

CHAPTER I

INTRODUCTION

I.I Background of the Research

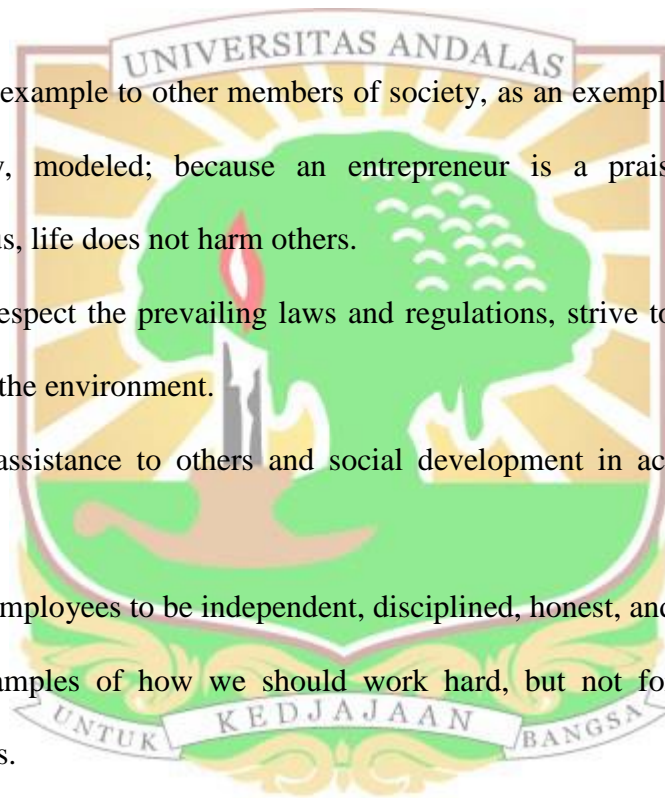
Indonesia is a large country with an estimated population of 261 million people by 2018, according to Indonesia's Central Bureau of Statistics, 2018 and the fourth largest country in the world in terms of population. Large population is one of the advantages viewed in terms of a large market to sustain the development of industry in the country and is a great force if the existing human resources developed appropriately. On the other hand, a large population causing the Government of Indonesia to face a variety of major social problems such as providing educational facilities, food and clothing, large employment and other problems.

Increasing population growth every year will increase the number of manpower so that the number of jobs to be provided must be continuously improved. The main problem in the world of employment faced the high unemployment rate due to the increase in the number of workers is greater than the number of available employment. Therefore, development will be more successful if supported by entrepreneurs that can open employment. The government will not be able to work on all development, because it requires a lot of budget, personnel, and supervision.

Seeing the importance of entrepreneurial role, this is a development potential. but seeing the reality of Indonesia the number of entrepreneurs is still 3.1 percent of the population (Central Bureau Statistics,2018). This amount is still small and the

quality cannot be said great, so the issue of Indonesian entrepreneurship development is an urgent issue for the success of development. The benefits of entrepreneurial a great deal. More detailed benefits include (Alma, 2009):

1. Increase the capacity of the workforce, thereby reducing unemployment.
2. as a generator of environmental development, field of production, distribution, welfare.
3. Being an example to other members of society, as an exemplary person who is exemplary, modeled; because an entrepreneur is a praiseworthy, honest, courageous, life does not harm others.
4. Always respect the prevailing laws and regulations, strive to always maintain and build the environment.
5. Provide assistance to others and social development in accordance with its ability.
6. Educate employees to be independent, disciplined, honest, and hard working.
7. Give examples of how we should work hard, but not forget the religious commands.
8. Live efficiently, not spree and not wasteful.
9. Maintain the harmony of the environment, both in association and environmental hygiene.



As described above entrepreneurs have contributed to economic growth, in line with Thornhill's (1989) opinion that small business is big business therefore the proper form of business for entrepreneurs is Small Medium Enterprise (SME), because SME usually has several workers so that facilitate entrepreneurship to organize it. The role of SMEs is further highlighted in the studies by (Abdullah and Bakar, 2000) that suggest that SMEs are vital to the emergence of healthy private sectors, especially in poorer countries and developing countries.

