

THE ANALYSIS OF MICRO BUSINESS IN FACING THE BUSINESS COMPETITION IN MEDAN CITY

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ABSTRACT

The business competition is possibly cannot be avoided. The competition shows the number of similar products on the market and shows the same business that they do. In the business world the competition is a commonplace, and dealing with the competitors is the job of the business owner. So is the case with micro business which experiencing a high competition from the similar business. Micro business as the most absorbing workforce and occupying the third position of the wheels of the economy. In its development, micro business still face the obstacle so it is difficult to compete especially when dealing with franchise business. The various obstacles faced by micro business actors will be able to be overcome with the factors of the business development. This research aims to apply the model of micro business development in Medan city. It is expected with applying this model the micro business will be able to grow, by fostering the business actors through entrepreneurship skills. The research method used in this study is action research. Action research is a research that aims to provide the solution in existing problems then conducted a descriptive analysis.

Keywords: Micro Business, Entrepreneurship Training, Business Capability, Financial Statements.

Preface

In the business world a competition cannot be avoided. The competition shows the number of similar products on the market and shows the same amount of business as the business run. Therefore, in the business world, the competition is commonplace and confronting the competitors is the task of the business owner. So is the case with small and medium enterprises that cannot be separated from the business competition. The competition includes from the business as a modern store which has a large capital as a competitor that is difficult to deal with and difficult to avoid. This is a constraint factor for the development of micro business.

If small and medium enterprises can grow, indirectly can empower the community by opening up a wider employment and can empower the local products and increase the economic growth. But small and medium enterprises are very difficult to develop and do not grow evenly due to various factors so that the necessary implementation of an integrated system 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 apply the traditional system, weak to capital access, technology tend to be conventional, poor innovation and network, able to grow together with big company especially the world class and the global vision. (Agustaman: 2011)

Micro enterprises are often associated with simple management by individuals, limited capital, so that the goods sold are limited as well. Most urban micro enterprises are engaged in the sale of basic daily necessities, residing in densely populated residential areas such as shops, kiosks or stalls, usually establish adjacent to the residence or home page, not infrequently some of the stalls there are hired.

The existence of modern stores aka mini market branded like Indomaret and Alfamart in North Sumatera especially in Medan, is not a new issue. The residents were already accustomed to shopping in the franchise network. Unfortunately, along with the small traders which began to marginalize even some of them are bankrupt. (Lutfi, 2013)

Many factors become obstacles for the micro business to develop. Generally the constraints faced by small business actors are related to the ability of capital, less professional management, personnel, service and marketing. Taufan and Wahyu (2013) said that the obstacles faced by micro entrepreneurs in improving the business capabilities include the various aspects where one of the others are related among others, such as:

1. Lack of the capital either in quantity or source
2. Lack of managerial capability and operational skills and also the absence of a formal form of the company
3. Weak organization and limited company.

Generally the micro business have a very limited capital. Most of the small traders never get a help from the banking institutions due to the unmet requirements. It can be said that almost all of small traders do not have the bookkeeping which is one of the requirements to get a business loan from the banking institutions. This research aims to solve the problems which is faced by micro business in order to develop and compete with micro business development model.

The development of the small and medium business sector are now has been in a large number but it is almost equaled with the number of those who employed in the formal sectors. For the developing countries, micro businesses contribute up to 30% to 60% of the urban population. (Sriyana, 2010). According to the law (UU) number 20 2008, micro business is a productive, stand-alone, individual economic or business enterprise that is not a subsidiary or non-owned subsidiary, controlled, or become a direct or indirect part of a medium-sized or large-scale business that meets the criteria of small-scale enterprises.

While the criteria of UKMs in the foreign countries are on the following aspects: (1) the amount of labor, (2) income and (3) total assets. (Arief Rahmana, 2008). According to the law (UU) number 20 2008, then those in the small and medium business group include all the kiosks in traditional markets, stalls and stores that are managed in many communities.

According to the directorate general of foreign trade, the trade department of the Republic of Indonesia (1997), the traditional market is where the transaction of goods or services between sellers and buyers, which has the characteristics of:

1. Selling goods/services of the daily needs in retail
2. Involving many small-scale retailers.
3. Building of relatively simple market facilities
4. The ownership and management are generally held by the local government.

Micro business is a business which is managed in a simple way by individuals with limited capitals so that the goods sold are also limited. The shops, stalls or kiosks are the buildings used as a place to sell the goods for micro business actors, from the survey result shows that the capital of small business actors is under 50 million rupiahs. (Raihanah Daulay, 2016).

