

# **An Analysis of Micro Enterprise Development Factors in Dealing Business Competition in Medan City**

\*Raihanah Daulay and Siti Mujiatun

Faculty of Economic and Business, University of Muhammadiyah Sumatera Utara, Medan, Indonesia;

\*Corresponding author: [raihanadaulay@gmail.com](mailto:raihanadaulay@gmail.com)

## **Abstract**

Micro-enterprise as a business that absorbs the most labor and occupies the third position of the wheels of economy. In its development, micro business still experience obstacles, making it difficult to compete especially when dealing with franchise business. Various obstacles are faced by micro business actors will be solved by solving from the factors of business development. This study aims to apply the model of micro business development in Medan City. The model is expected to assist micro businesses to be able to compete and thrive, with fostering the businessmen through the program and entrepreneurship skills. The research method used is Action Research. The study was conducted in three stages. The first stage was the survey mapping the conditions and capabilities of micro-enterprises. The second stage was analyzing the factors of micro business development and socialization. The third stage was implementation of micro enterprise development factor and to see the change of micro business.

**Keywords:** factor of business development, entrepreneurship training, business ability, service, financial report.

## **Introduction**

Small and Medium Enterprises is the third largest Indonesian economic activity after agriculture and fishing communities. If Small and Medium Enterprises can thrive, it can indirectly empower communities by opening up wider employment, empowering local products and delivering increased economic growth.

However, small and medium enterprises are very difficult to develop and do not grow evenly due to various factors so that the necessary implementation of integrated systems and empowerment of the right government, because the main problem now is how to expand and empower the Small and Medium Enterprises of Indonesia which tend to still apply traditional management, Weak to capital access, technology tend to be conventional, poor innovation and network, able to grow together with big company especially world class and vision global (Agustaman: 2011).The existence of modern stores aka mini market branded Indomaret and Alfamard in North Sumatra, especially Medan, is not new issue. Residents were already accustomed to shopping in the franchise network. Unfortunately, along with small traders began to marginalize even some until folded (Lufti, 2013).

In general, the problems faced by small businesses are related to management problems or lack of professional management, capital structure, personnel, service and marketing. Capital problem, in general micro business has very limited capital. Most of the small traders have never received assistance in the form of banking institution assistance due to unmet requirements. It can be said that almost all small traders do not have a book that is a requirement to get business loans to banking institutions.

### **Literature Review**

The development of the small and medium-sized business sector to date has been so large that the number almost equaled the number of those employed in other formal sectors. For developing countries, micro businesses contribute up to 30% - 60% of the total urban population (Sriyana, 2010).

According to Law no. 20 Year 2008, micro business is a productive, stand-alone, productive economic enterprise which is not a subsidiary or not a branch of a company owned, controlled, or becomes part directly or indirectly from a medium-sized or large-scale business that meets Small Business criteria.

The criteria of SMEs in foreign countries are based on the following aspects: (1) the amount of labor, (2) income and (3) the amount of assets.

According to the World Bank, SMEs divide into 3 (three) types, namely:

1. Medium Enterprise, with the criteria:
  - a. Number of employees is up to 300 people
  - b. A yearly income is up to \$ 15 million
  - c. Total assets up to \$ 15 million
2. Small Enterprise, with the criteria:
  - a. The number of employees is less than 30 people
  - b. Income per year does not exceed \$ 3 million
  - c. The amount of assets does not exceed \$ 3 million
3. Micro Enterprise, with the criteria:
  - a. Number of employees is less than 10 people
  - b. Income per year does not exceed \$ 100 thousand
  - c. The amount of assets does not exceed \$ 100 thousand (Arief Rahman, 2008).

Based on the law no.20 year 2008, the entry in the small and medium business group includes all the kiosks in traditional markets, stalls and shops that are managed by the community. According to the Directorate General of Foreign Trade, Ministry of Commerce of the Republic of Indonesia (1997), traditional markets are places of goods or services transactions between sellers and buyers, which have the characteristics of: promoting goods/services daily needs in retail, Involving many small-scale retail merchants, the building of its market facilities is relatively simple and ownership and management generally by local government.

