

# Rationality of Higher Education Graduates Working to Become Entrepreneurs

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**Abstract-**There are two factors causing weak entrepreneurial spirit in Indonesia, namely history, culture and also government policy. The history of the Dutch colonial hegemony against the Indonesian economy. Culture is related to work orientation as an employee or civil servant. Government policy has been considered less supportive of entrepreneurship. This study examines two problems, namely the socio-economic characteristics of college graduates and also the rationality of choosing to become an entrepreneur. East Java research location. The subject of the research was nine people. The results of the study showed that there were various variations of socio-economic characteristics based on different educational background and also parent's job. The rationality of college alumni is analyzed based on Weber's theories, namely traditional, affective, rationality of values and instrument rationality.

**Keyword:** *entrepreneurship, social, economy, rationality*

## I. INTRODUCTION

One indicator of state progress can be seen from the number of people who pursue the field of entrepreneurship. The more advanced a country, the more people who work become entrepreneurs. This is logical. Being an entrepreneur is the same as providing jobs for the community, which ultimately results in a reduction in the unemployment rate. This is in line with those described by Schumpeter who say that entrepreneurs are the main catalyst in what is called the 'creative destruction' of the market system. [1] The Global Entrepreneurship and Development Index (GEDI) 2015 released 10 countries with the highest number of entrepreneurs [2]. Countries that are in the rankings are currently classified as developed countries.

As a country that is not classified as a developed country, it can be estimated the number of people who work as an entrepreneur. GEDI in 2017 again released a list of countries ranking based on its entrepreneurship climate. There are 137 countries and Indonesia only occupies the position to 90. [3] This shows the weak entrepreneurship spirit of society,

The least number of entrepreneurs in Indonesia can be explained based on two factors, namely: cultural and structural

factors. Cultural factors related to the weak mentality of entrepreneurship in Indonesia. This is not a strange thing. Since the Dutch colonial era, people have been divided according to the wishes of the invaders. The first level or the top social layer is occupied by the colonizers themselves. The second layer is non-Dutch foreign ethnicity: China and Arab. They generally work as traders or entrepreneurs. The next layer is the people of Indonesia who work as village officials. The last layer is the Indonesian people who work as farmers. Among village or now known as civil servants (*PNS*) is a profession that is more respectable than farmers. In fact, government employees at that time function only work in the office of the Dutch government or as subordinate Dutch colonists.[1]

The Dutch government deliberately closed the access or opportunity of Indonesian people to become entrepreneurs or traders. The action is not without reason. In the absence of indigenous peoples working as businessmen or traders, the heart of the Indonesian economy is entirely foreign-controlled. The knowledge of the Indonesian people is only concerned about administrative or agricultural work. In conclusion, the colonial attempt to dupe the Indonesian people is conducted systematically. In addition, after 1945, the focus of the Indonesian government was more focused on politics than on the economy. ([4]). It explains the factors causing the weakness of Indonesian entrepreneurship culture. The condition is exacerbated by the lack of government support for the entrepreneurship sector. Assistance in the form of capital loans from the government through bank institutions is considered to have procedures that are too complicated. Plus the value of interest on loans that are not friendly for the entrepreneurship. Legalization of business is also constrained cost is not cheap.

Entrepreneurship seems to be the last resort for most of Indonesia's young generation. The college graduates are more interested in becoming private employees and civil servants. The cause is certainly a factor of income certainty and social prestige. Professions as civil servants or private employees get a regular salary per month. Income entrepreneurs, especially

beginners cannot be ascertained, even tend to lose. The success of entrepreneurs cannot be achieved within a month or two. It took years of hard work to achieve success. Not enough hard work but also patience, diligence, persistence and innovation. Prestige is only obtained by entrepreneurs who have been successful.

Profession entrepreneur only ogled by the retired private employees or civil servants. The decision to become an entrepreneur in the early evening is based on the absence of regular income again, even if there is only a limited pension that is not too big. In the old age, of course, energy is not as much as young. In fact, to be an entrepreneur requires creativity, innovation or energy that certainly more owned by young people. Not a wrong decision, but certainly quite late when deciding to become an entrepreneur in old age.

