

# CHAPTER I

## INTRODUCTION

### A. Background

Indonesia is projected to enter its golden age in its 100th year since Indonesia's independence (Kemenprin, 2018). Since in 30 years into the future, Indonesia will experience a demographic bonus resulting from its rapid economic growth trend (United Nations, 2015). Indonesia is also predicted to occupy the position of the four strongest economies globally with the contribution of a demographic bonus to an increase in the population of productive age, which impacts the provision of human resources (Dermawan & al, 2018). However, to achieve these phenomenon needs to be done to optimize excellent owned by Indonesia and increase the quality of human resources and carry out reforms in various sectors. Because Indonesia is still facing various fundamental problems that have not been resolved (Herman, 2020).

The government's fundamental problems are poverty, unemployment, and inequality, especially with the Covid-19 pandemic, increasing poverty and unemployment rates throughout the world, including Indonesia. Covid-19, or the coronavirus, is a new virus occurred in Wuhan, China which then spread throughout the world in months. The pandemic also resulted in an economic downturn due to the activity restrictions to suppress the virus spread more than the health crisis. The World Bank predicts 35 millions

people live in poverty due to a pandemic occurring. Even the number of people living in extreme poverty will increase to 922 millions worldwide. This fantastic figure has become the world's biggest challenge since World War II (World Bank, 2020). Meanwhile, in Indonesia itself, it is predicted that the poor population will increase by up to 16.6 % due to the Covid-19 pandemic (Suryahadi et al., 2020).

In line with this, unemployment is still a crucial problem faced by various countries. Therefore, the government's success in providing employment or reducing the unemployment rate is a measure of the success of a country. Creating employment opportunities is not an easy thing. However, including the community's role as the main actors and those who feel the impact of the availability of jobs enables governments to provide jobs. Namely by entrepreneurship. Entrepreneurship is defined as converting ideas into products or services that impact productivity, welfare creation, and employment (Jafarnejad et al., 2013). Entrepreneurship itself is a lawful activity in Islam as stated in Surah Al-Baqoroh verse 275:

..... وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا

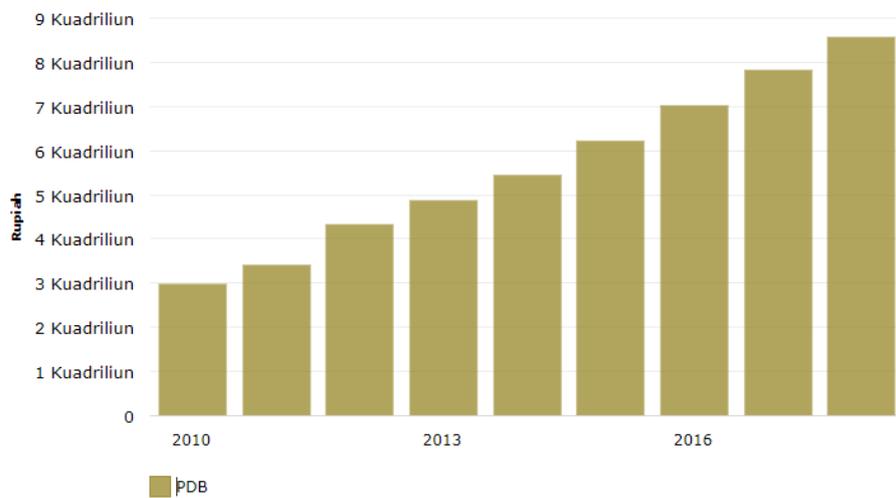
".... Allah has made buying and selling legal and forbidden usury ..."

