

CHAPTER I

INTRODUCTION

A research introduction is crucial since it can display the research arrangement. The introduction can highlight the study's key findings, which can help to define the study's goal by illuminating the study's genuine focus. The assessment of the quality in the introduction are research background, problem statement, research questions, research objectives, benefit of the research, and chapter outline.

1.1 Research Background

The term entrepreneurship is found by the French economist, Richard Cantillon in the 18th century. Which in this era, entrepreneurship has become a key role in the country for the economic growth. Entrepreneurship leads economic efficiency, innovation, creation of the new jobs, and the formation of new industries (Halim, 2020). Entrepreneurship is essential to maintain the world by innovation that leads to creation of the business by the entrepreneurs, due to their skills and intention of helping society by creating jobs that benefits the country. Entrepreneurship has become one of the engines that drives country's long term economic growth (Valerio et al., 2014, p. 21).

According to Hayes (2022), an entrepreneur is an individual who establishes a new business, participates actively in its management, bears the majority financial risks, enjoys the majority reward, and profits from the operations of the company. And entrepreneurship is a process of fusing individuals, opportunities, and resources. The more entrepreneurs in a country the

more impact will be there on improving the country's economy. Therefore, Indonesia is depending on the role of entrepreneurs as a developing country.

The current ratio of entrepreneurship level of Indonesia is lower than other southeast Asian countries. Based on the data from the State Minister of Cooperativeness and SMES (2021), Indonesia has reached 3.47% of entrepreneurship rate out of 270 million population which is around nine million (Saputra, D., 2022). Even though Indonesia is the largest populated country among southeast Asian countries, their Global Entrepreneurship Index (GEI) score is still smaller than other southeast Asian countries. Singapore, Malaysia, Brunei, Thailand, and Thailand are southeast Asian countries, they respectively have GEI score of 52.4, 40.1, 36.5, and 33.5 respectively from 137 countries (Szerb et al., 2020).

Table 1.1 Global Entrepreneurship Index (GEI) Score of Southeast Asian Countries

| Rank | Country | Score |
|------|-------------------|-------|
| 27 | Singapore | 52.4 |
| 43 | Malaysia | 40.1 |
| 48 | Brunei Darussalam | 36.5 |
| 54 | Thailand | 33.5 |
| 75 | Indonesia | 26.0 |

Source: The Global Entrepreneurship and Development Index (GEDI)

According to Ramadani (2022), the number of open unemployment reached 9.77 million people or 7.07% of Indonesia's population. The unemployment rate increased drastically to the unemployment rate of the previous year was 5.23% or 7.1 million people. In addition, 14% of the unemployment consists of college graduates with either diploma or bachelor's degrees (Tempo.co,

2022). The reason behind the high percentage of educated unemployment is due to the big amount of freshly graduated students are more willing to seek a job rather than creating their own business. This problem needs to seriously need to be concerned by Indonesian government.

Younger generation is precious asset for Indonesia's future to sustain and promote Indonesia's economy. Therefore, to reduce unemployment there must be a vast number of young entrepreneurs to create new jobs for society. As a mean to be a developed country, Indonesia must have 12% to 14% of young entrepreneurs (Kencana, 2022). Hence, the younger generation, mostly university graduates, must be lead, supported, and provided with entrepreneurship knowledge to avoid creating job seekers but to be job creators.

Universitas Pelita Harapan (UPH) is one of the Indonesian universities in Tangerang founded in 1994. UPH has 13 faculties, one of them is Faculty of Economics and Business (FEB). FEB equips students to grow in knowledge of business and economics. There are specializations of various fields including human resource management, marketing management, fiscal management, entrepreneurship, international business, and family business.

Tracer study or which is also known as follow up is a study of alumni's status after graduating. Based on the data of UPH's tracer study, there were 308 graduates who became entrepreneurs which is about 18% of 1706 respondents from the total of 4156 graduates that year. However, in 2021 only 45 graduates of 745 respondents became entrepreneurs which is about 6% from total graduates of

2276 graduates that year. This shows that entrepreneurship rate of UPH's graduates is low which also means entrepreneurial intention of the graduates is low.

