

The Effect of International Migration towards Entrepreneurship in Indonesia

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ABSTRACT

This study was aimed at determining the effect of the characteristics of Indonesian migrant workers (TKI) on entrepreneurial power after returning to Indonesia. To achieve the research objectives, the authors use a descriptive quantitative approach. The results obtained are that the variables of gender and education affect the ability of entrepreneurship in full time TKI. This research can be used to make regulations or programs in order to improve the quality of migrant workers in Indonesia

Keywords: migration, entrepreneurship.

1. INTRODUCTION

Indonesia is the country with the largest population and ranks fourth after China, India, and America. The high rate of population growth, especially at the productive age will certainly affect the absorption of labor. Arsyad (2010) argued that very high population growth will cause various problems and obstacles facing development efforts undertaken in developing countries, due to population growth. Besides, it will cause a rapid increase in the number of workers, while the ability of developing countries to create new job opportunities is very limited. For example, the workforce, especially those who have just graduated from tertiary institutions, find it very difficult to find work, especially for those who do not have adequate education.

The increase in population and workforce exceeds the government's ability to create employment, causing various problems, one of which is unemployment. In 2011, Indonesia's population totaled 241.3 million, and in 2018 an increase of 265 million. With the increase in population, the number of workforces that exceeds the capacity of existing employment will certainly be a big problem, especially unemployment. The government's efforts to hold various programs aimed at reducing unemployment and poverty rates such as job vacancies, providing training and employment, formal and informal sector-based training, aid funds to open micro businesses, training to work abroad or better known as TKI and various other programs, of course, the government cooperates with various related agencies. However, this has not been able to reduce unemployment directly, especially workers in Indonesia who have inadequate abilities and wish to support the family economy.

The increasing number of migrant workers from year to year, to work abroad is one indicator of globalization or international integration. Indonesia as an integral part of the global economy cannot escape from these dynamics, so sending migrant workers abroad has a significant impact on the macro economy. Therefore, in its development, the destination countries of migrant workers from year to year also continues to grow. In this regard,

Indonesia has been known as a relatively large provider of migrant workers.

In its development, the Labor Ministry data in Hidayat (2016) recorded the number of Indonesian workers abroad was 6.5 million and were in 142 countries. The existence of workers abroad is basically open as a problem, because it provides huge benefits, especially from the economic aspect, such as helping the government to reduce unemployment, sending high remittances to the regions, and increasing the economy of migrant workers' families.

The sending of workers abroad has a significant impact on macroeconomics, specifically on the addition of foreign exchange. They have a contribution to their country as much as US \$ 500 million or around Rp 4.5 trillion, monthly. Domestic remittance (remittance) is considered the most efficient compared to other foreign exchange, because it does not require too much capital (Handayani, 2012).

But on the other hand, the existence of this TKI is also suspected to be a source of new problems for development in Indonesia. Post-return of migrant workers to the country will cause increased unemployment if the migrant worker does not prepare the skills and business. The fact is that almost 70% of migrant workers have graduated from elementary school, and there are even cases that are found to be illiterate (Diyanti in Latifah *et al.*, 2016). Furthermore, most of them are those graduated from Junior High School (SMP) and Elementary School (SD). According to BNP2TKI (2016), TKI who have an elementary education background of 33.67%, SMP at 38.47%, High School (SMA) at 25.32% while tertiary education levels are only 2.94% (BNP2TKI, 2017)

In Indonesia, the majority of the workforce comes from rural areas. This is due to a variety of things, ranging from driving factors and pull factors. The number of young workers with an average low education level from rural areas who migrate with the main purpose of the city center (even other countries) or industry gives an indication that they are less or no longer interested in working in the rural agricultural sector, which seems slum, and does not provide guaranteed level, stability and continuity of income. It seems that the level of access to rural-urban areas is no longer a constraint for migrant workers.

Villages in Indonesia will certainly be a place for returning migrants who have returned from working abroad. A study of the economic potential of full migrant workers. This study is needed to develop a standard formulation on developing economic potential and patterns of empowerment. Based on the results of a study conducted for migrant workers who have returned to their homeland (Ex-TKI), for example, in Sragen regency, Central Java, it was found that there are 2 types of migrant workers who are full. The first type is unemployed by enjoying the income earned while abroad. The second type is back to work with three criteria, namely a) Working in the country, b) Returning to work abroad and c) becoming an entrepreneur (BNP2TKI, 2011).

