



Internal Locus of Control, Entrepreneurial Learning, Risk Tolerance on Self-efficacy, and Entrepreneurial Intention

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Abstract. The high unemployment rate in Indonesia is dominated by highly educated people, including senior high school, college, and diplomas. This is undoubtedly a concern of the government. To reduce the high unemployment rate, education is needed especially concerning the importance of having entrepreneurial intentions. This study focuses on internal locus of control, entrepreneurial learning, self-efficacy, risk tolerance, and entrepreneurial intention. This study is quantitative research. Data distribution was done using the purposive sampling method. Questionnaires were distributed via Google form to 250 students in Surabaya, then analyzed using SmartPLS. The study results explain that internal locus of control, entrepreneurial learning, and risk tolerance significantly affect self-efficacy and entrepreneurial intention.

Keywords: Entrepreneurial intention · self efficacy · internal locus of control · risk tolerance · entrepreneurial learning

1 Introduction

In 2022, based on World Employment and Social Outlook (WESO) data, the unemployment in Indonesia reached 0.8%, or equivalent to 6.1 million people. Developing entrepreneurship is one way to reduce unemployment [1]. Developing entrepreneurial interests and skills is essential. Therefore, graduates need to be equipped with a broader range of marketable skills in an environment where entrepreneurial ventures are considered determinants of innovation and economic growth. Therefore, there is a need for entrepreneurship education to foster student interest in developing business ventures, otherwise known as entrepreneurial intention [2].

Entrepreneurial intention is an individual commitment to starting entrepreneurship [3]. The awareness and belief individuals use to create a new business soon [4]. According to Zhao et al. [5], individuals who have entrepreneurial intentions believe that they can start a new business successfully. It is a conscious state of mind based on experience that directs attention to initiating independent endeavors. Each individual has a unique and different personality. This personality can be formed from various internal and internal

factors in the environment. These factors can affect a person's physical, emotional, academic, and spiritual development from the stage of growth in infancy, childhood, adolescence, and to the elderly. A person's personality can reflect a person's unique characteristics, such as traits, attitudes, temperamental, and emotional states.

This person's personality can affect entrepreneurial intentions [6]. One dimension of personality that influences entrepreneurial choices is the internal locus of control [7]. Individuals who believe that their actions result in life events tend to think that: they can control the outcome of their efforts [8]. Individuals who have a clear vision of the future will strive to realize their desire for entrepreneurship [9, 10]. Also, strong self-control makes individuals believe that their quality of life is self-determined, thus, the willingness to work hard for success [11]. In entrepreneurship, individuals with an internal locus of control have a higher chance of carrying out entrepreneurial activities and starting new businesses [6]. More extensive research on entrepreneurship has explored the significant positive effect of risk tolerance on entrepreneurial intention. The results of several studies found that risk tolerance can act as a positive predictor of entrepreneurial intention. In addition, risk tolerance is a critical factor in entrepreneurial intentions because only specific individuals dare to take risks in entrepreneurship [12].

Another factor that can influence entrepreneurial intentions is entrepreneurial learning. The learning that individuals get about entrepreneurship can increase interest in entrepreneurship. This is, of course, supported by the research of Liu et al. [13], and Dukhon et al. [14], which explained that education learning influences self-efficacy and entrepreneurial intention. Therefore, this study examines whether the internal locus of control, entrepreneurial learning, and risk tolerance influence student self-efficacy and entrepreneurial intention.

1.1 Internal Locus of Control

Internal locus of control is the individual's perception that an event depends on the behavior or characteristics inherent in the individual [15]. Each individual has responsibility for success and failure in learning [16]. Individuals with an internal locus of control believe that they can make changes through their behavior. Individuals with an internal locus of control are characterized by (1) Ability, defined as mastery of a skill or potential to master a skill, which is believed to determine the outcome of their success and failure; and (2) Effort, meaning that individuals tend to be optimistic, have an unyielding attitude and try their best to control behavior to realize their wishes [8].

1.2 Entrepreneurial Learning

Entrepreneurial education is an educational program that works on the entrepreneurial aspect and as an essential component/part in providing student competencies. Entrepreneurial education will encourage students to start recognizing and opening a business or entrepreneurship [17].

1.3 Risk Tolerance

According to Lestari and Sisilia [18], risk tolerance is several negative impacts that someone dares to take to achieve the goals. Wijaya in Primandaru and Andriyani [19] stated that the tendency of risk tolerance is an inseparable part of entrepreneurship.

1.4 Self-efficacy

Entrepreneurial self-efficacy is a construct that measures an individual's belief in their ability to engage in the world of entrepreneurship [20]. Self-efficacy believes that a person can manage and carry out the given actions necessary to deal with prospective situations. Park and Kim [21] explained that self-efficacy is very important for individuals to control motivation to achieve expectations for entrepreneurship. Entrepreneur self-efficacy can be interpreted as a person's belief that he can carry out entrepreneurial activities.

