

# THE INTERNATIONAL JOURNAL OF HUMANITIES & SOCIAL STUDIES

## Problem in an Entrepreneurship Culture: Indonesia's Challenge in Facing ASEAN Economic Community (AEC)

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### **Abstract:**

ASEAN Economic Community (AEC) will be enacted by the end of 2015. The realization of the AEC has implications for the existence of the free entry and exit of goods, services, capital, and human resources in various countries of ASEAN region. Various obstacles that have hindered the movement of a variety of resources and economic activities in the ASEAN region, such as tariff and non-tariff started abolished. Consequently, the level of competition in the ASEAN region will be intense. The question is whether Indonesia is ready to face the AEC or not? The results of the analysis showed that Indonesia is the largest market in the ASEAN region. The weak entrepreneurial culture affects the ability of Indonesia to develop the domestic market prospect. It could be a warning to boost economic competitiveness, productivity, and quality of the domestic products. The government should encourage the growth of entrepreneurship in Indonesian society. It can be done by involving educational institutions in the level of elementary up to university, raising research and development budget and promoting entrepreneurship training.

**Keywords:** Competitiveness, ASEAN Economic Community, entrepreneurial culture.

### **1. Introduction**

The realization of the ASEAN Economic Community (AEC) - so called ASEAN single market will be enacted by the end of 2015. This is the first milestone of the free trade area in the ASEAN region. The existence of AEC has implications on the free running of movement of goods, services, capital, and human resources (free entry and free exit) in various countries of ASEAN region. Various obstacles that have hindered the movement of a variety of resources and economic activities in the ASEAN region, such as tariff and non-tariff started abolished. Therefore, all the countries in the ASEAN region have the same opportunities to be the basis of production of goods and services. ([www.asean.org/communities](http://www.asean.org/communities)).

Is Indonesia ready to face the AEC? Susilo Bambang Yudhoyono, as the former president has repeatedly stated that the presence of AEC cannot be avoided; and must be faced. On the contrary, some foreign observers believe in Indonesia's readiness because 40% ASEAN economic activity exists in Indonesia. With having the largest population in ASEAN, Indonesia is predicted to be ready to face the AEC. Indonesia even considered will be the main actors in the economic activity in the ASEAN region ([www.thejakartapost.com](http://www.thejakartapost.com)).

Indonesia has some advantages comparing to other ASEAN member countries. This includes the largest population in the ASEAN region. Indonesia is also rich of natural resources, culture, and variety of beautiful and exotic places. Indonesia's strategic location, which is located between two oceans and two continents considered the center of trade in the ASEAN region. Indonesia's market size is the biggest and the best position comparing to the other ASEAN member countries (The Global Competitiveness Index 2015-2016). The opening of a free trade area in ASEAN will make the market wider. The running of goods and services, capital, business and investment activities, and human resources will be free to run business activities, not only in his own country; but also in ASEAN member countries. It implied that the market is becoming wider in the residents area of more than 600 million people. In other words, the realization of the AEC give opportunities for larger businesses to all countries in the ASEAN region.

The question is, whether the businessmen and human resources in Indonesia has ready to compete head to head with others from ASEAN countries? In this context, the chairman of the Chamber of Commerce hopes that the government is able to create the conditions that make entrepreneurs can compete in the ASEAN region. What kind of conditions must be made by government to make business activities more competitive? This related to the ability of the government to provide the sufficient infrastructure, promote the skilled human resources, strengthen the spirit of entrepreneurship, and issue policies which makes the entrepreneurship culture and the investment growing and developing.

This article intends to analyze the readiness of Indonesia in facing the presence of AEC that will effectively enforced by the end of 2015. We certainly hope that the Indonesian can obtain the maximum benefit with realization of AEC. The greatest Indonesia's economic prospect in the ASEAN region should be utilized by domestic business entrepreneurs.

To analyze the readiness of Indonesia faces AEC, this paper will present a variety of data, in regard to the performance of the Indonesian economy. Various data, especially related the entrepreneurship issues; is then compared to similar data from several country member of ASEAN. The comparison of various data is used to assess Indonesia's readiness in facing the AEC.

## 2. Overview of Indonesian Economic Strength

International financial institutions predicted that Indonesia will be one of the world's economic powers. At this time Indonesia is the member of G20, the group of countries that represent 90% of global GDP, 80% of the volume of international trade, and 2 per 3 of the total population of the world (<https://en.m.wikipedia.org>). Among the member of G20 in 2012 and 2013, Indonesia became the second rank of economic growth after China. Over the past 5 years in 2009 up to 2013 Indonesia's economic growth reached an average of 5.9% per year. Supported by a wide area, the productive-age population, and abundant natural resources; the opportunity for Indonesia to be a world economic power is widely open ([www.bbc.co.uk/indonesia](http://www.bbc.co.uk/indonesia)).

Table 1 illustrates the main indicators of the Indonesian economy compared to some ASEAN countries members. There are five ASEAN countries which are used as a comparison, namely Singapore, Malaysia, Thailand, Vietnam, and the Philippines. Table 1 show that Indonesia is the only country in ASEAN which has a big size of most major economies. The population reached 46% of the total population of ASEAN, and the average income per capita is \$ 3,534.

