

# How Social Media Impact Digital Entrepreneurial Intention Among Private University Students in Bandung City

*by Anggraeni Permatasari*

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## How Social Media Impact Digital Entrepreneurial Intention among Private University Students in Bandung City (Telkom University, Widyatama University, And Parahyangan Catholic University)

Eka Yuliana & Safira Al Sakinah  
*Telkom University, Bandung, Indonesia*

Anggraeni Permatasari  
*President University, Bekasi, Indonesia*

**ABSTRACT:** Social media has become the most accessed internet service technology while most entrepreneurs use it as a business tool. Many scholars believe social media could generate an individual's intention to start a business with digital assistance. However, the growth of social media users is not in line with the number of digital entrepreneurs in Indonesia, especially in Bandung city, although graduate students from university are expected to overcome this issue. The objective of this research was to measure prior knowledge, self-efficacy, social media, and digital entrepreneurial intention variables, and to find out the causal effect of social media as moderating variable on an individual's digital entrepreneurial intention. By using quantitative research, a questionnaire was distributed through social media to final-year students of Telkom University, Widyatama University, and Parahyangan Catholic University using the S1 Business Management Program. The 356 valid data were analyzed with SEM analysis and Lisrel 8.70 software.

### 1. INTRODUCTION

Running a business in the digital sphere involves technologies like electronic commerce and virtual networks, with the help of the Internet (Farani et al. 2017). Turban et al. (2008) had mentioned that in the new digital economy there is an exceptional opportunity for many entrepreneurs to create their new ventures in different business areas by utilizing some kind of electronic commerce with the help of the Internet and other virtual networks. Following the rapid development of the Internet and the coming of the era of electron commerce, great enthusiasm for the Internet has been rising in developing countries, such as Indonesia, which lead into big penetration on social media use. In the entrepreneurship field, social media helps entrepreneurs to get access to their communities and gather information about the market and their customer. Even recent studies on entrepreneurship discussed how robust social networks led individuals to find business opportunities and encouraged them to become entrepreneurs. Social media provides several effects, such as knowledge integration, low-cost information disclosure, and wide network information development, and decision-making process will be facilitated through this platform (Porter et al., 2015). Indonesia has one of the largest percentages of social media users in the world. Global Digital Report 2018, shows the annual growth of social media users in each country based on year-on-year data. Indonesian social media users are in third place, thus, the number of social media users in Indonesia until the first month of 2018 had increased from year to year. However, the authors of this article found the growth of social media usage in Indonesia is not aligned with the number of entrepreneurs compared to other southeast Asia countries. Indonesia has a minimum number of entrepreneurs, which means many Indonesians have less interest in becoming entrepreneurs, especially in Bandung City (Litbang, 2016). Final-year students from private universities (Telkom University, Widyatama University, and Parahyangan Catholic University) who study in S1 Management are the best representatives as a sample for this study because the soon-to-be graduates are facing their career choice either to become employed or self-employed (Linan, 2004). Since the number of students in private universities is very high, private universities produce more graduates, which means their students are more likely to enter the entrepreneurship world and become entrepreneurs. That is why this study takes three private universities in Bandung as its study sample: Telkom

University, Widyatama University, and Parahyangan Catholic University. According to former West Java Governor Ahmad Heryawan at the fifth Regional Conference (Musyawarah Wilayah) of the Association of Indonesian Private Universities (Asosiasi Perguruan Tinggi Swasta) for Region IV A West Java in 2016, "Without PTS Bandung will be slumped."

