

# Analysis of Empirical Model Behavior Entrepreneurship with Religiosity Approach (Studies on SMEs in Malang)

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**Abstract** The purpose of this research was to examine the influence of religiosity, entrepreneurial attitude, entrepreneurial intention on entrepreneurial behavior in the context of SMEs in Malang, East Java, Indonesia. A questionnaire survey was conducted among 250 SMEs owners in Malang to collect the data yielded 200 valid responses. The data were analyzed using statistical package for social science (SPSS) software version 18.0. Linear and Multiple Regression were used in testing the research hypotheses. The results reveal that simultaneously all independent variables had a positive and significant affect to dependent variables. Partially, entrepreneurial attitude and entrepreneurial intention had a positive and significant affect on entrepreneurial behavior. Whereas religiosity have a negative and did not significant affect on entrepreneurial behavior. Moreover, entrepreneurial intention plays a dominant variables in enhancing entrepreneurial behavior. It implies that, religiosity, entrepreneurial attitude, and entrepreneurial intention all play vital role in the context of SMEs in Malang.

**Keywords** Religiosity, Entrepreneurial Attitude, Entrepreneurial Intention, Entrepreneurial Behavior

## 1. Introduction

Entrepreneurship is a pillar of business and industry in developing countries. Entrepreneurship is the ability and a willingness of someone to take a risk with investing and time, money and effort to start a business to become success. An entrepreneur running a business as a satisfaction (self-actualization) and for profit (profit-oriented).

Small and Medium Enterprises (SMEs) are strategic sectors of the national economy and lives of many people concerned, so that became the burden of the national economy. The role of SMEs in Indonesian economy is so strategic. According to statistics of 2011 showed that the number of units of Small and Medium Enterprises (SMEs) approaching 99.98% of the total business units in Indonesia. While the amount of labor involved to reach 91.8 million peoples or 97.3% of the entire work force Indonesia.

Unemployment is expected to decline from 6.8% to 5% with the growth of SMEs. It reflects the participation of SMEs to economic growth have high significance for economic equality in Indonesia because it contribute substantially to the real sector[1].

The development of entrepreneurship in recent years indeed has become an issue of economic institutions around the world, ranging from international, national, until in the

regions. This trend is as the confidence that entrepreneurial is the key for the number of social outcomes desired, including economic growth, a lower unemployment, and modernization of technology[2]. A State will advance if there are entrepreneurs at least 2% of the population. Indonesia currently has only entrepreneurs 0.18% of the population[3].

The growth of small businesses is a complex and multidimensional problems in scope and character, including the convergence from ambitious owners/managers, competence, factors internal to the organization, resources and infrastructures, external relationships and networks[4]. Business performance is determined by several factors: the individual characteristics, the organizational characteristic, relationship and the environmental characteristics, the strategy development and planning, and organizational development[5].

Organizational variables which impact the performance of the organization include resource organizations, corporate competency, organizational cultures, and structure. Furthermore individual variables include knowledge, skills, attitudes and behavior of entrepreneurs, and how it impacts to the company's performance[6-7].

Several researches have revealed that the performance of small-business is determined by the characteristics of the owner/manager. All of them stated that the owners/managers are the key factors of business performance[8-15].

Multiple perspectives to examine the behavior of entrepreneurship have been done, good economics, psychology, and sociology. The economic perspectives see

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the behavioral of entrepreneurship which are based on the readiness of entrepreneurship, through the instrument of economic conditions, capital, government regulation, and other economic factors. Sociological perspective explained the relationship between human relationships, life style of the people and social and cultural norms that shape the behavior of entrepreneurship. The psychological perspective explained entrepreneurial behavior viewed from the psychological factors such as personal aspects and motives of entrepreneurial[16]. Sociologically person's behavior cannot be separated from religious teachings (religiosity).

Various models have been developed in the research intensity of entrepreneurial from the 1980s until the 2000s, such as Entrepreneurial Event Model (EEM), Davidsons Model, Entrepreneurial Attitude Orientation Model (EAO), Entrepreneurial Potential Model (EPM), and Theory of Planned Behavior (TPB)[17].

This research attempted to fill the gap by examining the role of religiosity influence on entrepreneurial behavior, either directly or indirectly through the entrepreneurial attitude and entrepreneurial intensity. The formulation of the problem raised in this research is as follows:

1. Is religiosity positive and significant effect on the behavior entrepreneurship for SMEs in Malang
2. Is entrepreneurial attitude positive and significant effect on the behavior entrepreneurship for SMEs in Malang
3. Is entrepreneurial intention positive and significant effect on the behavior entrepreneurship for SMEs in Malang

## 2. Literature Review and Hypotheses Development

### 2.1. Entrepreneurship

Entrepreneurship as a manifestation of the ability and the will from the individuals to the organization either individually or in the form of the team[18]. Entrepreneurship is also associated with the process, establishment or growth of a new business-oriented profitability, value creation, and the creation of new products for services which unique and innovative[19]. Entrepreneurship is the process of creating some thing new (new creation) and creates a different from existing (innovation); the goal is to achieve individual welfare and value to society. Entrepreneurship refers to the peoples who carry out the creation of wealth and added value through new ideas, combining the resources and the realization of the idea became a reality[20].