Fortunately, the weakness of Indonesian society entrepreneur culture is then realized by the government. Various programs are trying to be initiated in order to attract the interest of society to entrepreneurship. Ministry of Cooperatives and SMEs again launched the National Entrepreneurship Movement 2018. Entrepreneurship Development with a focus on activities, including through entrepreneurship, entrepreneurship training for the community and beginner entrepreneurship, capital and also revolving funds for beginner entrepreneurs. The others are promotional facilities and exhibitions as well as facilities of Copyright, Brand Rights, IUMK for beginner entrepreneurs. [5] Educational institutions also do not want to lose, ranging from elementary school to high school trying to hold entrepreneurship programs although it is simple.

*DIKTI* and Higher Education have a program of Indonesian Student Business Competition (KBMI) 2017. This program aims to grow the character business; build entrepreneurial skills, and cultivate new entrepreneurs. [6] Entrepreneurial proposals that pass the competition will be given up to tens of millions of capital to practice its business. Plus the obligation for each study program to conduct Entrepreneurship courses. Entrepreneurial schools or universities also began to emerge in Indonesia. Call it the University of Ciputra which offers several courses that are all directed at the development of entrepreneurship soul. [7]

Although entrepreneurial programs are already encouraged, the emergence of young entrepreneurs is still in low number. Not many college graduates are willing to become entrepreneurs. Based on the phenomenon, this research would like to see: first, the socio-economic characteristics of graduates who choose to become an entrepreneur. Secondly, what we want to study is about the rationality of entrepreneurs.

The theory used in this research is Weber's theory of action. Weber uses the classification of four actions, distinguished in the context of the motives of the perpetrators, namely: traditional, affective, rationality of value and instrumental rationality. [8] Several previous studies related to this research are first, Can Entrepreneurship

Channel Overqualification at Young University Graduates in The European Union ?, published in the Journal of Business Research. This journal discusses entrepreneurship among people under the age of 25 years. The result is a relationship between entrepreneurial activity and young age, but there is no relationship between educational investment and entrepreneurship at a young age. [9] Second, The Climate for Entrepreneurship at Higher Education Institutions in the journal Research Policy. This journal discusses the relationship between establishing an entrepreneurship climate in college and students' perceptions of entrepreneurship. [10] Third, Entrepreneurial Intention Among Engineering Students, published in European Research on Management and Business Economics. The discussion of this journal is about entrepreneurship interest of students majoring in engineering who have received entrepreneurship education in college. [11]

## II. RESEARCH METHOD

This research used a qualitative approach. the research subject is taken purposively, with the following criteria: college graduates who choose to become an entrepreneur, the minimum duration of business are five years and the maximum subject age is 40 years. The research location is East Java. The reason to choose the location is that East Java is a large province that has many universities and the community is heterogeneous. The number of research subjects there are nine people with several variations: self-effort or inheriting the family business, relevant or not with a scientific background, and academic background.

I interviewed in depth about the nine subjects. The results are processed by reducing, displaying and displaying the results in the form of a matrix.

## III. RESULT AND DISCUSSION

### A. Socioeconomic Characteristics Subject Research

Before analyzing the types of actions performed, here are the social characteristics of the subjects in this study. Based on the above table, the subject of research that continues the parent business there are three people, namely in the field of chicken farms, shop owners and shop owners. Others are self-initiated ventures. There are two models of entrepreneurship based on the origin of the initial ownership of the business, namely entrepreneurship by way of continuing business owned by parents or entrepreneurial start from zero (not the business of the parents). Parents who are entrepreneurs generally want the children to continue the business that has been pioneered by parents or at least do not want the child to be an employee. Conversely, parents who do not have a profession as an employee, sometimes do not agree with the choices taken by the child. The orientation of children whose parents work as entrepreneurs also varies, like as: (1) willing to continue the business of parents on the basis of their own; (2) willing to graduate the parent's business on the basis of

compulsion, and (3) not willing to continue the business of parents.

Subjects willing to continue their own voluntary parents will continue to learn how to grow their business in order to increase business turnover. In fact, one of the research subjects said that the goal of high education is to expand the marketing network.

