

# Analysis of Factors That Influence The Sustainability of Businesses of Micro Small And Medium Enterprises (MSMEs)

Lusy<sup>1</sup>, V. Devina<sup>2</sup>

<sup>1,2</sup> Darma Cendika Chatolik University, Surabaya - Indonesia

## Abstract

*Micro Small and Medium Enterprises (MSMEs) are the main drivers of economic growth wheels that are able to absorb labor and are able to make a significant contribution to the Gross Domestic Product (GDP). This research was conducted in Sidoarjo Regency covering 11 BPR and is a qualitative research. The respondents of this study were twenty-six (26) who were SMEs.*

*The results of this study indicate that SMEs have a good business continuity through loans provided by rural banks in Sidoarjo Regency. Other results show an increase both in terms of income and the addition of existing assets, an increase in the amount of labor used, and an increase in a more prosperous standard of living. In the initial stage, there are those who do not yet have employees, but after their business develops with the existence of credit from BPR, MSME entrepreneurs are able to have employees and some even increase the number of employees. From this study it can be concluded that the credit given by BPRs has a significant role in the progress of MSMEs as evidenced by an increase in the living standards of MSMEs who have become more prosperous with an increase in their incomes. Through this research, it is hoped that the Government will pay more attention to BPRs, in the form of policies that enable BPRs to survive facing competition, especially from commercial banks.*

**Keywords:** *Micro Small and Medium Enterprises (MSMEs), Rural Credit Banks (BPR), Revenue, Prosperous.*

## I. INTRODUCTION

When facing a crisis, Micro Small and Medium Enterprises (MSMEs) are able to save the nation's economy, because it can make a significant contribution to Gross Domestic Income (GDP), and be able to absorb labor which will ultimately improve the welfare of the community (Aribawa, 2016). Based on data obtained from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, it shows that the number of MSMEs after the crisis did not decrease but continued to increase. In 2012, the number of MSME entrepreneurs was 56,534,592 (99.99%), while 0.01% were large-scale entrepreneurs. In 2016 the number

increased to 61,651,177 (99.99%) and 0.01% were large-scale entrepreneurs. The employment of 2016 was 112,828,610 (97.04%). The GDP in 2016 was 7,009,283 billion or 59.84% and rose to 7,704,635.9 billion (60%) in 2017.

The above phenomenon explains that MSMEs are quite interesting topics to be studied. Sudaryanto, et al. (2011) explained that the strategy to develop MSMEs in Indonesia is inseparable from banking support in lending. This research is in line with Murwanti and Sholahuddin (2013) which shows that traders who have already received Baitul Maal wa Tamwil (BMT) financing, can increase their profits. Likewise, Widyastuti and Yuliandari's research (2016) shows that working capital loans extended by BPRs to MSMEs have a positive influence on the average increase in MSMEs sales turnover.

Pramana and Indrarini (2017) in their research showed an increase in the welfare of MSME customers after obtaining financing from the SRB. This study is in line with Lastina and Budhi (2018) showing that the effectiveness of the distribution of KUR Bank BRI Unit Blahkiuh has a positive and significant effect on SME income through the productivity of MSMEs in the Abiansemal sub-district.

According to Oktafia (2017) in the growth of MSMEs the movement is faster through the role and support of Islamic Micro Finance Institutions. Research from Husaeni and Dewi (2019) shows that Sharia microfinance has a significant effect on the level of MSME business development for BMT members in West Java.

Based on the above background, the researcher raised the topic of the factor analysis that affects the business continuity of MSME entrepreneurs.

## II. THEORY REVIEW

### A. Credit

Credit is the provision of money based on a loan agreement between the bank and another party, which gives the obligation for the borrower to repay his debt after a certain period of time, by providing interest (Act No. 7 of 1992 concerning Banking as Amended by Act No. 10 of 1998 article 21 paragraph 11).

