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### Factors Affecting Students in Choosing Community Economy in Development Economics Program, Universitas Negeri Malang

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**Abstract:** This study aims to understand the reasons students choose a community economy concentration in the Development Economics Program Universitas Negeri Malang, so that the Department of Development Economics will provide insight to policy makers, especially in the SME sector and educators in the sector to attract more students to choose this concentration and create a lot of new entrepreneurs. Not many colleges focus on community economy in Indonesia. Community economy often only have a study center or becoming an elective courses in many universities. Many universities directly address entrepreneurs, whereas community economy will include more topics which will also included entrepreneurship especially entrepreneurs in the SME sector. In Universitas Negeri Malang, majoring in development economics there are community economy concentration and the courses are community economy, micro finance institutions, community economy development policy, management of community economy, community economy in practice, seminar on community economy. We found that students choose community economy because of these factors: student's success in previous lecture which is regional economy, their beliefs that their career will be related to many people, their opportunity to be creative, their advancement opportunities, a good long term income and parents influence.

**Keywords:** Community Economy, Development Economics Program, SME sector, career, creative, advancement opportunities, income, parents influence.

### INTRODUCTION

Community economy in Indonesia is an economic system built on the strength of the community. It is an economic activities that can provide an equal opportunity for the public to participate so that the economy can be implemented and developing well. Community economy is not a common subject especially in international world because as we know the main economics thoughts believed in this world is between

capitalism and socialism. Community economy emerges as answer of Indonesia economic system that is not so capitalism but also not so socialism. We used to call it mixed economics system but it is quite confusing because we do not know the boundaries. The term community economy in Indonesia came with some character. The characters are as follow:

1. Government hold controls of main commodity that is needed by all citizens such as gas, oil, water etc;
2. The role of state/government is important but not dominant as well as the role of private sector. So it will not lead to market economy or command economy. Both parties are supporting each other,
3. The role of citizens are very important because production is held, monitored and led by society;
4. Either capital nor labor are not dominating the economy. Everybody is working together.

The value of this economic thoughts and system is also based on Indonesia ideology and put people first. The purpose of community economy is to build a nation economically and politically independent and a country with personality and culture, also to increase a more equal distribution of income among citizens. The idea of community economy developed as an alternative effort of economists in Indonesia to address the failure experienced by developing countries including Indonesia in applying the theory of growth. Application of the theory of growth that has brought success in the countries of the European region turned out to have caused another reality in a number of different nations. One hopes that the results of this growth can be enjoyed until the bottom layers of society, there are many people in the lower layers are not always able to enjoy the stream of development results expected of it. Even in most developing countries, social and economic gap widened. From this experience, they finally developed various alternatives to the concept of development focused on growth.

Economic growth remains a priority consideration, but the implementation must be in harmony with the core of national development. Community economy in essence is to create equal opportunities for all people to work independently in order to improve the standard of living. The economic equalization between regions, especially between rural and urban areas will certainly have an impact on national economic growth with justice. Community economy by making SMEs as pillars is expected to reduce the income gap, so that per capita income can truly reflect the national welfare. The community economy is actually the backbone of a reliable but less recognized, especially since the emerging of the economic conglomerate. The community economy proved to be more resilient to the economic crisis compared to the economic conglomerate.

The new paradigm of economic development oriented in poverty alleviation and reduction of disparities. It is also important to understand that the community economy does not mean a rejection of large enterprises and conglomerate. The conduct of economic equality and serious development of MSMEs does not mean to make economic growth slower or stop it altogether. Among the many economic experts developed the idea to restrict the ownership of shares. This is certainly to further equalize opportunities for the entire community. SMEs that serve as the pillars of the economy is expected to form an independent community. Related goods can still be produced by SMEs, of course, necessary restriction of opportunities for large enterprises and conglomerate with the implementation of the regulations on this matter from the government.