## 2 LITERATURE REVIEW

### 2.1 Digital Entrepreneurial Intention

There are four factors that determine why someone would start entrepreneurship in the digital sphere (Sambamurthy et al., 2003): entrepreneurial action (discovery and exploitation of market opportunities), agility, digital options (capabilities in the form of digitized enterprise work processes and knowledge system), and entrepreneurial alertness. The authors associate explanations and definitions from both entrepreneurial intention and digital entrepreneurship and found that digital entrepreneurial intentions can be interpreted as someone's intention to involve and behave so as to engage in entrepreneurship in the digital sphere. The authors of this study chose digital options as one digital entrepreneurship factor and believe it could be a sufficiently adequate element to influence digital entrepreneurial intentions. An example of digital entrepreneurial intentions is when people intend to start a business by using social media channels as a tool to help them to market their brand or product on a large scale to help them reach millions of people and also gain capital knowledge. Facebook, Instagram, Twitter, and YouTube are considered as the famous and most-used social media applications for customer engagement and marketing tools.

### 2.2 Social Cognitive Theory (SCT)

Social cognitive theory describes psychological behaviors of individuals as a causation model. The theory emphasizes that cognitive and environmental factors determine someone's behavior by continuous human interaction (Porter et al., 2015). SCT here explains how the social cognitive theory acknowledges the constant interaction that exists between an individual and his or her environment, structural and social, to shape behavior. Three interconnected factors determine human behavior: the cognitive factor, the environmental factor, and the behavioral factor. The authors define entrepreneurial intentions as a cognitive representation of the actions to be taken by individuals to build new independent businesses. Supported by Ryan Matthews, Lucy Matthews, and Kelly R. Hall's (in Tierney & Farmer, 2002) research summary, SCT understands that the interactions between an individual and the environment become a more important element in advancing entrepreneurship literature.

### 2.3 Prior Knowledge and Digital Entrepreneurial Intention

Prior knowledge is assumed here to mean a different set of information possessed by an individual that is associated with certain subject matter and might come from work experience, education, etc. (Sambamurthy et al., 2003). Prior knowledge is embedded in SCT as a part of human behavior that helps in building knowledge-seeking behavior. Since this study investigates digital entrepreneurial intention, prior knowledge here should be categorized as prior entrepreneurship knowledge. Empirical studies have indicated a direct relationship between entrepreneurial knowledge on a business decision and entrepreneurial intentions (Shane & Venkataraman, 2000). Linan (2004) also reported that entrepreneurial knowledge had a direct effect on individuals' entrepreneurial intentions. The author believes that when people follow educational programs and have experience in using technology as a tool to acquire knowledge, mainly in technology and entrepreneurial fields, they have a greater probability to plunge into the digital entrepreneurship sphere or start a business. High levels of knowledge result in greater awareness about career options and make the entrepreneurial intention more coherent (Linan, 2004).

## 2.4 Self-Efficacy and Digital Entrepreneurial Intention

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Self-efficacy is defined as an individual's belief that he or she has the ability to learn and adapt (Potosky & Ramakrishna, 2002). Self-efficacy is the ability to produce creative outcomes (Tierney & Farmer, 2002). Self-efficacy is a result of a continuous self-appraisal process, including the reception, selection, and exposed weight and integration of information to any intrinsic or extrinsic influence. This statement is in line with Shaver and Scott's (in Tierney & Farmer, 2002) venture creation study, which explained individuals who have a high degree of self-efficacy would also have confidence in his or her skills and abilities to start a business. An entrepreneur needs self-efficacy. However, a person will only initiate entrepreneurial actions when self-efficacy is high in relation to the perceived requirements of a specific opportunity. Previous researchers also found a positive relationship between self-efficacy and entrepreneurial intentions (Lope Pihie & Bagheri, 2013). The concept of self-efficacy plays an important role as the key predictor of entrepreneurial intention in the entrepreneurship sphere (Ryan et al., 2017).

## 2.5 Social Media

Social networking helps to build a relationship between individuals since it is very accessible as a communication tool. Within ICT, social media cover a key role in capturing and creating new knowledge, through higher levels of exposure and online information traffic (Wilson et al., 2007). A lot of advantage students would gain from the use of social media enables them to share their work ideas and information, and allows crossbreeding of knowledge or experience (Wood & Bandura, 1989). Social media is an external influence, which reflect on one's self-efficacy resources. Moreover, it impacts personal entrepreneurial intention through the power of self-efficacy. Cho, So, and Lee (2009) said, "The evaluation of the self lays the foundation of the construct of self-efficacy which implies that it is prone to an outside influence, including relationship, and communication to others." Thus, social models (role models) in social media may trigger someone's self-efficacy. Supported by many psychologists, social media enables the models to share the way they are thinking and convey their message to the users. A person believes that he or she possess the ability to be a success by seeing other people's success or failure (encouragement).

