

CHAPTER I

INTRODUCTION

This section will discuss the background of the research including the research gap, research problem, formulation of the problem, research purposes, as well as the benefits of the research.

1.1 Background

Unemployment is a problem that occurs in almost every country, even in Indonesia (Heliati 2019). Especially in 2020 Indonesia was hit by the corona virus pandemic (Covid 19), not only Indonesia but when the whole world was affected by the Covid -19 outbreak, many countries' economy was paralyzed, and many workers were laid off (Wiguna 2020). During this period almost all activities outside of home are restricted, even academic institutions such as school were conducted from home, worship was conducted from home, and working are done from home. At those time, it was not uncommon for many to be laid off and in the end many people are unemployed. Job applicants from various criteria are everywhere and even fresh graduates also find it difficult to get a job because companies are more selective in selecting job applicants to become employees, in fact only a few meet the criteria and are accepted at the company.

This chain of unemployment has been within Indonesia for years and been an unsolved issue for a long time. What is even more ironic is the fact that educated

unemployed contribute to a lot of overall unemployment in Indonesia, especially for the bachelor's degree. According to Trading Economics (2022), the unemployment rate in Indonesia in January 2020 is 4.94%. In July 2020 it increased to 7.07%. And in January 2021 it dropped to 6.26% during pandemic recovery. However, the number is still 1.35% more than January 2020. That means that the employment rate is still immensely high.

The impact of high unemployment rate can be very ugly for the economy of a country (Kayode et al 2014). For that reason, as citizens it is crucial for us to participate in helping reduce the unemployment rate in Indonesia, with the addition of the government's efforts. A method that can help to reduce the unemployment rate is to be an entrepreneur. As we are aware, with more entrepreneurs, there would be more job opportunities available. Being an entrepreneur not only has an impact on the personal economy, but it also has a positive impact on the national economy.

Entrepreneurs are now seen as crucial players in a country's economic development, with Schumpeter (1939) defining them as individuals who continuously innovate and update economic activities. The success of a country's national development depends on the role of entrepreneurs, as they are responsible for boosting economic activity, promoting the economy of the nation and state, improving people's standard of living, reducing unemployment, mitigating social tensions, increasing domestic and international trade, contributing to the country's foreign exchange, and enhancing the management of natural, human, and capital resources (Cahyani 2012).

The awareness of entrepreneurship in Indonesia is still at a very low rate.

According to Septianisa (2023) the number of entrepreneurs in 2019 is still about 3.4%. For this reason, the younger generation must become pioneer entrepreneurs in Indonesia. The younger generation should have more enthusiasm due to their potential as the successor of the future. The younger generation must be able to develop themselves optimally and be able to master science and technology which is growing rapidly so that in the future they can actively participate in national development and become useful human resources for Indonesia.

From the explanation above, it can be said that entrepreneurs or entrepreneurship is a crucial part in abolishing the unemployment rate in Indonesia. Entrepreneurship is part of a community effort in developing the economy. And without question, entrepreneurship is the individual that runs it, which we cannot separate. In becoming an entrepreneur, family economic education can affect entrepreneurial intention. In addition to family economic education affecting the entrepreneurial intention, peer group is also another factor of a person that can influence an individual's entrepreneurial intention. And lastly, economic literacy can affect the influence of entrepreneurial intention by mediating family economic education and peer group. To sum up, the increase of entrepreneurial intention can be influenced by family economic education, peer groups, and economic literacy as a mediating role.

Family economic education can influence an individual's entrepreneurial intention based on the research by Suratno et al.(2021), Independent attitude refers to the process of educating individuals and families on financial literacy and management. Family economic education is important because it can affect the

decision making such as about their finances. With family economic education, it is a valuable resource for anyone to improve financial literacy and management skills, which then can influence their entrepreneurial intention.

Furthermore, peer group is also an influence factor that can influence entrepreneurial intention based on the research by Falck et al (2012). Peer group can influence an individual to achieve their goal. Thus, peer group can also influence an individual entrepreneurial intention. Peers who are supportive of entrepreneurship and who have entrepreneurial experience can positively influence an individual's entrepreneurial intentions as it can provide encouragement, motivation, and social support. Overall, peer groups can play an important role in shaping an individual's entrepreneurial intentions, which can be either positively or negatively. Entrepreneurs should seek out peer groups who are supportive of their goals and avoid those that may have negative impact on their entrepreneurial intention.