Being an entrepreneur is certainly not as smooth as it is in our mind, entrepreneurs also encounter various obstacles and obstacles in every journey of business. The most important experiences and lessons learned by an entrepreneur in running the business should be picked through the failures that occur and experienced by the entrepreneur. The concept of the cause of the failure of a business is caused by five aspects: general environment, immediate environment, management / entrepreneur characteristics, corporate policy, and company characteristics.

In a study of the anatomy of entrepreneurs, Wadhwa *et al.* (2009) found the fact that a successful entrepreneur turned out to be on average to have failed two to three times in various businesses founded. The existence and circumstances of this failure to make an entrepreneur triggered to be tough, resilient, unyielding and most importantly, able to learn from the failure that happened. The occurrence of failure as a 'event' followed by mental processes, learning processes and the process of drawing on the experience of this business failure formed a concept in the science of

entrepreneurship known as the concept of serial entrepreneurship. From the study Wadha *et al* .2009, it was found that the average nascent entrepreneur would achieve success on the business found after going through 2-3 failures of various previously executed businesses. The concept of serial entrepreneurship (Lafontaine and Shaw, 2014) can further be understood as an entrepreneurial process and the success of a new business establishment that an entrepreneur attains after going through several failure situations, where the following three elements will be encountered: [a] learning process for failure to achieve success, [b] there is a process of entrepreneurial behavior change after experiencing problems, and [c] experience in running a business. There is no single conclusion that states the number of failures of sett up a new business that must be experienced by an entrepreneur before achieving entrepreneurial success because it is situational and very conditional. However, one thing that entrepreneurs agree is the rarity of an entrepreneur's success in sett up a new business in just one business start-up.

Which is interesting to be revealed later of course what is the factors of entrepreneurial failure mostly experienced by an entrepreneur, especially nascent entrepreneur? The factors of success of an entrepreneur are: [a] psychological factors, [b] environmental factors and [c] sociological factors, Rahman (2011) and Rahman and Day, (2012). But, are these three factors also determine the failure factor of entrepreneurship?

In general, entrepreneurial failure factor can be defined as the cessation of entrepreneurial process undertaken by entrepreneurs as a result of errors that occur to the preparation, implementation and management of the business undertaken. One of the absolute signals that show the failure of a business is in the form of inability to manage finances and result in business operations also stalled. Associated with bankruptcy, but it turns out the financial management factor is not merely the underlying failure of entrepreneurship. The biggest factor of the failure of entrepreneurship is exactly because of the combination and interaction between psychological factors and economic factors of the entrepreneur, where individual psychological factors will lead entrepreneurs to make decisions and perform 'error' actions that have consequences of failure in terms of economic and business factors. As Khelil proposed (2016), the failure of entrepreneurship is a *psycho-economic* phenomenon in which an entrepreneur makes a mistake in allocating resources (causing damage to resources) and causing further consequences of a psychological situation in the form of disappointment.

Thus, Khelil (2016) assumed the entrepreneurial failure can be assume as a situation and condition where there are psycho-economic phenomenon associated with:

1. Individual situation and condition (related to behavior and personality).
2. Situation and condition of the organization, where an entrepreneur conducts business process (as a business entity).

3. Situations and social environment that are directly or indirectly related to the individual.
4. Situations and conditions, entrepreneurship process experienced of having personally.

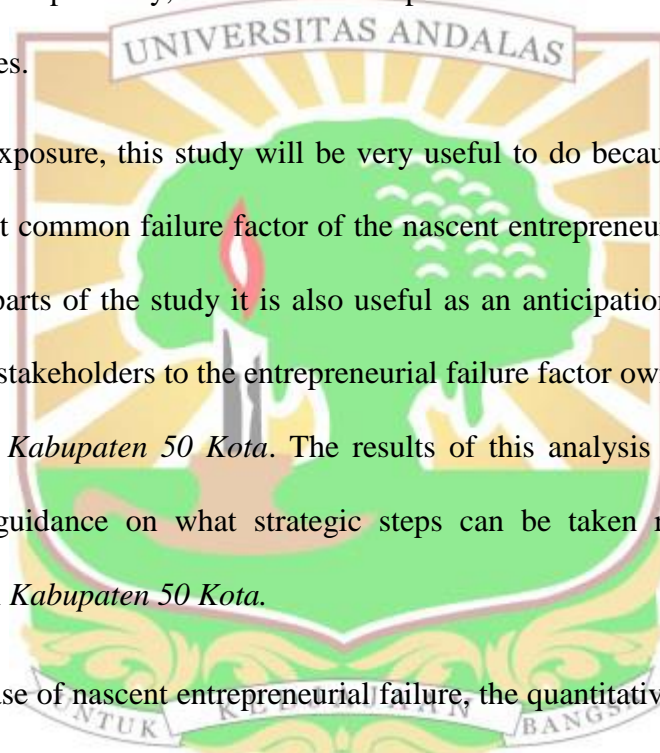
As mentioned before, entrepreneurial failure factor is a combination and interaction that occurs between each factor. In that sense, four of factors as part of the individual *psycho-economic* element will not have sufficient strength which will result in the failure of an entrepreneur in entrepreneurship. There must be a combination of factors and elements, which will further impact failure of the entrepreneur.

