

# CHAPTER I

## INTRODUCTION

### 1.1. BACKGROUND OF STUDY

Nowadays, entrepreneurship has a very important role in economic growth especially for developing countries, such as Indonesia. Why entrepreneurship is so important for each country, especially for developing countries? The roles of entrepreneurs in the economy of a country include the player of the economic wheel, job opportunity supplier, taxpayer as the source of income of a country, exporters which could increase the GDP of a country, etc.

Minister of Trade Indonesia, Enggartiasto Lukita said that entrepreneurship level in Indonesia is still considered low. According to him, Indonesia was only ranked 94<sup>th</sup> out of 137 countries. In his remarks when he received the honorary title of Doctor Honoris Causa from UPI Bandung “There is one interesting fact about entrepreneurship in Indonesia in 2018, is that in developed countries an average of 14 percent of the total working age population is entrepreneurs, while in Indonesia it only reaches 3.1 percent”. (Zuraya, 2018)

**Table 1.1 Global Entrepreneurship Index Report of ASEAN Countries**

Name of Country	Global Position (Rank)
Singapore	27
Brunei Darussalam	53
Malaysia	58
Thailand	71
Philippines	84
Indonesia	94

Source: Global Entrepreneurship Index, 2018

Based on the Global Entrepreneurship Index report, developed countries, such as United States, Canada, Australia, Switzerland, United Kingdom, are in the top ten. In Asia, Hong Kong and Taiwan are in position 13 and 18. Meanwhile, Indonesia is rank 94. This position is far below other ASEAN countries, including Singapore, Brunei Darussalam, Malaysia, Thailand and Philippines, which are respectively ranked 27, 53,

58, 71 and 84. This shows that Indonesia's level of entrepreneurship still remains low.

The problems behind why entrepreneurship rate in Indonesia remains low are that the education in Indonesia does not encourage students to develop into entrepreneurship; lack of government support to encourage the public to be more courageous in entrepreneurship; lack of motivation, etc. The mindset itself in most Indonesian people has been taught by their parents to pursue higher education or achieve higher degree so that they can be accepted in companies with high salaries, or to work in government agencies, with reasons for their safer future with consistent salary. Since they were young, they have been working to be paid. So far there are small number of parents who teach their children so that, in future, they will grow financially successful by being able to pay people, and not getting paid.

The current status of entrepreneurship in Indonesia is still underestimated by the community. Entrepreneurship is considered a less promising profession, and it takes a long time to success. According to Enggartiasto, entrepreneurship should be encouraged in Indonesia because it has a big potential, which, from both point of view of demography and natural wealth, can develop itself into an entrepreneurship community.

President of Indonesia, Joko Widodo or well known as Jokowi believes that Indonesia needs above 1.6 million, or even up to 5 million, of new startups to be able to meet four percent of total population in Indonesia. At this time, Entrepreneurs in Indonesia only reach around 1.5 percent of total population. At the meantime, other countries in ASEAN have reached more than four percent, including Singapore at seven percent, Malaysia at six percent, and Thailand at five percent.

Today, Singapore is holding the highest GCI (Global Competitiveness Index) among ASEAN member countries at 5.68 percent, followed by Malaysia at 5.23 percent, Thailand at 4.64 percent, and Indonesia at 4.52 percent. (Indonesia needs millions of new entrepreneurs: President Jokowi, 2017)

**Table 1.2 Entrepreneurship Rate of ASEAN Countries**

Name of Country	Entrepreneurship Rate
Singapore	7%
Malaysia	6%
Thailand	5%
Indonesia	1.5%

Source: President Jokowi, 2017

Hulman Sitorus, Mayor of Pematang Siantar once said “Children are the successor generation of future Indonesia. Nurturing and educating children are the most important part of the national development process as human investment”. The oldest Generation Z in this year is 24 years old and can be called as adult. Therefore, Generation Z is starting to enter the age that determines the future of themselves and the nation. (Rumaijuk, 2012)

Generation Z is the term of Bruce Horovitz (2012) for those born between 1995-2014 (Adam, 2017). This generation has several names, such as Gen Z and Generation of the Internet. As citizens, they also have an identity card which means they have the right to vote in elections that can determine the direction and future of the nation. They can make a driving license, which means that they can determine the mode of transportation and the level of traffic density. They have already applied for jobs and made their own business and have purchasing power which means that they have helped build the country's economy. (Oetomo, 2017)

Gen Z is predicted to bring new colors along with the use of information technology (IT), especially the internet. In fact, not few of them are not just IT users, but they have become IT developers and applications for business, education and other products.

Due to Indonesia being a developing country, the author is interested to conduct a survey regarding entrepreneurship among Generation Z in Medan city. Therefore, in this paper, the author will conduct a research about **“The Impact of Entrepreneurship Education Towards Entrepreneurial Intensity of early Generation Z (1995-2000) of UPH Medan Campus.”**

## **1.2 PROBLEM LIMITATION**

The study focuses on investigating the intention of early Generation Z of (1995-2000) to become an entrepreneur. The author sets limitations on the respondents, which includes age 18 to 24 and must be in Medan City. The respondents of the study consist of UPH Medan Business School Students from 2014 – 2019. People below 18 years and above 24 years and outside UPH Medan Campus and outside business school of UPH Medan Campus should not be used as the sample of this study.

## **1.3. PROBLEM FORMULATION**

Based on the conditions described above, the writer will identify the research questions to be discussed in this paper as follows:

1. Does entrepreneurship education influence entrepreneurial intensity among early Gen Z of Public Business School Student among UPH Medan
2. What factors at UPH Medan that support young people to become an Entrepreneur?

