

Startup Valuation by Venture Capitalists: An Empirical Study Indonesia Firms

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Abstract

Indonesia currently has four Unicorns companies that have reached \$1 billion without entering into the stock market. These companies include: Go-jek, Traveloka, and market centers such as Bukalapak and Tokopedia. Indonesia is very likely to see more unicorns in the following years, with the most promising sectors such as: transportation, education, healthcare, and fintech. However, with the Indonesian landscape constantly changing, companies and investors need to keep updating themselves to stay competitive and to seize opportunities at the right time. Startup in Indonesia began to develop and became one of the government programs to continue to develop startups, there are a number of startups in Indonesia that have become unicorn status that greatly influence the current Indonesian economy. Startup helped foster economic growth and growth in Indonesia, capital and business model problems were the main problems for new startups in the early days to start their business. This research proved the previous research conducted by Adamo Jr. (2014 and Reis (2010) that there are several levels in the startup and its function towards the economy of a country, startups can be a pillar of the economy, especially in developing country economies that need good growth.

Keywords: *Startup, E-Commerce, Digital, Investment, Indonesia.*

1. Introduction

E-commerce plays a crucial role for companies to stay competitive in the global markets. Companies are progressively adopting e-commerce systems, where they are viewed as a stage procedure, in which firms initially outweighs the reasons for e-commerce adoption. There are multiple advantages of e-commerce as opposed to traditional commerce, which are relatively applicable to all firms. For instance, e-commerce leads to disintermediation of the supply chain, which means that companies can eliminate costly sales agents and decrease costs. Moreover, e-commerce provides access to distant markets because it is said to obscure international borders (Landmark Global, 2015).

It appears a reasonable decision for many firms to explore e-commerce opportunities because of the globalization in the business sectors and increasing importance of doing business internationally. The availability of e-commerce software and supporting institutions is a great factor for the adoption of e-commerce. Once a firm choose to engage in e-commerce the implementation process starts. During this process, it is important for the firm to distinguish the enablers and inhibitors of e-commerce implementation. E-commerce is an apparatus through which firms can accomplish competitive advantage. Therefore, it is interesting to further explore how firms exactly go about implementing e-commerce systems and which path firms take from generating e-commerce idea up to realization of e-commerce success. Also, large firms are bound to

adopt new technology than small firms due to economies of scale. Another context that is interesting to study is the industry context, because implementing e-commerce requires different competencies in different sectors of the economy (Shaftoe, n.d.).

According to Divestopedia (Divestopedia, n.d.) the term Unicorn, has different meanings in terms of funding in the business world. Unicorn is related to any tech startup businesses company that is able to reach a \$1 billion dollar in market value as concluded by private or public expenditure. The term was initially mentioned by Aileen Lee, founder of Cowboy Ventures. Unicorn is regarded as a phenomenon that happens in Human Resource, when people who oversee recruitments of candidates have impossible expectations for those they are hiring. This forms a discrepancy between employer's expectation and labour force available on the market. Essentially, Human Resource are searching for a mythical candidate (a unicorn) instead of those available in the market ("Unicorn", n.d).

Basically, Startup is the implementation of a business plan where everything that has been planned and projected in the business plan is poured out and realized in the form of a startup. According to Paul Graham: "Startup is a company designed to grow fast" (Paul Graham, 2012), according to Eric Ries: "Startup is a human institution design that creates something new under extreme conditions and serenity. It doesn't say about what size of company or sector of industry, it just says we're trying to do institutional building when we don't know what we don't know" (Eric Ries, 2012).

Startup valuation is a value the economy of the business involved a startup company. Valuation usually used as a reference for measure how much potential business of a company. Citing Tech in Asia, calculation startup and company valuations conventional is not far away different. Conventional company valuations consider several aspects including company value on the exchange shares, the value of other types of shares company owned, company debt, and cash owned company.

While for startups that have since the initial stage of business standing yet get income or profit. Founder of the company or prospective investor will consider aspects such as transaction amount and nominal, number of users, product technology, the quality of the team, and competitors. Companies that pocket status unicorn based on that judgment developed by venture capitalists and investors who participate in funding round. All unicorns actually are a startup, only its value is assessed based on potential growth and development business.