Knowledge and observation of entrepreneurial failure factor is important for us to consider and understand together with the aim to suppress the entrepreneurial failure/new business whose percentage reaches more than 50%. Although in various exposures it is mentioned that a successful entrepreneur has a profile as an individualism capable of dealing with risks (including the risk of entrepreneurial failure), but information and knowledge about factors and elements of failure can certainly be used as a reference for entrepreneurial candidates in preparation for starting their business. Another benefit that can be gained from this knowledge is in the form level of *serial entrepreneurship* to achieve entrepreneurial success. Knowledge and recognition of these failure factors can serve as a basis for aspiring entrepreneurs to avoid failure factors.

Failure of entrepreneurship will also be a means of learning and drawing on the experience of *post-mortem assessment* of the event that causes the failure of the entrepreneurship process. One form into *post-mortem assessment* is in the form of *cognitive structural analysis* that entrepreneurs can analyze the form of failure and re-motivate themselves to get up quickly, gain new experience and ability to deal with failure and most importantly, to determine the process of transforming those failures into opportunities.

At the exposure, this study will be very useful to do because it will show in general the most common failure factor of the nascent entrepreneur in *Kabupaten 50 Kota*. In other parts of the study it is also useful as an anticipation effort in various entrepreneurial stakeholders to the entrepreneurial failure factor owned by the nascent entrepreneur in *Kabupaten 50 Kota*. The results of this analysis will be used as a reference and guidance on what strategic steps can be taken related to nascent entrepreneurs in *Kabupaten 50 Kota*.

In the case of nascent entrepreneurial failure, the quantitative data didn't show how many entrepreneurial failure, In Indonesia and west sumatera. In this case the researcher chose kabupaten 50 kota as research location to analyze entrepreneurs failure. Related to the fact nascent entrepreneurs who have failed entrepreneurship, not only in one or two cycles of entrepreneurship, it would be very important to analysis of the possible causes of the failure of entrepreneurship from quantitative point of view.



Therefore, this research seeks to identify, analyze and collaborate the causes of the entrepreneurship failure into a research topic entitled:

"The Impact of Psycho-Economic Phenomenon and Opportunistic Behavior to Entrepreneurs Failure on Nascent Entrepreneurs in Kabupaten 50 Kota"

I.2 Problem statements

Failure represents one of the most difficult, complex and yet valuable learning experiences that entrepreneurs will ever have the (mis)fortune to engage in. Thus, venture failure is an important concept to understand in entrepreneurship, both in terms of its causes and consequences for the individual entrepreneur, organizations and society at large. (Cope, 2011).

The researcher believes that it is very important to understand how the impact of *psycho-economic* phenomenon and opportunistic behavior on nascent entrepreneur failure, based on the complementarity of three theoretical approaches to failure: deterministic, voluntaristic and emotive.