In relation with entrepreneurial intention, economic literacy is the individual's knowledge and understanding regarding basic economic concepts and principles (Arnita et al., 2020), The higher the levels of economic literacy, the more likely an individuals have positive entrepreneurial intentions as it can provide the individual with the understanding of the economic landscape such as market opportunities, competitive pressures, and financial risks and rewards Dilek et al (2018). Thus, higher levels of economic literacy can also affect the financial aspect of running a business, such as budgeting, forecasting, and financial planning. Thus, economic literacy is crucial for entrepreneurial intention, which translates that economic

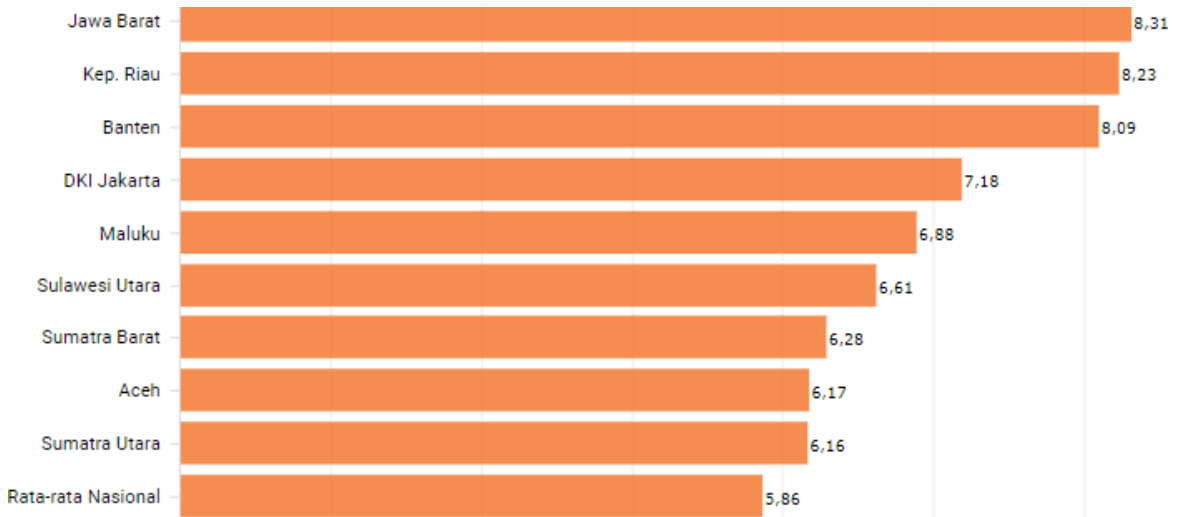
literacy have an impact on entrepreneurial intention.

1.2 Research Gap

For this research, the researcher is trying to bridge the current study with studies done by previous researchers with the same variables. According to Rahmawati et al.(2019), family economic education has a significant affect towards financial literacy, which is also part of economic literacy as a whole. It is also further supported by Suratno et al.(2021), that family economic education has a significant affect towards economic literacy and entrepreneurial intention. Suratno et al., suggested that future research delves into planned behavior in a more comprehensive manner in order to gain a deeper understanding of the subject. Additionally, scholars should consider employing a mixed method approach, incorporating stratified random sampling, to ensure the findings are applicable and representative of real-life situations in the field. According from a study done by Jiang et al.(2022), the economic literacy of college students of college students is influenced by their backgrounds and peer groups, and both family backgrounds and peer group not only directly impact individuals willingness to become entrepreneurs but also indirectly influence it through the mediating factor of economic literacy.

1.3 Research Problem

Figure 1. 1 Unemployment rate by provinces In Indonesia



Source: Ahdiat, A. (2022)

The figure presented above depicts the unemployment rates in all of Indonesia's provinces as of August 2022. It is well-known fact that unemployment remains a major challenge for governments around the world, and Indonesia is no exception. According to Wicaksono (2023), the total unemployment rate in Indonesia stood at around 8,420,000 in 2022. This number is quite significant and is a matter of concern.

The data from Badan Pusat Statistik (BPS), as cited by Wicaksono (2023), shows that 5.83 percent of Indonesia's working-age population, which is estimated at 208.54 million, is unemployed. This percentage is indeed alarming and underscores the gravity of the situation. Even more worrying is the finding by Abidin (2022), who reveals that 14 percent of this 5.83 percent are graduates with

diploma and bachelor's degrees.

These findings imply that a significant proportion of the unemployed population in Indonesia consists of highly educated individuals who are unable to find suitable employment opportunities. This fact especially relevant for Banten, a province in Indonesia that is amongst the top three with the highest unemployment rates, according to the figure above. Banten's unemployment rate is 8.09 percent, as shown in the figure. By using this percentage, it can be calculated that the total number of unemployed bachelor's degree holders in Banten is 95,364.

