The Influence of Entrepreneurship Education on The Business Performance Through Entrepreneurial Intention

Sabrina Amaliawati¹, Trisno Martono², Cicilia Dyah Sulistyaningrum Indrawati³

ABSTRACT

The research was conducted at MSMEs Batik Kampung Laweyan, Surakarta City, Central Java Province, Indonesia. Problems that occur in MSMEs Batik Laweyan is a decrease in sales turnover and some MSMEs bankruptcy. This research aims to determine the influence of entrepreneurship education on business performance through entrepreneurial intentions. The method used is descriptive method with a survey approach. The number of respondents in this research were 67 MSMEs owners. Testing the hypothesis in this research using PLS-SEM analysis with the help of software SmartPLS 3.0. The results showed (a) entrepreneurship education has a positive and significant influence on entrepreneurial intentions (original sample 0.276 & t-value 2.136 > 1.96), (b) entrepreneurship education has a positive and significant influence on business performance (original sample 0.235 & t-value 2.960 > 1.96), (c) entrepreneurial intention has a positive and significant influence on business performance (original sample 0.323 & t-value 1.96), (d) entrepreneurial education has an indirect influence on business performance through entrepreneurial intentions (the values of indirect influence is 0.089).

INTRODUCTION

MSMEs is micro, small and medium enterprises that have a turnover below Rp 1 billion. Criteria MSMEs has been confirmed and regulated by the Government through Law No. 20 of 2008. MSMEs is the productive business opportunity of an individual or a business entity that meets the criteria as stipulated by the Law. MSMEs plays a role in growth and job creation (Gibb and Li, 2003; Tether and Storey, 1998). Law Number 20 of 2008 Chapter III Article V explains that the role of MSMEs is to help build the regional economy, create jobs, equalize income, economic growth and alleviate people from poverty. The performance of small and medium enterprises is the main sector of economic growth in developed and developing countries (Lumpkin and Dess, 1996; Wiklund and Shepherd, 2005). Based on the role of MSMEs on the economy, research on the business performance of MSMEs entrepreneurs is interesting to study. Business performance is the achievement of a person or copany in achieving a goal. Maximum performance is the main hope of the bussines unit in carrying out its business. According to Mulyadi (2007) business performance is the success of personnel, teams or organization unit in realizing previously set strategic target. Many opinions regarding factors that can affect business performance, one of which is Entrepreneurship Education.

Entrepreneurship education is a planned effort to improve skills and knowledge in entrepreneurship. Entrepreneurship education not only provides a theoretical basis for the concept of entrepreneurship but also shapes the attitude and the mindset of an entrepreneur. Entrepreneurship education can be given in various levels of education, starting from the basic education level to the level of secondary education in a sustainable and integrated manner (Rina, Murtini and Indriayu, 2018). According to Enu (2012) entrepreneurshhip education is a form of entrepreneurship education that has the aim of providing knowledge, skill, attitudes and motivation to individuals succeed in entrepreneurship. The presence of successful entrepreneurs and the number of entrepreneurs in the community depends on prospective entrepreneurs who receive entrepreneurship education and have a desire to become entrepreneurs (Doğan, 2015). Through entrepreneurship education MSMEs will get the provision to work professionally in work planning, management and evaluation. Sufficent entrepreneurship education will provide the skill and knowledge needed by an entrepreneur to build and develop a business (Paco, Fereria, Raposo and Radriges, 2015). According Chilliya (2012) the entrepreneurship education received will have significant impact on the production of the business undertaken. Although entrepreneurship education received by individuals can help in carrying out their business, it does not nessarilyguarantee that the
business. In addition to skills and knowledge, high entrepreneurial intentions are need to maintain business performance.

