture competency, family environment, knowledge and technology competency, and financial capability possessed by students in the agribusiness sector with students' interest in entrepreneurship in agribusiness.

In accordance with the problem, it can be formulated that the aim of this study is to find out the influence of the agriculture competency, family background, knowledge & technology competency, accessing network competency, and financial capability on the intentions of students to be an entrepreneurship in the agribusiness sector.

## **2. LITERATURE REVIEW**

### **2.1. Agripreneurship**

Agripreneurship is an activity related to the handling of agricultural commodities which includes one or more activities from the production chain, processing inputs and outputs of production (agro-industry), marketing, and supporting institutional activities. [11] see that agripreneurship is more than just the mechanics of starting a business in agriculture sector. Agricultural entrepreneurship should also be a medium for youth involvement in economic and social empowerment. An entrepreneur not only needs to realize independence, at the same time an entrepreneur should also play a role as a value creator, inclusivity builder, job creator for

others, and a contributor to the surrounding environment.

### **2.2. Agripreneurial Intention**

Agripreneurial intention can be interpreted as the intention to be an entrepreneur in agriculture sectors. Intention can be expressed through statements that can describe that someone prefers something to something else. Intention in being an agripreneur means having an interest in entrepreneurship in agriculture sector [14]. Despite the large potential of the agricultural sector in increasing opportunities and providing sufficient employment for young people according to findings in several countries, [13] findings indicate that young people have a slow response in participation in the field of agricultural entrepreneurship.

### **2.3. Networking Competency**

According to [18], a successful entrepreneur requires entrepreneurial ability that is a set of higher-level characteristics that accommodate personal character, fighting spirit, ability to see opportunities and efforts to develop knowledge on an ongoing basis. Entrepreneurial competence can be seen as the total ability of entrepreneurs to carry out their roles successfully. A study conducted by [3] found that the higher the level of entrepreneurial alertness and networking skills among youth, the stronger the market analysis skills, their individualism, and tolerance toward risk among them, and the better their entrepreneurial intentions. Therefore, students with higher networking capability tend to have better ability developing agribusiness sector. Network development is an appropriate instrument where entrepreneurs can access to business capital, knowledge, business model, and technology in generating company and business [20]

### **2.4. Financial Capability**

Financial capability is a person's ability to solve his financial problems both obtained through fixed and non-fixed income in the face of an economic situation where a situation will affect a person's interest in doing something. According to [3] among criteria of entrepreneur competencies, financial aspect was found to be significant. In financing a business, entrepreneurs do not limit themselves to one capital resource. They are able to anticipate different resources in financing as and arrange the flexible strategic plan adjusting the macroeconomics indicators. [2] stated that the financial capability will trigger people interest in entrepreneurship, for example having a strategically located building will trigger someone's interest to open a business in that location. Therefore, to access capital, labor as well as land, financial capability can facilitate

and escalate the production capacity to fulfil the demand of product and services [12]

**2.5. Family Background**

Family background factors are essential in developing and shaping the entrepreneurial behaviors. The family background model focuses on the characteristics and the way parents guide their children. It is part of environmental progress where business ecosystem can grow, for instance, mentoring activity, cultural and economic developments as well as some social supports by parents or systems. The role of the family is very important in shaping the children mindset to be an agripeneur. Parents give a lot the influence and color of personality on their children [16]. Tthere is an influence of parents who work alone and have their own business, which will have a tendency for children to have their own business or become entrepreneurs. Family work will be an inspiration to children because they have received various knowledge in the early days so as to shape children's abilities. The family environment has a considerable influence on the development and selection of children's work.

**3. RESEARCH METHOD**

This research aims to understand the influence of the family environment, entrepreneurial knowledge and financial ability on students' interest in entrepreneurship in the agribusiness sector. The population in this research were all students from 10 universities in Indonesia. Data was collected by distributing questionnaires to students and data were obtained as many as 153 respondents. Sources of data used are primary data in the form of answers to questionnaires by respondents.

The variables used in this study consisted of independent variables, namely family environment, entrepreneurial knowledge and financial ability and one dependent variable, namely student interest in

entrepreneurship in the agribusiness sector. This study used Partial Least Square-Structural Equation Model (PLS-SEM) for analyzing data. In processing data, the researcher used software SmartPLS. All items in all variables used seven-point Likert scales ranging from 1 “strongly disagree” and 7 “strongly agree”.