Applying a similar meaning towards cases in mergers and acquisitions, in a market where an excess of firms existing as targets, there is a general mistake in having multiple non-essential criteria, which would not lead to a positive relation or in line with acquiring firms as an objective ("Unicorn", n.d). In recent years, Indonesia has seen a rapid increase in the number of startups attempting to benefit from Indonesia's potential as a developing economy, driven by a young population of over 250 million people, who at least owns 100 million smartphones.

Quoting the Corporate Finance Institute (CFI) report, an evaluation to be labeled as a unicorn has nothing to do with the financial performance of each company or data other fundamentals. It should be noted that not a few company's world technology already pocket unicorn status however hasn't made a profit. To pocket Unicorn status is a process that involves various considerations from many factors. Including estimates business growth of one company in the long run. In addition, investors are capital and investors often consider it other complicated aspects include questions the sustainability of a business model. Especially if one business becomes first company in an industry who made the assessment process becoming increasingly complex.

Based on CB Insight research, up to January 2019 there are more than 300 unicorns all over the world. Some unicorns have even 'gone up class' by pocketing the status as decacorn (valuation of US \$ 10 billion) and hectocorn (valuation of US \$ 100 billion). The five companies with valuations highest in the world according to CB Insight namely Toutiao or Bytedance (US \$ 75 billion), Uber (US \$ 72 billion), Didi Chuxing (US \$ 56 billion), WeWork (US \$ 47 billion), and Airbnb (US \$ 29.3 billion). While in Southeast Asia so far there are seven unicorns with four including those from Indonesia

Indonesia currently has four Unicorns companies that have reached \$1 billion without entering into the stock market. These companies include: Go-jek, Traveloka, and market centers such as Bukalapak and Tokopedia (Davies & Silviana, 2018). In addition, based on political-financial point, Indonesia's Unicorn matter because they guarantee the country's more noteworthy monetary development and worldwide attention in today's progressively digitized worldwide economy. Report from Google-Temasek, predicts that Indonesia's advance economy may triple in value from \$27 billion in 2018 to \$100 billion by 2025 driven by the e-commerce, ride-hailing, online travel and online media sectors, which are all secured by the four unicorns (Kowanda, 2018).

Indonesia is very likely to see more unicorns in the following years, with the most promising sectors such as: transportation, education, healthcare, and fintech. However, with the Indonesian landscape constantly changing, companies and investors need to keep updating themselves to stay competitive and to seize opportunities at the right time. It has been predicted that Indonesia will bear some more high-scale startups or even more unicorns in the future. There are some potential names advancing their way up to the surface, coming from the fintech sector are Modalku and Kredivo that are said to become the next unicorns. Another promising name to accomplish a unicorn title is from the healthcare sector (Arsianews, 2018). Other researchers that studied unicorn have been mostly covering the relationship between unicorn and innovation, relative effects to the company's size and also company's performance, while this research is emphasizing the importance of profitability in conducting business. Currently the unicorns in Indonesia includes e-commerce platforms Tokopedia and Bukalapak, airline and hotel online booking service Traveloka, and ride hailing application Go-Jek.

2. Literature Review

Startup Industry

A startup is a human organization intended to convey a new item or service under the states of extraordinary uncertainty (Adamo Jr., 2014). Quoting Eric Ries in Adamo's article (Adamo Jr., 2014), "Startups are designed to confront situations of extreme uncertainty. To open up a new business that is an exact clone of an existing business, all the way down to the business model, pricing, target customer, and specific product may, under many circumstances, be an attractive economic investment. But it is not a startup, because its success depends only on decent execution – so much so that this success can be modeled with high accuracy. This is why so many small businesses can be financed with simple bank loans; the level of risk and uncertainty is well enough understood that a reasonably intelligent loan officer can assess its prospects."

Basically, it's very easy to set up a company. There are hundreds, even more, companies that appear every day in Indonesia and the world. The biggest challenge felt by these companies is how to be able to surface or in other words be known by the market as a product or service that can be used. Many ways are done by the people startup to gain market recognition and acceptance and is known by many parties. Usually these startups are dealing with other players who are very numerous many and also with products or companies that are already established, so make startups have to work harder and smarter to introduce himself to the market. The business can be done for free through media

coverage or through social networks such as Twitter and Facebook or also done by spending money to rent advertising media. Basically, there is money or not, these startups are faced with a crowd or saturated market, good it is full of companies that are old and established or with companies' new ones appear.

