

CHAPTER I

INTRODUCTION

1.1 Background of Study

A large number of young people-founded firms and businesses started to flourish. In many countries, entrepreneurship is a widely lauded phenomenon, not least in developing countries where it is marketed as having numerous advantages. Entrepreneurship has been linked to competitive advantage and higher production from a non-financial standpoint. Entrepreneurship has been associated with higher earnings, wealth creation, and economic growth from a financial standpoint (Acs, Z. 2008). The level of entrepreneurship also reflects the health of the national economy. The proportion of entrepreneurs in a nation must equal 2% of the total population before it can be considered developed (Primandaru, 2017).

Indonesia is one nation with a sizable population that has employment issues, according to Indonesia statistics bureau (BPS), in August 2022 Indonesia has 5,86% total unemployment rate. The rate of entrepreneurship is still quite low in Indonesia, in 2022, the entrepreneurial ratio in Indonesia is still around 3.47% of the total population. This ratio is still quite low when compared to nearby nations like Singapore, where it is already around 8% (OJK, 2022). Of course, this issue is perilous for Indonesia, which has the fourth-highest population in the world (Primandaru, 2017). Even for university graduates in Indonesia, it will be challenging for them to get employment due to the demographic bonus, a demographic bonus occurs when the population of productive age outnumber the population of non-productive age (Susdarwono 2022). Based on data from the

Indonesia statistics bureau (BPS), the total Indonesian workforce reached 144.01 million in February 2022 (with a population of 275.77 million). This number reached 69.06% of the total working age population of 208.54 million (Badan Pusat Statistik, 2023a).

In the beginning of 2020, the Covid-19 pandemic swept the world. In many ways, the Covid-19 pandemic gave new challenges. The lives of millions of people around the world are in danger. By the end of June 2021, it had already taken nearly 4 million lives worldwide. Human daily activity was particularly affected by the social distancing standards implemented to contain the virus at the same time (Belitski, et al., 2022).

The impact of the Covid-19 pandemic resulted in various companies in Indonesia simultaneously carrying out layoffs or termination of employment so that the unemployment rate increased significantly. This is supported by a report from BPS in Indonesia that the unemployment in August 2021 was 6.49%, a decrease from February 2021 of 9.27% and in August 2020 at 7.07%. With an average unemployment rate of 7.61% between 2020 and 2021, Indonesia has a high unemployment rate (Mifrahi & Darmawan, 2022). Based on data from Indonesia statistics bureau (BPS) that the one of the highest numbers of unemployment came from university graduates. In order to lower the rate of unemployment growth in Indonesia, job vacancies for university graduate is still required, as evidenced by the number of open unemployed university graduates during the 2020–2022 period, which shows that the number of university graduates is greater than the availability of jobs (Maryati, 2015). The so-called open unemployed are those who do not have

a job but are actively seeking one, those who do not have a job but are planning to start a business, those who do not have a job but do not seek employment because they believe it to be impossible to find jobs, and those who do have a job but have not yet begun working (Badan Pusat Statistik, 2023b).

Entrepreneurship is one way to deal with the unemployment issue. Audretsch (2001) made the connection between unemployment and self-employment. In their theory, they argue that people who are faced with unemployment and have few possibilities for wage work will turn to self-employment as a realistic option.

There are several elements that can affect entrepreneurial success. Neneh (2022) in his study showed that entrepreneurial passion had a beneficial impact on both entrepreneurial intention and self-efficacy. Also, there was a positive and large indirect impact of entrepreneurial enthusiasm through entrepreneurial self-efficacy on entrepreneurial intention. And last social support moderated the indirect effect of entrepreneurial passion on entrepreneurial intention through entrepreneurial self-efficacy. Social support had a favorable and substantial impact on entrepreneurial intention (Neneh, 2022). Likewise, with the results of other studies, Sahban, et al., (2016) stated that the association between social support and entrepreneurial intention among students is positive and the social support is positively correlated with entrepreneurial intention.

Apart from social support, locus of control is also said to influence interest in entrepreneurship. According to Rauch and Frese (2007) one of the factors related to entrepreneurial success is internal locus of control. Asante & Affum-Osei (2019)

state that there is a relatively unexplored but potentially significant relationship between the locus of control of prospective entrepreneurs and their ability to see opportunities, which is influenced by their ambition to start a business. Judge (2001) theorizes that internal locus of control will associate a higher entrepreneurial intention and internal locus of control may be predisposed to perceive their environment positively as well as prefer challenging activities.