Country	Competitiveness Main Indicators			
	Total of Population (million)	GDP (\$ billion)	IPC (\$)	World GDP Proportion (%)
Indonesia	251.5	888.6	3,534	2.48
Malaysia	30.3	326.9	10,804	0.69
Singapore	5.5	308.1	56,319	0.42
Thailand	68.7	373.8	5,445	0.91
Philippines	99.4	284.9	2,865	0.64
Vietnam	90.6	186.0	2,053	0.47

Table 1: ASEAN Competitiveness Main Indicators

Sumber: The Global Competitiveness Report 2015-2016, WEF 2015

Indonesia's economic growth over the last few years gives the positive impact on the increasing of income per capita (IPC) and the diminishing of unemployment rate. The increasing of IPC and the diminishing of unemployment rate is an indicator of the growing prosperity. It also indicated that the society are able to fulfill the basic need especially, access to health services and education. This community will contribute to the existence of higher and sustainable economic growth. Indonesia's economic growth will be assessed if the quality ensuring the continuation of sustainable economic growth.

The IMF reported an increase in income per capita (IPC) of \$ 2.329 (2009) to \$ 3.534 (2015). It means that for 5 years IPC was an increase of 51.74% ([www.imf.org](http://www.imf.org)). An increased of IPC gives an impact on consumption expenditure, and the growth of business activities. The growth of business activities affect the amount of gross domestic product (GDP). In 2010 the World Bank reported Indonesia's GDP on \$ 834,300 billion, and was ranked 17 out of the G20 countries members. In 2011, Indonesia's GDP recorded \$ 845,680 billion and put Indonesia on the 16th of the G20 ([www.worldbank.org](http://www.worldbank.org)). Furthermore, the IMF predicted in the end of 2015 Indonesia's GDP will reach \$ 1,172.10 billion and it is expected to place the world top 10 rank ([www.imf.org](http://www.imf.org)). The latest report submitted by Standard Chartered Bank in the next two decades, Indonesia will overtake India and China in the biggest ranks of the world's economic. China, India, and Indonesia will be three Asian tiger that will be the engine of global economic growth in the 21st century ([www.jawapos.co.id](http://www.jawapos.co.id)).

Based on the data from the Global Competitiveness Report 2015-2016, in the end of 2014 Indonesia's GDP of USD 888.60 billion and in the 16<sup>th</sup> rank of the world. The numbers of productive age population in Indonesia further strengthen Indonesia's potency as a world economic power. As reported on The Jawa Pos (12/16/2013), research conducted by the Boston (BCG) the world's leading consulting firm that puts the Indonesian as a middle class in 2013 as many as 74 million people, and is predicted by 2020 it will be 140 million people. An increase of GDP, IPC, and the number of middle class in Indonesia will become a reality if it is supported by sustained economic growth ([www.jawapos.co.id](http://www.jawapos.co.id)).

The increasing of the average IPC has established community groups into middle class economy. The number of people in Indonesia which have expense over USD. 5 million per month is expected to increase up to 250%. According to Antony Suwandy, Retail Banking Director of PT Bank ANZ Indonesia; population size for this segment will reach 23.4 million by the end of 2020. The elite community at the expense of more than Rp. 7.5 million per month will increase to 6.9 million people ([www.tempo.com](http://www.tempo.com)). Overall, the population of the middle class to the elite in Indonesia in 2020 is predicted to reach 141 million ([www.tempo.com](http://www.tempo.com)). These middle-income groups contribute to the magnificence of consumption activities in the country. As reported by CBS, the consumption activities make the greatest contribution to the economic growth. On 2013, the contribution of consumption activities to economic growth of Indonesia is in the range of the 50% ([www.bps.go.id](http://www.bps.go.id)).

Indonesian Bank reported that when the great IPC reaches \$ 3,850, then the portion of the middle class in Indonesia has exceeded 60% of the total population of Indonesia (www.investor.co.id). An increasing number of middle class more than 60% certain to be a driving force of domestic consumption, as well as a major pillar of economic growth in Indonesia. Central Bureau of Statistics (BPS) reported that between 2010 to 2012 GDP growth in private consumption accounted respectively for 56.6%; 54.6%; and 54.8% (www.bps.go.id). However, when the increasing domestic consumption followed by the decreasing of domestic productivity will cause the swelling number of imports. The raising of domestic consumption has an impact on the current deficit account in the balance of payments. Likewise, the important issue that must be countered by Indonesia along with the increasing number of middle class, is, whether the increasing number of middle class accompanied by the increased of national productivity or not.

According to the head of the National Population and Family Planning (BKKBN) Fasli Jalal, in 2013 Indonesian population reached 250 million (www.republika.co.id). Referring to Indonesia's Bank assumption, the number of middle class population reaches 60%; then in 2013 the groups of the middle class achieved 150 million people. This group will be a major shift of consumption activity.