Table 1.2 Tracer Study of 2019 – 2021 UPH Graduates

| Category | 2019 Graduates | 2020 Graduates | 2021 Graduates |
|-------------------|----------------|----------------|----------------|
| Entrepreneur | 207 | 308 | 45 |
| Work | 825 | 956 | 590 |
| Total Respondents | 1304 | 1706 | 745 |
| Total Graduates | 4102 | 4156 | 2276 |

Source: Data of UPH's LP2MP

According to Sasongko and Anantadjaya (2014), Tangerang is geographically strategic location due to the government's commitment of pushing the development of the city to facilitate creative business. Therefore, UPH has potential to encourage students to be young entrepreneurs.

Due to the low percentage of young entrepreneur, Indonesian government is conducting their strategies to increase the enterprising spirit for younger generation. The strategy includes providing training programs and giving access to low interest rate low-costing funds through People's Business Credit (KUR) which is 3% (Waseso, R., 2022). The government hopes the citizens become braver on entrepreneurship by giving low interest.

Along with emphasizing entrepreneurship education, research on entrepreneurship and entrepreneurial intention is advancing. As demonstrated by studies by Li and Wu (2019), Jena (2020), and Karyaningsih (2020), studies have

examined the effect of entrepreneurship education on students' entrepreneurial intention (2020). Scholars have, however, disregarded additional crucial elements, including economic literacy, peer groups, and parental economic education. According to Nurjanah et al. (2018), economic literacy is the capacity to understand fundamental economic principles and how they influence economic decision-making. Economic literacy is important for entrepreneurial intent since it is a fundamental economic activity that aids people in achieving their welfare, as stated by (RUSTANTONO et al., 2020). According to Harsoyo et al. (2017) economic literacy is essential for people to make educated judgments about economic and entrepreneurial activity.

According to Dilek et al. (2018) family education is just as important as economic literacy in preparing people for community life. According to Narmaditya (2013), family economic education aids kids in obtaining the amount of affluence they seek in the future. According to Setiawan (2020), family education also improves economic literacy and may pave the way for a future job as an entrepreneur. McQuiggan and Megra (2017) did a preliminary study and discovered that family education gives lifelong skills, aids in career decisions, fosters the development of fundamental investing abilities, and aids people in achieving their objectives. Considering this, as stressed by the family as the primarily source of education for children to make decisions, such as deciding to become entrepreneurs (Suratno et al., 2021a).

According to Suratno (2014), a person's behavior is also influenced by what their peers are doing in terms of family education. Peer groups have a

prominent level of interaction and participation in activities that influence one another, which is the main cause of this. Peer groups, which often include people who have comparable interests and ambitions, are the second environment after the family. An earlier study of Amati et al. (2018) found a favorable relationship between friendship quality and daily behaviors, such as choosing what to buy and pursuing business ventures. In a comparable way, Schutte and Loi (2014) concluded that peer groups can have long-term effects on students' emotional intelligence and can also have an impact on entrepreneurship-related decision-making.

The current study provides a variety of important contributions. It gives insight on the literature on how to encourage students to start businesses by emphasizing peer groups, family economic education, and economic literacy in areas that have not been thoroughly investigated in earlier studies. This study fills in the gaps in the literature, which has previously focused on the relationships between entrepreneurial intention (Jena, 2020; Li & Wu, 2019), self-efficacy (Hsu et al., 2019), and entrepreneurial mindset (Karyaningsih, 2020). This study is distinctive in that it concentrates on Indonesia and how that country contributes to the high unemployment rate among university graduates. In addition to entrepreneurship education, this study offers alternative options for governments and educational institutions to strengthen entrepreneurial intention.

1.2 Problem Statement

As have mentioned in the introduction Indonesia has low Global Entrepreneur Score which they left behind other southeast Asian countries such as

Singapore, Malaysia, and Thailand shown in **Table 1.1**. Compared to the area of the country and the population this could be seen serious.

To increase the economic growth Indonesia needs lots of people to be an entrepreneur. Indonesia government is helping and motivating university students to be create and increase in entrepreneurial intention. However, as shown in **Table 1.2**, the quantity of Universitas Pelita Harapan's alumni creating a job is seen clearly decreasing and they would rather seek jobs.