## **1.4. OBJECTIVES OF RESEARCH**

The objectives of this research will be as follows:

1. To find how entrepreneurship education influences entrepreneurial intensity among Gen Z of Public Business School Student at UPH Medan.
2. To investigate what factors at UPH Medan that support young people to become an Entrepreneur.

## **1.5. BENEFITS OF RESEARCH**

This research is expected to give contribution or several benefits to several parties as follows:

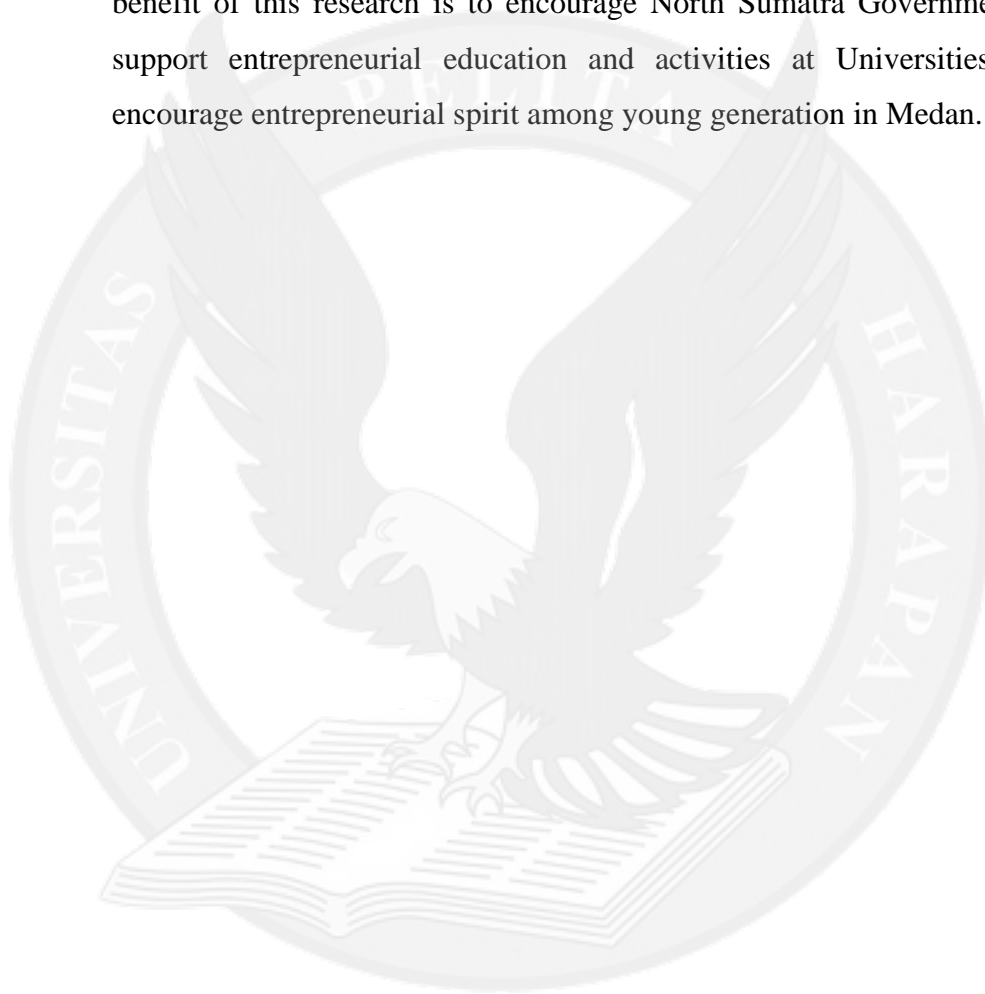
### **1.5.1 Theoretical Benefit**

The result of this research is hoped to strengthen the existing theories that can impact to young generation to become entrepreneur. The

result of this research is to find how significant the impact and relationship between Entrepreneurship Education and Entrepreneurial Intensity is among early generation z at UPH Medan Campus.

### **1.5.2 Practical Benefit**

The benefits of this study are not only for theoretically but also practically. This study is expected to become a reference for other researchers; guideline and information for readers. Moreover, the practical benefit of this research is to encourage North Sumatra Government to support entrepreneurial education and activities at Universities and encourage entrepreneurial spirit among young generation in Medan.



## 1.6. SYSTEM OF WRITING

### Chapter I – Introduction

The very first chapter of this research discusses about the background of the issue as of why the writer of this research choose “The Impact of Entrepreneur Education towards Entrepreneurial Intensity of early Generation Z (1995-2000) of UPH Medan” as the topic of this research, problem limitation, objective of the research, benefits of the research which consists of both theoretical and practical benefit, and system of writing.

### Chapter II – Literature Review and Hypothesis Development

This particular chapter contains the theoretical background of the issue including the definition of entrepreneurship, the definition of Entrepreneur Education, Entrepreneurial Intensity, and Definition of Generation Z, previous researches related to the topic, hypothesis development, research model, and framework of thinking for this research.

### Chapter III – Research Methodology

This next chapter discusses about the method of doing this research which will be quantitative including the research design, population and sample, data collection method, operational variable definition and variable measurement as well as data analysis method.

### Chapter IV – Data Analysis and Discussion

In this chapter, the data analysis includes descriptive statistic, result of data quality testing, result of hypothesis, and discussion which will also be demonstrated.

### Chapter V – Conclusion

At this chapter, there will be a brief conclusion about the results of the research, implication, recommendation and suggestion for future researches.