



Phenomenon Of SMEs (Small and Medium Enterprises) and Community Mindset

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Abstract

Small and medium enterprises (SMEs) are the core of modern economic life that is very important for economic development in Indonesia, so the government seeks to empower SMEs. Bluto - Sumenep has many SMEs but is difficult to develop. This study aims to analyze the phenomenon of SMEs in Bluto related to the success of their business in relation to education, skills and funds. Questionnaires were used to obtain data from 100 entrepreneurs. The result of correlation analysis shows that there is no relationship between business success with education, skill and fund. This result proves the unique phenomenon of the mindset of the Bluto people who consider that "being an employee is the main one, and the certificate is more important than the skill." The duties of society and government change the mindset of the Bluto people through approach and socialization.

Keywords: SMEs, Entrepreneur, Madura, Employee

1. Introduction

The economy of a country can develop rapidly because it is supported by various forms of entrepreneurship owned by the people. The forms of business that contribute greatly to economic development are Small and Medium Size Enterprises (SMEs), thereby helping to reduce unemployment and play a role in income distribution. Small and medium size enterprises (SMEs) are the core of modern economic life that must keep on competitive and supply high quality output [1]. According to the Law of the Republic of Indonesia 20/2008, the existence of SMEs are considered very important for economic development in Indonesia, so that the government seeks to empower SMEs by developing SMEs through provision of facilities, coaching, mentoring and help strengthening to foster and improve the capabilities and competitiveness of SMEs . Many residents in low- and middle-income countries are SME entrepreneurs with finite constraints, and there is a positive effect of capital investment on SMEs performance [2]. There are many factors that influence the success of SMEs. Access to finance greatly affects the growth of SMEs [3]. Furthermore, education especially commercialization, globalization and management of convergence of technology is important for business owners [4]. Continuing education is essential to developing human resource competence, and personnel skills are part of it [5].

The motivation for starting a new business is not just coming from government policy, but the impetus for entrepreneurship is also influenced by education, skills and ownership of fund. The education level is also important for entrepreneurs especially in maintaining the continuity of its business and overcome all the problems [6]. Munro Said that a creative economy with the appropriate skills needed to build a sustainable business [7].

This study aims to determine the size of the tendency of businesses owned by entrepreneurs of SMEs in Bluto based on the effect of education, skill and fund ownership. This article discusses the tendency of the size of businesses owned by entrepreneurs of SMEs in Bluto due to the influence of education, skill and fund holdings owned by them. Bluto is one of district of Sumenep at eastern tip of the island of Madura, which is still included in the province of East Java. Bluto has many SMEs but almost all existing SMEs have not been able to become larger. This research is very important to know what causes the lack of development of SMEs.

Literature Review

In the current global economy, SMEs have the potential to promote sustainable economic growth. This will happen if given the right support. The importance of intellectual capital namely human capital, structural capital and capital relations in today's business environment [8] requires skill and education for business actors. SMEs have an important role in the economy of Indonesian society. SMEs are able to reduce unemployment because it absorbs a lot of manpower. Pasca economic crisis (1997 – 1998), the number of SMEs increased rapidly to 56,539,560 units in 2012, and 60-70% of them do not have access to bank financing.

The Law of the Republic of Indonesia 20/2008 divides SMEs into 3 types based on several criteria. the first is a micro business if there are less than 10 employees and assets of less than or equal to 50 million, the second is a small business if there are less than 30 people and assets of more than 50 million to 500 million, and the third is a medium business if the number of employees is less than 300 people and the assets more than 500 million to 10 billion [9].

2. Research Method

The SMEs divided into 3 classes, there are micro, small, and medium in accordance with *Undang-undang Republik Indonesia 20/ 2008* (The Law of the Republic of Indonesia 20/2008) and [9]. Education in this study is a formal education. The Formal education levels seen by a diploma which is owned by the businessman. Education is divided into 5 categories which do not have a diploma, or equivalent elementary, junior high and equal, high school or equivalent, as well as universities. The skill in this study divides into two categories: have suitable skill with the subject and do not have skill at all.

Fund of each entrepreneur is not always their own. So it should also be seen by influence of fund ownership to number of the effort. Fund ownership in this study did not look of great or small fund owned, but more emphasis on fund resources. It's categorized into self-owned fund and loan fund.

So many SMEs in Bluto, but the number was unknown. So that sample is taken randomly as many as 100 entrepreneurs. The characteristics of the businesses determined by all the samples then used a questionnaire that had been tested. Descriptive qualitative research is used to illustrate the characteristics of Ukm in bluto. at first the researcher wanted to see the effect of education, skill and capital ownership on business size. but with correlation analysis, the three variables of education, skill and capital ownership have no relation to business size. thus requiring more in-depth research using qualitative studies to see the characteristics of business actors in Bluto.