Research hypothesis:

H1 : Agricultural competency positively influences on entrepreneurial intention in agriculture sector

H2 : Family Background positively influences on entrepreneurial intention in agriculture sector

H3 : Financial capability positively influences on entrepreneurial intention in agriculture sector

H4 : Knowledge & technology competency positively influences on entrepreneurial intention in agriculture sector

H5 : Networking competency positively influences on entrepreneurial intention in the rural youth.

**4. RESULT AND DISCUSSION**

After distributed questionnaires, the researchers received about 153 respondents to be processed in data analysis. From the processed questionnaire, it can be seen that the majority of respondents were students in the 2019 batch, which was approximately 52.9%, then followed by the 2018 class students at 28.8%, the 2020 class at 13.1%, the 2017 class at 3.9% and the rest another class.

**4.1. Validity and Reliability**

From the results of data processing, the loading factor value has a value of more than 0.7 so that all items are declared valid. This item will be removed from the model. In examining the convergent validity (CV), composite reliability (CR), the average variance extracted (AVE), and the outer loadings (OL) were determined. Some latents which have loadings below 0.5 are deleted. After conducting several tests, the results are summarized in Table

*Table 1. Validity and Reliability Test*

	<b>AVE</b>	<b>Composite Reliability</b>	<b>Cronbachs Alpha</b>	<b>Communality</b>
<b>Agricultural Competency</b>	0.509566	0.837282	0.763797	0.509566
<b>Agripreneurial Intention</b>	0.703036	0.921779	0.893302	0.703036
<b>Family Background</b>	0.573868	0.792816	0.616690	0.573869
<b>Financial Capability</b>	0.756518	0.903013	0.838649	0.756518
<b>Knowledge&amp;Technology Competency</b>	0.640986	0.841862	0.715626	0.640986
<b>Networking Competency</b>	0.605710	0.816470	0.676735	0.605710

*Average Variance Extracted (AVE)*

Source: Processing Data from SmartPLS

**4.2. Hypotheses Test**

Table 2 shows the results of the processed data in hypothesis test of this study. The processed data used the PLS-SEM bootstrapping method. The results have been confirming that there is significant relationship between agricultural competency and entrepreneurial intention in agriculture sector; family background and entrepreneurial intention in agriculture sector; networking competency and agripreneurial intention in agriculture sector. Therefore, H1, H2 and H5 are accepted.

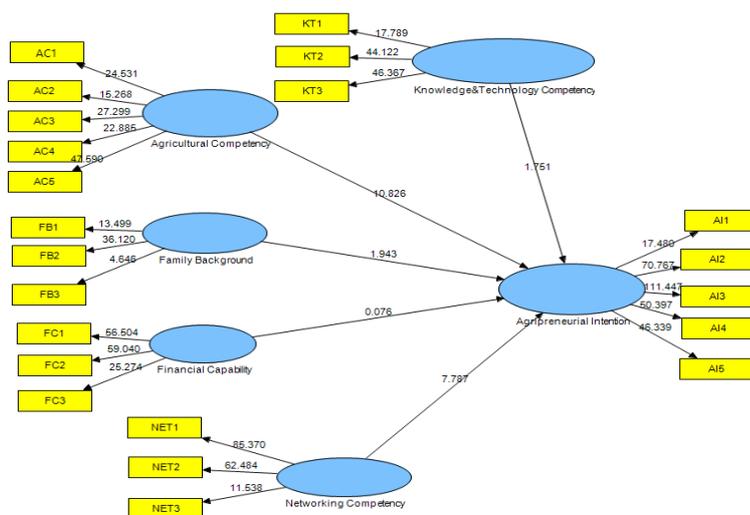
However, this study was unable to explain the relationship between attaining finance capability and entrepreneurial intention, and relationship between knowledge & technology competency and entrepreneurial intention. Therefore, H3 and H4 are not supported by statistical test and then we should reject the hypotheses