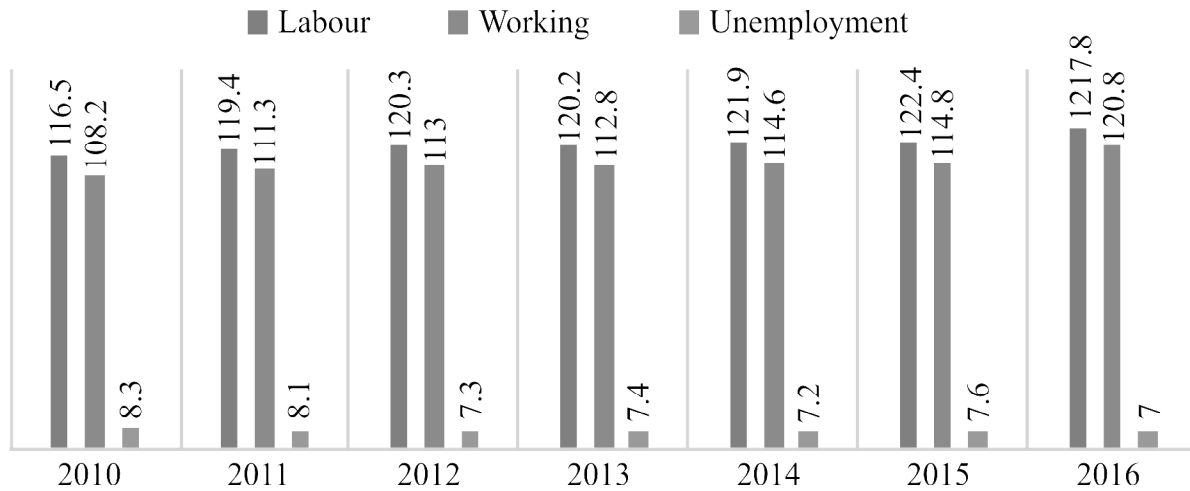


Figure 1: Indonesia worker

Source: Central Bureau of Statistic, 2016.

With a total population of about 255 million people, Indonesia is the fourth most populous country in the world after China, India and the United States (Indonesia Population, 2016). Furthermore, the country also has a young population because approximately half of Indonesia's population aged under 30 years. If both factors are combined, this indicates that Indonesia is a country that has a large labor force, which will become larger again in the future, it stressed the importance of job creation in the largest economy in Southeast Asia.

One way to overcome unemployment is to expand entrepreneurship, especially SMEs that need small amount of capital. The contribution of micro, small, and medium enterprise to gross domestic product increased from 57.84 percent to 60.34 percent in the last five years. Labor absorption in this sector also increased from 96.99 percent to 97.22 percent over the same period (Ministry of Industry, 2016).

In context to understand community economy, the understanding of small business economy in Law No 9/1995 appears to be more acceptable, because basically community economy covers all sectors of economic activity. Understanding community economy in the context of the national economic system we can look back to Indonesian economic history since the days before independence until today, where we know because unlike national large private enterprises, foreign private enterprises, and state enterprises. So, from the production of small and medium enterprises are the economic actors that are independent. In terms of household consumption as economic actors of the people we can understand various layers of society based on group revenue/expenditure. In the context of the macroeconomics, we can see household consumption as a component of aggregate expenditure in addition to government spending, domestic capital formation and export/import.

In application of Community Economy requires synergy between application of the Principles of community economy and the Role of Intellectual to empowerment and welfare 'of society (Wrihatnolo and Dwijokowijoto, 2007). In connection with the condition of the various efforts to support from various universities in Indonesia, including the Universitas Negeri Malang in providing community economy both in the level of grading, concentration and major. Since 2014, in Faculty of Economics Universitas Negeri Malang, we have a community economy concentration in development economics program. At first, only

three students out of 200 students were interested in this program. In terms of budgeting, since it is not efficient to open a classroom of three people, the faculty members decided to ask the students to study other major. In 2015, about 20 students were interested to apply to this major and in 2016 the number has doubled into 40 students. Looking at the increasing number of students, we have a big questions, what are the reasons of this increasing number of students studying community economy. Even though compared to other major, this is still a small number, but this increased has surprised us.