Intention is a desire that arises in a person without any compulsion from others to take action. Entrepreneurial intention directs one’s action by connecting the considerations that are believed and desired. Through entrepreneurship education will also encourage entrepreneurial intentions of business people (Hattab, 2014; Franke and Lutjhe, 2004). Radhipere and Ladzoni (2014) states that entrepreneurial intention is classified as the most powerful indicator of business performance. The stronger the intention in a particular behavior, such as choosing a career path as an entrepreneur, the more positive the behavior performance will be (Farrington, Venter, and Neethling, 2012). Entrepreneurial intentions of a person are influenced by entrepreneurship education that he receives. Entrepreneurship education has a role in encouraging one’s entrepreneurial intentions (Hattab, 2014; Franke and Lutjhe, 2014). Less education will lead low levels of entrepreneurial intentions (Franke and Lutjhe, 2014). According to Silvia (2013) who stated that someone who obtained entrepreneurship education has a higher intention than those who did not get entrepreneurship educations.

Entrepreneurship education has an influence on entrepreneurial intentions as stated by previous researchers. However, there is another opinion which states that entrepreneurship education has no relationship to the intention of entrepreneurship. According to (Cheng, Chan & Mahmood, 2009) states that entrepreneurship education does not have a significant relationship to entrepreneurial intentions, this is because the process of delivering entrepreneurship education is less effective. In addition, Dogan (2015) also stated that what can change the traits of one’s entrepreneurship is not what they learn about entrepreneurship, but what they learn about themselves and their abilities.

This research was conducted at MSMEs Batik Laweyan Surakarta, Central Java, Indonesia. Kampung Batik Laweyan is the largest center of batik production in Surakarta City which has an attraction. The appeal of the Kampung Batik Laweyan includes socio-economic conditions, cultural heritage conditions and batik industry conditions. As the central ruler of the biggest batik in Surakarta city, the MSMEs Batik Laweyan is a driver of economic growth in Surakarta City. The highest number of MSMs in Surakarta City is in Laweyan, thus encouraging the researcher to conduct research at MSMEs Batik Laweyan.

**Situation of the Problem**

Based on research conducted by author in September 2018, the MSMEs Batik Laweyan has experienced several problems related to the performance of MSMEs owners. The problem that the issue is decrease in sales turnover and the are several MSMEs that experience bankruptcy. This is due to several other factors: (a) less qualified and professional human resources, (b) bookkeeping that has not been arranged neatly and regularly, (c) calculation of production cost that are still based on estimates, (d) business people who lack entrepreneurial spirit.

**The aim of the Study**

The purpose of this study was to determine the relationship between the variables studied. The objectives are as follows:

1. Knowing the influence of entrepreneurship education on entrepreneurial intentions.
2. Knowing the influence of entrepreneurship education on business performance.
3. Knowing the influence of entrepreneurial intentions on business performance.
4. Knowing the influence of entrepreneurship education on business performance through entrepreneurial intentions.

**METHOD**

This research was conducted at MSMEs Kampung Batik Laweyan, Surakarta city, Central Java Province, Indonesia. The target in this study was MSMEs Batik. Selected MSMEs is Batik Kampung Laweyan because the highest number of MSMEs in Surakarta is here. The population in this study were 67 respondents so that all respondents were taken as samples because the population was less than 100. The identity that must be filled out by the respondents in the questionnaire includes the name, gender and level
of education. The proportion of respondents by gender can be seen in table 1 and the proportion of respondents based on education level can be seen in table 2.

### Table 1 Respondents by gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>51</td>
<td>76.11%</td>
</tr>
<tr>
<td>Female</td>
<td>16</td>
<td>23.88%</td>
</tr>
</tbody>
</table>

Source: data processed, 2018.

Based on table 1, it can be seen that male respondents are around 76.11% and women are around 23.88%. This means that there are more male MSMEs owners than women.

### Table 2 Respondents by level of education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School</td>
<td>37</td>
<td>55.22%</td>
</tr>
<tr>
<td>Diploma III</td>
<td>5</td>
<td>7.46%</td>
</tr>
<tr>
<td>S1</td>
<td>22</td>
<td>32.83%</td>
</tr>
<tr>
<td>S2</td>
<td>2</td>
<td>2.98%</td>
</tr>
<tr>
<td>S3</td>
<td>1</td>
<td>1.49%</td>
</tr>
</tbody>
</table>

Source: data processed, 2018.