1.5 Entrepreneurial Intention

Entrepreneurial intention is the first step in forming a new business [22]. This is also supported by Urban [23], which explained that entrepreneurial intentions aim to create new businesses or new value in existing business ventures.

2 Research Method

This study is quantitative research. According to Sujarweni [24], quantitative research is a type of research that produces findings that can be achieved (obtained) using statistical procedures or other means of quantification (measurement). This study used a sample of 250 students in Surabaya. Data collection using google forms distributed through WhatsApp groups. The data obtained were then processed using SmartPLS (Fig. 1).

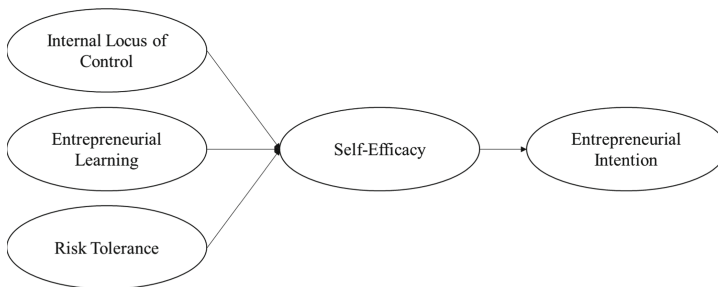


Fig. 1. Research framework

3 Results and Discussion

3.1 Convergent Validity

Convergent validity analysis is a test used to measure whether or not an indicator is valid [25]. According to Chin & Lee [26], the indicator can be valid if it can measure variables with a value >0.6 .

From the Table 1, it can be concluded that the value of outer loading is >0.6 so the indicator is declared valid to be an indicator of the latent variable.

Table 1. Convergent validity

Variable	Indicator	Outer Loading	Criteria
Internal Locus of Control	ILC1	0.781	Valid
	ILC2	0.711	Valid
	ILC3	0.743	Valid
	ILC4	0.821	Valid
	ILC5	0.601	Valid
Entrepreneurial Learning	ELE1	0.800	Valid
	ELE2	0.853	Valid
	ELE3	0.813	Valid
	ELE4	0.655	Valid
	ELE5	0.853	Valid
Risk Tolerance	PR1	0.870	Valid
	PR2	0.909	Valid
	PR3	0.913	Valid
	PR4	0.945	Valid
	PR5	0.803	Valid
Self-Efficacy	SE1	0.879	Valid
	SE2	0.916	Valid
	SE3	0.890	Valid
	SE4	0.869	Valid
	SE5	0.868	Valid
Entrepreneurial Intention	EI1	0.825	Valid
	EI2	0.834	Valid
	EI3	0.801	Valid
	EI4	0.865	Valid
	EI5	0.801	Valid

Source: Primary Data Processed, 2022.

Table 2. AVE

Variable	Average Variance Extracted (AVE)
Internal Locus of Control	0.690
Entrepreneurial Learning	0.769
Risk Tolerance	0.814
Self-Efficacy	0.896
Entrepreneurial Intention	0.780

Source: Primary Data Processed, 2022.

Table 3. Composite Reliability and Cronbach's Alpha

Variable	Cronbach's Alpha	Composite Reliability
Internal Locus of Control	0.809	0.865
Entrepreneurial Learning	0.813	0.913
Risk Tolerance	0.995	0.953
Self-Efficacy		
Entrepreneurial Intention	0.900	0.957

Source: Primary Data Processed, 2022.

3.2 Average Variance Extracted (AVE)

The measurement of the AVE value can be used to compare each construct with the correlation between other constructs in the model. The AVE value must have a value >0.5 [27].

Based on Table 2, it can be concluded that all constructs have an AVE value >0.5 . so that the results obtained indicate that the measurement evaluation has good validity through the AVE measurement model.

3.3 Composite Reliability and Cronbach's Alpha

Evaluation of composite reliability and Cronbach's alpha can be used to help test reliability. According to [28], data with a combined reliability value of >0.7 has high reliability, while Cronbach's alpha is expected to be >0.6 (Table 3).

3.4 Hypothesis Testing

The test results include direct influence. The sign (\gg) indicates the direction of effect between one variable on another variable. The results of hypothesis testing are shown in Table 4.