Rising per capita income in the last 3 years at 57.15% would have a direct impact on the increasing private consumption. Data from the Central Bureau of Statistics (BPS) shows that during 2010 to 2011, private consumption is the main component forming the GDP contributes 55% (www.bps.go.id). Assuming that the average middle-class spending Rp. 5 million per month; the number of middle class of 150 million people, the amount of aggregate consumption per month will be equivalent to Rp. 750 trillion or Rp. 9,000 trillion per year. The consumption value is almost equivalent to five times the amount of expenditure in the state budget in 2013 Rp. 1683.011 trillion (Budget 2007-2013, the Ministry of Finance). The increasing number of middle class in Indonesia gives a major impact on the range of the Indonesian economy. It also illustrates the great economic activity prospect of Indonesia.

Besides encouraging economic growth through consumption activities, educated middle-class people are expected to take advantage of the opportunity to develop business activities in order to meet the needs of the community. It means that the presence of high entrepreneurship spirit is strongly needed. It will be a big homework for Indonesia to keep the spirit of entrepreneurship into a new lifestyle for young people. There is a big chance for middle class group to access new knowledge and skills, including developing the spirit of entrepreneurship for themselves and their family members. This group would later come to drive up economic activity in Indonesia, so it could be put on a sustainable economic growth.

The growing of middle class group could turn into a disaster if Indonesia's economic growth is not supported by the growth of the entrepreneurial skills from educated group. It means that the growing number of middle class group must be balanced with the increased of productivity and the innovation. Therefore, the presence entrepreneurs in the large-scale which able to create a new work culture in improving productivity are required. Aaron Flaaen, Ejaz Ghani, and Saurabh Mishra in his article entitled "How to avoid middle-income traps? Evidence from Malaysia "(www.voxeu.org), explained that to avoid the trap of the middle class, it is a need for the existence of a new work culture and innovation in order to support increased national productivity. Strengthening the entrepreneurial culture is one of the strategies for improving national productivity.

To analyze whether the economic growth to be sustainable or not, it can be detected from the parameter of government's and the businessmen's ability to serve the increasing activities of private consumption as a result of the emergence of the middle class. Those parameters are necessary, if the public consumption activities largely served by producers from outside the country, it indicates that the great economic prospect is not fully exploited by the domestic entrepreneurs.

### 3. The Importance of Strengthening Entrepreneurship Culture in Indonesia

The following data can also be taken into consideration for the importance of encouraging the middle class to have a new life style of entrepreneurship. Although, more than 50% of Indonesia's population categorized into the middle class, and in 2015 Indonesia is predicted by the IMF will be belong to the group of countries with a GDP of 10 of the world; but until 2011 the quality of Indonesia's economic growth is still lower than other countries in ASEAN. The following table describes the comparison of the quality of economic growth in Indonesia compared to ASEAN countries.

Negara	Growth Quality	Economic Activity Quality	Entrepreneurship and Employment Opportunities
Singapore	16	1	14
Malaysia	43	17	36
Thailand	45	13	53
Vietnam	62	40	78
Philippines	66	43	70
Indonesia	70	44	80

Table 2: Indonesian Economy Quality Rating and ASEAN Countries in 2011(From 110 Countries in the World)

Source: www.prosperity.com/rankings.aspx

Table 2 shows the relation between the rank of entrepreneurial activity with the employment opportunities, the economic growth quality and entrepreneurial quality. Entrepreneurial spirit in Indonesia is still lower than other ASEAN countries. Currently the number of Indonesian's entrepreneur is still low if it is compared to the total population. Ideally, at least 2% of the 251.5 million population of Indonesia is the entrepreneur. If this minimum expectation can be realized, then there will be about 5 million entrepreneurs in Indonesia. The data on January 2012 shows that the number of new entrepreneur in Indonesia is on the level of 1.56% of the total population. However, the number of entrepreneurs is on the level of 7.2% in Singapore, 4% in Malaysia and 4.1% in

Thailand of the total population ([www.pikiran-rakyat.com](http://www.pikiran-rakyat.com)). Along with the raising size of the Indonesian economy, which is characterized by the increasing of the average IPC and GDP, Indonesia must foster the spirit of entrepreneurship.

The increasing of entrepreneurial spirit is needed to improve the quality of Indonesia's economic growth. The increasing of economic growth, IPC, and GDP would be more meaningful if it is followed by the opening of employment opportunities in the country. Up to now, there is paradoxical situation in which the increasing of economic growth, IPC, and GDP is still followed by the large number of unemployment. Referring to data published by BPS that the total of unemployment in Indonesia by August 2013 is 7.39 million people ([www.tribunnews.com](http://www.tribunnews.com)). Lack of employment opportunities in the same time of the raising of Indonesia economic actually can be as a paradox. Indonesia is categorized into the largest GDP in the world, but at the same time there are still its citizens struggling to get a job.