Some of the factors that affect the individual in determining the choice is influenced by perception. Perception determines the mindset of individuals in decision-making. Thinking ill of lack of understanding, the course is difficult and career opportunity will shape the perception of the individual. Perception is the experience of objects, events or relationships obtained by concluding information and interpret the message. Irwanto *et. al.* (1991) defines perception is the process of receipt of stimuli (objects, quality, relationships between symptoms, and events) until the stimulation is realized and understood. Results of a study conducted by Allen (2004) perceived difficulty of the course may affect students' choice of a major.

Marshall (2003); Mauldin *et. al.* (2000) explained that there are various factors influencing students' choice of a concentration reveals the following referents or media socialization in making discipline choices, students may be influenced by their parents, teachers, career advisors, and reference group. Informal education was first obtained by an individual is made up of parents (Duffy, 2007; Larkin *et. al.*, 2007) Through habituation, modeling, examples will form the pattern of attitudes, acts, and mindset in determining the decision. Mauldin *et. al.* (2000) explained if parents have strong impact on the choice on major. When entering the understanding and knowledge of school-age individuals are formed through a formal school. Through learning in school will strengthen the knowledge of an individual. However, not only it is the role of the environment that includes peers also affect an individual in determining and taking a decision.

In other context, research by Gore *et. al.*, (2015) about factors affecting student choice as teacher a first career influences include significant others, intrinsic, altruistic and extrinsic motivations, socio-cultural factors, self-perceived teaching abilities, demographic characteristics and, for a few, teaching as a fallback career. Intrinsic factors include the opportunity to be creative, job satisfaction, dynamic working environment, stimulating intellectual, and personal development. Besides individual choice in determining the major choice is influenced by extrinsic factors. Extrinsic motivation related to characteristics of the job itself such as holidays, salary, status and other beneficial working conditions.

Factors that encourage and guide human behavior can include encouragement, needs, incentives, fears, goals, social pressure, self-confidence, interest, value, curiosity, expectations etc. Some psychologists looked at the motivation within the framework of individual personal trait or characteristic, such as the need for achievement, fear of exams, high interest. Meanwhile, there are people who see motivation as a state that is more situational. Motivation is determined internal factors such as the needs, interests, and curiosity. External or environmental factors in the form of gifts, social pressure, punishment. Davidoff (1991) says that the limitation of motivation refers to the diverse conditions such as desires, wishes, plans, goals, intent, impulse and purpose. Thus the motivation is defined as a power or factors contained in human beings that generate, directs and organizes his behavior. Motivation is something you turn on (energize), directs and maintains behavior. Student motivation is reflected in private investment and the involvement of students in cognitive, emotional, and behavioral (Ormrod, 2008).

## **METHODS**

This research was conducted at the Faculty of Economics, the University of Malang to students who have chosen the concentration of Community Economy. For data collection we used questionnaire. For respondents we choose students who took community economy as their concentration, with total student number of 60 students in Development Economics Department.

We give questionnaire to students. The questionnaire is composed the attributes influencing students' choice of a concentration in a major. The items used in the questionnaire are replicated from various sources identified in the relevant literature (Tan and Laswad, 2006; Sugahara and Boland, 2009). Students were asked to rate all 18 attributes on a five-point Likert scale ranging from "1" representing "not at all agree" to "5" representing "very agree". The attributes that influence a student's choice of a major are presented in the following list:

1. Career opportunity
2. Opportunity to be creative
3. Advancement opportunity
4. Flexibility of career options
5. Security of employment
6. Good long-term earnings
7. Parental influence
8. Teachers' influence
9. Peers' influence
10. Career advisors influence
11. Skill and background
12. Genuine interest in the subject
13. Aptitude for the subject
14. Required workload in introductory courses
15. Success in introductory courses
16. Career that deals with a lot of people

## **RESULT AND DISCUSSION**

From the result, we can see that the main factors affecting students in choosing community economy are:

1. Student's success in the previous lecture which is regional economics
2. Their beliefs that their career will be related to many people
3. Their opportunity to be creative

