

The Importance of Entrepreneurship in China and Indonesia

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Abstract

Many research results stated that entrepreneurs have an important role for the economy. Entrepreneurship is able to create an advanced and prosperous country as entrepreneurial as the creator of new jobs, new income, new innovations, and superior in quality to organize the resources needed to create added value. This paper explain the emergence of entrepreneurship in China and Indonesia by providing a practical example as a form of explanation.

Keywords: Entrepreneurship, China, Indonesia, Entrepreneurial Activity, Entrepreneurs, Role of entrepreneurship.

Many research results stated that entrepreneurs have an important role for the economy. Either for start-up company or existing business, entrepreneurial activity can widen business expansion, technological innovation, and improving wealth (Lumpkin & Dress 1996). Entrepreneurship is at the heart of national advantage. Concerning the role of entrepreneurship in stimulating economic growth, many links have been discussed. It is of the utmost importance in carrying out innovations and enhancing rivalry.

Entrepreneurship has a strategic role in creating businesses and new companies. The phrase no development without the presence of entrepreneurship. Entrepreneurship is able to create an advanced and prosperous country as entrepreneurial as the creator of new jobs, new income, new innovations, and superior in quality to organize the resources needed to create added value. The added value can be created by developing new technologies, find new knowledge, finding new ways to produce new goods and services more efficiently and as a whole is referred to as a source of economic growth and economic development (Drucker 2002).

As the Business and Industry Advisory Committee to the Organization for Economic Cooperation and Development (OECD) said in 2003, "Policies to foster entrepreneurship are essential to job creation and economic growth." Government officials can provide incentives that encourage entrepreneurs to risk attempting new ventures. Among these are laws to enforce property rights and to encourage a competitive market system.

More recently, researchers and policymakers have considered Schumpeter's thesis regarding the important role which entrepreneurs play in creating new product markets, companies, wealth and jobs (McCraw 2010; Wong et al. 2005). In any other side, research has identified entrepreneurship's importance to job creation (Phelps 2013). Also in the late 1970s, Birch (1979) suggested that in an eight-year period ending in 1976, businesses with fewer than 20 workers created four times as many new jobs as companies with more than 500 employees, thereby opening up a whole new field of research in entrepreneurship and firm type (particularly fast growth firms) and employment (Abzug et al. 2000, Haltiwanger et al. 2011, Medoff and Birch, 1994).

Recognizing the important role of entrepreneurship, both Chinese and Indonesian government has held a series of activities in an effort to foster the entrepreneurial spirit in young people. Fostering entrepreneurship has become an important topic for current policy makers. It turns out that policy can contribute to boosting the level of entrepreneurship. In 2013, Indonesian government is targeting the addition of five million new entrepreneurs to 2025 by developing human resources for the advancement of national entrepreneurs. Since February 2011 the Indonesian government has issued many policies to support the advancement of entrepreneurship in Indonesia. In order to foster the spirit of entrepreneurship, the Indonesian government continues rolling the entrepreneurial empowerment programs. For example: 1000 graduate entrepreneurial programs, entrepreneurship training programs, and strengthening social assistance, help or loan revolving fund, Kredit Usaha Rakyat (KUR), partnerships and community development programs, financing programs through Corporate Social Responsibility, PNPM Mandiri, and training programs for workers.

While same like Indonesian government, Chinese government has realized the importance of entrepreneurship. At the National People's Congress in China held in March 2015, the government said that it will promote entrepreneurship in a bid to create jobs for university graduates through actions strengthen startup-related education to inspire university students to become more entrepreneurial as a way to create jobs (Moriyasu 2015). In a move to boost employment, the Chinese Government unveiled a string of preferential policies on 13rd May 2015. In addition to encouraging college graduates to take on entry-level jobs and work in the country's less developed central and western regions, the State Council, China's cabinet, launched a program to support startup businesses from 2014 to 2017. Highlighting a pledge to incentivize e-commerce startup businesses, a State Council circular said that college graduates who open online shops will be given small-sum guaranteed loans and

interest subsidies. As part of the support program, financial institutions were told to provide services that fit graduate entrepreneurs' needs. It also encourages enterprises, industry associations and angel investors to provide funding for student entrepreneurs through multiple channels. On April 29, the Ministry of Finance issued a statement, saying businesses established by registered unemployed people, including new college graduates, can enjoy a maximum annual tax reduction of 9,600 yuan (\$1,539) (Pumin 2015). China government has taken a series of significant reform measures in the fields of fiscal and taxation system, banking, investment, foreign exchange, foreign trade, etc to encourage entrepreneurship (Chen 2005).