Therefore, the researcher hypothesizes 5 research questions to analyze this phenomenon:

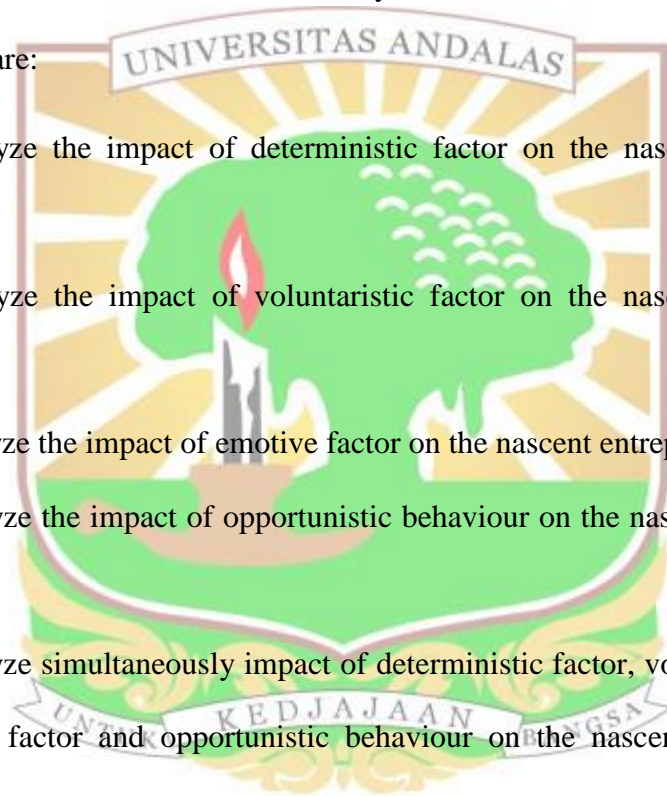
1. How does deterministic factor impact the nascent entrepreneur failure?
2. How does voluntaristic factor impacts the nascent entrepreneur failure?
3. How does emotive factor impacts the nascent entrepreneur failure?
4. How does opportunistic behaviour impacts the nascent entrepreneur failure?

5. How do deterministic factor, voluntaristic factor, emotive factor and opportunistic behaviour simultaneously impact the nascent entrepreneurial failure?

I.3 Objectives of Research

Based on the problem statements that already made and identified, so the objectives of the research are:

1. To analyze the impact of deterministic factor on the nascent entrepreneur failure.
2. To analyze the impact of voluntaristic factor on the nascent entrepreneur failure.
3. To analyze the impact of emotive factor on the nascent entrepreneur failure.
4. To analyze the impact of opportunistic behaviour on the nascent entrepreneur failure.
5. To analyze simultaneously impact of deterministic factor, voluntaristic factor, emotive factor and opportunistic behaviour on the nascent entrepreneurial failure.



1.4 Contributions of the Research

This research is expected to contribute on:

1. Researcher and Academic

Useful for the researcher and academic develop and improve thinking skills in analyzing any symptoms and problems faced, especially in the field of *psycho-economic* phenomenon and opportunistic behavior on nascent entrepreneur failure. Furthermore, this researches also used by researcher in the thesis for the final assignment of graduation.

2. Small Medium Enterprise

The result of this research is expected to help small medium enterprise in to identify and know about the causes and effects that can influence of the nascent entrepreneur failure. Then, SME can implement theory related to the causes and effects the failure of the business.

3. Organization/Government

This research is expected to be a reference and used as a basis in the process of policy making on improving economic growth, improving the quality and capacity of human resource competencies. Through education and training, either by the government or by the cooperative or SMEs itself. As well as doing / making the program goes to goal, i.e. directly to the goal or target. Conducted by providing good capital, concept, and things needed by cooperatives and SMEs or

by targeting individuals who have entrepreneurial spirit with fixed prudential principles and the existence of investment manager (borrowing the terms of syariah banking where customers who have been given a fixed loan continue to receive supervision or excellent service in the processing of existing funds) in order to reduce of nascent entrepreneurial failure.

4. For Literature and Next Study

It is expected to train and develop other references, as well as add some insights and knowledge for future researcher. So, they could conduct a further research about this topic with a different problem, approach, methodology and analysis.

