

CHAPTER I

INTRODUCTION

1.1 Background

Indonesia is a country that is blessed with geographic advantages, making it widely known as one of the countries that has thousands of natural resources, including gas, oil, minerals, and agricultural commodities. The country is also fortunate enough to have a large population of 278,7 million in 2023 (BPS, 2023). According to World Bank (2018), there are three components of wealth in High-Income Countries: Natural Capital, Produced Capital, and Human Capital, with Human Capital being the largest component of the three. The World Bank also states in *The Changing Wealth of Nations* that Natural Capital includes energies, forests, and terrestrial protected areas. Produced capital consists of built assets of machinery, buildings, and infrastructure, and Human capital refers to health, education, and skills of the workforce. Out of the three components, human capital is the largest component and is seen as the main driver of development. Human Capital is a productive asset, along with Produced Capital, that will play a huge role in generating jobs and income since the reliance on natural resources is temporary and will decline over time.

In a report from the Statistics Indonesia (BPS), as of mid-2024, the country's population recorded 281,6 million people. From the biannual National Labor Force Survey (Sakernas), 215,37 million of the population were working-age population, this number increased by 1.37 million or approximately 0,64 percent, which occurred in the span of 6 months from February. The working-age population consists of the labor force and the non-labor force. Indonesia's labor force recorded 152,11 million people, and the remaining 63,26 million people were categorized as non-labor force. Following the statistics, the number of employed individuals was 144,64 million people, with Agriculture, Forestry, and Fisheries being the sectors that absorbed most of the working population, which sums up to 40,76 million. In contrast to the data, Electricity, Gas, Steam/Air

Conditioning Supply absorbed the least amount of working population, which totaled 0,36 million. Approximately, there are 7,47 million of Open Unemployment in Indonesia. In other words, 4,91% of the total labor force in the country was unfortunately not absorbed into the labor market (BPS, 2024).

The enormous number of unemployment rate in Indonesia is concerning for the future of Indonesia. This means that the supply of labor that is available to be absorbed is big enough, but exceeds the demand. One more thing to be regretted with the available human resources the country has, they still have to export quite an amount of labor from other countries due to the difficulty of finding those who meet the requirements. In 2022, PPTKA denounced that Indonesia had legalized 111.537 total documents of foreign labor, with 48,7% in the industrial and service sector, and the rest of 2,6% in agriculture and maritime. The foreign labor came from different countries, with labor from China being the most exported labor, which documented 52.973 individuals. These steps were taken to fill the skills gap in the different sectors of industry, as there is no local expertise available for the position. Foreign labor was hired in strategic, technical, and managerial positions such as advisor/consultant, board of directors, commissioner, manager, and professional (Kementrian Ketenagakerjaan Republik Indonesia, 2022).

From this fact, we were unable to deny that the problem we have with unemployment is not only a minor complication. Along with the extensive amount of labor force and the availability of job opportunities, they are not only competing with individuals who share the same situation in the country but also with individuals from abroad.

It is not merely a baseless claim that the government has worked in various ways in allocating the human resources potential that it has to the available job opportunities. The problem is not only that Indonesia is unable to allocate these potentials they have had for years, but the country has remained unstable in economic growth. In addition to that, the country also needs to adjust way harder than it used to since the global pandemic, COVID-19, hit in 2020.

The outbreak of the global pandemic COVID-19, to some extent, contributed to the crisis that happened in Indonesia. As a country with a large number of population and various economic activities, the global pandemic has led Indonesia to the downfall of its own economy. The damage that the pandemic has done can be seen through the decline in several sectors. Indonesia's tourism was one of the significantly impacted sectors during COVID-19 since the travel ban and social distancing were applied globally. Namely, 8.000 hotels and 2.000 restaurants stopped operating temporarily and permanently (PHRI, 2024; VOI, 2020). Meanwhile, in the aviation industry, it is reported that there is a 61% decrease in the number of passengers compared to 2019 (INACA, 2021) and international arrivals dropped by 75% in 2020 (Kementrian Pariwisata dan Ekonomi Kreatif, 2021). The number presented from the previous paragraph may have seemed concerning for the nation.

However, during COVID, the unemployment rate in Indonesia reached 7,07% at its peak in August 2020 (Badan Pusat Statistik, 2023). This happened as a lot of companies were struggling and needed to cut off some of their employees as the economic cycle in the middle of the pandemic is stuck. Not only the employee, but a lot of businesses, unfortunately, need to shut down completely, leaving the employee with no job and the business owner with no source of income. This incident is clearly heartbreaking. It was increased by 41,68% from pre-COVID back in February 2020, with the unemployment rate being 4,99% (Badan Pusat Statistik, 2020).