3. Results and Analysis

Based on the research results, the majority of SMEs in Bluto engaged in trading business and the other is home industry. The majority of businesses in Bluto are grouped by village. For example in the village of Guluk Manjung. This village is famous for its furniture business. The majority of entrepreneurs there own a furniture business. Most of the furniture businesses in this village are classified as small and medium enterprises, only a few are classified as micro-businesses. The highest education possessed by furniture entrepreneurs in

this area is secondary school. They work alone using their own capital, because they started their business from scratch.

In West Pekandangan, the majority of the population are batik artisans with a variety of unique Madura motifs. The famous batik business in this village is "Batik Melati" and "Batik Al-barokah". both of these batik businesses are included in the industrial business that provides finished products in the form of clothing or household furniture such as tablecloths and others. This batik business can be categorized into medium business types. the key to success of both is because they have their own financial capital as a source of strength even though in terms of education they only graduate from high school. More important than financial capital is skill, because to produce quality batik they must be really skilled at making it. Production raw materials also determine the quality of batik production.

While in Palongan village, keris entrepreneurs are dominated. Keris from this village are not only in demand by the domestic community, but are also exported abroad at a price much more expensive than the domestic price. The keris business in this village varies, from micro, small to medium businesses. Keris entrepreneurs are rarely highly educated. The keris carving skills are more needed than academic education. Most of them use their own capital in running their business.

Most of the entrepreneurs graduated from high school and used their own fund, while the ratio between the entrepreneurs who have skill and haven't skill are still very much. The distribution of respondents is illustrated in table 1. More than 50% of respondents' business is included in micro business. With education level of 40% of respondents are pass of high school. Only about 50% of the respondents have the skills, and more than 80% of respondents' businesses use their own funds. this is in contrast to the results of [10] that says that the source of SMEs capital in India comes from many sources of non-formal funds such as loans from relatives or friends (internal funding), the internal funding is the choice of more than 83% of entrepreneurs in India.

Table 1 Distribution of responden

		N	Marginal Percentage
Type of SMEs	Micro	64	64.0%
	Small	27	27.0%
	Medium	9	9.0%
Education Level	No	3	3.0%
	Elementary school	12	12.0%
	Junior High school	19	19.0%
	High school	40	40.0%
	andergraduate	26	26.0%
Skill	No	47	47.0%
	Yes	53	53.0%
Capital Ownership	Loan Capital	19	19.0%
	Own Capital	81	81.0%

Source : Output SPSS with primary data

The correlation analysis results are shown in Table 2. The correlation coefficient between Education Level to Type of SMEs, Skill to Type of SMEs and Capital Ownership to Type of SMEs respectively shows the numbers 0.113, 0.104 and 0.006. all three show very small numbers, so it can prove that between Education Level, Skill and Capital Ownership no significant relationship so that proved that Education Level, Skill and Capital Ownership does not affect the Type of SMEs

Table 2 Correlation analysis

			Education Level	Skill	Capital Ownership
Spearman's rho	Type of SMEs	Correlation Coefficient	.113	-.104	.006
		Sig. (2-tailed)	.262	.305	.955

Source : Output SPSS with primary data

The facts that occurred on SMEs in Bluto actually inversely related to the theory. Many theories have revealed that education, skill and fund influence in developing entrepreneurship. Harris, M. L., & Gibson, S. G. (2008) states that "...generally, successful entrepreneurs are whose competence knowledge, skills and individual quality that includes attitudes, motivation, personal values, and behavior required to implement work or activity ". while the results of the logistic regression test showed that education, skills and capital ownership had no effect on the size of the business in SMEs entrepreneurs in Bluto District.

Discussion

Characteristics of SMEs in bluto are different from other regions. The results show that there is no evidence of a business size relationship in Bluto with education, skills and capital ownership. Based on the Social Phenomenon of the Community in Bluto, the fact that there is no influence of these factors on the size of the business, is corroborated by some cases on SMEs in Bluto, such as: Ammana is the owner of entrepreneur that lived in Kapedi-Bluto who never went to school. Dalila, The owner of TK Bangunan in Aengbaja Raje who only finished elementary school. Khotimah, the owner of TK Anugrah who graduated from high school. ABD Aziz, business owners of laying hens in Bungbungan who graduated from high school and Syaiful Haris, the owner of UD Hasil Bumi in Bluto who is undergraduates. With different educational levels, they do not have skills, use their own fund and have the same small business. This case shows that the level of education has no effect on size of the business.

