

# Overview Of Small Medium Businesses Case Study : Sungai Penuh City Jambi Province

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## **Abstract.**

*This study aims to provide information and a map of the geographic potential of small industries in Sungai Penuh City, so that they can be a reference for all parties in seeing and developing the potential of small industries. The benefit of this research is as a material for consideration to determine the steps taken by small industries in dealing with their problems. The study was conducted on Small and Medium Enterprises/SMEs as many as 439 respondents/sample from 8,108 SMEs that are not registered with the Department of Industry and Cooperatives of Sungai Penuh City. Respondents are leaders or managers, consultants and consumers as information material about the real condition of small industries. This study uses survey methods and descriptive studies that aim to explain aspects that are relevant to the observed phenomena and offer problem ideas for further testing or research. The results of the Mapping of the Geographical Potential of Small Industries/MSMEs in Sungai City are 8,018 MSMEs. Based on the characteristics of the respondents, it shows that the business fields are varied and centrally located. The average workforce is low in elementary and junior high school education and its existence is not continuous, the average worker lacks previous experience. In terms of capital, generally own capital is not debt to the bank. While the raw materials used are mostly from outside the region. The marketing area is still limited to the surrounding area, promotion is still lacking, the tendency is that small industry owners and sellers are satisfied when the product is sold. In general, small industries have a high level of self-confidence and independence, only because of limited knowledge, small industries develop rather slowly. Product design tends to change, only imitates what is already on the market, lacks innovation, lacks creativity, only because of limited knowledge, small industries develop rather slowly.*

**Keywords:** *Small and Medium Enterprises, Products, Development, Economy*

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## **I. INTRODUCTION**

Small and Medium Enterprises (SMEs) are a business sector that has a fairly high role in the regional economy, especially in providing employment. Entrepreneurship is a solution to economic problems in Indonesia, even though the environmental situation is still experiencing a crisis due to the COVID-19 pandemic. According to Loan that fear and anxiety about Covid-19 have a negative impact on start-up intentions in entrepreneurship, they feel the business opportunity is very strong and positive despite the pandemic situation. Their results on entrepreneurial intention significantly mediate the relationship between entrepreneurial self-efficacy and entrepreneurial behavior [1]. The contribution of an entrepreneur can improve the welfare of society. When measured through the unemployment rate, entrepreneurship

will look very helpful [2]. Concepts and theories enterprising entrepreneur created by Schumpeter adds a new dimension to economic theory.

According to Branco and colleagues, entrepreneurs are agents proactive economics [3]. The entrepreneurial characteristics that distinguish entrepreneurs from non-entrepreneurs are rated the lowest [4]. Social factors are influenced by education, courses and programs related to entrepreneurship, cultural dimensions. Meanwhile, personality, cultural values, and entrepreneurial characteristics significantly influence entrepreneurial behavior [5]. The results of Doanh's research reveal that social capital is not directly related to the intention to become an entrepreneur, which has an indirect and significant impact on the intention to start all attitudes towards entrepreneurship, perceived behavioral control, and entrepreneurial self-efficacy [7]. Persistence and risk taking moderate the relationship of the spirit of success in entrepreneurship [8]. The results of research by Sarwoko & Nurfarida (2021) show that entrepreneurial marketing has a positive effect on business performance. Entrepreneurial marketing is an important factor in maximizing business performance. In addition, personal characteristics and one's ability to accept risks in running SMEs play the most significant role [9]. According to Al Issa persistence and risk taking mediate the spirit-success relationship [1].

The development of small and medium enterprises lately is quite concerning, especially with the entry of various imported products which are the result of foreign medium enterprises. The development of small industries must focus on the sub-sectors that are the mainstay and the leading sectors. The potential of the mainstay sector is the potential of the dominantly owned sector without considering the competitiveness of the sector in the economy, while the potential of the leading sub-sector is the potential of the mainstay sub-sector that has competitive *advantage*. Exploring regional economic potential is very important in order to stimulate regional economic activities without relying too much on subsidies from the center. Theoretically, the increase in the community's economy will lead to an increase in the standard of living of the community which in turn will increase the Regional Original Income (PAD). The weakening of the small business sector in the market, in the long term will have an impact on the decline in people's living standards and increase in unemployment.