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## 3. RESEARCH METHODS

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This study uses a quantitative method that is beyond describing events: figures offer more analytical possibilities than regular words due to their formal properties. The authors of this study use causal research, a study in which the researcher wants to delineate cause of one or more problems. This research design is based on three research objectives: causal relationships, correlation, and group differences (Lope Pihie & Bagheri, 2013). Cross-sectional study also used in this study.

Social media plays roles as both external and independent variables, which affect the presence of the personal and behavioral factors. First, social media activity may automatically result in an increase in personal knowledge, especially in the digital entrepreneurship field. Second, people who use social media to interact with others may learn something by seeing and observing others and thus develop their self-efficacy. At the same time, social media moderates the relationship between knowledge and self-efficacy toward digital entrepreneurial intention. Knowledge and self-efficacy are parts of the independent variable and have a direct and non-direct impact to digital entrepreneurial intention. Meanwhile, digital entrepreneurial intention is selected as a dependent variable that the authors want to observe. As explained in previous research, the process of entrepreneurial intention will automatically incur entrepreneurial opportunity or, vice versa, the entrepreneurial opportunity will automatically result in entrepreneurial intention.



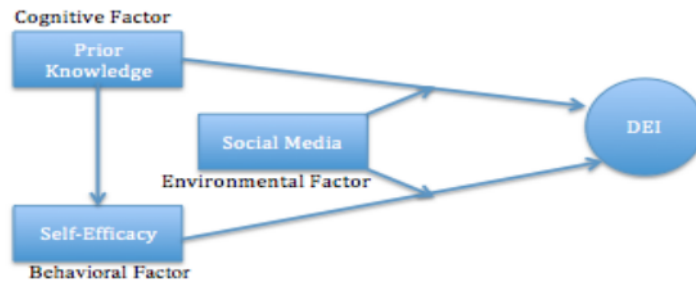


Figure 1. Research framework

#### 4. RESEARCH RESULTS AND DISCUSSION

This section deals with evaluating the coefficients or parameters that indicate a causal relationship or the effect of one latent variable on other latent variables. The results of the calculation of coefficients are presented in the following table:

Table 1 *T*-value, standardized coefficient value, and *R*-square value

Structural Equations	Influence	<i>t</i> -value	SC	<i>R</i> <sup>2</sup>
$\eta_1 = (\gamma_{11} \times \zeta_1) + (\gamma_{12} \times \eta_2) + (\gamma_{13} \times \zeta_2) + (\gamma_{14} \times \zeta_3) + \zeta_1$	$\zeta_1$ towards $\eta_1$	6.833	0.533	0.611
	$\eta_2$ towards $\eta_1$	4.216	0.280	
	$\zeta_3$ towards $\eta_1$	-3.052	-0.155	
	$\zeta_4$ towards $\eta_1$	-0.953	-0.048	
$\eta_2 = (\gamma_{21} \times \zeta_1) + \zeta_1$	$\zeta_1$ towards $\eta_2$	9.886	0.617	0.381