Amidst the implementation of newly imposed COVID-19 procedures such as Large-Scale Social Distancing (PSBB), mandatory mask usage, and shifting to online-based activities, it was only later that we realized there are unexpected positive outcomes arising in the middle of such a global tragedy. Bank Indonesia (2021), through the '2020 Economic Report of Indonesia', reported an increase in YoY percentage of 29,6% as the growth of e-commerce from the habit of online shopping. Following the e-commerce rise and change in how people shop, a new demand emerges, which has led to numerous launches of new businesses, especially on SMEs scale. Due to this situation, it is recorded that there are 1,76

million of MSMEs registered and thriving during the outbreak (Kementrian Koperasi dan UKM, 2021). This phenomenon came with new hope since this new enterprise came from a diverse range of ages, products, and services, including e-commerce platforms, delivery services, digital services, and online education (Bappenas, 2021).

On 7th March 2022, the president of the Republic of Indonesia officially announced the lifting of the travel ban, PPKM, and reopening international borders, which then was implemented gradually across Indonesia while still requiring the nation's citizens to perform social distancing, and the use of masks is still mandatory. This official statement does bring relief across the nation, but unfortunately, the pandemic leaves a great amount of homework for the country to recover from the damage it received after the outbreak.

The government has been working harder as the facilitator to make sure they will give enough support for entrepreneurship, especially for UMKM or SMEs, for instance, through Kredit Usaha Rakyat and digital literacy programs (KemenkopUKM, 2023). There will always be a demand for new items every day, and supported with huge scales of markets paired with the great ability to analyze market needs, there will be no reason for a business not to grow within the country. In addition to that, Indonesia holding the title as the country with endless resources makes it even better, as there will be a lot of international market opportunities and the possibility of expansion. Compared to our neighboring countries in Southeast Asia, the country's power to produce for the industry, as our industrial production growth is 4.64%(BPS, 2024b) and the manufacturing output of Indonesia is USD 540 billion annually (BPS, 2025). This made such a huge advantage for us as we are both capable of being the producer and consumer, while we can also export and fulfill the needs of the market outside of the country.

Another question might arise from the information of country's ability. Why does with such numbers and potential, our economic seems not growing and becomes powerful? Ministry of Finance (2025) records 4.7% of economic growth and projected to gain 5.5% of the growth by the end of the year. This is when the

creation of new business venture is needed as entrepreneurship contribute to 60.5% of Indonesia's GDP (Kementrian Keuangan, 2024)

Alongside with the advantages and growth that have been mentioned, in terms of economy, a lot of statements and data might seem significant for Indonesia's growth. But unfortunately, Indonesia is still far away from its target. According to (Currie-Alder et al., 2014), there are three required grand ideas in economic development. First is structural transformation of production and consumption. Second, development is not a singled dimension therefore it is not only revolving around income poverty eradication. Third, coordination and regulation from person in charged is crucial for development.

All of the three grand ideas above were actually already applied in Indonesia. Indonesia's entrepreneurial growth in 2024 is 4.45% which exceed the year target of 2.90% by 1.55% (Kementrian Koordinator Bidang Perekonomian, 2024) Although it looks promising, this report is not good enough. The number in growth that we have right now could not do the justice for the nation as we still experience shortage in numbers of entrepreneur. According to Ministry of Cooperatives and SMEs (2024), Indonesia should target at least 4% of population being the entrepreneur with current shortage of only 3,37% of population working as entrepreneur. This number might seem like a big problem but our nation will eventually get into it if we implement it according to how it should be.

An entrepreneur can come from a different background, a bachelor's graduate, a master's holder, or even someone with only an elementary school degree. Someone can create an enterprise, and there is no need for certain conditions as long as they have the will and determination to build the business. Accounting students and graduates are among the few people who can receive great intellectual capital to build a business and become entrepreneur. People who take accounting mainly obtain skills such as financial literacy, risk assessment, strategic planning, and analytical thinking during and after the process of learning accounting (Aldabbous & Riyath, 2024; Micallef et al., 2023; Rakow, 2019). The theoretical knowledge that accounting student has will make the journey a bit

lighter as they already have the knowledge principle. Accounting students and graduates were fortunate enough to possess such great skills, which made them open to so many different opportunities.

Unfortunately, with the great resources for being an entrepreneur, it is reported that only around 5-10% of accounting students pursue other non-accounting-related jobs, including entrepreneurship (ACCA, 2023). Meanwhile, the rest of them were pursuing careers in the finance and accounting field, such as an auditor, an accountant, or a consultant.