Loans have several purposes, including: (1) Looking for profit seen from the bank that will receive interest income; (2) helping customers' businesses grow more; and (3) assisting the Government, because it enhances development in various sectors (Kasmir, 2018). Well-managed loans, and the separation of records from personal finances, can certainly increase the income of the credit recipients.

#### **B. Rural Credit Bank (BPR)**

Rural Credit Banks, like other conventional banks, conduct business activities to collect funds from the community to be distributed to other people who need it, but with some limitations in scope. BPRs cannot provide services in payment traffic, such as clearing and buying and selling of foreign currencies.

There are 3 BPR categories, namely: (1) BPR book I; (2) BPR book II; and (3) BPR book III. The difference between the three categories is on capital, if book I capital is below Rp. 15,000,000,000 (fifteen billion); book II the capital is between Rp. 15,000,000,000 (fifteen billion) to Rp. 50,000,000,000 (Fifty Billion); while for book III the capital is above Rp. 50,000,000,000 (Fifty Billion).

#### **C. Micro Small and Medium Enterprises (MSMEs)**

The meaning of MSMEs is divided according to Law No. 20 Article 1 of 2008 is as follows:

- a. "Micro Business with criteria including: (1) net assets owned at most Rp. 50,000,000 (fifty million Rupiah), excluding land and buildings for businesses; or (2) has annual sales results of at most Rp. 300,000,000 (three hundred million Rupiah) ".
- b. "Small Business has criteria (1) net worth of more than Rp. 50,000,000 (fifty million Rupiah) up to a maximum of Rp. 500,000,000 (five hundred million Rupiah) excluding land and buildings for business premises; or (2) has annual sales results of more than Rp. 300,000,000 (three hundred million Rupiah) up to a maximum of Rp. 2,500,000,000 (two billion five hundred million Rupiah) ".
- c. "Medium Business is a business with the following criteria: (1) total net assets of more than Rp. 500,000,000 (five hundred million Rupiah) up to a maximum of Rp. 10,000,000,000 (ten billion Rupiah) excluding land and buildings for business premises; or (2) has annual sales results of more than Rp. 2,500,000,000 (two billion five hundred million Rupiah) up to a maximum of Rp. 50,000,000,000 - (Fifty Billion Rupiah).

The existence of MSMEs is a savior for post-crisis economic development, because it can

open employment opportunities that will reduce the unemployment rate, and participate in the development of a country (Baholli, et al., 2015). When there is a fluctuation in currency exchange rates, MSMEs have no potential to experience a crisis, because they are not dependent on foreign currencies (Karinayah, 2018).

#### **D. Income**

Income is the result obtained by someone from work activities. In economics, income is the maximum value that can be consumed by someone in a period like the original state. It can be concluded that income is the amount of assets in the initial period plus all income in one period (Sari, 2019).

#### **E. Prosperous**

The definition of prosperity according to Notowidagdo (2016) is a sense of security, security and prosperity, free from disturbances. Meanwhile, according to Suharto (2014) there are three basic concepts of social welfare, namely: (1) welfare conditions include the fulfillment of physical, spiritual and social needs; (2) the field of activities involving social welfare institutions and various humanitarian professions conducting social welfare businesses and social services; (3) activities in the form of organized activities or businesses to achieve a prosperous condition.

### **III. RESEARCH METHODS**

The research carried out is a qualitative descriptive study that aims to determine the impact of BPR credit distribution for the business continuity of MSME entrepreneurs, by conducting in-depth interviews with informants (Bungin, 2011).

In-depth interview is by conducting question and answer while face to face between researchers and informants using question guidelines. The object of this study is the SMEs in 11 rural banks in Sidoarjo. The source of the data was taken from people whose information was excavated, namely 26 informants from the UMKM and visited the field.