Micro-enterprises are businesses that are managed in a simple way by individual or individuals with limited capital, so that goods sold are limited as well. Stalls, stalls or kiosks are buildings used as a place to sell micro business actors, from the survey results show the capital of small business actors mostly under IDR 50 million (Daulay, 2016)

Law no. 9 year 1995 stipulates that small and medium enterprises have the following criteria: a) Net worth of not more than IDR 200 million excluding land and building of business premises; b) Having annual sales of at most IDR 1 billion; c) Owned Indonesian Citizen (WNI); d) Stand alone, not a subsidiary or branch of a company owned or controlled by a large business; e) Forms of business persons per person, business entities incorporated / not, including cooperatives; f) For industrial

sector, having total asset maximum IDR 5 billion; g) For non-industrial sectors, having a net worth of at most Rp 600 million (excluding land and building of business premises), or having maximum annual sales of IDR 3 billion in financed business.

The effort of fostering and developing Small Business from the field of human resources, its way to socialize and cultivate entrepreneurship; improve technical and managerial skills; establish and develop Small Business education, training and consulting institutions, and provide extension workers and Small Business consultants. (Noor Aziz, 2007).

There are several reasons why the importance of SMEs is: (a) its ability to absorb labor, (b) its contribution to Gross Domestic Product (GDP), and its speed in making changes and innovations. In 2005 the contribution of SMEs to GDP was about 55% of the total contribution of the industrial sector and the employment of SMEs absorbs about 98% of industrial sector workforce (BPS, 2006) (Lasmono Tri Sunaryanto, 2007).

### **Research Method**

This research is Action Research. Davis Kline (1980) argues that this action research was conducted with the aim of developing new approaches and programs to solve problems that arise in actual situations (Sugiyono 2000: 4). Action research is also a research to solve social problems (Piaw, 2006: 164).

In this study aims to solve the problems, that occur in micro enterprises by doing micro business development in the face of business competition. The research design aims to create Model development for micro business actors. Micro entrepreneurs have many limitations in running their business, such as in managing business and financial management. Testing a model of development through entrepreneurship program and providing training to make financial statements.

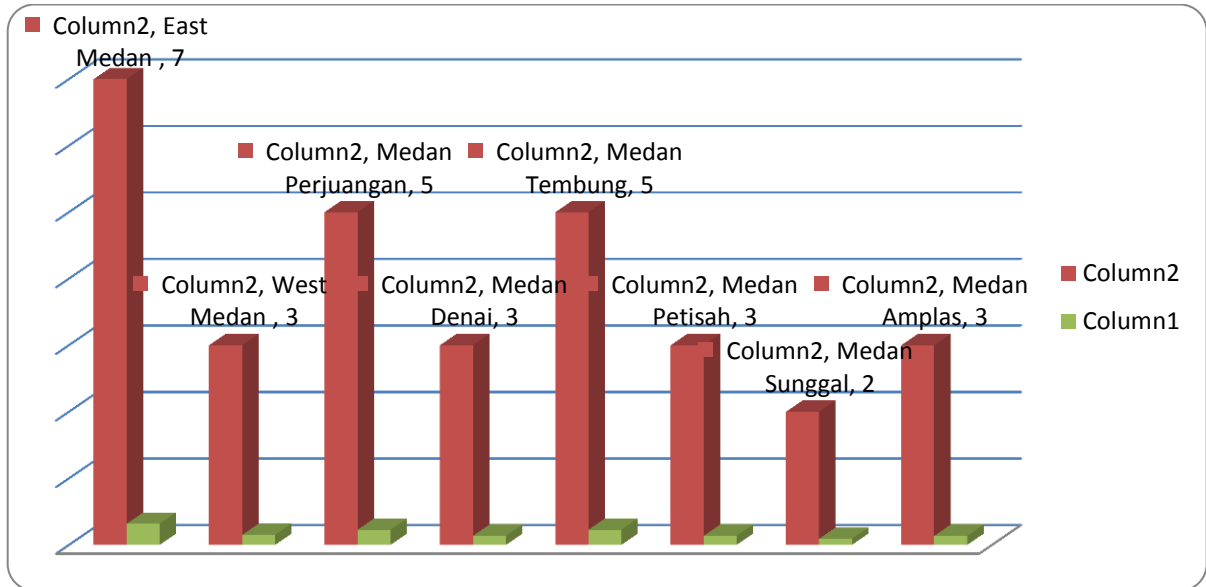
Government to participate in entrepreneurship development is used by providing guidance to micro business actors. Local government to be firm in giving permission for establishment of franchise business and not firmly to franchise business which do not have permit, and pay attention to distance of establishment between franchise with kiosk, shop or shop.