In a successful startup there are great people who can work together one each other. Basically, the ideas offered by the founders through the startup they make will determine how much market acceptance and also interest from those who provide funds to further develop the startup that is. On the market there are hundreds or even thousands of marginal ideas that must compete tightly gaining market recognition. Unique and creative ideas have great opportunities to quickly succeed and more easily obtain funding from financial institutions like venture capital or angel investors.

A business model is a tool that explains how an organization creates, giving, and capturing an added value (Osterwalder, 2010). A startup requires a tool this is to provide a comprehensive view of the business processes that will be planned, or even explain the business that is running. Many businesses are just beginning to experience many obstacles during its operation. Business models can help analyze problems and find a solution. New startups can use business models to design forms that are according to the conditions of the startup. The business model is a model that explains about how a company moves to achieve profit. This model is likened to a vehicle built by the company in order to take them to a place aim. A startup requires the right business model to increase competitiveness and achieve its ultimate goal (Uzzaman, 2015). The supporting factor for startup success is the model good business, three advantages of having a good business model, which is able to provide a view to the company about how the market responds to products it has, weaken the competitiveness of competing companies, and encourage partnerships with companies competitors (mutualism) in creating products that are able to answer market needs. These benefits can be the key for companies to win competition in the market.

Venture Capitalist

A venture capitalist (VC) is a speculator that gives cash flow to firms displaying high development potential in return for a value stake. This could be financing startup ventures or supporting small organizations that are desire to grow but do not have access to approach value markets. Venture capitalist re willing to risk on putting resources into such organizations since they can win a big profit for their ventures if these organizations are a triumph. Venture capitalist experience high rates of bankruptcy because of the vulnerability that is included with new and ambiguous companies (Ganti, 2019), The Indonesian gives solid commitments to improve conducive conditions and ecosystem, particularly in the lack of difficulty of working business together for the asset and environments that help support in the startup division and the digital economy (East Ventures, 2019).

In Indonesia, the legal basis for the existence of venture capital financing is regulated through Presidential Decree (KEPRES) No. 61 of 1988 concerning Financing Institutions and Minister of Finance Decree (KEPMENKEU) Number 1251 / KMK.013 / 1988 concerning Provisions and Procedures for Implementing Financing Institutions. The definition of venture capital is contained in Article 1 paragraph (11) KEPRES, namely a venture capital institution is a financing business in the form of equity participation in a company that receives financial assistance for a certain period of time.

Neil Cross, a former head of the European Venture Capital Association, provides the notion of venture capital as a risk-bearing financing, which is usually carried out

in the form of equity participation, for companies that have high developing potential. He added that venture capital companies provide some added value in the form of management assistance and their contribution to the overall strategy of the company. Relatively high risk will be compensated with the possibility of high investment returns, which are usually obtained through medium term capital gains (medium term).

Business partners and investors know that the organization of a company is closely related his success. If the company has a bad organization, outsiders will not trust. Good startup HR, team quality is directly proportional to investor interest invest other than the big name of the company (Uzzaman, 2015). Bill revealed that startups are now very easy to get investment. As long as they have a team and strong traction, getting an investment is not the impossible (www.inc.com, 2017).

In Indonesia, e-commerce and transportation application are loved for venture capitalist to contribute on. Go-Jek verified \$550 million from a venture capital consortium to turn into the country's first technology unicorn and unintentionally opened the conduits to venture capital financing. In under a year, Tokopedia, Traveloka and Bukalapak pursued Go-Jek as the original of Indonesian unicorns, all of which won venture capital assets in their initial couple of rounds from firms like East Ventures, NSI Venture, Gree Ventures and Sequoia. It was these four examples of overcoming adversity that planted certainty among investors in Indonesian startups while further setting a pattern among new companies to look for venture capital financing (Harsono, 2019).

The purpose of a business is to get high profits in more ways effective and efficient. Startup is one digital company that prioritizes speed and accuracy in doing business, but startups are designed to create products and services amid extreme uncertainty (Ries, 2011). Startup is designed to find a model the right business can be repetitive and scalable (Carter, 2011).