Therefore, to clarify the problems with entrepreneurial intention among Universitas Pelita Harapan's student, the relationship between family economic education, peer groups, and economic literacy is studied by the author.

1.3 Research Gap

There are lots of type of research gap such as theoretical gap, methodological gap, population gap, and empirical gap. This research fully replicated the study done by the previous researcher studying the same variables including family economic education, peer groups, economic literacy, and entrepreneurial intention (Suratno et al., 2021a). However, there is a gap between the previous research and current research.

The gap between the research studies are the population group gap. Previous researchers elaborated students from Universitas Jambi as a sample population where the current researcher focused on the sample population from Universitas Pelita Harapan Karawaci. Jambi and Tangerang are cities in Indonesia, but they differ in various aspects. Jambi is located in the province of Jambi on the

island of Sumatra, while Tangerang is situated in the province of Banten on the island of Java.

Tangerang is larger and more populous due to its proximity to Jakarta, serving as a satellite city. It has a diverse economy with a focus on manufacturing and industrial activities. On the other hand, Jambi has a smaller population and relies primarily on agriculture, particularly rubber and palm oil production. Tangerang boasts a well-developed infrastructure, including transportation networks and an international airport, while Jambi's infrastructure is less advanced. Culturally, Jambi has influences from Malay, Minangkabau, and Chinese cultures, while Tangerang has a more cosmopolitan and diverse cultural scene influenced by various ethnic groups.

Due to those different factors of the two cities, the sample population from previous and current researchers may produce different outcomes. Therefore, the current researcher targeted different location, which is Tangerang, Karawaci to seek for the difference.

1.4 Research Questions

1. Does Family Economic Education Positively Impacts Entrepreneurial Intention?
2. Does Family Economic Education Positively Impacts Economic Literacy?
3. Does Peer Group Positively Impacts Entrepreneurial Intention?
4. Does Peer Group Positively Impacts Economic Literacy?
5. Does Economic Literacy Positively Impacts Entrepreneurial Intention?
6. Does Economic Literacy Mediates the Influence of Family Economic Education and Entrepreneurial Intention?
7. Does Economic Literacy Mediates the Influence of Peer Groups and Entrepreneurial Intention?

1.5 Research Objectives

1. To observe Family Economic Education Positively Impacts Entrepreneurial Intention.
2. To observe Family Economic Education Positively Impacts Economic Literacy.
3. To observe Peer Group Positively Impacts Entrepreneurial Intention.
4. To observe Peer Group Positively Impacts Economic Literacy.
5. To observe Economic Literacy Positively Impacts Entrepreneurial Intention.
6. To observe Economic Literacy Mediating the Influence of Family Economic Education and Entrepreneurial Intention.
7. To observe Economic Literacy Mediating the Influence of Peer Groups and Entrepreneurial Intention.

1.6 Benefit of the Research

1. Academic Benefits

This research is expected to provide benefits and insights conceptual and theoretical related entrepreneurial intention. In addition, this research is expected also able to contribute further research regarding enthusiasm entrepreneurship to be developed in more detail.

2. Managerial Benefits

The research is expected to provide additional accurate information and input related to entrepreneurial intentions to deepen knowledge about entrepreneurship and become an inspiration for students to spark passionate entrepreneurship.

1.7 Chapter Outline

Chapter I Introduction

This chapter consists of research background, problem statement, research question, research objectives, and benefit of the research. Overview of the research outline will be presented in this chapter.

Chapter II Literature Review

This chapter presents theories from experts, previous research, hypotheses, and research models that correlate with the variables used in this study. Knowledge in this chapter will describe the overall theory used to answer the research questions.

Chapter III Research Methodology

This chapter describes the entire research methodologies used, including descriptions of population and sample, sampling techniques, measurement scale research approaches, units of analysis, data sources, and data analysis.

Chapter IV Analysis and Discussion

This chapter is used to analyze and discuss the results of data processing also with the discussion about validity of every variable. Hypotheses and its impact are also being discussed in this chapter.

Chapter V Conclusions and Suggestions

This chapter includes description of the closure which contains conclusions and suggestions earned from the study for further research.