Based on Table 2, it can be seen that the highest education level of respondents is high school around 55.22%. This means that the level of education most of the MSMEs owners have is high school.

This study used a survey method that aims to determine the relationship between variables of entrepreneurship education (exogenous), entrepreneurial intentions (mediation) and business performance (endogenous). Table 3 is a simple description of the variables in this study as follows:

### Table 3. Range of Research Variables

<table>
<thead>
<tr>
<th>Variable type</th>
<th>Variable</th>
<th>Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exogenous</td>
<td>Education (X)</td>
<td>(a) Formal Education (b) Non-formal education (c) Informal Education</td>
</tr>
<tr>
<td>Mediation</td>
<td>Intentions (Z)</td>
<td>(a) Glad entrepreneurship (b) Want to have a higher income (c) Want to be able to manage time and himself (d) Want to create jobs for other people</td>
</tr>
<tr>
<td>Endogenous</td>
<td>Performance (Y)</td>
<td>(a) Profit growth (b) Growth in the number of customers (c) Growth in the number of sales (d) Growth in the number of assets</td>
</tr>
</tbody>
</table>

Material

Data collection in this study used interviews, documentation and questionnaires. Interviews are conducted to obtain detailed and in-depth information about the object of research. Interviews in this study were conducted between researchers and owners of MSMEs Batik Laweyan as selected respondents. Documentation was carried out to obtain data by looking at existing documents to strengthen the data obtained, in this study the data were in the form of the number of MSMEs Batik Laweyan owners and photos of activities in the MSMEs. Questionnaires are conducted by providing a set of questions or statements to the respondent. In this study, the questionnaire was closed so that respondents could answer the questions or statements that had been provided by the researcher. The questionnaire in this study used a Likert scale. The statement in this study consisted of positive statements and negative statements. The answer consists of 4 answer choices namely Strongly Agree (S), Agree (S), Disagree (TS), and Strongly Disagree (STS).

Table 4. Respondents Answer Value

<table>
<thead>
<tr>
<th>Positive Statement</th>
<th>Code</th>
<th>Value</th>
<th>Negative Statement</th>
<th>Code</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>SS</td>
<td>4</td>
<td>Strongly Agree</td>
<td>S</td>
<td>1</td>
</tr>
<tr>
<td>Agree</td>
<td>S</td>
<td>3</td>
<td>Agree</td>
<td>S</td>
<td>2</td>
</tr>
<tr>
<td>Disagree</td>
<td>TS</td>
<td>2</td>
<td>Disagree</td>
<td>T</td>
<td>3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>STS</td>
<td>1</td>
<td>Strongly Disagree</td>
<td>T</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Sugiyono (2012)

Data Analyzes

This study used descriptive and Partial Least Square (PLS) statistical data analysis with the help of SmartPLS 3.0 software. Using SEM analysis make it easier for to see effect and relationship of each variable that form construct or indicator (Mustofa, Riani & Wardani, 2018). There are reasons for using PLS-SEM in this study as follows: (a) PLS-SEM is a general method for estimating the path model that uses latent variables with several indicators. (b) PLS-SEM is an analytical method that can be applied to all data scales, does not require many assumptions and the sample size does not have to be large, the recommended sample size ranges from 30 to 100 in this study the sample size are 67 respondents. (c) PLS-SEM is an analytical method for causal predicitve analysis in situations of high complexity and low theoretical support. The model of this research can be seen from the following picture:
**FINDING**

**Evaluation and Measurement Model**

1. **Construct Validity**

   The research questionnaire can be said valid or can use in research if the value of loading factor is more than 0.7. Construct validity test parameter in the measurement model using reflexive indicators so that the value of Loading Factor between 0.5-0.6 can still be used (Yamin and Kurniawan, 2011; Haryono, 2017). The construct used in this study is 0.5-0.6 LF. After testing the contract validity, the result of the research questionnaire was said to be valid.