Legal Framework

In the current legitimate system in Indonesia, there are 3 structures which straightforwardly describe to the operation of Go-Jek, which is on the arrangement on Sharing Economy, Regulation on Micro, Small, and Middle Business (here in after "UMKM Law"), and the Regulation on Transportation.

Initially, Indonesian constitution does not unequivocally states sharing economy is a perceived monetary guideline, however the arrangement in the constitution contain certain level of acknowledgment over the sharing financial. Indonesian Constitution stipulates that the economy will be composed as a typical undertaking dependent on the standards of family framework (Indonesian Constitution, Fourth Amendment, 1945) It further stipulates that the association of the national economy will be led based on monetary majority rule government maintaining the standards of fellowship, self-effectiveness, and keeping a parity in the advancement and solidarity of the national economy. (Indonesian Constitution, Fourth Amendment, 1945) This rule of economy is very much like the sharing economy. That is written in the work of Schor and his partners (Dubois, et al., 2014; Schor, 2014, 2015; Schor & Fitzmaurice, 2015; Schor et al., 2014), the sharing economy is characterized as digitally associated financial activities including the accompanying potential categories (example. In digression are those made by Cristiano Codagnone and Bertin Martens as creator of JRC Technical Reports "Checking the Sharing Economy: Origins, Definitions, Impact, and Regulatory Issues): distribution of merchandise (for example Craigslist, eBay); expanded usage of solid resources (for example Grab, Uber, and Airbnb).

Second, the UMKM Law is a crucial guideline on the business responsibility. It is stipulated under the Act No. 22 Year 2009. The law was passed to empower and encourage the presence of the startup industry in order to build the national economy (Article 3, UMKM Law, 20/2008). The strengthening of micro, small and middle businesses is likewise planned to raise the work rate, diminishing salary imbalance and destitution alleviation (Article 5, UMKM Law, 20/2008). This guideline demonstrates that each business set up with the mean of constructing the national economy that must have clear lawful conviction. As a result, in the task of the business will certainly give the positive commitment to the national economy development. The traffic and street transport are an entire framework which comprises of the traffic, street transport, traffic system and street transport, foundation of the traffic and street transport, vehicles, drivers, street clients, and the coordinator. In term of sorting out, the coordinator of street transport cannot singularly decide the tax rates. For the taxi tax rates, it must be affirmed by the legislature (Art. 183 Clause 1, Traffic Act, 22/2009), while for the non-courses individual-to-singular transport will base on the understanding between service client and open public transportation company (Art. 183 Clause 2, Traffic Act, 22/2009).

3. Methods

Qualitative research methods are methods for investigating objects that cannot be measured by numbers or other exact measures. Qualitative research can also be interpreted as descriptive research and tends to use analysis with an inductive approach. Sugiyono (2013) describes qualitative research as a naturalistic research method because its research is carried out under natural conditions. The intention of this study aims to understand how unicorn startups are developing in Indonesia. The objective contains numerous analysis to gain general impressions. This section will contain the most appropriate strategy for this research along with the research design, research approach, the method of data collection and also the procedure of the data analysis. The majority of the techniques that will be clarified in this area, which would help guide the research in order to answer the research questions; to what extent do startups companies in Indonesia gain a unicorn status.

Qualitative research is a type of research that produces findings that cannot be achieved using statistical procedure procedures or by means of other quantifications. Through qualitative research researchers can recognize subjects and feel what they experience in everyday life. According to this definition qualitative research produces descriptive data so that it is a detail of a phenomenon under study. According to Indriantoro and Supomo (2002) the purpose of this study is to explain aspects that are relevant to the observed phenomenon. This study helps researchers to: explain the characteristics of the subject under study, examine various aspects of a particular phenomenon, and offer ideas for problems for further testing or research. If in exploration research is intended to understand the characteristics of the phenomenon or problem being studied, this research is intended to explain the characteristics of the phenomenon or problem that exists.