This number is significant when compared with the national average of unemployment in each province, which stands at about 5.86 percent of the total unemployed population. This translates to approximately 69,077 individuals. Therefore, it can be concluded that the number of unemployed individuals with bachelor's degrees in Banten is higher than the national average of unemployment in each province.

The high unemployment rate for individuals with bachelor's degrees in Banten alone is a cause for concern for various reasons. Firstly, it reflects the mismatch between the skills possessed by graduates and the skills demanded by employers in the job market. This issue can be attributed to the discrepancy between the curriculum taught in universities and the actual skills required by employers. The lack of alignment between the two may cause graduates to face difficulties in finding employment after graduation, leading to a higher unemployment rate among this group.

Secondly, the high unemployment rate for individuals with bachelor's degrees

in Banten and other provinces may lead to a brain drain. This phenomenon occurs when highly skilled individuals leave their country of origin in search of better job opportunities abroad. Brain drain can negatively impact the economy of a country, as it results in a loss of skilled workforce and talent, which may result in a reduction in innovation and economic growth. Therefore, the high unemployment rate for individuals with bachelor's degrees in Banten should be addressed to prevent brain drain from happening.

Lastly, the high unemployment rate for individuals with bachelor's degrees in Banten highlights the need for collaboration between universities and industries. To reduce the unemployment rate, universities should work with industries to ensure that the skills taught to graduates align with the skills required by the industries. This collaboration will help graduates acquire the necessary skills to secure employment after graduation, thus reducing the unemployment rate among this group. Additionally, this collaboration will also help industries to address the issue of skill gaps and shortages in the job market.

The high unemployment rate for graduates in Banten and other provinces can be attributed to the mismatch between the skills possessed by graduates and the skills demanded by employers. This can lead to a brain drain and negatively impact the economy. Collaboration between universities and industries is necessary to ensure that the skills taught to graduates align with the skills required by industries, helping graduates secure employment and reducing the unemployment rate. This collaboration will also address the issue of skill gaps and shortages in the job market. The purpose of this study is to tackle the challenges mentioned above.

A strategy that can be implemented to combat unemployment is to focus on promoting industries that are in high demand. For example, the pandemic has accelerated the growth of e-commerce industry in Indonesia, which has created numerous job opportunities in logistics, marketing, and IT. By investing in and promoting industries with high potential for job growth, the government can help stimulate economic development and reduce unemployment rates. Furthermore, prioritizing industries that are eco-friendly and socially responsible can also help address larger societal challenges while creating new job opportunities.

Another potential solution to the unemployment crisis in Banten and the rest of Indonesia is to encourage entrepreneurship. With the rise of technology and gig economy, there are now more opportunities for people to start their own businesses and become self-employed. The government can provide support to aspiring entrepreneurs by offering access to funding, training programs, and mentorship. Additionally, promoting entrepreneurship can help address the issue of job scarcity by creating new job opportunities and stimulating economic growth.

1.4 Formulation Of The Problem

Based on the background above, the formulation of the problem are as follows:

1.4.1 Does the family economic education have relationship with entrepreneurial intention?

1.4.2 Does peer group have relationship with entrepreneurial intention?

1.4.3 Does economic literacy have relationship with entrepreneurial intention?

1.4.4 Does family economic education have relationship with entrepreneurial

intention with economic literacy as the mediating variable?

1.4.5 Does peer groups have relationship with entrepreneurial intention with economic literacy as the mediating variable?

1.5 Research Purpose

Based on the background and the formulation of the problem above, the research purpose are as follows:

1.5.1 To ensure the effect of family economic education on entrepreneurial intention.

1.5.2 To ensure the effect of peer groups on entrepreneurial intention.

1.5.3 To ensure the effect of economic literacy on entrepreneurial intention.

1.5.4 To ensure family economic education have effect on entrepreneurial intention with economic literacy as the mediating variable.

1.5.6 To ensure peer groups have effect on entrepreneurial intention with economic literacy as the mediating variable.

1.6 Benefits Of The Research

Based on the background, the formulation of the problem, and the research purpose above, the benefits of the research are as follows:

1.6.1 The results of the research are expected to be further references for other research on similar topic

1.6.2 To test whether family economic education positively affects entrepreneurial intention for Universitas Pelita Harapan business students.

1.6.3 To test whether peer groups positively affect entrepreneurial intention for Universitas Pelita Harapan business students.

1.6.4 To test whether economic literacy positively affects entrepreneurial intention for Universitas Pelita Harapan business students.

1.6.5 The results are expected to be an additional source and references for the university library.

1.6.6 The results are expected to be a comprehensive information for entrepreneurs who want to learn about underlying behavior of entrepreneurs themselves.