TABLE I. RELEVANCE BETWEEN EDUCATION AND PROFESSION AND PARENT WORK

| No | Name of                              | Education  | Employment Parents  | Profession   |
|----|--------------------------------------|--|---|--|
| 1  | Tamsir (37 years)                    | D2 IAIN PGSD<br>S1 Sastra Indonesia IAIN             | Farm  | Printing, copy center and photo owner  |
| 2  | Muhammad Dzulkipli (25 years old)    | S1 Sociology   | Traditional restaurant                                      | Traditional restaurant   |
| 3  | Heranadya DwiEvellyna (25 years old) | S1 Financial Management                              | Private Employee Banking                                    | Online Shop (beauty care, menswear, hijab printing and action figure) owner    |
| 4  | HadreanRenanda (33 years old)        | S1 Communication Science<br>S2 Management of Finance | Retired PT Semen Gresik                                     | Event organizer and café owner   |
| 5  | WidodoBasuki (25 years old)          | S1 Sisiologi   | cattle, roasted chicken culinary and chicken selling online | Fattening cattle sacrifice, roasted chicken culinary and buying chicken online |
| 6  | Rahmawati (25 years)                 | D3 Midwifery<br>D4 Midwifery                         | Material and building store owner                           | Material and building store owner  |
| 7  | NurFathimah (27 years)               | Management   | Chicken and vegetable trader                                | Owner printing invitation, souvenir and delivery                               |
| 8  | Nita DwiRetno (38 years old)         | Akuntansi  | <i>Mantri Puskesmas</i>                                     | Clothing store owner   |
| 9  | EndangTriwahyuni                     | D3 Secretary   | Navy  | Copycenter, print and printing owner   |

The table a shows that there are three research subjects whose field of business is relevant to educational background, namely: owner EO and cafe, owner of the online shop and owner of the printing outlet. Others show a different scientific background with the current field of entrepreneurship. In

addition, based on the table above can be seen also the type of educational background is pure or vocational. Subjects of research with vocational education are only three, namely: PGSD, midwifery and secretary. However, the field of an entrepreneur is not the same as the field of vocational science pursued in college.

TABLE II. MOTIVATION AND CHALLENGES OF BEING ENTREPRENEUR

| No | Name                 | Motivation   | Obstacles / Challenges  |
|----|----------------------|--|---|
| 1  | Tamsir Arranges      | a more established life<br>Unbound other agencies  | Capital. Promotion is still a simple competition  |
| 2  | Muhammad Dzulkipli   | Trust from parents<br>Does not develop when it becomes an employee<br>No pension when it becomes an employee<br>Unbound time<br>Difficult to find a job as a civil servant | Parents hard to be encouraged to develop business<br>Lack of power<br>Sales level decreased   |
| 3  | HeranadyaDwievellyna | Looking for own income during college<br>Flexible in a matter of time  | No support from parents<br>Do not know anything about the online shop<br>Not knowing the market price of goods online as<br>Hard to find suppliers offline<br>Hard to find cheap online suppliers |
| 4  | HadreanRenanda       | In accordance with the field of scientists<br>Flexible in the matter of time<br>Not interested in becoming an employee   | EO business is less salable in Surabaya   |
| 5  | WidodoBasuki         | Continuing business parent<br>Aspects before entering college  | Diseases that attack chicken or cow   |
| 6  | Rahmawati            | Not like to work-person<br>Choice of major is determined by parents, so they are not interested  | Not in accordance with the course majors  |
| 7  | Nur Fatima           | Not like working with people<br>More flexible<br>Parents recommend having their own business   | No experience in opening their own business   |
| 8  | Nita DwiRetno        | Improving economy<br>Working on others more weight and a lot of  | loss risk<br>The lack of knowledge about marketing  |
| 9  | EndangTriwahyuni     | a kind of hobby<br>more relaxed work<br>It is possible to work while taking care of children   | The lack of capital<br>loss risk  |

Background of the study that is relevant to the work, of course, facilitates the subject of research to get the entrepreneurial profession. This can be seen in two research subjects who work as EO owner and online business owner. Science communication is closely related to the media, then in accordance with the profession of research subjects as owner EO. While the subject of research who works as an online business owner explains his business now initially is just to fulfill the task lectures. Two other subjects with the pure educational background (Sociology) are made easier by the business that has been pioneered by his parents. For pure social science like sociology certainly not many fields of entrepreneurship that are relevant to the lectures.

Based on the under table, it can be seen there are some subjects motivation to be entrepreneurship, but the most common is the flexibility of time and not happy to be under reign by others. Some research subjects have experience working with others and they feel uncomfortable. The discomfort is due to obeying the orders of superiors, overworked workloads and undeveloped salaries. Even a research subject explains even though the operating income is not as much as the employee's salary, the subject still chooses to develop his own business.