However, it is not bizarre to see accounting graduates who take entrepreneurship as their path. Globally well-known figures such as Phil Knight, the founder of the famous brand Nike, which was originally named Blue Ribbon Sport, an accounting graduate from the University of Oregon (Britannica, 2025). Another one is Tan Sri Tony Fernandes, the CEO of low-cost airline AirAsia, with his legendary story of starting with purchasing the airline for only 1 Ringgit Malaysia from the government (Study International, 2023). Indonesia also has some well-known accounting graduates turned entrepreneurs. Namely Irene Ursula, founder of the pioneer Indonesian local beauty brand Somethinc. Irene Valerie graduated from the Accounting Major at Pelita Harapan University and built her \$50 million business. Irene paved the way for the local beauty brand industry in Indonesia, as Indonesia's beauty industry was growing rapidly after her brand went viral (Tech in Asia, 2022). Edward Tirtanata is also one of the accounting graduates turned entrepreneurs from Indonesia. He graduated from the accounting major at Northeastern University. Started the coffee business after resigning from Ernst & Young (EY) and now scaled into a unicorn company after receiving seed funding from Alpha JWC Ventures of \$8 million (Paper.id, 2021)

Then there is this new question rise in, "why does becoming entrepreneur might seem uncommon career path for accounting graduates?". This question also pulling another thread of question whether the accounting students is already encouraged to build a job field, whether this option of career have not been

explored enough during the study or whether the career of entrepreneur might seem not as prestige as the regular accounting career path.

According to Schumpeter (1965), entrepreneur is defined as individuals who carry revolutionized production pattern of new organization from any industry, producing old product in new away or producing new commodity along with new outlet for products. It is already acknowledged that becoming an entrepreneur is a tough job, entrepreneur activity revolves on two dimensions which is novelty-centered and efficiency-centered (Zott & Amit, 2007).

In order to create a new enterprise, Drucker (2013) says it requires the ability to find the existing problem and then the solution is offered through the enterprise. In other words, entrepreneurs offer innovation, and it requires creativity. Stenberg & Lubart (1999) propose creativity as the ability to produce novel and adaptive products that are appropriate for the needs. Creativity as a trait offers numerous benefits to the individual who possesses it. For individuals, the presence of creativity will help them solve personal-level crises and perform better both in their job and in life. Meanwhile, the societal level of entrepreneurship can lead to a bigger benefit, such as new inventions, new solutions, and new programs or movements, which then will ultimately contribute to a larger scale of society. This study uses creativity as the value of this trait is proven beneficial for developing Entrepreneurial Intention.

Firman and Setiawan (2022) conducted research in analyzing the effect of entrepreneurial creativity on entrepreneurial intention using Structural Equation Modeling (SEM). The study finds that entrepreneurial creativity, which consists of creativity in university and creativity in family, significantly influences entrepreneurial intention. In addition, it is found that the university environment, which promotes creativity, is believed to be the ideal environment to support the development of creativity. Research by Hidayah et al. (2023) also suggests that creativity has a positive and significant influence on entrepreneurial intention.

Another factors that influence entrepreneurial intention is role models. Although the important part of becoming an entrepreneur is the desire within the individual, role model is seen as an external influential factor in explaining the reason for career choice as an entrepreneur. Role Models covers a huge chunk of different types of role models. Strong ties role models such as family or friends, and weaker ties role models such as famous figures, including Jack Ma, celebrities such as the Kardashian Family, and colleagues (Bosma et al., 2011). Parker (2009) suggests that the examination of role models as factors that might be associated with someone's decision to become an entrepreneur is worth studying.

Research conducted by Ogogo et al. (2021) theoretically concludes that role models, which are defined as successful entrepreneurs, predict entrepreneurial intention. The existence of role models influences the attitude and behaviour of potential business owners to step up and turn the inspiration into reality. On the other hand, Nguyen and Phan (2024) investigate role models as a moderating factor that influences entrepreneurial intention. The result shows that the exposure from role models prior to creating a venture does strengthen the relationship between entrepreneurial intention and environment.

In addition to these factors, there is one factor that cannot be left unattended when it comes to business creation: risk. According to Miller and Friesen (1982), risk-taking is the willingness to commit and direct resources to a new project, where there is a high possibility of failure. This study specifically highlights the factor of risk propensity. Risk propensity refers to an individual's tendency to take or avoid risk-taking in situations where they are required to make decisions (Sitkin & Pablo, 1992).

This factor is reflected in research conducted by Ilevbare et al. (2022), where risk-taking propensity is seen as the key determinant for students to engage in venture making. The decision to take risks was the one that made the student one step closer to becoming an entrepreneur.