**Table 2.** Hypothesis Test

	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation (STDEV)</i>	<i>Standard Error (STERR)</i>	<i>T Statistics ( O/STERR )</i>	<i>Decision</i>
<b>Agricultural Competency -&gt; Agripreneurial Intention</b>	0.526997	0.521294	0.048678	0.048678	10.826115	H1 accepted
<b>Family Background -&gt; Agripreneurial Intention</b>	-0.050616	-0.046619	0.026047	0.026047	1.943261	H2 accepted
<b>Financial Capability -&gt; Agripreneurial Intention</b>	0.002353	0.007871	0.031016	0.031016	0.075849	H3 rejected
<b>Knowledge&amp;Technology Competency -&gt; Agripreneurial Intention</b>	0.072869	0.067577	0.041627	0.041627	1.750527	H4 rejected
<b>Networking Competency -&gt; Agripreneurial Intention</b>	0.357255	0.365807	0.045880	0.045880	7.786762	H5 accepted

Source: Processing Data from SmartPLS

In addition, the R<sup>2</sup> was 0.7478 which means that 74.8 % of agripreneurial intention is explained by variables in this study.



**Figure 1.** Path Analysis

### 4.3. Discussion

According to this research, it shows that there is a significant correlation between agriculture competency, family background, networking competency on students agripreneurial intention. Meanwhile, there is no significant relationship between financial capability, knowledge & technology competency on students agripreneurial intention. Agriculture competency can be gained through formal education and non formal education. For instance: farmer who have competency in cultivation techniques, making compost, making organic pesticides, and controlling pests and diseases tend to have better field understanding as an agripreneur. This finding is in line with study explained by [9], in order to overcome farming problems correctly and appropriately, adequate farmer competence is needed covering aspects of knowledge, attitudes, and skills.

This study find that family background in agribusiness sector has negatively contribute to the student interest to be an agripreneur. So students who have family background as agripreneur or farmer tend to avoid working in the similar field. In country with high farming labor intensive such as Indonesia, this should become concern for stakeholders. This finding is quite similar with the study conducted by [8] using survey of 5000 farm families within 18 states in India. The survey concluded that 75 percent of agriculture workers would desire to do some work other than farming. Also, Around 60 percent agrarians would prefer to take some jobs in cities because of better amenities, education and continuous income. Student with family background in farming tend to avoid continuing their family business due to a high proportion of farmers complained of repeated losses and damaged crop because of unseasonal rains, drought, floods, pest and disease outbreaks. The results are in accordance with [15] and [10] where majority students are lost interest and have less confidence to take agriculture entrepreneurship as their profession, which may due to the negative experience of previous years in family farming activities.

Another important aspect which has positively affected students' agripreneurial intention is networking competency. The result supported the previous study held by [7] that an agribusiness actors should maintain and increase networking capabilities. However, according to [1], there are two mainstream discussions. While one group agrees that to be a successful entrepreneur, the capability to develop and improve relationships will help their enterprise to solve the problems, another group believes that entrepreneurs are introversive and a deep thinker in which they have to solve the problem by themselves [5]. Developing a network is part of the entrepreneurial competence that is needed by an individual to become a successful entrepreneur. Network building competence

emphasizes the individual's tendency to have the ability to interact with others and the ability to negotiate well when a prospective entrepreneur plans to establish a company or develop an existing company [17]. Among the several competencies needed by an agripreneur, the competence to build relationships and maintain networks is crucial in maintaining the continuity of entrepreneurship. Networking is also important when an agripreneur does not have access to adequate capital. The existence of a network that is owned, entrepreneurs will easily gain the trust of investors.

## 5. CONCLUSION

Based on the analysis, Family Environment, Entrepreneurship Knowledge, and Financial Ability have a significant effect on student interest in entrepreneurship in the agribusiness sector. Family environment partially has no significant effect on student interest in entrepreneurship in the agribusiness sector. Entrepreneurship knowledge partially has a significant effect on student interest in entrepreneurship in the agribusiness sector. Partially, financial ability has no significant effect on student interest in entrepreneurship in the agribusiness sector. The results of this analysis are different from several previous studies where previous research stated that financial ability had a significant effect on interest.

## AUTHORS' CONTRIBUTION

Conceptualization of research design & analysis by AFS and DTK. Theoretical review & data collection by AFS and AANR. The full manuscript has been read and approved by the authors.

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