Entrepreneurship also recommended in Islam according to the hadith "Actually, the best food for you is that which is obtained from the results of your efforts, and in fact, the best food for your children is from the results of your efforts" (Narrated by Ibn Majah). In addition, heaven has been promised for those who do entrepreneurial well and honestly. From Abu Sa'id Al-

Khudri Radhi Allahu Anhu, the Prophet Muhammad SAW said, "An honest and trustworthy trader (full of mandate) is with the prophets, those who confirm the message of the prophet and the martyrs." (Narrated by Tirmidhi, Kitab Al-Buyu' Bab Ma Ja-a Fit Tijaroti no. 1130)

Entrepreneurship is not only a place to work for an individual but more than that as a strategic step for national economic development. They were based on evidence in several cases in various countries. Entrepreneurship contributes a lot to the development of the country. For example, in Japan, the success of the development is sponsored by entrepreneurs who have amounted to 2% medium level, small entrepreneurs as much as 20% of the population (Alma B. , 2006). Meanwhile, in the United States, Small and Medium Enterprises reached 18.6 million units, where according to the records of *The Us Small Business Administration (SBA)*, Small and Medium Enterprises there have absorbed more than half (58%) of the workforce. They contributed 40% of the United States GDP. In other developed countries of his, such as Canada and Italy, for the Small and Medium Enterprise backbone of the national economy (Niode I. Y., 2007, pp. 4-5). Micro Small Medium Enterprises (MSMEs) in Indonesia also have an essential role and strategy for the national economy. Indonesian MSMEs continue to increase from year to year after the economic crisis. It proves that SMEs are able to survive during the economic crisis (Sarfiah et al., 2019). Indonesian MSMEs contributed significantly to the Gross Domestic Product (GDP) by contributing up to IDR 8,573.9 trillion to Indonesia's GDP (based on current prices) in 2018, or

57.8% of GDP, even touching 60% in 2019 (beritagar: lokadata, 2020). In addition, MSMEs have also succeeded in employing 116,978,631 workers or 97% of the total Indonesian workforce (MSMEs and Large Units) (Jayani, 2020). Therefore, entrepreneurship can be a solution to various fundamental problems faced by the government and optimize the excellence of Indonesia's human resources.



**FIGURE.1.1**

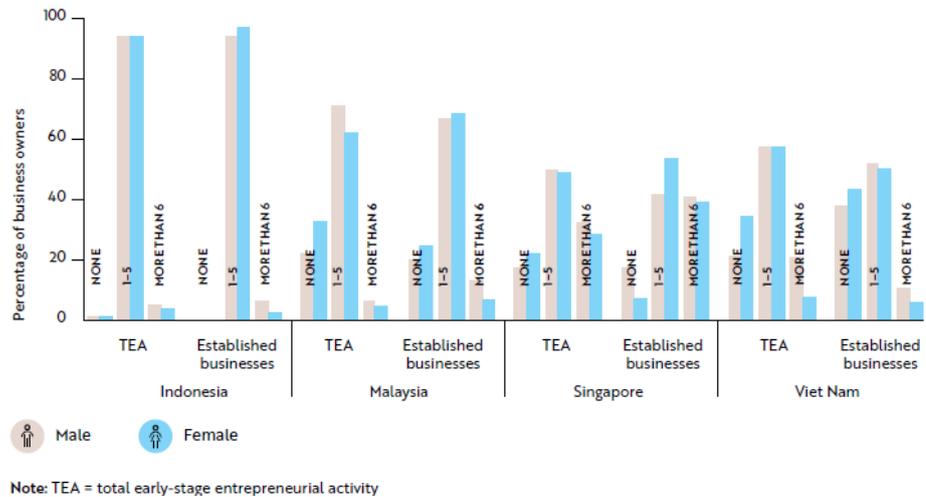
**MSMEs Contribution To The Indonesia Economy Growth**

Source: Ministry of Cooperatives, Small and Medium Enterprises, 2010-2018

Despite contributing significantly to the country, turned out to SMEs in Indonesia is still have low with only reach 3.1% of entrepreneurs than 253 million people compared to Malaysia, which reached 5% or 10% of Japan, which has several entrepreneurs (Dermawan & al, 2018).