Indonesia needs to strengthen the policy of the entrepreneurial culture in order to obtain the maximum benefit from the increasing of domestic economy. Strengthening the entrepreneurial culture is also necessary to reduce unemployment and poverty. During September 2013, the number of poverty in Indonesia reached 28.55 million ([www.bps.go.id](http://www.bps.go.id)) or reaches 11.42% of the total population which is 250 million ([www.republika.co.id](http://www.republika.co.id)). Moreover, the number of productive population reached 118.2 million ([www.investor.co.id](http://www.investor.co.id)), thus the unemployment rate reached 6.25% August 2013 ([www.tribunnews.com](http://www.tribunnews.com)).

To overcome the problem of employment in the long term, and in order to strengthen the Indonesian economy in facing the AEC, national entrepreneurship movement should be a top priority and should be made headlines in the national economic development. Therefore, it is a need for strengthening the synergy between the government (from central government to the village level), educational institutions (ranging from basic education to higher education), and the various institutions of sovereign society; in order to develop a strong perception in the community about the importance of a new lifestyle as entrepreneur. With a coefficient value of entrepreneurship in Indonesia in the level of 1.56% out of 250 million of the total population, it is assumed that the number of entrepreneur is 3.9 million. When the number productive age is 118.2 million people, it can be estimated that every entrepreneur must bear must employ 30 workers.

The burden of entrepreneurs in Indonesia to accommodate the labors becomes very heavy. In fact, recent data from the Ministry of Cooperatives and SMEs showed that nearly 108 million workers are in the micro, small and medium enterprises (SMEs) ([www.jawapos.co.id](http://www.jawapos.co.id)). The problem of unemployment and poverty in Indonesia can be solved if the entrepreneurial coefficient reached 2.5% of the total population. Therefore, we need 6.25 million entrepreneurs, and every entrepreneur will have responsibility for 19 workers. If Indonesia can foster entrepreneurship on 3% of the population, 7.5 million entrepreneurs will be appeared and every entrepreneur will employ 16 workers. If entrepreneurship can be grown as much as 4% of the population, then 10 million entrepreneurs are responsible to employ 12 workers.

This explanation above illustrates the importance of developing and strengthening entrepreneurial culture in Indonesia. The higher number of entrepreneur in Indonesia, the greater the number of employment can be created, so that the unemployment rate could be reduced; and increase social welfare. In AEC era, the existence of entrepreneurs will be the main pillar for economic growth and competitiveness of the nation. Thus Indonesia is required to work hard to construct entrepreneurship as a new lifestyle. The development of entrepreneurship in the scope of government agencies, social community, and on campus needs to be intensified. To intensify the entrepreneurial culture, the government need to learn about the experience in intensifying the family planning till the remote area. Strengthening the entrepreneurial culture must be taken with a very substantial way.

Previous study revealed that there was significant relationship between the levels of education, the growth of entrepreneurial culture toward the ability to gain employment opportunities (Prianto, 2012). In Indonesia, the importance of the role of education in developing the spirit of entrepreneurship is still low. There is a general assumption; education is intended to prepare an employee, both as public and private employees. Being entrepreneur is not the first choice of the graduates, including those who graduated from higher education institutions. Most graduates still want to be employees. Most citizens still consider that an employee is considered more respectable than entrepreneur.

Sandiaga Uno, Co-founder of Saritoga Capital Indonesia; in his article entitled "Entrepreneurship in Indonesia: The Importance of Educational institutions" stated that the Indonesians have a belief that to be a successful entrepreneur, one does not have to go into the higher education institutions, because it is considered wasting time. The entrepreneurship tutor is often stated that to be a successful entrepreneur can be done by joining business activities ([www.unescobkk.org/education](http://www.unescobkk.org/education)). That assumption is certainly contradicted to the future economic trend that lead to the innovation and knowledge in order to concern with efficiency, effectiveness, and productivity.

Educational institutions, especially higher education; should be the main pillar in developing innovation and knowledge in order to promote the productivity enterprise. This paradoxical situation actually explains that educational institutions, including higher education in Indonesia; do not fully support the entrepreneurship spirit for the graduates.

Educational curriculum has not been fully designed to strengthen the spirit of entrepreneurship. At the college level, the entrepreneurship subject has not been given in almost all faculties, except the economics faculty. At the middle school level, the entrepreneurship subject is just introduced for vocational schools. While at the level of primary, the entrepreneurship subject scarcely taught in depth. This matter can be assumed as the low entrepreneurial spirit in the life of Indonesian society. Work culture of the society is oriented to be an employee, and not the entrepreneur.

How is the portrait of Indonesia entrepreneurship compared to other countries in the ASEAN region? The data in table 3 illustrate the Indonesia Entrepreneurial Ability compared to some selected countries in the ASEAN region, as the major competitor in ASEAN level. The data is taken from the Global Entrepreneurship Index 2015.