### **Results and Discussion**

Medan City has a rapid development with a population of approximately 2 million inhabitants. It has an area of 265.1 km<sup>2</sup>, with 21 sub-districts covering 151 urban villages. The people of Medan city mostly cultivate the profession as both medium business and micro business. The results of research on micro businesses that are devoted to the shop and shop business show as follows:

### **Research Area**

This research was conducted by taking samples in 8 sub-districts, namely: East Medan, West Medan, Medan Perjuangan, Medan Denai, Medan Tembung, Medan Petisah, Medan Sunggal and Medan Amplas, are described in the figure below:



**Figure 1.** Sub district which become research area.

From the picture above, research subjects were taken based on the density of the population with a shop or stall adjacent to the franchise business in each sub-district as much as 31 stalls or stalls.

**Description of Micro Enterprises**

**Table 1.** Descriptive micro business.

No.	Description	Answer	Some	Percentages
<b>A</b>	<b>Condition of Micro Business in terms of Capital, Human Resources, Facilities and Services.</b>			
1	Long Business has been in operation	>3-11 years	21	78%
2	The first capital of micro enterprise	< 10 million	11	41%
		10-50 million	13	48%
3	Development of Micro Enterprises	100 million	5	18%
4	Have employees	Employee	9	33%
5	Employee education	SMA	22	81%
6	Facilities and service	Facilities	6	22%
<b>B</b>	<b>Ability of Micro Business in Development and Business Competition</b>			
7	Business opening hours	13-16 hours	22	81%
8	Business profit	Capital	20	74%
9	Price on micro business	Cheaper	17	59%
10	Products on micro business	Not available	19	63%
11	Response Against Unsecured Loans	Happy	8	26%
		Agree	8	26%
		Ordinary	13	42%
12	Registration of Expenditures and Inclusion of Micro Enterprises	Not making financial reports	17	55%
13	Willingness to meet the Requirements to obtain micro business financing	Ready	9	29%
14	Entrepreneurship training	Has never been	31	100%

Source: Results of Data Processing in Year I (2016).

Based on the description of micro business obtained in the first year, can be seen in the table above, can be explained the micro business condition of eight 31 micro businesses that sell basic needs and daily needs in the city of Medan. For capital, as much as 89% of business actors only have capital less than Rp. 50 million, whereas in order to compete it requires greater capital in order to meet and complete the goods required buyers and customers.

Lack of capital resulting in less competitive ability and impact on the low development of micro business itself, this can be seen from the lack of an increase in assets or assets of the business run, it is known business does not experience much increase only five or about 18% of 31 micro businesses that have an increase in assets amounted to 100 million rupiah, meaning that 82% of micro business actors are unable to increase their assets. In addition to the service facilities provided only a small part of the micro business actors who provide facilities to the buyers and customers that is only 22% which provides facilities such as between goods purchased to the home customers and 33% who have employees, so the slow service impact on satisfaction and dissatisfied buyers.

The ability of micro business in the development and effort *competition* can be seen in the table above. That micro business in running their business mostly micro business (81%) business hours only 13-16 hours and 19% business opening time is 10-12 hours *only*; it certainly affects the amount of merchandise sales.

But at the price of a micro business compared to the franchise shows that, for the most part or 41%, the price offered by the micro business is cheaper than the franchise and as much as 59% of the fixed price is cheaper and some are more expensive. For the completeness of the product in general micro businesses do not have the number of products that many types to offer to consumers or buyers who come, such as offered by franchise business. This condition is of course very detrimental to micro business actors. When buyers let alone customers come to look for items that are needed, but not available, it *means luck* add turnover sales lost and lost. The table above shows as much as 63% when buyers come to buy, goods unavailable and as much as 37% often do not find the items they will buy at a stall or kiosk.

Then in the administration and finance of micro businesses run by micro business actors, as many as 45% have used the financial statements, as much as 26% of micro business actors do not record the expenses and income from the business they run, as much as 23% only recorded on the sheet of paper And 6% recorded only on small notes. This data shows that 55% of micro business actors do not use and make financial statements in running their business. This condition complicates business actors in obtaining financial assistance from financial institutions.