Table 4. Hypothesis Testing Results

Variable	Original Sample (O)	P-Values
Internal Locus of Control» Self-Efficacy	0.417	0.003
Entrepreneurship Learning» Self-Efficacy	0.410	0.001
Risk Tolerance» Self-Efficacy	0.509	0.001
Self-Efficacy» Entrepreneur Intention	0.866	0.000

Source: Primary Data Processed, 2022

3.5 Internal Locus of Control Has a Significant Positive Effect on Self Efficacy

The internal locus of control research results on self-efficacy has a P-value of 0.003 < 0.05, meaning that the internal locus of control significantly influences self-efficacy. Brunel et al. [37] explained that the internal locus of control is an individual’s perception that an event depends on the behavior or characteristics inherent in the individual. Each individual has complete control over the results they get through ability, effort, or skill [29]. A person with an internal locus of control also thinks that extraordinary experiences are caused by stable behavior or individual characteristics. Individuals with an internal locus of control believe that they can make changes through their behavior. This signifies that the higher someone who has self-control and is more confident that thinking, learning, effort, and skill behavior can change their lives, the higher the individual’s confidence to carry out entrepreneurial activities. This is supported by Tentama and Abdulsalam [38] research, which revealed that the locus of control has a positive and significant effect on self-efficacy. Likewise, in the research of Stewart and Walker [30], the internal locus of control significantly influences self-efficacy and entrepreneurial intentions.

3.6 Entrepreneurial Learning Has a Significant Positive Effect on Self Efficacy

The results of the entrepreneurial learning research on self-efficacy have a P-value of 0.001 < 0.05, meaning that entrepreneurial learning has a significant influence on self-efficacy. Entrepreneurial education is defined as a whole series of educational and training activities, which tries to attract individuals’ interest to carry out entrepreneurial behavior, or several factors that influence interest, such as knowledge, entrepreneurship, desire for entrepreneurial activity, or eligibility for entrepreneurship [31]. Entrepreneurial education can increase self-efficacy because the higher a person’s knowledge about the importance of entrepreneurial intention, the higher the person’s confidence to start entrepreneurship. This is supported by the research of Purwati et al. [32], which explained that knowledge about entrepreneurship could increase self-efficacy towards entrepreneurial intentions and impact the desire to do business. Liu et al. [13], and Dukhon et al. [14] explained that entrepreneurial education on self-efficacy also supported this.

3.7 Risk Tolerance Has a Significant Positive Effect on Self-efficacy

The research results on risk tolerance for self-efficacy have a P-value of $0.001 < 0.05$, meaning that risk tolerance has a significant relationship with self-efficacy. Risk tolerance is the courage of an individual to make decisions that have significant risks. One of the characteristics of entrepreneurship is the courage to take risks, like challenges, and have high initiative. The tendency to risk tolerance is one of the traits or characteristics of entrepreneurship. Some experts classify the tendency of risk tolerance as an inseparable part of entrepreneurship [33].

Meanwhile, according to Mahesa & Rahardja [12], risk tolerance is how much a person's ability and creativity in solving the size of a risk taken to get the expected income. So the greater a person's courage to take risks, the greater the individual's confidence to start a business. This is supported by research by Primandaru and Adriyani [19] which explained that risk tolerance has a positive and significant relationship on self-efficacy.

3.8 Self-efficacy Has a Significant Positive Effect on Entrepreneur Intention

The research results on self-efficacy on entrepreneurial intention have a P-value of $0.000 < 0.05$, meaning that self-efficacy has a significant relationship with entrepreneurial intention. Self-efficacy is a person's confidence level in carrying out a specific action. Self-efficacy is often associated with one's career decisions because choosing a job tends to consider his ability to do the job. One of the factors that can influence entrepreneurial intention is self-efficacy. This implies that the higher the individual's confidence in a business, the higher the individual's desire for entrepreneurship. This is supported by Saraih et al. [34], which explained that self-efficacy could convince individuals to have a job. This is also supported by Elitha dan Purba [35], Mardhotillah & Karya [36], which revealed that self-efficacy and entrepreneurial intention significantly influence.

4 Conclusion

Based on the results of the tests and analyzes carried out, the results of this study can be concluded as follows: (1) Based on the analysis results, it is explained that the internal locus of control has a significant positive effect on self-efficacy. This means that the higher the internal locus of control, the higher the individual's self-efficacy in starting a business. (2) Based on the analysis results, it is explained that entrepreneurial learning has a significant positive effect on self-efficacy. This means that more understanding of entrepreneurial learning can increase one's self-efficacy in starting a business. (3) Based on the analysis results, it is explained that risk tolerance has a significant positive effect on self-efficacy. This means that the more daring a person takes risks, the higher the individual's self-efficacy in starting a business. (4) Based on the analysis results, it is explained that self-efficacy has a significant positive effect on entrepreneurial intention. This means that the higher one's self-efficacy toward entrepreneurship activities, the higher one's interest in entrepreneurship.

Further research suggests adding other variables outside of the internal locus of control, entrepreneurial learning, risk tolerance, and self-efficacy. Further research can use

external locus of control variables to see what external factors of a person's personality can influence entrepreneurial intentions. The sample in this study should also be reproduced so that the results obtained are more optimal.

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