Hariyanto is the owner of tool antiques enterprise in Palongan and Jufri is the owner of seaweed business in Pekandangan. Both of them were graduated from senior high school, they are using their own fund and have the same medium-sized businesses. The difference is hariyanto have a skill, while Jufri do not have the skill. This case shows that the skill does not affect the size of business.

Sinawati is the owner of TK. Sumber Rejeki in Aengbaja Kenek and Maskur is the owner of UD. Putra Jaya in Bluto. Both of them graduated from junior high school, they have not the skill and both have medium-sized businesses. The difference is their fund comes from different sources; Sinawati uses loan fund, while Maskur uses their own fund. This case shows that fund ownership has no effect on size of the business.

Social condition or social phenomenon in Bluto shows unique. From a social phenomenon, we can find the reason why these three factors have no influence on size of the business in Bluto. Several phenomena associated with this condition as follows: Most of the people in Bluto which in highly education are try to become civil servants (PNS) or private employees. Entrepreneur is the last option which is mostly chosen by them who are not qualified to become civil servants or private employees. The main requirement which often become their problem is formal education. Most of formal education required minimal was undergraduate. So, they who qualified in senior high school are choosing to be entrepreneurship, Contrast, they whose good education will wait for an opportunity to become civil servants or private employees. They feel loose, if the certificate not used to look for a job. The general view of Bluto society is "working is the employees" so, when they become entrepreneur is considered not working. This phenomenon makes most of entrepreneurs in Bluto have low education. It causes levels of education does not have influence on size of business. And [11] said that education needed in business is international business education in order to be able to compete in global business today

In large cities the competition for work is very tight, so that workers are racing to develop the capabilities and skills to get the top position. It's different condition which happens in Bluto that is not too tight; so that businesses and other professions not increase their skills, it's mean that they do not care about the presence or absence of skill in itself. It's because they

are careless to their environment. SMEs entrepreneurs in Bluto could not see the surrounding their environment, they only encouraged in the business environment in Bluto which not develop their business. They are not aware of global competition, they do not realize that entrepreneurs in the other area have mastered the various parts of the world for his efforts; it is not levels of small business to medium sized businesses. It's a high level of business. SMEs entrepreneurs in Bluto are careless of the global competition, they are not the slightest dream of owning a business with a very large business branches everywhere.

As explained before that the fund mentioned in this study is not the amount of fund, but from where the fund comes from (source of fund). Of any fund, own fund or not, it is not the problem but if we could manage well then we become a big business, so the task for government: public awareness to further open up although not have the fund. SMEs should have relationships with other companies to increase production and raise production profits [12]. SMEs alliances bring the external resources in business management that will help the government and SMEs in building the business[13]. Fraca, Graffigna, Palacio, Roca, & Nieva, (2015) said that the professional training offered in educational institutions is not quite in line with the demands of work [14].

The success of a small Business is influenced by entrepreneurial competence and the use of technology, while the relationship between marketing, financial resources and skills has not been proven [15]. The cost of information technology and communication, and the level of wages of employees, are the factors that determine the lack of efficiency in the company [16]. SMEs listed in the stock market have a lower risk of financial or bankruptcy difficulties than those not listed [17].

4. Conclusion

Entrepreneurial success globally influenced by education, skills and entrepreneur fund owned. This theory is inversely proportional to the facts that occurred in of Bluto. Education, skills and fund ownership do not significantly affect to the size of the business in Bluto. Many factors cause of education, skills and fund ownership has no effect on size of the business, particularly the public mindset towards entrepreneurship to be straightened. Most of people in Bluto considered "work = employee". So, they consider self-employment as last job alternative. They want be entrepreneur if they failed in getting the main of work like, public servants and private employees. Bluto society assumes that they feel loose if the certificate that was obtained was not used to looking for a job. They are more appreciating a diploma than their skill. They are less open themselves to reading the need or to compete with the outside environment. They are quite satisfied with what they have now so they are not interested in improving their skills. The Government was instrumental in changing their mindset. Its need some socialization and approach to change the mindset of them. Bluto society should be aware that they are potentially more prosperous if they want to be entrepreneurship. Education is a capital to whet the ability not just for a certificate. Everyone has a skill that must be improved. And own fund is not must be had by them. They need support from the government to supply the fund of entrepreneurs or prospective new employers in Bluto.

Suggestion

To improve entrepreneurship, government intervention is required which includes the government's approach by socializing the benefits of entrepreneurship rather than being an employee then assisting in business management; and government support in providing loan funds.

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