4. Their advancement opportunities
5. A good long term income
6. Parents influence

The findings indicate that students who wish to select a community economy concentration attach significantly higher priority to success in introductory courses, and career that deals with a lot of people than those students who would choose a non-community economy concentration. This means that the more students perceive the success in introductory courses, and career that deals with a lot of people as important, the more likely they would be to choose community economy concentration. Regional economics is a sub-discipline of economics and is often regarded as one of the fields of the social sciences. It addresses the economic aspect of the regional problems that are spatially analyzable so that theoretical or policy implications can be derived with respect to regions whose geographical scope ranges from local to global areas. Regional economics has shared many traditions with regional science, whose earlier development was propelled by Walter Isard and some economists' dissatisfaction with the existing regional economic analysis. Despite such a rather critical view of regional economics, however, it is hard to be denied that the "economic" approach to regional problems was and has been the most significant one throughout the development of regional science. As a sub-discipline of economics, it has also developed its independent traditions and approaches that conform with the subject matter or perspective of economics.

By understanding regional economics, students can understand their environment and if someday they choose to be an entrepreneur, they will have a better knowledge of their market segmentation and can develop business that can support people in their nearest community. Other findings indicate that abilities and interest are the most significant factor in choosing a major (Duffy, 2000; Larkin *et. al.*, 2007). Moreover, it is consistently reported that jobs which are congruent with personal interests have greater potential to offer career satisfaction. These include the role of advisors (Cohen and Hanno, 1993), the role of faculty (Rask and Bailey, 2002), the role of friends (Felsman and Blustein, 1999), and the role of parents (Leppel, 2001; Scott and Church, 2001).

The results also indicate that students are sensitive to referents' opinions in choosing a community economy concentration especially parents opinion. This finding might be due to the fact that people are closely knitted to each other and they as a group must be considered before individuals within the society and their parents pay for their education. Most of these students believe that the influence of their parents are very important for them to decide whether they will go to this concentration or not. Most of the students in this concentration come from an entrepreneur family (especially micro and small business) and they would like to continue and expand their parents business. The contribution of SMEs in Indonesia to the global supply chain by only 0.8 percent. In ASEAN, Indonesia's SME contribution to the global supply chain production was only slightly higher compared to Brunei, Laos, Myanmar, and Cambodia. The highest contribution to the SME sector supply chains of global production reached 2.7 percent. In fact, ASEAN contributing 9.3 percent to the supply chains of global production in 2009-2013. The contribution of SMEs to Indonesian exports in 2015 is only 15.8 percent, much smaller than the countries of the region in Southeast Asia. Thailand SME sector's contribution to exports is 29.5 percent and the Philippines is 20 percent. At the global level, the German SME's sector contribution to exports reached approximately 55.9 percent and Japan is 53.8 percent (Ministry of Industry, 2016).

Definition of Small Businesses in Indonesia is linked to the provisions of Law No. 9/1995 on small businesses, where the small business is a business unit that is not a big business branch and have sales below Rp. 1 billion in a year and assets excluding land and buildings below Rp. 200 million. While definition of medium-sized businesses and then discharged through a Presidential Instruction No. 11/1999, which classified medium sized enterprises only on the basis of criteria of assets excluding land and buildings between Rp. 200 million, up to Rp. 10 billion.

Student choose community economy major because they believe that learning in this concentration is the best option to compete in this global market especially when they become an entrepreneur in small business. By learning in this concentration, they felt that they have the opportunity to be creative and they have good long term income. The believe that they will support and increase economic growth in Indonesia. Creative economy is a concept in a new economic era that intensifies information and creativity by relying on the ideas and knowledge of human resources as the main factor of production. Listed are some things that were characteristic of the creative economy:

1. Necessary collaboration between the various actors involved in the creative industries, namely scholars (intellectuals), businesses, and governments that are fundamental prerequisites.
2. Based on an idea or ideas.
3. Development is not limited in various fields of business.
4. The concept built are relative.