In addition, based on the above table can be known some of the obstacles faced by research subjects. The most common obstacles are capital problems and lack of business-related knowledge. Most of the research subjects admitted the initial capital of trying is own money, not a loan from the bank. Every bank, both public and private, does have a credit distribution program for entrepreneurs. However, the facts on the ground, not many micro-scale entrepreneurs are utilizing the program. This can be due to factors of ignorance, the complexity of bank procedures or interest rates are too large. Associated with knowledge of entrepreneurship which is usually the initial constraint, the subject of research continues to learn, either through experience or browsing from the internet world. Online media seems to play a role in the success of entrepreneurs today, both in terms of promoting products, finding suppliers, communicating with customers and also related knowledge of entrepreneurs are loaded on many websites or blogs.

### B. Rationality Being Entrepreneur

**Affective action "What can I do".** W From the context of this study, research subjects feel no other job option other than being an entrepreneur. This can be seen from the research subject named Rahmawati (abbreviated as R). Although his scientific background is vocational (midwifery), R is not interested in establishing his own practice as a midwife. Obstetrics department that has been taken by R is actually the choice of his parents. R chose to continue the parent's business instead of working as an employee. The reason is that R is not happy to work with others. The parent has not trained by his parents to become entrepreneurs. Parent's business will actually be handed over to her sister. R also felt difficulty in managing his parents' business is due to not fit the field of

science that had been taken. In other words, R is actually experiencing disorientation of work.

**Value-oriented or value-rationale.** Act Motives for the act of value rationality "All I know is just doing this" everyone has a value or norm that serves as a guide for life. This value or norm is then used as a guide related to the decision of the subjects to pursue entrepreneurship. These values are: (1) the value of individual freedom: It is better to have a business than to be an employee; (2) Value of intimacy with family: Having free time to care for children, carrying out trust earned from parents, and (3) Value of social utility: Opening employment for others

**Oriented actions purpose or rationality instrumental.** Motive action rationality objectives: "This action is most efficient to achieve this goal, and this is the best way to achieve it." All subjects have instrumental rationality. According to the subjects, entrepreneurship with all the obstacles or challenges is the best job choice. It is apparent in the efforts of the subjects to learn to grow the business and the courage to take risks. It's just that the level of instrumental rationality of each subject is different. Research subjects with high instrumental rational levels take every step they take. This can be seen from the strategies undertaken by the research subjects (1) Building a network while still sitting on the bench lecture. Social network plays an important role to build a business, (2) Pursue a field of entrepreneurship that is relevant to the course majors, and (3) Explore the knowledge of the internet about the field of business. Entrepreneurship is something that can be learned. [13] Basically the actions undertaken by these entrepreneurs not only contain one motive only (Table III).

TABLE III. RATIONALITY TYPE OF SUBJECT

| No | Name               | Profession   | Type of rationality    |
|----|--------------------|--|------------------------|
| 1  | Tamsir             | Printing, copy center and photo owner  | Instrumental           |
| 2  | Muhammad Dzulkifli | Traditional restaurant   | Instrumental           |
| 3  | Heranadya          | Online Shop (beauty care, menswear, hijab printing and action figure) owner    | Instrumental           |
| 4  | HadreanRenanda     | Event organizer and cafe owner   | Value Instrumental     |
| 5  | Widodo             | Fattening cattle sacrifice, roasted chicken culinary and buying chicken online | Instrumental           |
| 6  | Rahmawati          | Material and building store owner  | Affective Instrumental |
| 7  | NurFathimah        | Printing invitation, souvenir owner  | Value Instrumental     |
| 8  | Nita DwiRetno      | Clothing store owner   | Instrumental           |
| 9  | EndangTriwahyuni   | Copycenter and printing owner  | Value Instrumental     |

#### IV. CONCLUSION

Currently, the profession as civil servants or private employees still attracts most college graduates, both pure and vocational science majors. However, it does not preclude the intentions of these young entrepreneurs to continue to develop their business. This can not be separated from the instrumental rationality motive it has. This motif is the most 'smart' motive compared with other motive categories because people act not because of merely tradition, affective or value, but logical and scientific mature considerations.

Suggestions resulting from this study is the increasing need for universities to grow entrepreneurship mentality among students. For vocational producers, this is certainly easier. Prodi only needs to do more socialization about the competition of entrepreneurship programs held internally and externally by PT. The entrepreneurship program is generally less attractive to students than pure science program because of confusion about the linearity of science that has been studied. Prodi pure science needs to do some kind of study about the fields of entrepreneurship relevant to the science that has been studied by students.

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