Descriptive research explains the characteristics of a phenomenon that can be used as a basis for making decisions to solve business problems. This research, although basically not intended to solve business problems, is also called diagnosis analysis whose data can be either qualitative or quantitative data. Data collection through this research, however, is sometimes also intended to test hypotheses or answer research questions. Based on the opinion of Sarwono and Martadiredja (2008) Definition of descriptive research is research to describe the characteristics / symptoms / functions of a population. According to Sugiyono (2012: 5) the understanding of research methods is as follows:

"Research methods can be interpreted as a scientific way to obtain valid data with the aim of being able to be found, developed, and proven, a certain knowledge so that in turn it can be used to understand, solve and anticipate problems".

With this method the author intends to collect historical data and observe carefully about certain aspects related to the problem being examined by the author so that it will obtain data that can support the preparation of research reports. The data obtained are then processed and further analyzed on the basis of the theories that have been studied so that they obtain an overview of the object and conclusions can be drawn regarding the problem under study.

In this section, method of sampling for this research will be explained further. Sampling method could be understood as procedure of choosing the sample members from the whole population. The sample for this research would be companies who have and have not reached the Unicorn status in Indonesia. Companies who have reached the Unicorn status is chosen to further understand what they have done to achieve the Unicorn status. The other start-ups are companies who have not reached the Unicorn status, in order understand what obstacles these companies face in order to reach the Unicorn status.

Based on the information above, each stage of the process is carried out to obtain data validity by examining all existing data from various sources that have been obtained from the field and personal documents, official documents, pictures, photographs and so on through interview methods supported by documentation.

4. Results

Startup is an organization designed to find the right business model in order to generate maximum profits (Blank, 2013). Tens of thousands of startups stood up and started businesses in the millennial period. Noted by Nasscom (2014) a non-profit association in India there are 47,000 startups born in the United States and there are 4,500, 4,200, 3,300 startups standing in the UK, India and China respectively. In 2016 Indonesia has 2,000 startups, according to Nasscom research institute, the figure is the highest in Southeast Asia. The majority of startups are new companies based on technology, science and engineering with a percentage of 60.8%, education at 9.4%, food and accommodation services at 11.4% and the rest divided by retail, property, business administration, and construction.

Data shows that the ratio of startup failure is very high, the results of a research survey compiled by Harvard University senior researchers (Ghosh, 2012) published by the Wall Street Journal that 75% of startups that are developing fail in their development. The study was conducted on 2,000 startups in the period 2004 to 2010 in the United States. The definition of startup failure is the failure of managing limited company resources so that the startup does not get a good cycle of money circulation, does not even get adequate revenue in the early years of its journey (Colis, 2016) Ries (2011) implemented the Lean approach implemented in a startup business which initially focused on the software industry, with the main principle being consumer iterations and validations where in this period the access speed was critical. The Lean approach in the context of entrepreneurship can be a role model for avoiding rigid planning and uncontrolled experimentation (Colis, 2016).

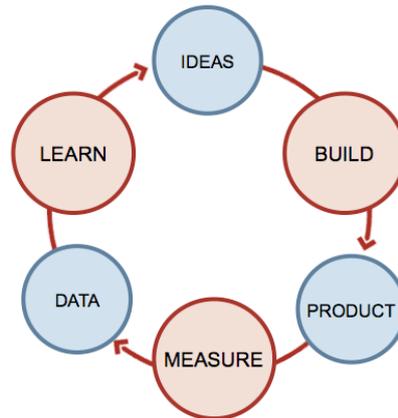


Figure 1. Lean Startup

Source: Reis, (2011)

Lean Startup takes the name of the lean manufacturing revolution of the Toyota Production System (TPS). Lean thinking radically changes the supply chain system and production system. In this connection, it can be described regarding knowledge and creativity of workers to simplify batches, just in time production, inventory and accelerate cycle time (Ries, 2011). Lean startup adapted this concept in the context of entrepreneurship. Lean startup teaches the difference about activities that provide added value and waste and shows how to create a quality product.

In just a few years, there are four online-based companies, better known as startup companies, that have unicorn horns. Based on the article in www.goodnewsfromindonesia.id in January 2018 the four startup companies included: Go-Jek, Tokopedia, Traveloka, and Bukalapak. Less than ten years these companies have achieved total funding of more than US \$ 1 billion. The author limits this research to only focus on Go-Jek, Tokopedia and Bukalapak as providers of electronic wallet (e-wallet) services. Electronic wallet (e-wallet) refers to a temporary "wallet" or an account that contains funds in an online application that is used to facilitate consumers in paying for their products in a non-cash manner.