Source: Research processed data result

Significant testing criteria in SEM are based on the critical point value of 1.96 where the value of *t* (*t*-value) greater than or equal to the critical point (*t*-value > 1.96) indicates that the parameter value is statistically significant. Column *R*<sup>2</sup> contains the coefficient of determination values. Prior knowledge does have a significant effect on digital entrepreneurial intention with path coefficients of 0.533 with *t*-values greater than critical values (6.833 > 1.96), so it can be assumed that when there is a change in prior knowledge it will affect digital entrepreneurial intention. These results also indicate a positive direction, which means that when the individual increases his or her prior knowledge, digital entrepreneurial intention will increase too, and vice versa. Next, prior knowledge has a significant effect on self-efficacy with a path coefficient of 0.617 with a *t*-value greater than the critical value (9.886 > 1.96), so that it can be assumed that when there is a change in prior knowledge it will have an impact on self-efficacy. The results also show a positive direction, which means when the company increases prior knowledge, self-efficacy will increase as well, and vice versa. Table 4.4 shows that self-efficacy has a significant effect on digital entrepreneurial intention with a path coefficient of 0.280 with *t*-values greater than critical values (4.216 > 1.96). Meanwhile, prior knowledge moderated by social media has no significant effect on digital entrepreneurial intention since the path coefficient is -0.155 with *t*-values less than critical values (-3.052 < -1.96), so it can be assumed that when there is a change in social media interacting with prior knowledge, it will not have an impact on digital entrepreneurial intention. Social media does not have a significant effect on moderating self-efficacy

towards digital entrepreneurial intention. With a path coefficient of  $-0.048$  with  $t$ -values smaller than critical values ( $-0.953 > -1.96$ ), it can be assumed that when changes occur in social media interaction with self-efficacy it will not have an impact on digital entrepreneurial intention. Social media as moderating variable shows a negative direction that means when the individual interacts with social media and prior knowledge then digital entrepreneurial intention will decrease and vice versa. The measurement of the validity of the SEM model in this study uses first order confirmation analysis (First Order CFA), where a variable is said to have good validity on the construct or latent variable if the standardized loading factor is greater than or equal to the critical value of 0.50 or 1.96. Digital entrepreneurial intention, social media, prior knowledge, and self-efficacy variables have a standard factor load value greater than 0.50. Then it can be concluded that all indicators have good measurement validity, although, on loading factor standards and construct reliability, the overall latent constructs have good reliability except for self-efficacy because the coefficient construct reliability (CR) is less than 0.70.

## 5. CONCLUSION AND SUGGESTION

Study results explain that the existence of prior knowledge and self-efficacy, combined with social media usage, do not positively affect a student's intention to become a digital entrepreneur. Less optimal use of social media, nonsupportive social media contact, little exposure to entrepreneurship knowledge, or many reasons of which the author may be unaware might explain why social media usage does not influence an individual's interest in digital entrepreneurship. Self-efficacy and social media have high-level value percentage compared to other variables. Prior knowledge regarding entrepreneurship of students was quite high, however this variable has the lowest value percentage compared to self-efficacy, social media, and digital entrepreneurial intention. The authors concluded that there is high self-confidence among private universities students and this would provide them more opportunities in choosing digital entrepreneurship as a future career. Undergraduate college students might already be aware of how digital technology changed the way creation is practiced and needed in every sector, thus, technology has become part of life. Digital technology simplifies people's work with its benefits, for instance, helping entrepreneur's business with marketing activity, reaching customers, and knowing target the market through social interaction.

Future researchers might continue in a wider area of research, such as students from different major facilities or faculties: for example, engineering students could be a suitable object since the potential to becoming an entrepreneur comes from various educational backgrounds. Likewise, future research might examine millennials from different age groups in Indonesia as the study object in order to get a more generalized study result. Afterwards, the social media variable should not be a moderator variable in future research since it has shown a negative result on digital entrepreneurial intention. Social media might not work as a moderator but there is a possibility that social media creates a positive impact on digital entrepreneurial intention as an independent variable. Even technology infrastructure is constantly advancing and developing society, and there is a big challenge in digital entrepreneurship literature. It is assumed studies on digital entrepreneurship, specifically using intention as a topic is still rare to find. The authors hope this research stimulates further research to continue to follow the same quantitative approach with different research specification objects in order to enrich the relevant academic articles of digital entrepreneurship. Research on entrepreneurship in the digital sphere is very important for new entrepreneurs to study and should be included in the agenda in the near future.

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