The government issued a capital assistance program for micro enterprises. In helping micro business actors the government establishes assistance without collateral. But the existence of this provision can be obtained by the business actor by fulfilling the requirements that must be fulfilled in the form of financial statements. The administrative and financial conditions of most micro business actors who have not yet done the bookkeeping of their business operations *therefore assistance* without collateral is difficult to obtain. Based on the survey results of micro business owners, in the form of stalls, shops or kiosks, almost no one borrowed at financial institutions to expand their business. When viewed in the table data above there are 29% of business actors who do not have financial statements but want the help, so willing to make financial statements for business and 52% agree with the existence of loans without collateral, because they can enlarge the

business and add variety of goods Merchandise, so expect sales turnover to increase.

### **Entrepreneurship Program**

Based on the problems of micro business then conducted the analysis of findings and generated entrepreneurship program based on the marketing mix consisting of 4P, namely; Product, Price, Place, Promotion plus service and financial report. The entrepreneurship program consists of two major parts: the first part consists of programs for the management of the stall arrangement, its management and service to the consumer, the second part; consists of programs for the management of microfinance, on how to make the necessary financial statements for a beneficial micro enterprise when it comes to obtaining financing or loans from a banking institution.

### **Entrepreneurship program based on Marketing Mix (4P)**

1. Entrepreneurship program on product (product)  
Products are often said to be anything the producers can offer to consumers or markets to be consumed in order to meet their needs by providing some money. According to Tjiptono (1997: 95) the product is everything that the manufacturer can offer to be noticed, requested, sought, purchased, used or consumed by the market as the fulfillment of the needs or market desires concerned.
2. Entrepreneurship program on price (price)  
Price or price is the part that determines the success of selling products in the market. Appropriate pricing will affect consumers to make purchases of *products*; improper prices will be able to impact consumers' unwillingness to make purchases of products. Price is the value given to a product that is ready to be marketed, which includes all the elements contained and follow the product. So the more facilities provided to obtain a product will be the higher the value to be set against a product
3. Entrepreneurship program at place.  
Place or place is also sometimes said to be a distribution. A place or distribution variable is a business activity that aims to make the product or service offered more accessible to the consumer, and can be available to the right target market. Place variables also include distribution channels to reach all of the widespread target markets. So some companies open branch offices in the regions to facilitate their customers in getting the product.
4. Entrepreneurship program on promotion  
Promotion or Promotion is a marketing mix tool, which is one of the critical success factors of a marketing program. No matter how good a product is if the consumer does not know it and has never heard it so that it is not sure that the product will be useful to them, *and then* the consumer will never buy it let alone use it.

### **Entrepreneurship Program for Services (Service)**

Service is the part that can determine the success of a business service is the ability of the seller to provide attitudes or actions that can cause pleasure or satisfaction and less happy or dissatisfied to consumers or customers when making purchases of goods or services.

### **Entrepreneurship Program for Financial Statements**

The financial statements are a useful report for delivering reliable financial information to interested parties. The financial statements include several items, including assets, debt, capital, and all revenues earned and expenses incurred by

the company in a certain period in order to obtain profit or profit (Mahmudin, 2014). For internal parties, financial statements are useful for assessing the financial performance of a company during a period of recording which is then used as a basis in making decisions for subsequent business development. These decisions include, for example, market development, cost and purchase efficiency, increasing production facilities, and so on.

As for external parties, the financial statements are used one of them to assess the feasibility of business as the basis of the loan for the company's capital loan. Financial statements can be made on a weekly, monthly, quarterly, yearly, or at any time according to the needs of interested parties. A good company, at least will make the financial statements at least monthly.

### **Conclusion**

Micro-enterprises are run with small capital so that the sale of goods is limited and incomplete even though the price is cheaper, so having constraints to be able to compete and develop. The presence of franchisees in general has decreased sales turnover and significant revenue that makes it difficult for micro enterprises to grow. Some micro business actors do not have financial reports because they do not understand reporting, so it becomes an obstacle for micro-enterprises to borrow at financial institutions. Though additional capital is very helpful in business development. Entrepreneurship program is expected to help overcome the problems faced by micro business.

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