Therefore, efforts are needed that lead to the development of the small business sector in order to improve the quality of products or services so that they are able to compete in the market. Efforts to improve product quality require good business management (management), covering aspects of capital, production, marketing, human resources, and bookkeeping. While other efforts from the government must also collect data on the potential of small industries with the end result getting an overview of the potential of small industries in Sungai Penuh City. Wiwik S. and Isnalita research on the study of mapping small and medium enterprises in the context of pre-restructuring [10]. The results show that: the raw materials used

are local materials, the average workforce is low educated, the production equipment is very simple, the product design tends to be static, the capital is generally owned by oneself, and marketing is still limited to the surrounding area. In Indonesia, seen from the number of business units, there are very many in all economic sectors and their contribution is very large to employment and income opportunities, especially in rural areas.

But on the other hand, it was found that many small and medium-sized businesses are experiencing problems in various aspects of their business, in anticipation of problems, it is necessary to study how the internal potential and obstacles from outside the small industry and map the potential of the small industry. The external environment is a condition outside the Industry that can affect the life of the Industry. According to Viljoen in Moeljadi, this external environment is often referred to as *external Opportunities and Threats*, including *political, social, technological, economic, geographic, customers, suppliers, competitors, creditors and labour* [11]. Glueck in Moeljadi calls this environment "factors outside the industry that can create opportunities or threats". Every effort made by the Industry is always faced with an ever-changing situation. This condition is not possible without an adjustment process to existing external conditions. So the internal environment is a reflection of the strengths or weaknesses of an Industrial organization and can reflect the management's ability to manage the Industry. The concept consists of the ability of entrepreneurs, the ability to optimize existing production processes, the capability to conduct market expansion, and financial management. Hunger in Moeljadi. In Sungai Penuh City, judging from the large number of business units registered in the small industry sector and their very large contribution to job opportunities, generally they have low education. local community and economic development.

From the description above, we formulate the problem in this research, namely;

(1) What is the picture of the potential of small industries from various business aspects?

(2) What problems are faced by small industries in Sungai Penuh city?

(3) What is the prospect of small industry before the mapping is carried out and after the industrial geography mapping is carried out? The objectives of this research are

- to provide information to small industry players regarding the potential and weaknesses,
- to produce a map of the geographic potential of small industries in Sungai Penuh City so that it can be a reference for all parties in seeing and developing the potential of small industries. . The benefits are taken into consideration to determine the steps taken by small industries in dealing with their problems. This research is focused on small industries of various new goods and service industries registered with the Industry and Trade Office of Sungai Penuh City in 2017.

## II. METHODS

The research was conducted on SMEs in the business sector of various processed food and handicrafts and other fields registered with Dinas Koperasi dan Industri Kota Sungai Penuh in 2017 as many as 439 respondents/sample from 8108 SMEs/small industry/small and medium enterprises, home industries that are not registered with Disperindagkop Kota Sungai Penuh 1000 SMEs, respondents of leaders or managers, consultants and consumers as information material about the real condition of small industries.

### *a. Sampling Methods*

Because this research is a survey, sampling from one population uses a questionnaire as a data collection tool (Singarimbun, 2008: 198). No prior sampling is carried out from the existing population, but the sample is respondents who are willing to answer the questionnaire. as much as 10%, namely 439 SMEs.

### *b. Data Collection Techniques*

In this study there are two main data, namely supporting data there are 7 (age, education level of the leader/manager, years of service, line of business, number of workers, and experience possessed, competitive advantage). There are 5 main data covering aspects of capital, production, marketing, entrepreneurship, and bookkeeping).

### *c. Data Analysis Techniques.*

This research is a descriptive study, so the data analysis technique used is descriptive qualitative. The stages in data analysis are: Data Tabulation, Data Reduction, Descriptive Analysis with SWOT analysis.

## III. RESULT AND DISCUSSION

The composition of the population of SungaiFull as much as 60% lives in rural areas, so that SMEs in the city of SungaiFull are very potential and can create jobs, use more labor-intensive and employ more than 60% of the workforce of the entire private sector workforce. The following is an overview of SMEs in Sungai Penuh City, Jambi Province;

### *a. Characteristics of Respondents*

Most of the workforce has a low education level, so the existence of SMEs still needs to be maintained for the sake of survival for the people's economy and the existence of small industries will always be supported and developed, even though the export value is still relatively low, namely 20% of the total export value of Sungai Penuh City. Business Sector, on average, small industries are generally concentrated in locations or industrial centers, this shows that the location of the industry is close to raw materials and labor, so that SMEs do not experience difficulties with the needs of raw materials and labor.