Correspondingly, over the last three decades, the Chinese government has developed a more open economy and is playing an increasingly active role in boosting access to funding for entrepreneurs. Thought policy initiatives, tax incentives and other programs, government plays an important role in enabling the emergence of a deeper and more diverse mix of funding options to support every stage of growth. China's central government has concentrated on the macroeconomic policies, such as tax and land policy, while local governments have played an active role in boosting access to funding, education, job opportunities and improvement of the local investment environment. Recent activities of the government on access to funding include but are not limited to: (1) Improving the investment environment and conducting self-assessment of the entrepreneurial landscape to ensure the appropriate funding strategies and policy levers are in place; (2) Encouraging the formation of capital funds, such as venture capital and private equity funds.

The importance of entrepreneurship in China and Indonesia can be explained as follows :

- Entrepreneurial activity provide jobs. This job creation is highly correlated with the level of entrepreneurial activity. Fölster (1999) also confirms that with the increasing number of entrepreneurs, the number of available jobs has also increased. Entrepreneurs provide new job opportunities in the short and long term. Entrepreneurs create jobs for themselves, but often they need more than just their skill set and personal initiative to transform their idea to a consumer product or service. Entrepreneurial activity has generated significant economic growth and job creation in China (Huang 2008, Anonim 2011). Over the last 35 years, the entrepreneurial sector has grown rapidly from almost zero to more than six million registered private businesses, and this may be a conservative estimate (Chen 2006). The State Administration for Industry and Commerce in 2012 reported the number of new businesses registered across China are 50 million, 40 million of which are micro-enterprises. The private business sector has accounted for at least three quarters of the Chinese economy, and perhaps more. This private businesses create 90% of jobs and are the major employer in China (Atherton, 2015).

Table 1 provide the number of engaged persons in private enterprises and self-employed individuals in China and Indonesia

Year	Number of engaged persons in private enterprises in China (million)	Number of engaged persons in private enterprises in Indonesia (million)
2009	151,92	96.19
2010	164,25	98.24
2011	182,99	101.72
2012	199,24	107.66
2013	218,57	114.14

Source: National Bureau of industry and commerce administration, Statistics compilation of industry and commerce administration (2009-2013)

State Minister for Cooperatives Small and Medium Enterprise (2009-2013), Data development od micro, small, medium (SME) and large businesses (2009-2013)

Enterprises that are not majority-owned by the state recently accounted for well over half of industrial output (Huang 2008). While in Indonesia Small and medium sized enterprises (SMEs) in 2012 reach 99.99 percent of total enterprises in Indonesia. The SMEs employ 107 million workers or almost 91 percent of the total Indonesia workforce in 2012 (Andrian 2014). From what has been described, it is clear that entrepreneurial activity can create new jobs both in China and Indonesia.

- Entrepreneurial activity is creating a new better income. Enterprises are contributing an increasing share of gross domestic product (GDP), recently at about 70 percent (The Economist, 2011). These new ventures have made a major difference in terms of human welfare in China (The Economist, 2009a; Huang, 2008). In China, entrepreneurs value financial wellbeing more than non-entrepreneurs (Djankov et. al. 2006). In a survey from Giuliatti Corrado et al (2011) in their paper "Self-Employment of Rural-to-Urban Migrants in China", 89% of the self-employed with employees reported being satisfied with their job because he more free in work time and earn more money, compared to 11% among the employed. As well in Indonesia, self-employed also have a greater income than those who only employees. Concerning personal value in correlation with income of Entrepreneurship there is similar

pattern for China and Indonesia. Both country consider entrepreneur work to be significantly more important in their live because can create a new better income.