Variable	Country					
	Indonesia	Malaysia	Thailand	Philippines	Singapore	Vietnam
Rank and Coefficient of GEI	120 (21.0)	53 (40.0)	68 (32.1)	95 (27.7)	10 (68.1)	85 (28.8)
Rank Entrepreneurial Attitudes	88 (29.2)	46 (42.5)	78 (32.1)	73 (34.5)	25 (52.1)	94 (25.8)
Rank Entrepreneurial Ability	120 (22.1)	44 (44.5)	65 (36.4)	111 (25.0)	8 (73.5)	93 (29.2)
Rank Entrepreneurial Aspirations	127 (11.9)	63 (33.0)	90 (27.7)	109 (23.4)	4 (78.8)	65 (31.5)

Table 3: Indonesia and Some ASEAN Countries Entrepreneurship Sub-index Ranking and Coefficient  
 Source: 2015 Global Entrepreneurship Index, 2015

Indonesia’s entrepreneurial rank is the lowest comparing to Singapore, Malaysia, Philippines, Vietnam, and Thailand. In terms of entrepreneurial attitudes, Indonesia is the same level with Vietnam, but lower than Singapore, Malaysia, Thailand, Philippines, and Vietnam. In terms of entrepreneurial ability and entrepreneurial aspirations, Indonesia’s rank is the lowest comparing to Singapore, Malaysia, Thailand, Philippines, and Vietnam (see figure 1 below).

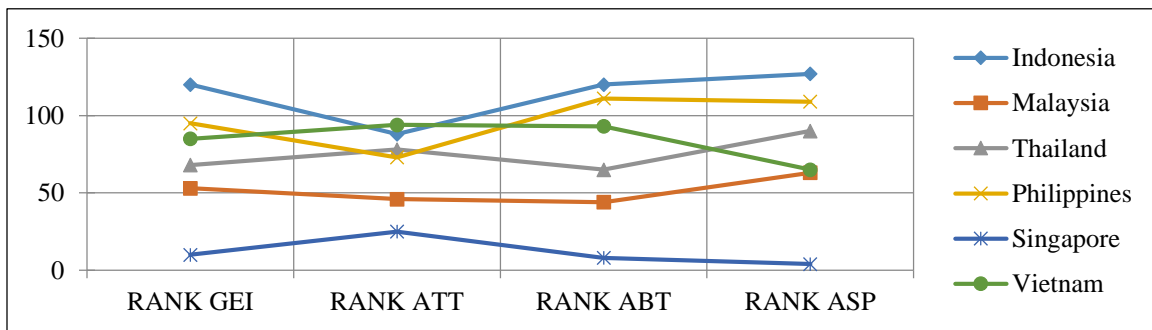


Figure 1: The Global Entrepreneurship Sub-Index Rank of Selected ASEAN Countries, The data summarized from 2015 Global Entrepreneurship Index (2015)

There are five indicators which influence entrepreneurial attitudes sub-index, that are: opportunity perception, start-up skills, risk acceptance, networking, and cultural support. In term of opportunity perception, Indonesia and Malaysia have the best rank comparing to Singapore, Thailand, Philippines, and Vietnam. Indonesia’s rank in term of start-up skills is better than Malaysia and Vietnam, but lower than Singapore, Philippines, and Thailand. Indonesia’s rank in term of risk acceptance is better than Vietnam, but lower than Philippines, Thailand, Malaysia, and Singapore. Indonesia’s rank in term of networking is better than Thailand, but lower than Singapore, Philippines, Vietnam, and Malaysia. Indonesia’s rank in term of cultural support is in the same level with Vietnam and Malaysia, but lower than Thailand, Philippines, and Singapore. Overall, Indonesia’s entrepreneurial attitudes is better than Vietnam, but lower than Singapore, Malaysia, Thailand, and Philippines (see figure 2 below).

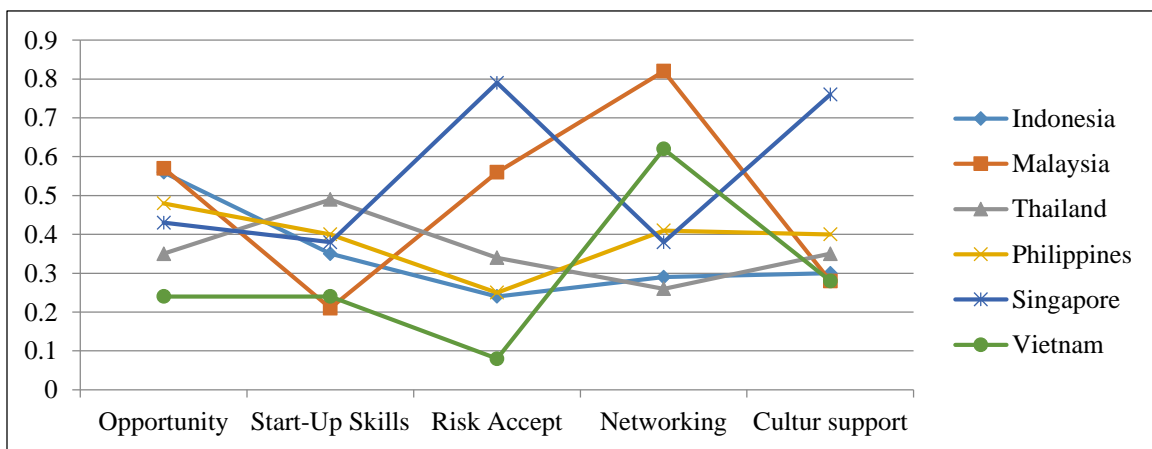


Figure 2: Entrepreneurial Attitudes Sub-Index and Pillar Values of Selected ASEAN Countries, The data summarized from 2015 Global Entrepreneurship Index (2015)