### **IV. RESULTS AND DISCUSSION**

SMEs who are respondents, are scattered in several areas including Porong, and Sidoarjo. The informants interviewed have a variety of businesses, some are in the salon business, selling mobile phones, fabrics, household appliance production, restaurants, farmers, crackers entrepreneurs, to tent rentals. Of the 26 informants, only 4 received credit facilities twice at the same BPR. While 22 informants took credit more than 3 times at the same BPR. All of these SMEs experienced an increase in employment. At the beginning of the business there are those who do not have employees, but when the interview already has employees, there are even those who have doubled due to their growing business.

Ali, as an MSME entrepreneur at the beginning, did not have a car, but after receiving credit from the BPR he was able to buy a car to expand his business. Junaidi initially did not have any assets, but after receiving credit, his business grew, his market share increased, and he was able to buy a car for the business and expand his home. Dju as an MSME actor after receiving credit from BPR is able to have more than two houses and owns a car for her children.

Minarti used to use only 2 employees, but currently has 27 employees, with the addition of assets in the form of a work car, a family car, and has a green house which is quite extensive with income increasing 5 times. In addition there are SMEs who have shops, previously had a net income of only Rp. 4,000,000 per month but now increases 125%.

There are also SMEs in the field of crackers that experienced a 20% increase with the addition of assets in the form of houses, cars, truck fleets and boiler machines for the production of crackers. Informant Novi experienced a threefold increase in income by adding one store.

**Table 1. Increase in assets of MSMEs actors**

No	Name	Additional Assets	No	Name	Additional Assets
1	Novi	Yes	14	Nur M.	Yes
2	Jun	Yes	15	Syamsul	Yes
3	Fat	Yes	16	Faisol	Yes
4	Suyitno	Yes	17	Widhi	Yes
5	Ari	Yes	18	Askan	Yes
6	Kus	Yes	19	Senali	Yes
7	Mar	Yes	20	Dim	Yes
8	Ali	Yes	21	Kholifat	Yes
9	Dju	Yes	22	Nurw	Yes
10	Narti	Yes	23	Eko S.	Yes
11	Paul	Yes	24	Novi	Yes
12	Sukir	Yes	25	Mamik S.	Yes
13	Johan	Yes	26	Nur H.	Yes

Source: Results of interviews with respondents

**Table 2. Business Continuity for SMEs**

No	Name	Business Continuity	No	Name	Business Continuity
1	Novi	Yes	14	Nur M.	Yes
2	Jun	Yes	15	Syamsul	Yes
3	Fat	Yes	16	Faisol	Yes
4	Suyitno	Yes	17	Widhi	Yes
5	Ari	Yes	18	Askan	Yes
6	Kus	Yes	19	Senali	Yes
7	Mar	Yes	20	Dim	Yes
8	Ali	Yes	21	Kholifat	Yes
9	Dju	Yes	22	Nurw	Yes
10	Narti	Yes	23	Eko S.	Yes
11	Paul	Yes	24	Novi	Yes
12	Sukir	Yes	25	Mamik S.	Yes
13	Johan	Yes	26	Nur H.	Yes

Source: Results of interviews with respondents

The continuity of this business can be seen by the existence of a growing business, increasing incomes, increasing the number of employees and increasing profits.

This research is supported by Widyastuti and Yuliandari (2016) who show that (1) BPRs play a very important role in improving the performance of small micro businesses, even though they are still not as large as Commercial Banks; (2) Working capital loans channeled by BPRs to Medium and Small Enterprises (MSEs) have a positive effect on the average increase in sales turnover. Murwanti and Sholahuddin (2013) in their research showed that micro-trader businesses increased after obtaining BMT financing. Mulyati (2017) in her research showed a significant result between giving credit and increasing SME income at PT. BPR Pundi Masyarakat. Research by Malik and Siringoringo (2011) shows that: (1) credit has a direct and significant positive effect on SME assets; (2) credit has a direct and significant positive effect on the number of SME employees; (3) credit has a direct and significant positive effect on SME income, while assets have an indirect and significant negative effect on SME income.