In the Startup Business stage, there are several things that must be considered by employers to make it easier to run the Startup Business stage according to Duncan (2011: 16). Among others are:

1. Categories of businesses built
2. The business to be built is a product or service
3. Products or services offered vary or are single
4. Costs incurred to create the product or service
5. Prices offered to customers
6. Is realistic price margin
7. Conformity of products or services and prices to market requirements
8. Determination of the amount of income and targeted profits.

Many characteristics of a startup that we can take. Some of the characteristics of the Startup company include:

1. The age of the company is less than 3 years, meaning that it is still in the early stages of a digital company.
2. The number of employees is less than 20 people, initially startups only have a handful of people behind the establishment of the company.
3. Revenues of less than \$ 100,000 / year, not many benefits are obtained because there are still costs for developing a startup.
4. Still in the development stage.

5. Generally engaged in technology, the use of applications is one example.
6. Products made in the form of generally applications in digital form or others
7. Usually operates through a website or social media

From the above characteristics, it can be seen that startups are more inclined to companies engaged in technology and information. But the fact is that, now the development of the company named Startup is a company that deals with the world of technology and information. Will be discussed startup relations with the creative economy and of course the benefits of startup itself for the creative economy. Then what is meant by the creative economy? The direction of the Indonesian economy is now beginning to change. In the past the Indonesian economy did not know the system creative economy. However, at present the State of Indonesia has began to know about what a Creative Economy.

According to Howkins definition, the Creative Economy is economic activities where the input and output are ideas. Only with capital ideas, someone who is creative already can be said to participate in the creative economy and can earn a substantial income from his idea that is. What kind of idea is meant? That is original ideas and can be protected by IPR (Rights Intellectual Property). So, the idea sought here is which is truly new and original.

The ability to realize that creativity combined with the values of art, technology, knowledge and culture becomes the basic capital to face competition economy, so the creative economy emerged economic development alternatives to improve public welfare. As one of the ways is startup development. Some the reason why Indonesia needs to develop the economy creative, partly because of the potentially high creative economy in several ways:

1. Provide significant economic contributions, creative economic success will certainly be advancing the Indonesian economy on the scene international
2. Creating a positive business climate with the existence of a creative economy creates a climate positive competition because of each startup wants to be the best.
3. Build a nation's image and identity, the success of the creative economy will provide a special feature for Indonesia, namely as a country adherent of the creative economy
4. Develop an economy based on renewable resources
5. Creating innovation and creativity is a nation's competitive advantage
6. Provide positive social impact, circumstances society in the current era of globalization tend to not be separated by existing information technology.

As is information and communication technology, make it easy community in a relationship global. Because the technology is quite sophisticated at the moment this, has enabled the community to enter the international world easily with the presence of communication support features.

Government Policy

The 1000 Startup Digital National Movement is a movement to realize Indonesia's potential to become The Digital Energy of Asia in 2020 by printing 1000 startups that are the solution to various problems by utilizing digital technology. This movement was initiated by KIBAR and supported by the Ministry of Communication and Information of the Republic of Indonesia. KIBAR is a company that aims to build a technological ecosystem in Indonesia through capacity building, mentoring and incubation initiatives in various cities.