- Entrepreneurial activity is one factor to boost economic growth. Wennekers and Thurik (1999) in previous research describes entrepreneurship relation with economic growth. Innovation and competition from entrepreneurs is a factor that able to connect entrepreneurship and economic growth. Carree, Van Stel, Thurik, and Wennekers (2001) conclude that a long-term equilibrium relation exist between economic growth and self-employment. Indonesia is on the stage where entrepreneurship plays a significant role in supporting its economy. While since the late 1990s, China's entrepreneurs have been the key driver of growth. They are the creators of the de novo firms that are forming dynamic and innovative private sector an essential force in any developing country (Wu 2012, and Zhang et. al 2006). In China, private enterprises became the most dynamic operating entities with the best potential to export. In 2014, the export of private enterprises increased 10.4%, 1.7 percentage higher than 2013, contributing to 71.8% of the total export growth of the whole country (Ministry of Commerce of China, 2015).
- Entrepreneurial activity creates new innovations and developing new technologies. Entrepreneurs often create new technologies, develop new products or process innovations, and open up new markets. In Indonesia, many new innovations come from young entrepreneurs. This is because Entrepreneurs have to produce different products that innovate and to win market competition. The World Intellectual Property Organization released the latest report on March 2014 Chinese companies submitted a total of 25,539 international patent applications in the framework of "Patent Cooperation Treaty" (PCT), with an annual growth rate of 18.7%, which is the only country with double digit growth in the world (Thomas 2014). It bought China into the international top 3 for patent application. These substantial strides indicate that China has already begun to increase its capacity for innovation and that this precondition for a shift in entrepreneurial types. China for years has been laying the groundwork to become an innovative tech power player, not just an electronics manufacturing machine, and almost all come from Chinese young entrepreneurial talent.
- Entrepreneurs increase competition. By establishing new businesses, entrepreneurs intensify competition for existing businesses. Consumers benefit from the resulting lower prices and greater product variety. Researchers have developed a measure of market mobility, which identifies the effects of new business formation on existing firms (Koster 2012). A change in the ranking of established firms by number of employees indicates a transfer of market share and higher market mobility. This effect is particularly strong when considering entrepreneurial activity five years prior to the start-up, which points to a substantial time lag in the effect of start-ups on market mobility. Furthermore, new business formation has an indirect competition-enhancing effect by pushing established firms to improve their performance.
- Entrepreneurship able to improve competitiveness. The European Commission (2003a) states that entrepreneurial activities has positive relation with productivity due to increase the pressure to have competitive behaviour. Therefore other firms are forced to react with innovations or higher efficiency. Improving competitiveness of firms enhances the competitive strengths of an economy as a whole. Thus, the competitiveness effect of entrepreneurship is linked with economy growth. In China, entrepreneurs face a highly competitive environment. China is one of the most cut-throat, competitive markets. Price competition and products are rampant. Intellectual property violations are always present. As an entrepreneur, one must learn how to survive in this type of environment. This proves that entrepreneurship itself encourages people to improve their productivity. The good news for those Chinese companies that win in the tough domestic market is that they are likely to emerge as formidable global competitors(Al-Barrak et al. 2009).
- Entrepreneurship can be a trigger for creativity so as to unlocks personal potential. Entrepreneurship drives innovation, competitiveness, job creation and growth. It allows new innovative ideas to turn into successful ventures and can unblock the personal of people to create jobs. Independence and self-realization are often recognized to be important rewards for an entrepreneurial success. Self-employment can bring independence and flexibility (Maloney et. al. 2004), and may be preferred if social security is provided irrespectively of whether one contributes to its financing. Becoming an entrepreneur stems not only from economic necessity, some people just cannot find the satisfaction they need, in a regular job. The job-satisfaction among entrepreneurs is even higher than among employees.

Although entrepreneurship is still considered a rather vague concept, fostering entrepreneurship is a topic with increasing relevance. Entrepreneurship is seen as an important tool to create the new jobs. Moreover it increases economic growth, competitiveness, and unlocks personal potential. Albeit the absence of a clear definition, it is the outcome that makes entrepreneurship important.

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