Involving and empowering women in the realm of entrepreneurship is the right choice. Due to interesting facts, it shows that women dominate

MSME actors in Indonesia compared to other sectors. Women are still a minority. Bank Negara Indonesia (BNI) found a phenomenon that occurred in the last four years, that there was an increase in women who were entrepreneurs of more than 40%. BNI noted that of the approximately 58,000 small businesses, 25% (around 12,000) are run by women. In addition, data from Bank Indonesia also shows that the total MSMEs in 2018 reached 57.83 millions, with more than 60% managed by women, in which the number of female MSME actors in Indonesia reached 37 millions (Fatimah C. E., 2015). In addition, it was recorded that the creative economy workforce in 2011-2016 by the Creative Economy Agency (BEKRAF) of women dominated the creative economy workforce as much as 55.74% while men only 44.26% (Sub Direktorat Statistik Ketenagakerjaan, 2016). Through MSMEs, women contribute as much as 60% of the country's Gross Domestic Product (GDP). According to the data, women are a massive asset for MSMEs and the Indonesian economy and the potential to continue to increase given the balanced population ratio of Indonesians between men and women. Data from BPS recorded that the number of males amounted to 50.58% and women as much as 49.42% (Central Bureau of Statistics, 2018). Even MSMEs or women entrepreneurs in Indonesia are part of the four countries that have the most female entrepreneurs in Southeast Asia in 2013-2014 as recorded in the data of The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), which is presented in the following figure.



**FIGURE 1.2.**

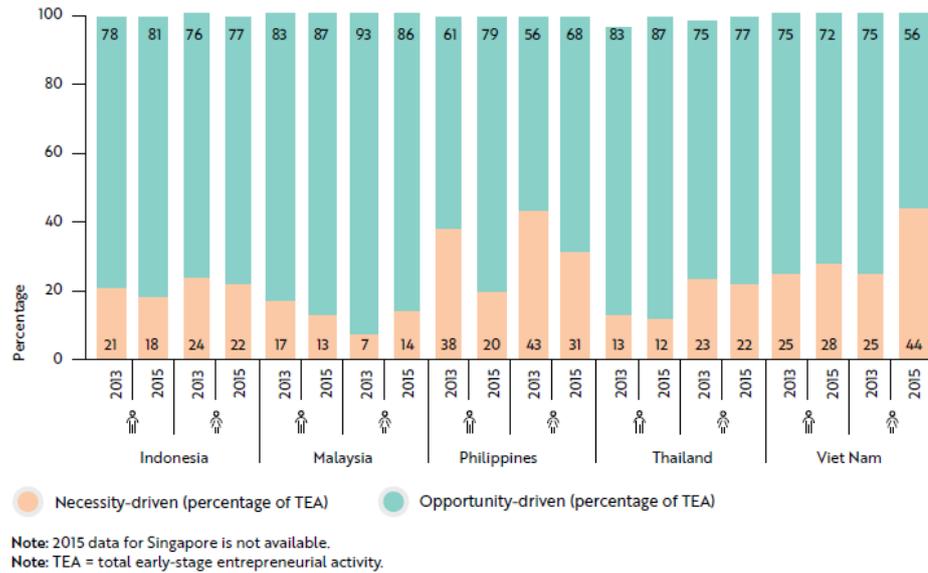
The Percentage Of Ownership Of The Largest Number Of Businesses In ASEAN

Source: ESCAP based on Global Entrepreneurship Monitor (2015).