### **b. Aspects of Capital**

SMEs tend to use their own capital, so they are generally not affected by the fluctuations in the value of the rupiah against the dollar, and are not affected by bank interest rates.

### **c. Aspects of Production**

SMEs tend to use local raw materials and come from the surrounding area. Only medium-sized industries use raw materials from outside.

### **d. Aspects of Marketing**

SME, the marketing area is clear and easy to control. In general, the marketing area for small businesses is in the local market, this local market will make it easier to change, because it is close to the location of consumers and conditions like this, SMEs are considered more flexible in facing the globalization situation.

### **e. The Entrepreneurial Aspect of**

SMEs has high self-confidence, so that the reputation of MSMEs is very dependent on the capabilities they have, and there is a high initiative to advance MSMEs, and they are very independent. This is the power to grow small businesses.

### **f. Aspects of Competitive Advantage**

Small business is a sector that has a fairly high role in the regional economy, especially in providing employment, or using a lot of labor intensive. The tendency to use local raw materials and labor from around MSMEs, thus optimizing natural resources (raw materials) and human resources (TK).

### **g. Bookkeeping**

In general, SMEs have not carried out regular bookkeeping or recording and written planning has not been widely carried out, this causes the documentation of SME activities to be inadequate and unable or difficult to measure the financial and business performance achieved.

Based on the description above, it can be identified the strengths, weaknesses, opportunities, and threats to the various processed food and handicraft industries (SMEs). The following are the results of a SWOT analysis on SMEs in the city of SungaiFull,;

#### **a. Potential Internal(*StrengthsStrengths*)**

Using local raw materials to produce their products, so they are not directly affected by the decline in the rupiah exchange rate against foreign currencies, Cheap labor wages, Simple production process, Owners can control their MSMEs easily, because they are directly handled by themselves, Source capital tends to be own capital, so it is not affected by the rupiah exchange rate and bank interest rates, high entrepreneurial ability (Confidence)

#### **b. Internal(*WeaknessesWeaknesses*)**

Inadequate business documentation, Entrepreneurs are quickly satisfied with the results achieved, Entrepreneurs often change but those already on the market, Low

quality human resources, Innovative product design, Weak access to technology, capital, continuous raw materials

#### **c. Potential External/*Opportunities***

Economic globalization opens up as much opportunities as possible for the various and textile industries, and is supported by Indonesia which is still very potential. The number of available workforce is large with low wages,

#### **d. External(*Threats*)**

The entry of products from abroad that are able to provide cheaper prices, and better quality, The number of workers abroad to get higher wages.

### **IV. CONCLUSION**

Based on the analysis and discussion of the research results above, the study of mapping the potential of small industries and small business problems are:

1. The results of Mapping the Geographical Potential of Small Industries. UKM in Sungai Penuh city show that there are 8018 total SMEs with details of Tanah Kampung 610 SMEs, Kumun district Debai 610 UKM, Hamparan Rawang subdistrict 1178 UKM, Koto Baru subdistrict 1508 UMKM, Pesisir Bukit subdistrict 615 UKM, Pondok Tinggi subdistrict 1207 SMEs, Sungai Bungkal subdistrict 652 UKM, and Sungai Penuh subdistrict 1638 UKM and is the sub-district with the most SMEs (out of 8018 population The SMEs were taken 10% of the sample or about 439 respondents to see the potential of SMEs). \

2. Based on the characteristics of the respondents, it shows that the business fields are varied and centrally located (centra), the average workforce is low in elementary and junior high school education and its existence is not continuous, because many workers in small businesses as a side job, the average worker lacks experience previously.

3. In terms of capital, generally own capital is not borrowed from a bank or in cooperation with other parties, and a small portion is borrowed from a bank.

4. While the raw materials used are mostly from outside the region and a small part are locally obtained through cash purchases, rarely make written agreements with suppliers, the production tools used are still simple.

5. The marketing area is still limited to the surrounding area, the promotion is still lacking, the tendency is through small industry owners and sellers to be satisfied when the product is sold.

6. Generally, small industries have a high level of self-confidence and independence, only because of limited knowledge, small industries develop rather slowly. 7. Product design tends to change, only imitates what is already on the market, lacks innovation, lacks creativity, only because of limited knowledge, small industries develop rather slowly. With the results of this industrial geography mapping, it is hoped that this will be able to overcome this. Furthermore, the results of this study

explain the condition of small industries with relevant, accurate, local wisdom, and sustainable data.

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