There are four indicators which influence entrepreneurial abilities sub-index, that are: opportunity start-up, technology absorption, human capital, and competition. In term of opportunity start-up, Indonesia is better than Philippines, but lower than Vietnam, Thailand, Malaysia, and Singapore. Indonesia’s rank in term of technology absorption is better than Philippines, in the same level with Thailand, Malaysia and Vietnam, but lower than Singapore. Indonesia’s rank in term of human capital is the lowest comparing to Philippines, Malaysia, Thailand, Vietnam, and Singapore. Indonesia’s rank in term of competition is better than Vietnam, in the same

level with Thailand but lower than Philippines, Singapore. Overall, Indonesia's entrepreneurial abilities is in the same level Philippines and Vietnam, but lower than Thailand, Malaysia, and Singapore (see figure 3 below).

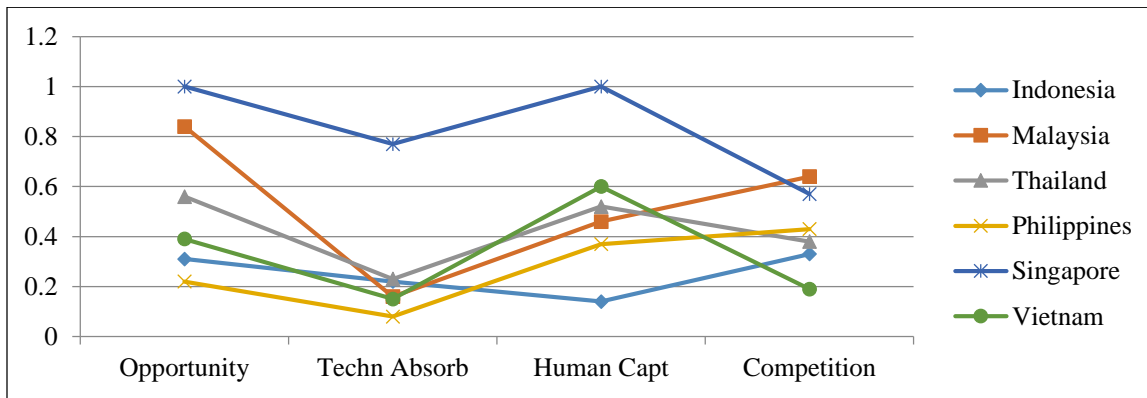


Figure 3: Entrepreneurial Abilities Sub-Index and Pillar Values of Selected ASEAN Countries, The data summarized from 2015 Global Entrepreneurship Index (2015)

There are five indicators which influence entrepreneurial aspirations sub-index, that are: product innovation, process innovation, high growth, internationalization, and risk capital. Indonesia's rank in term of product innovation, Indonesia is the lowest comparing of Malaysia, Vietnam, Thailand, Philippines, and Singapore. Indonesia's rank in term of process innovation is better than Vietnam, in the same level with Philippines and Thailand, but lower than Malaysia and Singapore. Indonesia's rank in term of high growth is the lowest comparing to Philippines, Malaysia,

Thailand, Vietnam, and Singapore. Indonesia's rank in term of internationalization is in the same level with Thailand, but lower than Vietnam, Malaysia, Philippines, and Singapore. Indonesia's rank in term of risk capital is better than Philippines, but lower than Malaysia, Thailand, Vietnam, and Singapore (see figure 4). Overall, Indonesia's entrepreneurial aspirations is the lowest comparing to Philippines, Thailand, Malaysia, Vietnam, and Singapore.

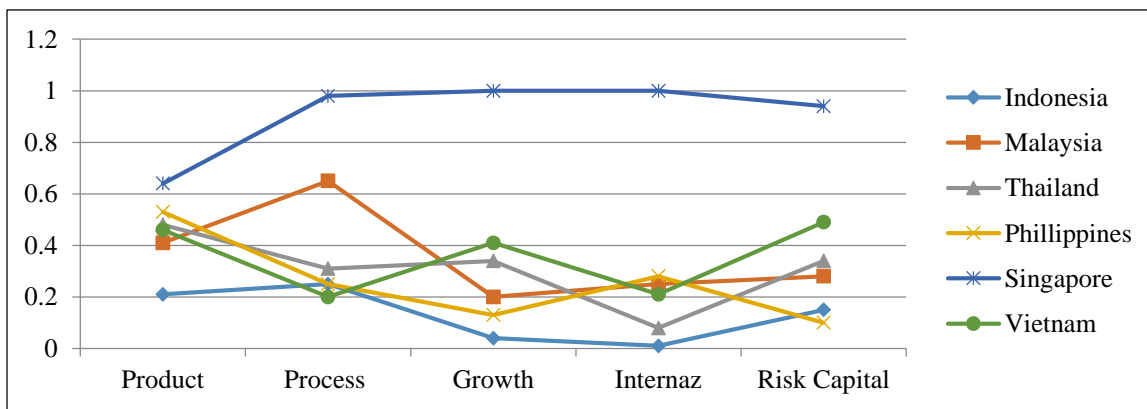


Figure 4: Entrepreneurial Aspirations Sub-Index and Pillar Values of Selected ASEAN Countries, The data summarized from 2015 Global Entrepreneurship Index (2015)