Entrepreneurship is a comprehensive step towards women's empowerment and gender equality. Leidenfrost (1992: 115 ), in Pristiana, Kusumaningtyas and Mujanah (2003) empowerment mean power that is derived from the knowledge, skills and experience to do something better and (Pristiana, 2009). In the book Engendering Development, the World Bank explains that gender equality is a fundamental development issue that will strengthen the country's ability to develop, reduce poverty, and run government effectively (Hadi, 2009). By setting up and managing a business, women can achieve economic independence, overcome poverty through asset building, and improve their families' well-being (ESCAP, 2017). In addition, women entrepreneurs also have a significant impact on family economic resilience. Case studies in various developing countries show that mothers use more of their income for their children than fathers (Todaro and Smith,

2011). Not only strengthen the economic resilience of the family, but the role of women in economic activity may also decrease the effects of economic fluctuation, contributing to efforts to reduce poverty and Ensuring sustainable economic growth (Faraz, 2013). So the government and society should need to support the empowerment and re-invest the resources for entrepreneurial women. A background analysis that influences women's decisions to become entrepreneurs provides a pattern for increasing women's participation in entrepreneurship and steps for empowerment (ESCAP, 2017).

Several factors influence the decision of women to become business actors. According to His Rich (2008: 83), women entrepreneurs have differences from male entrepreneurs in motivation, business skills, and work backgrounds. Women tend motivated by the need for air- an achievement that comes from frustration to work because it is not allowed to work and grow in their previous employment situation. The woman started her business as a personal quest. Hisrich explains that women who start their business is supported by close friends, a husband, a family, a group of professional women's associations and trafficking more. They are widely engaged in related services, retail, public relations and education services (Hisrich, 2008). In line with the data obtained from ESCAP, which shows that women's motivation to start a business is dominated by the opportunities available in the form of moral support, material capital, and an open environment with women's empowerment.



**FIGURE 1.3.**

Motivation to start entrepreneurship in ASEAN countries

Source: ESCAP ASEAN Regional Entrepreneurship Report 2015/2016

Therefore, this study aims to analyse further and identify individual characteristics that influence women's entrepreneurial decisions or become MSME actors. The study can be a reference for the government in establishing policies that support women's empowerment through entrepreneurship as a strategic and comprehensive step in overcoming fundamental problems that occur in Indonesia.

This study uses the 5th batch of Indonesian Family Life Survey (IFLS) data to represent 80% of Indonesia's population. IFLS is a multi-level survey (household, individual, community and facility), multitopic, large-scale, and longitudinal. IFLS is a scientific survey whose instruments are structured to answer specific research questions. Its longitudinal nature functions to see the changes in individuals with age helps solve the problem of *reverse*

*causality* in analysis and allows researchers to research the impact of policies in the short, medium, and long term.

## **B. Problems Formulation**

Based on the research background that has been described, several research questions are formulated as follows:

1. How does age affect women's decisions to become entrepreneurs?
2. How does education affect women's decisions to become entrepreneurs?
3. How does interest in entrepreneurship affect women's entrepreneurial decisions?
4. How does the welfare of women's life affect women's decisions to become entrepreneurs?

## **C. Research Objectives**

The purpose of this study is to answer the formulation of research problems as follows:

1. To analyze the effect of age on women's decisions to become entrepreneurs
2. To analyze the effect of the length of education of women on women's decisions to become entrepreneurs
3. To analyze the influence of women's interest in the world of entrepreneurship on women's decisions to become entrepreneurs
4. To analyze the effect of women's welfare on women's decisions to become entrepreneurs

#### **D. Research Benefits**

This study is expected to provide benefits for several related parties, including:

1. For researchers

For researchers themselves, by conducting research, it is hoped that they can increase their knowledge and experience, put into practice the theories obtained during lectures, and inspire researchers as women in the world of entrepreneurship.

2. Benefits for society

This research is expected to increase knowledge for the community about women and MSMEs. To motivate the community, especially women, to be enthusiastic about building and developing their business.

3. Benefits for academics

This research is expected to provide contributions, recommendations, and references for future researchers, especially those related to women entrepreneurs.

4. Benefits for policy and government

Through this research, it is hoped that it can become a reference for the government in determining appropriate policies for empowering women in the entrepreneurial sector. So that the entrepreneurial sector and MSMEs can increasingly contribute to the nation and state.