Last but not least, another factor arises from the ethnic side. Extension from role models, entrepreneurship is somehow seen as a cultural ethnic value that needs to be continued. We can take the example from ethnic Chinese, for most of the Chinese, entrepreneurship is treated not only as a career option but rather a continuation and reinforcement of cultural identity (Ng & Reieple, 2008). Not only in Chinese culture but also in other cultures hold the same value, such as the African Igbo. In a study conducted in 2023, it was found that the students, as the respondents, believe that ethnic entrepreneurial culture plays a big role in their decision to take entrepreneurship as a career, as the value of entrepreneurship was taught since birth (Akinola, 2023)

In this study, specifically, we will cover an ethnic group in Indonesia from the west side of Sumatra Island, Minangkabau. The people who carry Minangkabau blood are referred to as Minangnese. This ethnic group in Indonesia has a unique tradition that is often passed down through the generations, which involves pursuing a career as an entrepreneur. It recorded that Minangkabau has a 4.10% of entrepreneurial ratio, which is larger than the 3.04% entrepreneurial ratio of the country (BPS, 2023). This tradition has been going on for decades within the ethnic culture, which has the stereotype that Minangnese are entrepreneur-centered ethnic or that Minangnese will most likely pursue an entrepreneurial career. This study adds the Minangnese entrepreneurial culture as a novel approach to deeply examine accounting students' entrepreneurial intention.

Therefore, this study aims to explore and reveal the truth behind whether accounting students have the intention of becoming entrepreneurs in the midst of norms that accounting students should pursue accounting-related jobs.

1.2 Problem Formulation

Based on the problem statement above, the problem formulations that this study will discuss are:

1. How does creativity influence undergraduate accounting students' intention to pursue entrepreneurship as a career choice?
2. How do role models impact undergraduate accounting students' entrepreneurial intention?
3. How does risk propensity shape undergraduate accounting students' entrepreneurial intention?
4. How do role models affects undergraduate accounting students' ethnic entrepreneurial culture?
5. How does Minangnese ethnic entrepreneurial culture mediate the relationship between role models and entrepreneurial intention?

1.3 Research Objectives

Alongside with problem formulation that we had above, the research objectives of this study are:

1. To analyze how creativity influences accounting students' intention to pursue entrepreneurship.
2. To explore the impact of role models on accounting students' entrepreneurial intentions.
3. To assess whether risk propensity plays a significant role in shaping accounting students' intention to become entrepreneurs.
4. To examine the effect of role models on accounting students' individual ethnic entrepreneurial culture
5. To evaluate the role of ethnic entrepreneurial culture in mediating the relationship between role models and entrepreneurial intention, and to compare it between Minangnese and non-Minangnese

1.4 Research Benefits

This study will obtain various research benefits as follows:

1. Practical Benefits

- a) Provide new insight in accounting students' selection of career giving and opening wider options and opportunity for accounting students in this era.
- b) As input for academic institutions that taught accounting to consider adding more entrepreneurial education programs in the curriculum alongside with the regular accounting curriculum.
- c) Contribute in developing accounting students' entrepreneurial mindset by identifying and exploring factors such as creativity, role models, and risk propensity that will influence students' entrepreneurial intention.
- d) The encouragement of accounting students to pursue entrepreneurship with all of their potentials will most likely help them to contribute to nation and society by creating new job opportunities to accommodate nation's available human resource and decreasing the amount of unemployment in Indonesia.
- e) Empower Minang as an entrepreneurial driven community and contribute into capturing and preserving the traditional culture that have been passed down to generation into research and analysis.
- f) For further researchers as reference to find more range of insights with continuation so that the adjustment will be fit better to different situation that happened in the country

2. Theoretical Benefits

This research is expected to enrich academic literature and development of future entrepreneurial study. This research with influence of creativity, role models, and risk propensity mediated with entrepreneurial ethnic culture entrepreneurial intention might be utilize as further research material and expanded especially in nature of accounting.

1.5 Writing System

Writing systematics of this thesis will consist of five chapters. Chapter one of this thesis is Introduction. The chapter will mention background of the research, problem formulation of the research, research objectives, benefits of research, and writing systematics. Chapter two will mainly discuss literature review which covers theoretical concepts that underline the research include scholars' definition, general information, review of relevant previous research, hypothesis development, and conceptual framework. Chapter three is research methodology that address scope of the research, operation definition of each variable, population and sample, data collection methods, data analysis techniques used later. Chapter four consist of result and discussion of the finding. This includes presentation of descriptive statistics, data analysis, and interpretation of the data. Chapter five is conclusion which explain the conclusion, limitations, and suggestions for future purposes.