Pramana and Indrarini (2017) in their research showed that there is a relationship between financing and the welfare of BPRS customers. When customers get financing, their business results will increase so as to improve the welfare of these customers. Likewise Sari (2015) in his research showed that there was a significant influence between the distribution of MSME loans to the growth of MSMEs. Research conducted by Shalihuddin, et al., (2016) shows the results of: (1) Loans disbursed by PT BPR Ganda Lata have an impact on increasing income and only 1 (one) respondent has not experienced an increase in income; (2) All respondents experienced an increase in profits each month.

The design of credit lending strategies from this study are: "(1) Mapping credit lending plans. Mapping is done based on the segment to be financed, and a priority scale is made; (2) applying 6C credit rating criteria in the form of: Character (to assess the character of the prospective debtor related to reliability in making credit payments); Capacity (ability of prospective debtors to repay loans); Cash Flow (cash flow of businesses that are able to pay loans that are used on time); Capital (capital of prospective debtors who are able to assume additional planned loans); Condition of Economy (prospective debtor business prospects in terms of micro and macro economics); and Collateral (collateral value of the prospective debtor is adequate to bear the risk if something unexpected happens)" (Lusy, 2019). If this lending strategy is carried out correctly it will certainly be effective for BPRs in extending their credit to MSME entrepreneurs.

## V. CONCLUSION

Micro Small and Medium Enterprises (MSMEs) that receive credit from rural banks in Sidoarjo Regency have experienced an increase both in terms of assets, and business continuity. Another impact of the credit provided by the BPR is to increase income for the people around Sidoarjo, because the SMEs are able to absorb an increased workforce.

## VI. SUGGESTION

BPRs have a very important role to MSMEs actors, that is why policy makers in this case the Government, are expected to be able to pay attention to the survival of BPRs by imposing limits on conventional banks, especially in terms of loans. MSMEs need to provide training to their employees so that they have improved performance. This is in line with the research of Jones, et al. (2013) which shows that MSME practitioners who have training methods, can improve the performance of the existing human resources at the company.

Micro Small and Medium Enterprises (MSMEs) players should utilize 4.0 technology so that they can compete with large-scale actors and expand market share through the 4.0 technology. The next researcher should provide assistance to MSMEs entrepreneurs to compile simple bookkeeping in order to find out the real benefits. Researchers can then consider the development of the digital economy as one of the factors that support the success of MSMEs entrepreneurs. MSMEs players who master developing digital technology will be able to expand market share to various regions and work more efficiently in promoting results (Sari, 2019; Roosdhani, et al., 2012; Rianto and Yunus, 2019).