In 2006, President Susilo Bambang Yudhoyono has instructed to develop a creative economy in Indonesia. The development process is realized first with the establishment of Indonesian Design Power by the Department of Commerce to assist the development of the creative economy in Indonesia. In 2008, the government performed the launch of Blueprint Indonesian Creative Economy Development Blueprint 2025 and Creative Industry Development 14 Subsector Indonesia. In addition, the declaration made in Indonesia Creative, 2009. The Indonesian Presidential Regulation Number 6 Year 2015 about Creative Economy Agency, President Joko Widodo to form a new non-ministerial agency called Creative Economy Agency (Bekraf). The agency is responsible for the development of the creative economy in Indonesia. Bekraf assigned to assist the president in formulating, establish, coordinate, and synchronization of policies in the field of creative economy. The Presidential Decree also explained that Bekraf skippered by agency heads who is assisted by a deputy, chief secretary, and the deputies. Bekraf had six deputies. They are Deputy of Research, Education and Development; Deputy Access Capital; Deputy Infrastructure; Deputy Marketing; Deputy Facilitation and Regulation of Intellectual Property Rights; and Deputy Regional Inter-Agency Relations. Bekraf has a vision to build Indonesia into one of the world's economic powers in the creative economy in 2030. To achieve this vision, Bekraf designing six major missions, namely:

1. Putting all of the assets and the creative potential of Indonesia to achieve an independent creative economy.
2. Creating a conducive environment for the development of creative industries.
3. Encourage innovation in the creative fields that have added value and competitiveness in the international world.
4. Open the insight and public appreciation of all aspects related to the creative economy.

5. Build awareness and appreciation of intellectual property rights, including protection against copyright law.
6. Design and implement specific strategies to put Indonesia on the world map of the creative economy.

Bekraf also set there are 16 sub-sectors of the creative industries are the focus to be managed and developed. Each deputy then translates the vision and mission of the above through a variety of excellent programs that can be implemented in the context of the 16 sub-sectors. Bekraf the formation of a government optimism that the creative economy will surely be the backbone of the national economy. This is the beginning of a new milestone in the creative economy in Indonesia. Bank Indonesia (BI) considered that the development of entrepreneurs in Indonesia is still minimal. This is reflected in new entrepreneurial population that reached 1.65 percent of the total population of Indonesia. The development of entrepreneurial Indonesia is still limited. This is reflected in three things. First, a new entrepreneurial population reached about 1.65 percent of the population, far behind compared to neighboring countries such as Malaysia, Thailand, and Singapore has reached over 4 percent (Alamsyah, 2014).

Indonesia was ranked 68<sup>th</sup> out of 121 countries in the world according to The Global Entrepreneurship and Development Index 2014. While the third, by The EY G20 Entrepreneurship Barometer 2013, Indonesia among G20 countries included in the fourth quartile of the group of countries with the lowest ranking in the entrepreneurial ecosystem. Entrepreneurship as a fixed price for any country in the world who wants to rise to a higher level as developed countries (Alamsyah, 2014). The number of entrepreneurs in the United States has reached 12 percent of the total population, 7 percent of Singapore, China and Japan 10 percent, India 7 percent, 3 percent and Malaysia. While Indonesia only has the number of entrepreneurs around 1.63 percent of the population. Community economy trying to accommodate students who are in the Department of Development Economics who want to become entrepreneurs, especially in the SME sector.

## **CONCLUSION**

Community economy often only have a study center or becoming an elective course in many universities. Many universities directly address entrepreneurs, whereas community economy will include more topics which will also include entrepreneurship especially entrepreneurs in the SME sector. In Universitas Negeri Malang, majoring in development economics there are community economy concentration and the courses are community economy, microfinance institutions, community economy development policy, management of community economy, community economy in practice, a seminar on community economy. We found that students choose community economy because of these factors: student's success in previous lecture which is regional economy, their beliefs that their career will be related to many people, their opportunity to be creative, their advancement opportunities, a good long term income and parents influence. Students are sensitive to referents' opinions in choosing a community economy concentration especially parents opinion. This finding might be due to the fact that people are closely knitted to each other and they as a group must be considered before individuals within the society and their parents pay for their education. Most of these students believe that the influence of their parents are very important for them to decide whether they will go to this concentration or not. Most of the students in this concentration come from an entrepreneur family (especially micro and small business) and they would like to continue and expand their parents business.



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