For migrant workers who decide to become entrepreneurs, preparations are usually made since the beginning of the departure, so that the remittances sent to the homeland will be divided into several parts, some are used for consumption while most of the others are used for savings. Savings from income while working will be used as capital to open a business in the country. This business will open to create new jobs in the family environment. Based on the data, many Ex-TKI can manage the business well and can develop it so that it can absorb labor from the surrounding area (BNP2TKI, 2011). Thus, this study intends to analyze the linkages of international migration and entrepreneurship in rural Indonesia by using variables that have never been statistically tested in other studies.

2. LITERATURE REVIEW

According to Simanjuntak (2001), labor includes residents who have or are currently looking for work and who carry out other activities such as going to school and managing the household. Groups of job seekers, attending school, and taking care of the household even though they are not working but they are physically able and at any time come to work. According to Law Number 13 Year 2003 Article 1 regarding manpower, labor is every person who is able to do work to produce goods and or services both to meet his own needs and for the community. The labor force defined in the law explains that there is no age limit for decent work. Therefore, labor can be interpreted to include all people who work either for themselves or family members who do not receive wages or those who are willing and able to work, but there are no job openings.

Meanwhile, if the relationship with migration, Ananta in Roganda (2004) states, labor migration occurs because of differences between countries, especially in obtaining economic opportunities. Community response to differences in economic capacity has raised awareness to migrate to promising areas with better employment opportunities. Generally, this labor migration is encouraged by economic reasons such as low wage rates and difficulty in getting adequate employment in developing countries, both of which are high and easy in other countries. According to Salama (2004), the presence of individual characteristics, including age, education level, and type of work are other factors encouraging people to do international migration across national borders for more than one year.

There are two approaches used to explain this phenomenon, namely the initiation approach to explain what causes the migration and how it starts and the continuation one to explain what occurs after the migration. Neoclassical theory, using initiation

approach, states that the main cause of labor migration is the difference in wages (income) between regions. The migration will occur continuously and be even greater when the difference continues. The higher the migration, the greater the foreign exchange obtained by the country of origin. The benefits for the country of origin will be more and automatic efforts to reduce the flow of migration are also experiencing obstacles.

Dual labor market theory views that international migration is caused by merely the encouraging factors that come from developed countries as destination areas. This theory explains that the labor market can be divided into two segments, namely the main and additional segments. The main segment is characterized to have capital-intensive production methods and is dominated by skilled labor, while the additional one, conversely, is characterized to have labor-intensive production methods and is dominated by less skilled labor. International migration occurs when there is a demand for labor in the additional segment of the destination country. Another theory, namely the new economic theory, states that international migration cannot be explained from an individual's perspective only, but also needs to be seen in larger entities such as households.

Likewise, entrepreneurship, where entrepreneurship is very important in the progress and economic development of a country, because it can stimulate economic activity and increase national competitive advantage (Baum and Locke, 2004).

In a psychological and educational review, research on entrepreneurship can be seen from the factors of the perpetrators. Thus entrepreneurship can be seen as a character. Therefore, research on entrepreneurship can be started by measuring how the character possessed by entrepreneurs.

Baron, in Hidayat (2016), stated that in research on entrepreneurship there are two questions that often arise, first, "Why do some people choose to become entrepreneurs while others do not?". Second, "Why are there some successful entrepreneurs and why others are not?". To answer these two questions, research must be focused to explain the factors that influence entrepreneurship, namely the factors that support the success of an entrepreneur.

Actually, there have been many experts who put forward the notion of entrepreneurship based on their respective perspectives. However, the essence of a crucial understanding is always present in every understanding put forward by these experts and becomes fundamental. Peter F. Drucker said that entrepreneurship means one's capability of creating something considered new and different (Kasmir, 2013). This definition is more broadly stated by Hisrich in Suryana, who said that entrepreneurship is the process of creating something different to produce value by devoting the necessary time and effort, followed by the use of money, physical, risk, and then resulting in financial rewards and personal satisfaction and freedom. (Suryana and Bayu, 2010). Meanwhile, Zimmerer defines entrepreneurship as a process of applying creativity and innovation to solve problems and seek opportunities to get a better live (business) (Kasmir, 2013).

3. RESEARCH METHODS

This type of research is descriptive quantitative research. This study uses a quantitative approach. This study uses logistic re-

gression analysis with the Stata 14. application. The reason for using a logistic regression tool is that the dependent variable is dummy. Logistic regression, like discriminant analysis, is used to test whether or not the probability of the occurrence of the dependent variable can be predicted by the independent one (Ghozali, 2011).