## REFERENCES

- [1] Aribawa, D. 2016. Pengaruh Literasi Keuangan Terhadap Kinerja dan Keberlangsungan UMKM di Jawa Tengah. *Jurnal Siasat Bisnis*. Vol. 20 (1): 1-13.
- [2] Baholli, F., Dika, I., & Xhabija, G. 2015. Analysis of Factors that Influence Non-Performing Loans with Econometric Model Albanian Case. *Mediterranean Journal of Social Sciences*. Vol. 6 (1): 391-398.
- [3] Bungin, B. 2011. Penelitian Kualitatif Komunikasi, Ekonomi, Kebijakan Publik, dan Ilmu Sosial Lainnya. Edisi Kedua. Jakarta : Prenada Media Group.
- [4] Husaeni, U.A., & T.K. Dewi. 2019. Pengaruh Pembiayaan Mikro Syariah Terhadap Tingkat Perkembangan Usaha Mikro Kecil Menengah (UMKM) Pada Anggota BMT di Jawa Barat. *Bongaya Journal for Research in Management (BJRM)*. Vol. 2. No. 1: 48-56.
- [5] Jones, Paul, Beynon, Malcolm J., Pickernell, David & Packham, Gary. 2013. Evaluating the Impact of Different Training Methods on SME Business Performance. *Environment of Planning C: Government and Policy*. Vol. 31: 56-81.
- [6] Karinayah, D. 2018. Pemberdayaan Usaha Mikro Kecil dan Menengah di Kabupaten Sidoarjo. *Jurnal FISIP Universitas Airlangga Surabaya*.
- [7] Lastina, N.L.M.A.D., & M.K.S. Budhi. 2018. Efektivitas Penyaluran Kredit Usaha Rakyat PT. BRI (Persero) Unit Blahkiuh Terhadap Produktivitas UKM dan Pendapatan UKM Penerima KUR di Kecamatan Abianseml. *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*. Vol. 7(4): 959-986.
- [8] Lusy & V.D. Setyawati. 2019. Bank Perkreditan Rakyat (BPR) dan UMKM. Putra Media Nusantara (PMN). Surabaya.
- [9] Malik, R. & H. Siringoringo. 2011. Analisis Pengaruh Kredit, Aset dan Jumlah Pegawai terhadap Pendapatan Usaha Kecil Menengah (UKM) Penerima Kredit Bank Perkreditan Rakyat. Repository Universitas Gunadarma. Jakarta.
- [10] Maro'ah, S., Mochklas, M., Firmansyah, M.A., & Roosmawarni, A/ 2018. Marketing Framework of Small and Medium Enterprises (SMEs) Based on Marketing Mix of Syariah. *International Journal of Management and Economics Invention*. 4(9):1924-1928
- [11] Mochklas, M. 2016. Role of Leader in Creating Organizational Culture and Product Innovation to Reach Sustainable Competitive Advantage (Study on Ngingas Metal Village SME of Sidoarjo, East Java). *The International Journal Of Business & Management*, 4(7):251-256
- [12] Mochklas, M., Panggayudi, D.S., & Soenarto. 2019. The Work Culture of South Korean Companies In Indonesia. *Humanities & Social Sciences Reviews*, 7(4):603-60
- [13] Mukarromah, S., Maro'ah, S., & Mochklas, M. 2018. Implementasi Strategi Bauran Pemasaran Dalam Meningkatkan Volume Penjualan Toko Baju Senam Grosir. *Com. Jurnal Eksekutif*, 15(2):316-333
- [14] Mulyati, S. 2017. Pengaruh Pemberian Kredit Terhadap Peningkatan Pendapatan Usaha Kecil dan Menengah (Studi Kasus Debitur PT. BPR Pundi Masyarakat Kota Batam). *Measurement*. Vol. 11. No. 1: 26-37.
- [15] Murwanti, S., & M. Sholahuddin. 2013. Peran Keuangan Lembaga Mikro Syariah untuk Usaha Mikro di Wonogiri. *Proceeding Seminar Nasional dan Call For Papers SANCALL 2013*.
- [16] Notowidagdo, R. 2016. Pengantar Kesejahteraan Sosial Berwawasan Iman dan Takwa. Amzah. Jakarta.
- [17] Nur Achmad Rofi'i, Didin Fatihudin, Mochamad Mochklas. 2019. Pengaruh Strategi Bauran Pemasaran Terhadap Peningkatan Penjualan Pada Produk Dr. Kebab Bara Satriya Sidoarjo. *Jurnal BALANCE*, 16(1): 112-119
- [18] Oktafia, R. 2017. Percepatan Pertumbuhan Usaha Mikro, Kecil, dan Menengah (UMKM) Melalui Perkuatan Lembaga Keuangan Mikro Syariah (LKMS) di Jawa Timur. *Proceedings Ancoms 2017*. Tgl 13-14 Mei 2017. UIN Sunan Ampel Surabaya: 85-92.
- [19] Pramana, D. & R. Indrarini. 2017. Pembiayaan BPR Syariah dalam Peningkatan Kesejahteraan UMKM: Berdasarkan Maqashid Sharia. *Jurnal Ekonomi dan Bisnis Islam*. Vol. 3(1). Januari-Juni 2017. Hal: 49-60.
- [20] Rianto, A., & M. Yunus. 2019. Pengaruh Ekuitas Merek, Nilai dan Relasional Terhadap Loyalitas Konsumen Swalayan di Kota Banda Aceh. *Jurnal Ilmiah Mahasiswa Ekonomi Manajemen*. Vol. 4 (1) 2019. Februari: 306-318.
- [21] Roosdhani, M.R., P.A. Wibowo, & A. Widiastuti. 2012. Analisis Tingkat Penggunaan Teknologi Informasi dan Komunikasi pada Usaha Kecil Menengah di Kab. Jepara. *Jurnal Dinamika Ekonomi & Bisnis*. Vol. 9 (2) Oktober 2012: 89-104.
- [22] Sari, E.R. 2015. Pengaruh Penyaluran Kredit UMKM terhadap Pertumbuhan UMKM di Indonesia dalam Mendorong Pertumbuhan Ekonomi Nasional (Periode 2008-2012). *Jurnal Ilmiah Mahasiswa FE (JIM FEB)*. Vol. 3 No. 2. Genap 2014/2015. Universitas Brawijaya. Malang.
- [23] Sari, N.A., 2019. Pengaruh Perkembangan Ekonomi Digital Terhadap Pendapatan Pelaku Usaha UMKM di Kota Makassar. E-prints Universitas Negeri Makassar.
- [24] Shalihuddin, A. Firman, & L.O.S. Barani. 2016. Dampak Kredit PT. Bank Perkreditan Rakyat (BPR) Ganda Lata Terhadap Pendapatan Usaha Mikro, Kecil dan Menengah (UMKM) di Kecamatan Unaaha Kabupaten Konawe. *Jurnal Ekonomi (JE)*. Vol. 1(1). April 2016. Hal: 119-127.