Based on the GEI data (2015), overall mean of Indonesia's entrepreneurship indicator amounted 0.26. This coefficient is the lowest comparing to Philippines (0.33), Vietnam (0.35), Thailand (0.38), Malaysia (0.49), and Singapore (0.82). In the development of entrepreneurship, Indonesia is low in terms of (from the lowest to the highest): the internationalization, high growth, human capital, risk capital, product innovation, technology absorption, risk acceptance, process innovation, networking, cultural support, opportunity to start-up, competition, start-up skills. Comparing to the others ASEAN countries, Indonesia only superior in term of opportunity perception. Five indicators which influence the low spirit of entrepreneurship in Indonesia are: innovation, human resources quality, culture, entrepreneurship development programs, and educational qualification. Indonesia is considered having a big chance for developing entrepreneurial activities due to the big market prospect and development of new technologies. Some neighboring countries (Singapore, Malaysia, Thailand, Philippines, and Vietnam) have some benefit on some factors if we compared to Indonesia namely competitiveness skill, building networks, establishing business, market dominance, skillful human resources, qualified human resources, innovation and lower business risk (2015 Global Entrepreneurship Index,2015).

From the explanation above, it can be implied that Indonesia has a big problem in entrepreneurship. Entrepreneurship is an important factor for competing in the global market. Referring to the entrepreneurial rank, Indonesia has struggled hard to beat Singapore, Malaysia, Thailand, Vietnam, and Philippines in the AEC era. The data of Indonesia and ASEAN countries trading as presented in

table 4 bellow illustrated that a major competitor in the AEC for Indonesia is Singapore, Malaysia, and Thailand. Vietnam also began to show its competitiveness, as it begins to penetrate into the Indonesian market.

No	Resident Country	January(\$ thousands)		Change (%)
		2010	2011	
1	Malaysia	45.038,01	90.864,00	101,75
2	Singapore	81.756,50	95.633,70	16,97
3	Thailand	109.628,30	189.886,60	73,21
4	Vietnam	7.690,70	113.819,20	1.379,95
	Total Import	244.113.51	490.203,5	100,81

Table 4: Imported Product Based on the Country  
Source: Data Ekspor dan Import Indonesia, BPS (2013)

To strengthen Indonesia's position in the AEC, Indonesia must improve their entrepreneurial skill. In the hands of the entrepreneur innovation economic activity will continue to grow.

Nation's competitiveness is determined by the innovation ability. Lack of funds allocated to research and development activities is considered to be one of the factors that cause of low innovation ability. The Indonesian entrepreneurs have not been able to run the business related to technology and innovation. Recently, the Indonesia entrepreneur is still working on the retail business sector, and processed food industry, fishing agriculture, and mining. In the year 2012, 57% of Indonesia's GDP contributed by the entrepreneur business activities in these sectors (The EY G20 Entrepreneurship Barometer, 2013).

The ability of Indonesian economy to be the member of G20 group has a positive impact on the growth of entrepreneurship spirit. Indonesia's economic growth showed positive and high level in the last decade has already fostered the entrepreneur belief. Among the G20 countries, the Indonesian entrepreneur is considered having the highest optimism in running the business. Optimism in the business of Indonesian entrepreneur driven by economic development is considered positive, especially with regard to the easy access to venture capital, the availability of market and the open business opportunities (The EY G20 Entrepreneurship Barometer, 2013). Thus there should be a great opportunity to grow a new group of entrepreneurs in Indonesia. In this regard to the case above, the role of education and training is very important.

Up to now, education in Indonesia is considered giving low contribution to the growth of an entrepreneurial culture. There is a paradoxical situation in the Indonesian economy. At the time of economy in Indonesia is growing rapidly, but at the same time the role of education for the creator of new entrepreneur is still very weak. Most graduates of secondary education and higher education do not have a strong spirit to be an entrepreneur. They tended for getting job instead of creating jobs (Worldwide Governance Indicators, 2013). As reported in "The EY G20 Entrepreneurship Barometer, 2013", the education and training activities; primarily directed to foster the entrepreneurship spirit; is still very low. It has an impact of the low entrepreneurial culture in the society in Indonesia (The EY G20 Entrepreneurship Barometer, 2013).

The report on "The EY G20 Entrepreneurship Barometer (2013)" revealed that spirit of entrepreneurship in Indonesia is quite good and found in the lower income community groups. When they were asked what kind of job they pursue, they will answer self-employed, a profession which is engaged in the informal sector. The low entrepreneurial culture existed on the highly educated person. The experience of Nadya Saib, Founder and CEO of House of Jelita Indonesia; showed that the low entrepreneurial culture in the high educational qualifications.

