CHAPTER 1
INTRODUCTION

The researcher aims to describe general information of the study in this first chapter. The structure contains a research background that explains the general context of the problem, followed by research objective, research questions, scope, aim and benefits, then research structure.

1.1 Background

The development of entrepreneurship is now an important issue linked to Indonesia's economic development. In Indonesia, small and medium-sized enterprises constitute over 90% of all businesses outside the agriculture sector, making them the biggest source of employment, providing livelihoods to more than 90% of the country's population (Tambunan, 2007). From the results of Sensus Ekonomi 2016, the number of these businesses reached more than 26 million businesses or 98.68 percent of the total non-agricultural businesses in Indonesia. This business is also able to absorb more than 59 million workers or around 75.33% of the total non-agricultural workforce.

Nawang Palupi, Pawitan, Gunawan, Widyarini and Iskandarsjah (2014) reveals that Indonesia has a new entrepreneurial activity level of 25.5% per year in 2013, which is the highest compared to ASEAN countries. This condition encouraged the Indonesian government to organize national programs in order to facilitate business growth. By looking at the growth of the entrepreneurs, every entrepreneur must be able to compete with other competitors to survive in the market to achieve success.

According to the Global Entrepreneurship Monitor (GEM), entrepreneurs contribute in two different ways to economic development. First, by joining and developing current markets, entrepreneurs have boosted competition and economic growth. Second, developing completely new markets by offering new products that will help others by creating opportunities and increasing economic growth further. Generally, every study conducted by GEM has shown how important the role of entrepreneurs in helping develop the country's economy by creating new markets and developing existing markets (Minniti & Bygrave, 2004; Autio, 2007).
However, research conducted shows that during the first five years, most entrepreneurs cannot survive (Parsa et al., 2005; Hayward, Shepherd & Griffin, 2006; Bangma & Snel, 2009; Verhoeven et al., 2005). Harada's research (2006) shows that business closure is actually caused by two main factors: 1) Failure 2) Other reasons. Even so, the researcher will focus on the failure factor. Moreover, research conducted by Agarwal, Sing and Zhang (2016) shows that men are more likely to be involved in bankruptcy than women. From the results of the study, it was found that women failure is 28% of men.

The impact that occurs due to the failure or bankruptcy of an entrepreneur not only impacts on personal life, but it also impacts on the country's economy. One of the effects of failure is that it can produce negative effects such as sadness and become a traumatic event that can make people lose motivation and enthusiasm to try again (Shepherd, 2003). In addition, the impact of failure can also cause entrepreneurs to be ashamed of the situation and distancing themselves from the society (Athreya, 2004).

According to Singh, Corner, & Pavlovich (2015), business failure affects the economy because other parties are also affected by the failure of an entrepreneur. An investor who invests in a business that fails also risks losing funds. Not only investors, it also affects suppliers who are likely to not get paid because the entrepreneur is bankrupt. The main impact on the country is the reduction in revenue for the country (e.g. tax) and it also have an impact on the percentage of unemployed. Employees who work in companies will also lose their jobs (Byrne and Shepherd, 2015; Shepherd et al., 2009).

1.2 Problem Statement
Most entrepreneurs perceive that misfortune is the fundamental reason for their business failure, instead of blaming the broken management in their system. According to Cardon et al. (2011) misfortunes are things that cannot be controlled by entrepreneurs (e.g., economic crisis or natural disasters). Based on research results, there are 47% who stated that the failure of their business was caused by misfortunes and there were three main factors namely 1) Economic conditions. 2) Lack of funds / no funds to continue 3) Losing capital.

It can be seen that lack of funds and losing capital are related to managerial practice. Where lack of funds or loss of capital is the result of entrepreneur's inability to manage
their finances. Very important for a business to keep detailed records of expenses, sales and other activities. Otherwise, it is impossible for an owner to know his financial conditions without a good financial record (Bradley & Cowdery, 2004). But in fact there are still entrepreneurs who believe that bad financial condition is caused by misfortune. Therefore, researchers will explore more and conduct a specific research to see the differences in entrepreneur’s perception about poor managerial function toward business failure.

1.3 Research Aim & Objective
Since there are still many entrepreneurs in Lampung that do not really understand about poor managerial function that may cause failure in their businesses, therefore the aim of this research is to examine the problem in order to be able to explain to entrepreneurs that a poor managerial function can also be the problem that triggers business failure.

The objective of this research is to see and explore the entrepreneur’s perception about poor managerial function toward business failure based on the entrepreneur's background. This study will examine different perceptions from four different categories, namely gender, business industry, business scale and educational background.

1.4 Research Question
Is there any differences in entrepreneurs' perception toward poor managerial function based on an entrepreneur's background?

1.5 Research Scope & Benefit
In this research, the researcher will use the perspective from male and female entrepreneurs that are residing in Lampung as the researcher's respondents, especially those who have experienced business failures. Currently, there is a few research done on this topic specifically in Lampung. This research will be conducted in Lampung because researchers have many relations who have business so that it can make the distribution of questionnaires easier.

The benefit of this research is to provide knowledge and understanding for entrepreneurs, those who want to start becoming entrepreneurs and also entrepreneurs who have failed.
With this research, entrepreneurs can see how important it is to have a good managerial function so that they can minimize failures in their business in the future.

1.6 Research Structure

Chapter 1 : Introduction
The first chapter focuses on explaining the introduction of the topic and explaining the background to why this research was conducted. This chapter consists of research background, research objective, research questions, scope, aims and benefits, and research structure.

Chapter 2 : Literature Review
The second chapter explores the theoretical foundation and frameworks that will be used and support the design of the solution for the problem. In this chapter, previous studies that are relevant with the problem will be discussed and analyzed further. In order to find the solution, a model or formula should be formulated based on the theory that shows the relationship between the variables.

Chapter 3 : Research Methodology
This chapter explains further about the research objective, research design, methods that are used in order to collect the data, for instance how to do the sampling, collect the data and analyze the data.

Chapter 4 : Research Findings
The fourth chapter discusses the findings of the research method. This chapter consists of research data, analysis of the results and discussion of the results. The data will be tested by using the statistical method.

Chapter 5 : Conclusion and Recommendations
The main results will be summarized in chapter five. This chapter contains conclusion, limitation and future research recommendation. The suggestion, recommendation and advice for further research will be described in this chapter.