- [25] Sudaryanto, Ragimun & R.R. Wijayanti. 2011. Strategi Pemberdayaan UMKM Menghadapi Pasar Bebas Asean. Yogyakarta : Kedaulatan Rakyat.
- [26] Suharto, E. 2014. Membangun Masyarakat, Memberdayakan Rakyat, Kajian Strategi Pembangunan Kesejahteraan Sosial dan Pekerjaan Sosial. Refika Aditama. Bandung.
- [27] The Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia. Development of Micro, Small, Medium Enterprises (UMKM) and Large Enterprises Data for 2016-2017. <http://www.depkop.go.id/data-umkm>. Diakses Tanggal 01 Agustus 2019.
- [28] Undang-Undang No. 20 Tahun 2008 Tentang Usaha Mikro, Kecil, dan Menengah. <https://www.ojk.go.id/sustainable-finance/id/peraturan/undang-undang/Pages/Undang-Undang-Republik-Indonesia-Nomor-20-Tahun-2008-Tentang-Usaha-Mikro,-Kecil,-dan-Menengah.aspx>. Diakses Tanggal 01 Agustus 2019.
- [29] Undang-Undang No. 7 Tahun 1992 tentang Perbankan Sebagaimana Diubah dengan Undang-Undang No. 10 Tahun 1998. <https://www.ojk.go.id/id/kanal/perbankan/regulasi/undang-undang/Pages/undang-undang-nomor-7-tahun-1992-tentang-perbankan-sebagaimana-diubah-dengan-undang-undang-nomor-10-tahun-1998.aspx>. Diakses Tanggal 01 Agustus 2019.
- [30] Widyastuti, I., & D. Yuliandari. 2016. Analisis Peran Bank Perkreditan Rakyat (BPR) terhadap Peningkatan Kinerja Usaha Mikro Kecil (UMK). Seminar Nasional Ilmu Pengetahuan dan Teknologi Komputer (SNIPTEK).