Hisrich et.al give a definition of entrepreneurship as "the process of creating incremental wealth. This definition of entrepreneurship emphasizes four basic aspects for an entrepreneur; (a) entrepreneurship involves the creation process, is to create something new. Creation must have a good value for the entrepreneur and their audience. (b) Entrepreneurship requires time and effort. Only those who go through the process of entrepreneurship appreciate the time and effort that they use to create something new. (c)

Entrepreneurship has certain risks. This risk takes a variety of forms in the area of finance, psychology, and social. (d) Entrepreneurship involves reward as an entrepreneur; the most important benefit is the independence, followed by the personal satisfaction[21].

### 2.2. Entrepreneurship Behavior

Entrepreneurship requires good ethics in business. Attitudes and behaviors in entrepreneurship is also one factor to develop and improve the business. Behavior is an act that looks or verbal statements regard in the behavior. Behavior is in the field of entrepreneurship is entrepreneurship decisions [22].

Entrepreneurial behavior is demonstrated by the actions of individuals who entrepreneurship decision. Measured by indicators of entrepreneurship behavior action has running the business, entrepreneurship decision, and a statement of support of existing business development[23].

### 2.3. Entrepreneurship Intention

Entrepreneurial intention can be interpreted as the first step of a process of establishment of a business that is generally long term[24]. Entrepreneurial intentions reflect a person's commitment to start a new business and a central issue to be considered in understanding the entrepreneurial process of new business establishment[25].

Entrepreneurial intention at this time began get attention for the study because it is believed that a behavioral intention is proven to be a reflection of the real perpetrator. In the theory of planned behavior is believed that factors such as attitudes, subjective norms will shape the next person's intentions and will be directly affect the behavior. Therefore an understanding of one's intention to entrepreneurship (entrepreneurial intention) can be reflecting a tendency to set up business in real terms[26].

### 2.4. Entrepreneurship Attitude

Attitude is one component in a specific intention to behavior. Stance or attitude that there is a factor in a person whole arned to responding a way that is consistent liked or disliked about the assessment of a given. One understanding attitude is also important is that the attitude consists of three components, known as trilogy attitude; the attitude consists of affective, cognitive and conative. Affective means feeling good person or valuation of an object, person, event or issue. Cognitive consists of knowledge, opinions, and beliefs toward an object. While the conative component is a form of feelings and evaluative[27].

Entrepreneurial attitude is a tendency to react affectively in response to the risk to be faced in a business. Entrepreneurship attitudes measured by indicators interested in business opportunities, a positive view of business failure, and like business risk[28].

### 2.5. Religiosity

Religiosity is defined in terms of the strength of

individuals religious beliefs[29]. McDaniel and Burnett is defined “religion as a belief in god accompanied by a commitment to follow principles believed to be set forth by God”. Meanwhile Emmons provides definitions “that realm of life which is concerned with ultimate purpose and meaning in life, a set of principles and ethics to live by, commitment to God or a higher power, a recognition of the transcendent in everyday experience, a selfless focus, and a set of beliefs and practices that is designed to facilitate a relationship with the transcendent”[30].

As for Cornwall, *et al.*, definitions religiosity in three components, namely: (1) Cognition, (religious knowledge and religious beliefs). (2) Affect. (3) Behavior[31].

Whereas according to Glock and Stark (1968) religiosity consists of three dimensions, namely: (1) An Experiential dimensions. Involving expectations that adherents will have particular religious experiences. (2) A Belief dimensions. Involving expectations that one will hold to particular religious beliefs (e.g. beliefs in God as the creator of the world). (3) A Ritual dimensions. Covering expectations for public religious practices, such as corporate worship. (4) A Devotional dimensions. Concerning private religious practices and attitudes. (5) An Intellectual dimensions. Concerning expectations for being knowledgeable about one's religion[32].

## 2.6. Conceptual Framework

Figure 1 depicts the proposed relationship among the variables.

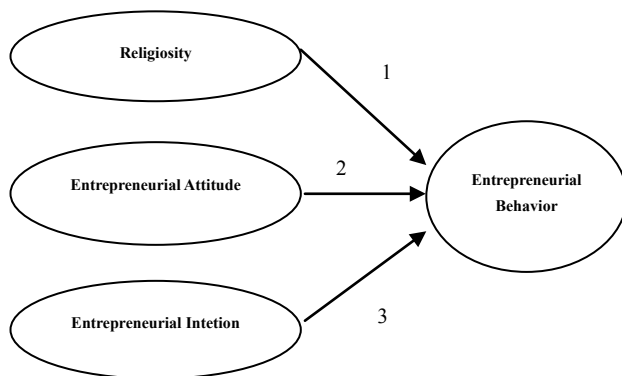


Figure 1. Proposed relationships among the variable

Based on the above discussion, the following hypotheses are formed :

H1. Religiosity will be positively affect to entrepreneurial behavior

H2. Entrepreneurial attitude will be positively affect to entrepreneurial behavior

H3. Entrepreneurial intention will be positively affect to entrepreneurial behavior

## 3. Methods

### 3.1. Variable Measurement

This study borrowed the four-item religiosity scale from Cornwall[33]. Entrepreneurship Attitude scale was taken from Gaadam which had been modified to suit the research objectives[34]. This scale consisted of 5 item. Entrepreneurship Intention scale was taken from Ramayah and Harun which consisted of 5 item[35]. Entrepreneurship Behavior scale was taken from Ajzen which consisted of 3 item[36]. All variables were measured with multi items scale method based on a five point Likert format range from 1= “strongly disagree” to 5= “strongly agree”.