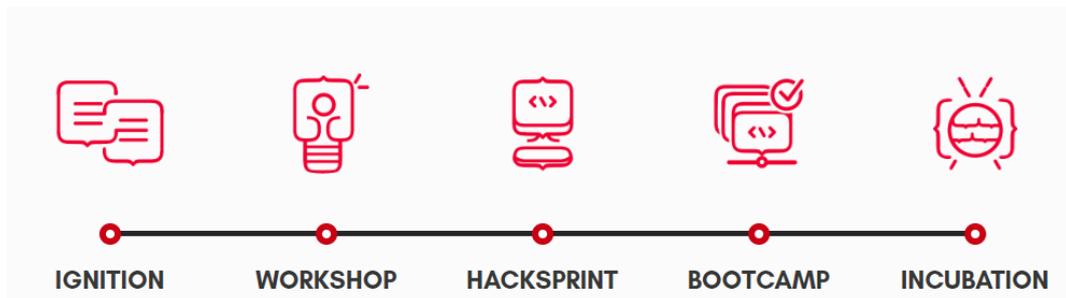


Figure 2. 1000 Startup in Indonesia

Source: Gerakan 1000 startup

The potential of the digital industry in Indonesia cannot be underestimated. There are around 93.4 million internet users and 71 million smartphone users in Indonesia today. This condition is a big capital for Indonesia to develop e-commerce and digital technology application business in the country. The volume of e-commerce business in Indonesia is predicted to reach USD 130 billion with an annual growth rate of around 50 percent. The Government of Indonesia is under the coordination of the Coordinating Ministry for Economic Affairs and collaborates with the Ministry of Communication and Information Technology, working to create an e-commerce roadmap and an ever evolving and sustainable digital technology industry ecosystem

The President of the Republic of Indonesia Joko Widodo has declared a vision to make Indonesia the 'The Digital Energy of Asia' in Silicon Valley mid-February this year. In line with this vision, the Ministry of Communication and Informatics together with KIBAR, initiated the National Movement of 1,000 Digital Startups with the aim of giving birth to quality startups and providing positive impacts by resolving major problems in Indonesia. This movement is targeted to create 1,000 new companies with a total business valuation worth USD 10 billion by 2020. To give birth to 1,000 digital startups, the strategy implemented is through intensive mentoring and coaching through systematic stages in 10 cities that have strong digital infrastructure and foundations. The first step starts from ignition - namely a seminar to instill entrepreneurial thinking, which targets 4,000 participants each year.

Then, from the ignition participants, 2,000 eligible participants will be screened to proceed to the workshop stage to be given the skills they need to create a digital startup. Armed with the knowledge of the workshop, 1,000 participants will proceed to the hackathon stage to produce product prototypes from the idea of application solutions. After that, 500 participants will enter the bootcamp stage, which is an in-depth mentoring session to prepare a product launch strategy. Finally, 200 selected participants will be incubated for approximately 3 months around the city per year, so that in 5 years 1,000 digital startups will be created. Indonesia has a very rich cultural diversity. If combined with the power of digital technology, this is a big capital to produce innovation and creativity that is so unique. Let's stop dreaming and refuse to be lulled by potential. Let us move together and work to create solutions that benefit the people of Indonesia and the world, KIBAR Chief Executive Yansen Kamto explained. The 1,000 Startup Digital National Movement will be held in 10 cities: Jakarta, Bandung, Surabaya, Yogyakarta, Semarang, Malang, Medan, Bali, Makassar and Pontianak. In each city an innovation center will be established as a gathering point for the technology, creative and cultural communities. This innovation center also provides a co-working space where all local actors and creators can collaborate to create solutions for the needs of local communities to develop into national solutions.

All of this is a manifestation of the mutual cooperation spirit in the digital era, where all elements of the community, from startups, creators, communities, academics, media, and government, move together to develop ecosystems and encourage the creation of a

new generation capable of digital technology. Let's support this movement by spreading enthusiasm, information, and at the same time continue to encourage change to make Indonesia as 'The Digital Energy of Asia', said Rudiantara, Minister of Communication and Information, (2017), concluding the launch of the 1,000 National Startup Digital Movement.

5. Conclusion

Startup in Indonesia began to develop and became one of the government programs to continue to develop startups, there are a number of startups in Indonesia that have become unicorn status that greatly influence the current Indonesian economy. Startup helped foster economic growth and growth in Indonesia, capital and business model problems were the main problems for new startups in the early days to start their business. This was anticipated by the government by creating several programs to develop startups to the next stage, business models used by startups in Indonesia is also very diverse. For startups that have a status as unicorns, they get many advantages, such as the ease of finding investors to invest in their startups and startups that have become unicorns, more often referred to companies, are not startups and they have to restructure their companies. Indonesia as a developing country feels it is necessary to preserve and give birth to new startups that can go international. This research proved the previous research conducted by Adamo Jr. (2014 and Reis (2010) that there are several levels in the startup and its function towards the economy of a country, startups can be a pillar of the economy, especially in developing country economies that need good growth.

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