2. **Construct reliability**

   Reliability testing is done to prove the accuracy of the consistency and determination of the instrument in measuring construct. Evaluation of the value of construct reliability can be measured by composite reliable, Cronbach’s alpha, AVE value (Average Variance Extracted) and comparing the AVE root value with the correlation between the constructs. If the value is ≥ 0.7, the it is acceptable. AVE value are used to explain convergent validity. If the AVE root value is greater than the constructed correlation value, the discriminant validity requirements are met.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Composite reliability</th>
<th>Cronbach’s alpha</th>
<th>AVE</th>
<th>AVE roots</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE</td>
<td>0.980</td>
<td>0.977</td>
<td>0.862</td>
<td>0.928</td>
</tr>
<tr>
<td>EI</td>
<td>0.985</td>
<td>0.983</td>
<td>0.787</td>
<td>0.937</td>
</tr>
<tr>
<td>BP</td>
<td>0.978</td>
<td>0.974</td>
<td>0.848</td>
<td>0.928</td>
</tr>
</tbody>
</table>

   Source: data processed, 2018

Table 6. Latent Variable Correlation

<table>
<thead>
<tr>
<th>Construct</th>
<th>EE</th>
<th>EI</th>
<th>BP</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE</td>
<td>1.000 ------- -------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EI</td>
<td>0.769 1.000 -------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BP</td>
<td>0.834 0.903 1.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   Source: data processed, 2018

   Based on table 5 show that the value of composite and Cronbach’s alpha is ≥ 0.7 so that requirements for construct reliability is fulfilled. Furthermore, comparing the AVE root value with the latent correlation variable in table 6. From this comparison, it is known that the AVE root value is greater than the correlation value between constructs in the model, so the discrimination validity requirements are met.

3. **Evaluation of the model (inner model)**

   At the evaluation stage the structural model will be analyzed using a significant relationship between constructs indicated by the t-statistical value. Significant between value constructs can be seen in table 7.

   Table 7. Path Coefficient

<table>
<thead>
<tr>
<th></th>
<th>Original Sample (O)</th>
<th>Simple Mean (M)</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE-&gt;EI</td>
<td>0.276</td>
<td>0.256</td>
<td>0.129</td>
<td>2.334</td>
<td>0.020</td>
</tr>
<tr>
<td>EE-&gt;BP</td>
<td>0.235</td>
<td>0.226</td>
<td>0.079</td>
<td>2.960</td>
<td>0.004</td>
</tr>
<tr>
<td>EI-&gt;BP</td>
<td>0.323</td>
<td>0.323</td>
<td>0.156</td>
<td>2.072</td>
<td>0.039</td>
</tr>
</tbody>
</table>

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Source: data processed, 2018

The influence of entrepreneurship education on entrepreneurial intention.

Based on table 7, it is known that the path between the variables of entrepreneurship education and entrepreneurial intentions having an original sample value of 0.269 and t-value of 2.427 > 1.96. These results indicate that entrepreneurship education variables have a positive and significant influence on entrepreneurial intentions.

The influence of entrepreneurship education on business performance.

Based on table 7, it is known that the path between the variables of entrepreneurial education and business performance has an original sample value of 0.235 and t-value of 2.960 > 1.96. These results indicate that entrepreneurship education variables have a positive and significant influence on business performance.

The influence of entrepreneurial intention on business performance.

Based on table 7, it is known that the path between entrepreneurial intentions and business performance has an original sample value of 0.323 and t-value of 2.072 > 1.96. These results indicate that entrepreneurial intentions have a positive and significant influence on business performance.

Mediation Effect

Mediation effects are carried out to test the third research hypothesis. The mediating effect shows the relationship between exogenous variables and endogenous variables through connecting or mediating variables. Mediation effects are tested when it is assumed that there are mediating variables between exogenous variables and endogenous variables.

Thus the total effect output is used to see the total predictive effect (direct and indirect effect). Testing of mediation effects follows the Baron and Kenny rules, namely mediation effects can be done if the main effect (direct relationship) between the exogenous variables on endogenous variables is significant. The total effect of this research can be seen in table 7.