Kusumawijaya (2019) conducted research on Bali-based SME employees. The findings and discussion demonstrate that need for achievement can influence SME employee locus of control in Bali, locus of control can predict SME employee entrepreneurial intention in Bali, and locus of control can mediate predictions made by need for achievement on SME employee entrepreneurial intention in Bali.

Besides social support and internal locus of control, need for achievement is also can influence interest in entrepreneurship. According to McClelland (2019) someone who has a high need of achievement will have a strong desire to do challenging tasks, have great responsibility and has a strong desire to succeed so a person with need for achievement mindset will have entrepreneurial behavior. As the need for achievement stimulates the willingness to be excellent in performing things and to be better than others, need for achievement are certain characteristics for those who have the desire to succeed such as preparing early plans, high acceptance of responsibilities and the willingness to get feedback for their outcomes; these features are always necessary when starting a new business (Haroon, 2019).

In this study, the researcher chooses interests in establishing a business through internal locus of control, social support and need of achievement as the object of research. Apart from that, the researchers also selected non-economic students at Pelita Harapan University as the research subjects. The term "non-economic student" can refer to a student who is not pursuing a degree or major in economics, or it can refer to a student who is not primarily focused on economic considerations, such as Hospitality, Design, Engineering, etc. According to Boaller (2013) it shows that when students believe in their abilities, their achievement and mentality actually improve significantly. Boaller (2013) also stated that a person's abilities and intelligence develop through effort and practice. Therefore, non-economic students have a chance to gain their interest in entrepreneurship and establishing a business. Based on this background explanation about the many factors that influence interest in entrepreneurship, the researchers in this study will find out how internal locus of control, social support, and need for achievement influence non-economic student interest in establishing a business.

1.2 Research Question

Based on the background that has been described, the statement of problem in this research are as follows:

1. What is the relationship between internal locus of control and non-economic student' interest in establishing a business?
2. What is the relationship between social support and non-economic student' interest in establishing a business?

3. What is the relationship between need for achievement and non-economic student' interest in establishing a business?

1.3 Research Objectives

The objectives of conducting this research are to:

1. Determine whether internal locus of control positively influence non-economic student' interest in establishing a business.
2. Determine whether Social Support positively influence non-economic student' interest in establishing a business.
3. Determine whether Need of Achievement positively influence non-economic student' interest in establishing a business.

1.4 Research Contributions

Regarding the conduct of this study, it will have the following academic and practical benefits:

1.4.1 Theoretical Contribution

It's expected this research serves a purpose for future researchers to gain more information when researching about the similar topic, this study will give future researcher assistance that they can utilize when researching for future management research, particularly regarding the impact of internal locus of control, social support, and need for achievement on non-economic students' interest in starting a business.

1.4.2 Practical Contribution

It is hoped that this research can provide insights to non-economic students and increase interest in entrepreneurship through social support,

internal locus of control and need for achievement so that the percentage of entrepreneurs in Indonesia can increase and it will reduce unemployment rate.

1.5 Scope of The Study

People's enthusiasm or interest in starting a business is influenced by a variety of circumstances. In this research, the factors that influence a person's interest in opening a business are limited to internal factors such as locus of control, social support, and need for achievement. This study only examines non-economic students at Pelita Harapan University in Karawaci as its subject of study. The term "non-economic student" can refer to a student who is not pursuing a degree or major in economics, or it can refer to a student who is not primarily focused on economic considerations or factors.

1.6 Research Outline

CHAPTER 1: INTRODUCTION

Chapter 1 includes the background of the study, statement of problem, research objectives, research contribution and scope of the study, which outlines the thesis.

CHAPTER 2: LITERATURE REVIEW

Chapter 2 includes and explains the theories behind each variable, relationship between variables and the conceptual framework that is used to build the connection from one variable to another, which serves as a purpose to build or create hypothesis for this research.

CHAPTER 3: RESEARCH METHOD

Chapter 3 includes the research method that is going to be utilized for this research study in regards researching for the data, data sources, and questionnaire that will be used to solve statement of problem for this research.

CHAPTER 4: DISCUSSION AND ANYLYSIS

Chapter 4 includes the results from the research that has been done for this research, data analysis and further review through the utilization of statistical calculation on the relationship between all variables involved and to proof whether the hypotheses that were made are correct or incorrect.

CHAPTER 5: CONCLUSION AND SUGGESTION

Chapter 5 includes conclusion that is gotten from the research that has been done and discussed in the previous chapters as well as limitations of this research and suggestions that can be implemented from this research.