4. RESEARCH RESULTS

This study aims to determine the factors that influence the ability to do business (entrepreneurship) TKI after from the 2015 Interdental Population Survey (SUPAS) data. The discussion will be explained through descriptive between dependent and independent variables. The dependent variable in this study is entrepreneurship, while the independent variable is age, gender, marital status, education, regional origin, business field and source of consumption (ie savings). The sample data in this analysis used respondents in the 2015 SUPAS data who were full migrant workers or had worked as migrant workers, totaling 652,000 households. The type of data in this study uses secondary data. The data in this study used SUPAS 2015 data. In this study, the authors found a regression formula that illustrates how the influence of each independent variable on the dependent variable. As for this study, the equation model for testing the factors that influence TKI entrepreneurship are:

$$\text{Entrepreneurship} = \beta_0 + \beta_1\text{Gender} + \beta_2\text{Education} + \beta_3\text{Age} + \beta_4\text{Region} + \beta_5\text{MaritalStatus} + \beta_6\text{BusinessField} + \beta_7\text{SourceofIncome} + \epsilon$$

The regression results from the equation are as follows:
Model Summary

| Model | Number of obs | R-squared |
|-------|---------------|-----------|
| | 104057 | 0.1886 |

Predictors: (Constant), Gender, Education, Age, Region, Marital Status, Enterprise Field, Source of Income

Table 1. Regression result

| Entrepreneurship | Coefficients | Std. Error | t | Significance |
|------------------|--------------|------------|---------|--------------|
| Gender | -.249142 | .0020711 | -120.29 | 0.000 |
| Education | .0011852 | .0002498 | 4.74 | 0.000 |
| Age | -.0007385 | .000157 | -4.70 | 0.000 |
| Region | .0077204 | .0018176 | 4.25 | 0.000 |
| Marital Status | .0401888 | .0018176 | 77.83 | 0.000 |
| Business | .0122158 | | | 0.000 |

| | | | | |
|------------------|----------|----------|-------|-------|
| Field | .1213365 | .0005164 | 37.53 | 0.000 |
| Source of Income | .7623374 | .0003255 | 57.64 | |
| Constant | | .002105 | 69.52 | |
| | | .0109657 | | |

Source: Data processed, 2019

Based on table 1, it can be seen that all independent variables affect the dependent variable. The following are the results of table 1 analysis:

1. X1 (Gender) = -.249142. The power of male entrepreneurship is 0.249142 higher than the power of female entrepreneurship. In other words, the ability of male entrepreneurship is 0.24% higher than the ability of female entrepreneurship.
2. X2 (Education) = .0011852. This means that the higher the level of education, the ability to implement entrepreneurship will increase by 0.11%.
3. X3 (Age) = -.0007385. Age has an influence on the ability of entrepreneurship. Because the X3 coefficient value is negative, it can be concluded that if age gets older it is assumed to have less entrepreneurial power.
4. X4 (Region) = .0077204. Migrant workers from the Java-Bali region have a higher entrepreneurship power of 0.007% than other regions in Indonesia.
5. X5 (Marital Status) = .0401888. TKI who are single have more 0.040% entrepreneurship power than TKI who are married.
6. X6 (Business Field) = .0122158. Business field has a positive effect and can increase entrepreneurship by 0.012%. The biggest business field is in agriculture.
7. X7 (Source of Income) = .1213365. Source of income has a significant and positive value. Sources of income are sources that are assumed to be used for consumption and or business. This variable affects the entrepreneurial power of 1.21%. That is, if there is an increase in savings of 1%, then this increase will increase the power of entrepreneurship by 1.21%.

6. CONCLUSION

Indonesian migrant workers or labor in a macroeconomic manner contribute to reducing unemployment and poverty in Indonesia. However, the return of migrant workers after working in the destination country will be a new problem for Indonesia if they do not get a job or do not do economic business that will help their lives after becoming migrant workers. There are at least 7 (seven) variables that affect the migrant worker's entrepreneurship ability after returning to Indonesia. The seven variables are age, gender, marital status, regional origin, education, business field and the level of savings they have. The seven variables have a positive relationship and influence on the power or ability of full TKI entrepreneurship. This research can be used to make government regulations or programs related to efforts to improve

the quality of migrant workers. Other internal and external variables that can affect entrepreneurial power such as the number of families covered, health level, countries of destination, etc. can be further investigated to obtain more significant results.

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