### 3.2. Sample and Sampling Procedure

Total population of this SMEs were 1078 approximately. This study focused on Malang, East Java, Indonesia.

In this study, a structured questionnaire which consisted of 17 items was distributed to 250 respondents in 5 sub-district in Malang, East Java. The targeted respondents to participate in the survey were SMEs. Finally, 200 completed questionnaires were returned which generated 90% response rate.

### 3.3. Data Analysis

The data gathered from the survey were analyzed via Statistical Package for Social Sciencess (SPSS) version 18.0. First, frequency analysis on respondent profile was conducted to assess the demographic characteristics of the respondents. Next, the reliability test of the variables was done through Cronbach's Alpha. According to Sekaran, reliability coefficient with less than 0.60 is considered poor; reliability coefficient in the range of 0.70 is acceptable and those above 0.80 is considered as good[37].

The Pearson Correlation analysis was conducted to determine the relationships between independent and dependent variables. Multiple regression analysis was conducted to test the hypotheses.

## 4. Result and Discussion

### 4.1. Profile of the Respondents

Among the 200 respondents, 39% are male and 61% are female. Majority of the respondents (53%) fall between 31 to 40 age group. On the other hand, 27% of respondents age fall in the range of 20 to 30 years, and the rest are above 40 years old. About 71% of the respondents are islamics, 19% are katolique, and 10% are protestant. Majority of the respondents have senior high school (55.5%), followed by the respondents have diploma (16.5%) and 28% of respondents have bachelor degree. In regard to the salary, majority of respondents salary is in between IDR 1.000.000 to IDR 2.000.000 per month (27%), followed by 43% or 86 respondents salary is in a range of IDR 2.000.000 to IDR 3.000.000 per month, and the rest are above IDR 3.000.000 per month.

### 4.2. Test of Hypotheses

The correlation test between religiosity, entrepreneurial attitude, entrepreneurship intention and entrepreneurship behavior are shown in the table 1 below.

Multiple regression analysis was used to test H1, H2 and H3. The test results are illustrated in Table 2.

**Table 1.** Result of Pearson Correlation Coefficient Analysis

Variable	Religiosity	Entrepreneurship Attitude	Entrepreneurship Intention	Entrepreneurship Behavior
Religiosity	1			
Entrepreneurship Attitude	0.310**	1		
Entrepreneurship Intention	0.442**	0.466**	1	
Entrepreneurship Behavior	0.178*	0.303**	0.395**	1

Note : \*\*Correlation is significant at the 0.01 level (2-tailed)

**Table 2.** Results of multiple regression analysis

Dependent variable	Independent variable	Std. Beta	t	Sig.
Entrepreneurship Behavior	Religiosity	-0.016	-0.213	0.832
	Entrepreneurship Attitude	0.179	2.080	0.039
	Entrepreneurship Intention	0.317	4.202	0.000
	R2	0.174		
	Adjusted R2	0.161		

Multiple regression analysis was utilized to see the effect of religiosity, entrepreneurship attitude, entrepreneurship intention on entrepreneurship behavior. The results in table 2 indicate that religiosity not significant and negative affect entrepreneurship behavior. On the other hand, indicate that entrepreneurship attitude and entrepreneurship intention both significantly and positively affect entrepreneurship behavior ( $\beta=0.179$ ,  $p<0.05$ ;  $\beta = 0.317$ ,  $p<0.001$  respectively). Thus H2 and H3 are supported.

These finding are also in line with previous studies. For example, Zhao et al., and Seagel et al., contended that entrepreneurship attitude and entrepreneurship intention an important role in influencing entrepreneurship behavior [38][39]. Furthermore, Ajzen found support for the positive association between entrepreneurship intention and entrepreneurship behavior[40].

## 5. Conclusions

This study explores thoroughly on the relationship between religiosity, entrepreneurial attitude, entrepreneurial intention and entrepreneurial behavior based on SMEs in Malang, East Java, Indonesia. As stated above, all study hypotheses are supported. It implies that, religiosity, entrepreneurial attitude, entrepreneurial intention all play vital role in the context of SMEs. The findings from this research can help enhance the understanding of the effect of religiosity, entrepreneurial attitude, entrepreneurial intention towards entrepreneurial behavior on SMEs in Malang. As such, this study contributes significantly to practising entrepreneurship who plan to develop and improve their existing working structures.

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