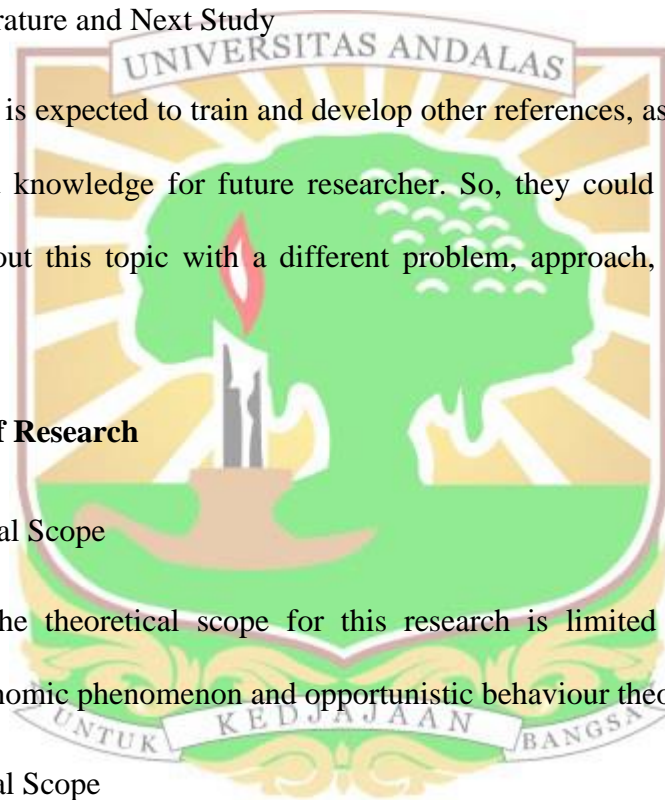
1.5 Scope of Research

1. Theoretical Scope

The theoretical scope for this research is limited to theory of the Psycho-economic phenomenon and opportunistic behaviour theory.

2. Contextual Scope

The contextual scope for this study is limited by focusing on nascent entrepreneur under 30 ages and ever experienced a failure in *Kabupaten 50 Kota*.



I.6 Outline of Research

In order to make it easier and make moderate the forwarding of content, this research is divided into five chapters, they are:

CHAPTER I: Introduction

That is containing about background of the research, problem statements, objectives of research, contributions of the research, scope of research and outline of research.

CHAPTER II: Literature Review

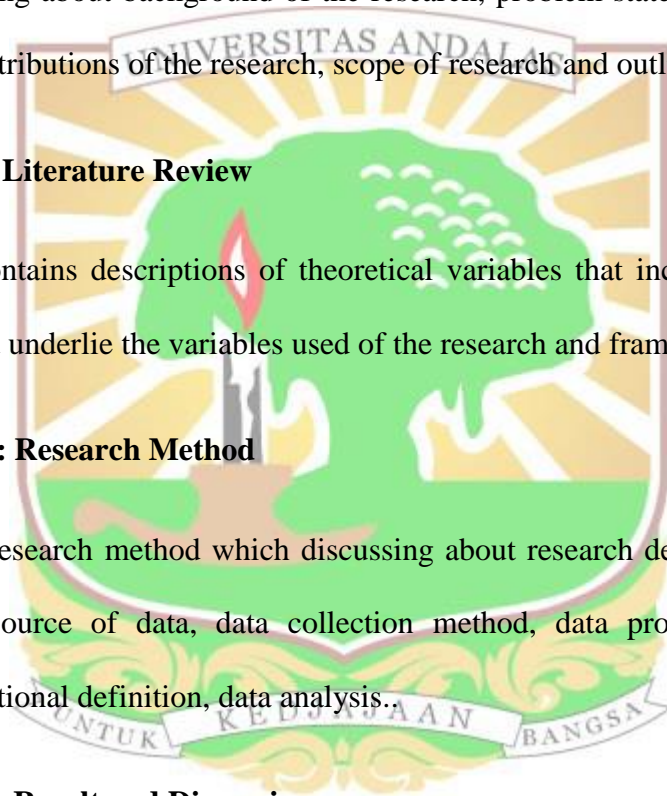
This chapter contains descriptions of theoretical variables that include the theories that support and underlie the variables used of the research and framework.

CHAPTER III: Research Method

Explain about research method which discussing about research designs, population and samples, source of data, data collection method, data processing, research variables, operational definition, data analysis.

CHAPTER IV: Result and Discussion

Explain about validity and reliability test, analyzing the impact of psycho-economic phenomenon and opportunistic behaviour on nascent entrepreneur failure in *Kabupaten 50 Kota*.



CHAPTER V: Conclusion, Limitations, Implications and Recommendations.

On this chapter, researcher will explain about conclusion of research, suggestion of research, limitation of the research, implication of research and recommendation for further research.