<table>
<thead>
<tr>
<th>Table 8. Total Effect</th>
<th>Original Sample (O)</th>
<th>Simple Mean (M)</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE -&gt; EI</td>
<td>0.276</td>
<td>0.256</td>
<td>0.129</td>
<td>2.136</td>
<td>0.033</td>
</tr>
<tr>
<td>EE -&gt; BP</td>
<td>0.324</td>
<td>0.314</td>
<td>0.094</td>
<td>3.443</td>
<td>0.001</td>
</tr>
<tr>
<td>EI -&gt; BP</td>
<td>0.323</td>
<td>0.323</td>
<td>0.156</td>
<td>2.072</td>
<td>0.039</td>
</tr>
</tbody>
</table>

Source: data processed, 2018

Based on the results of testing the structural model, the value of the Path Coefficients shows the following paths:

Entrepreneurial Education variables with business performance have a significant effect (3.443 > 1.96). This shows that testing of mediation effects can be continued. In table 8 shows the mediating effects that can be seen through t-statistics on entrepreneurship education variables on entrepreneurial intentions of 2.136 > 1.96. This shows that entrepreneurial intention mediates in full (full mediation) the influence of entrepreneurship education on business performance. The magnitude of the mediation effect Entrepreneurship Education -> Entrepreneurial Intention -> Business Performance = 0.276 x 0.324 = 0.089.

The influence of entrepreneurship education on business performance through entrepreneurial intention.

The test results show that the entrepreneurship education variable shows the value of indirect influence of 0.089. The results show that entrepreneurship education influences business performance through entrepreneurial intentions.
DISCUSSION AND SUGGESTION

Discussion

This study examines the influence of entrepreneurship education variables (exogenous), entrepreneurial intentions (mediation) and business performance (endogenous). Based on the results of testing the hypothesis that has been done, found several findings in this study. The results are as follows:

First, the influence of entrepreneurship education on entrepreneurial intentions. The test results show that entrepreneurship education variables have a positive and significant effect on entrepreneurial intentions. The parameter value is significantly high at 0.276 (t-value 2.136 > 1.96) which means that entrepreneurship education significantly influences the intention of entrepreneurship. This is in line with the disclosure of Lestari and Wijaya (2012) which states that entrepreneurship education can shape a person's mindset, attitudes and behavior to become a true entrepreneur so that they lead to choosing entrepreneurship into their career. According to Alhaji (2015) entrepreneurship education is an important component and provides a stimulus for individuals making career choices, thereby increasing the creation of new businesses and economic growth. Research conducted by Husein, Alfa and Norasidah (2015) concluded that education has a positive and significant effect on entrepreneurial intentions. Similar results are also shown by research conducted by Siswoyo, 2011; Aprilianti, 2012; Hendriyani, 2013; Nursito, 2013; Zegeye, 2013; Fatoki, 2014; Malebana, 2014; Bae, Qian, Miao and Fiet, 2014; Fayolle and Gailly, 2013.

Second, the influence of entrepreneurship education on business performance. The test results show that entrepreneurship education variables have a positive and significant effect on business performance. The parameter value is significantly high at 2.960 (t-value 2.960 > 1.96) which means that entrepreneurship education significantly influences business performance. This is in line with the results of the Tendai study (2012) stated that entrepreneurship education has a positive influence on business performance. According to Pacofereria, Raposo and Radriges, (2015) through sufficient entrepreneurship education, one acquires the skills and knowledge needed to build and develop a business. In line with the research conducted by Hisrich, Petter and Shepherd (2008) stated that entrepreneurship education can improve the skills of managers and business owners. Other supporting opinions were also conveyed by Nieman and Niewenhuizen (2009) & Daroch and Clover (2005) who argue that education through the development of entrepreneurial skills and knowledge has a positive impact on the survival and success of MSMEs. Through entrepreneurship education, MSMEs people can maintain their business performance (Peterman and Kennedy, 2003; Fayolle, 2006; Soutaris, 2007 and Graevenitz, 2010).