Employment and entrepreneurial culture in Indonesia is still conservative. An employee perspective, who allegedly suspected mental attitude deliberately brought by the colonist to the Indonesian people are still deeply rooted in people's life. People are still afraid of seeing the failed business. The failure in doing business should be avoided, and the easiest way to avoid it is not to be a businessman. Such is the general view of the natives of the entrepreneurial activity. Therefore, business activities in Indonesia are generally occupied by descents, mainly of ethnic Chinese. Unfortunately, the ethnic of Chinese residents have difficult access on the professions dealing with the employee in the government institutions. The only one choice is to be a businessman or entrepreneur.

Generally the Indonesian doesn't see the entrepreneurial profession as a primary option. Being an employee in the office or on the company is regarded as a proud profession. Nadya Saib told her experience when deciding to be the entrepreneur. At that time, everyone thought Nadya's decision as a stupid thing, because he has good educational qualifications. People around Her assume that the choice of the right profession for him was working on a large company or a multinational company, the educational background that is very classy. By working directly on large companies, many people think that Nadya will immediately be able to enjoy the luxuries of life. Therefore, her decision to entrepreneurship is assessed Nadya strange, full of risks; and contrary to mainstream thinking of those around him. But Nadya found the belief that culture and the ability of developing entrepreneurship strongly after she runs the business activities of its business for 3-4 years (The EY G20 Entrepreneurship Barometer, 2013).

What can we learn from the Nadya's experience is actually develop an entrepreneurial culture in line with strengthening working culture, which is more habituation processes in running the business activities in order to strengthen the work culture and cultural endeavor. There is a tendency in the group of young people, which is currently the largest part of the population of Indonesia; to avoid habituation process and forces themselves with running the business. Indonesian's Young children are more inclined to pop culture and instant culture to pursue the pleasures of life (having fun). This trend is certainly at odds with efforts to strengthen the entrepreneurial culture that is very necessary to face fiercer competition.



Government and non-governmental groups need to further intensify the program of strengthening entrepreneurship as a national movement. Entrepreneurship programs should be driven into the main activity in the education system, both in formal education, informal and non-formal. If this activity can be carried out with intensive and become a new trend for the younger age groups of the population, the strengthening of entrepreneurial culture as a new lifestyle that is needed in this era of competition will be realized.

#### 4. Conclusions and Suggestions

##### 4.1. Conclusions

Based on the presentation of various data about the performance of the Indonesian economy and the various variables that affect the competitiveness of the countries in the ASEAN region, it can be concluded as follows:

1. Indonesia is a country that has the biggest market size in the ASEAN region. With the proportion of the population and GDP reached 46% of the total population and GDP of ASEAN countries, and supported by the average per capita income of more than \$ 3,500 (groups of middle-income countries), making Indonesia is like a jumbo-sized market. Positive economic growth is over the last few years making Indonesia the potential to become a business center in the ASEAN region.
2. The increase in the average income per capita of the population of Indonesia has increased the purchasing power of people. National consumption has increased very rapidly, and it is becoming one of the factors that drive the national economy. The increase in national consumption is also as a mean of a large business opportunity. ASEAN countries have taken advantage of the opportunities this market characterized by large of imported products into the market in Indonesia. This indicates there is a problem experienced by the competitiveness of businesses in the country. Improved productivity and product quality are two variables that must be realized so that business opportunities in the country which is very large can be utilized by businesses in Indonesia.
3. In the ASEAN region, Indonesia's entrepreneurial culture is the lowest comparing to Philippines, Vietnam, Thailand, Malaysia, and Singapore. This is a serious warning to Indonesia in facing AEC, because if culture did not grow up with a strong entrepreneurial market feared huge Indonesian economy will only be used by business operators from outside of Indonesia. To deal with the AEC, a country with a strong entrepreneurial culture are key requirements must be met. Strong entrepreneurial culture is one of the main factors forming the nation's competitiveness.

##### 4.2. Suggestions

Based on the five above conclusion, it can be put forward some suggestions for Indonesia to better compete in the era of the AEC. Some of the suggestions are as follows:

1. The businesses in the country should be able to use the momentum of the economic revival Indonesia to take advantage of business opportunities in the creation of a very large scale. To that end, the businesses in the country have to understand things that affect competitiveness in the face of the AEC, especially with regard to productivity and the ability to improve the quality of the product.
2. Institutions of higher education must take a real role to improve the competitiveness of nations, come foster an entrepreneurial culture for the students, and increasing research and development activities in order to create innovation in order to help drive the flourishing entrepreneurial culture.
3. A culture of entrepreneurship needs to be strengthened and made new lifestyle in public life. The government with all components of society, especially the higher education institutions must have a real program to strengthen the entrepreneurial culture. Strengthening the entrepreneurial culture must be carried out massive, and became a national program that touches until the level of remote villages; as governments implement family planning programs in the past.

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