Third, the influence of entrepreneurial intentions on business performance. The results of the test show that the entrepreneurial intention variable has a positive and significant influence on business performance. The parameter value is significantly high 2.072 (t-value 2.072 > 1.96) which means that entrepreneurial intentions significantly influence business performance. This is consistent with the research conducted by Radhipere and Ladzoni (2014) which states that entrepreneurial intentions have a positive and significant influence on business performance. According to Radhipere and Ladzoni (2014) entrepreneurial intention is qualified as the most powerful predictor of business performance. Entrepreneurial intentions have an important role in directing one's actions by connecting considerations that are believed to be desirable by someone. Entrepreneurs who have high entrepreneurial intentions will be able to maintain and develop their business compared to those who have no entrepreneurial intention remembering the many obstacles faced in the business world (Farrington, Venter and Neething, 2012).

Fourth, the influence of entrepreneurship education on business performance through entrepreneurial intentions. The test results show there is an influence of entrepreneurship education on business performance through entrepreneurial intentions. This is because after testing the mediation effect using PLS-SEM it is found that the mediation results in this relationship are full mediation because the entrepreneurial intention variable mediates the relationship between entrepreneurship education and
business performance. This condition is indicated by when MSMEs people having high and low entrepreneurship education will have an influence on business performance if they have entrepreneurial intentions. According to Hattab (2014) and Franke and Lutjhe (2004) entrepreneurship education has a role in encouraging one’s entrepreneurial intentions. This statement is in line with Lestari and Wijaya (2012) who stated that entrepreneurship education can shape people’s mindsets, attitudes and behaviors to become a true entrepreneur so they direct them to choose a career as entrepreneurs. According to Alhaji (2015) entrepreneurship education is an important component and provides a stimulus for individuals to make careers, thereby increasing the creation of new businesses and economic growth. Entrepreneurial intention has a positive and significant influence on business performance and qualifies as a strong business predictor (Radhipere and Ladzoni, 2014). Through the entrepreneurial intention, MSMEs players can maintain the viability of their business given the tight competition in the business world so that they need high entrepreneurial intentions to survive. So from the statement above it can be said that entrepreneurship education has an influence on business performance through entrepreneurial intentions.

**Suggestion**

Based on the results of testing in this study, some suggestions can be given. First, seeing the importance of entrepreneurship education for the continuity of business performance. It is expected that MSMEs players will take part in entrepreneurship seminars, entrepreneurship training, entrepreneurial talk shows held by the government or other institutions to obtain entrepreneurship education so that they can add insight into entrepreneurship, increase skills and knowledge in managing MSMEs. Second, the government is expected to participate in improving the quality of the performance of MSMEs people. Government support can be in the form of organizing training, entrepreneurship and entrepreneurial talk shows to help MSMEs people gain knowledge and skills in entrepreneurship so as to help them manage their business. Third, looking at the important role of entrepreneurship education, universities and high schools / vocational schools as places to create competent young entrepreneurs, are expected to be able to provide entrepreneurship education learning with material that is easy to understand and interesting so that it can encourage students’ intention to become entrepreneurs. In addition, it is also expected to be able to carry out entrepreneurial practices involving students so that students have a real picture of the world of entrepreneurship, not just theory. Fourth, the variables used in this study are still limited to only entrepreneurship education variables and entrepreneurial intentions as factors that influence business performance. Therefore, the next researcher is expected to add other variables related to business performance. So that it can provide a broader picture regarding what factors can affect business performance.

**Limitation**

The research has been attempted and carried out in accordance with scientific procedures, but still has limitation:

1. Factors that influence business performance are still limited to 2 variables that are entrepreneurship education and entrepreneurial intention, while there are still many other factors that influence business performance.
2. There are limited costs so that the researcher can only do research at MSMEs Batik Laweyan. Even though there are still many MSMEs Batik besides Laweyan.
3. There is limited research by using questionnaires so that sometimes the answers given by respondents are not in accordance with the actual situation.

**REFERENCES**