The law number 20 of 2008 established the criteria of micro-enterprises, which are: a. has a net worth of more than 50.000.000, 00- (Fifty million rupiahs) up to a maximum of 500.000.000, 00- (five hundred million rupiahs) excluding the land and the building of the business premises; or b. has an annual sales of more than 300.000.000, 00- (three hundred million rupiahs) up to a maximum of 2.500.000.000, 00- (two billion five hundred million rupiahs).

Furthermore, Sinaga in Agus Susilo and Taufik (2010) stated that modern market is a market managed with a modern management which generally exists in urban area, as a provider of goods and service with a good quality service to the customers (generally are the member of upper middle class society). The modern market include malls, supermarkets, department stores, shopping centres, franchises, and so on.

There are several reasons why UKM is important, they are: (a) ability in employment, (b) its contribution to gross a domestic product, and its speed in making changes and innovation. In 2005, the contribution of UKM to PBD is about 55% of the total contribution of the industrial sector and the employment of UKM absorb

about 98% of the industrial sector workforce. (BPS, 2006). (Lasmono Tri Sunaryanto, 2007).

According to the statement of the deputy V the minister of economics, Mr. Edi Putra Irawady (2015), entrepreneur is the manifestation of people who experience a mental revolution from the entrepreneurs into public service providers, from being organized into managers, and from the recipients into buyers. In addition, entrepreneurship who is experiencing a mental revolution, his behavior, attitude or his action are always oriented to the added value and the zero waste. Then, the development of national entrepreneurship is needed to encourage the resilience in responding to the world market competition especially in facing the society of ASEAN Economy.

Furthermore, to promote a business requires the qualified skills and knowledges from the business actors. Appropriate entrepreneurship seminars and training can be an alternative to improve the soft skill of the business actors, not only for the middle, small and micro business actors (UMKM), but also for the youth entrepreneur and the entrepreneurs who want to grow their business. As Beach said that quoted by Sofyandi (2008), the purpose and the benefits of the trainings can be explained as follows:

1. Shorten the learning period in order to meet the specified performance standards. By attending the training before starting a business, entrepreneurs have enough knowledge to run their business. So they can work optimally without having the feeling of what should be done in the first step and can maximize the time available.
2. Improve the job performance. The training aims to improve the performance of the work which will be faced by, so they will be more effective and efficient and can generate the new innovations for their business.
3. Formate the attitude. The training is expected to shape the attitudes and behaviors of the entrepreneurs in establishing a good relationship between entrepreneurs, entrepreneurs and their business partners, their employees and also their customers.

4. The training helps to solve the daily operational issues of the company, such as reduce the work speed, reduce absenteeism and reduce the other problem of the company.
5. The training not only has a short-term goals but also a long-term goals, and it is preparing the entrepreneurs to acquire the expertise in specific areas with the company needs, such as taking some certification in a particular field that is covered.

Research Method

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

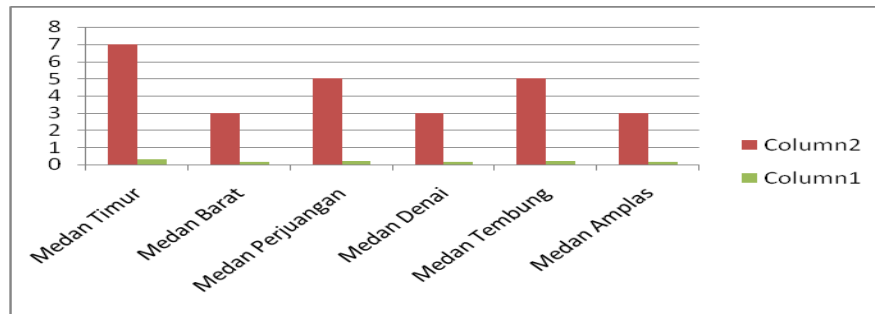
This research aims to solve the problems that occur in micro business by doing a micro business development in the face of business competition. The research design aims to create a development model for micro business actors. Micro entrepreneurs have many limitations in running their business, such as in managing the business and the finance. Testing the development model through entrepreneurship programs and providing the training.

Research Result and Discussion

The city of Medan experienced a rapid development with a population of approximately 2 million inhabitants. It has an area of 265.1 km², with 21 sub-districts covering 151 urban villages. Some people in Medan city wrestle the profession as a business actor both medium and micro enterprises. The result of research on micro business in the shop business show the following conditions:

Research Area

This research was conducted by taking samples in six sub-districts in Medan city, the eastern terrain district, western Medan, Medan Perjuangan, Medan Denai, Medan Tembung, and Medan amplas which is described in the picture below:



Picture: 1. Subdistricts that become the research area

From the picture above, the subject of the research is taken based on the density of the population with a shop or stall adjacent to the franchise business in each sub-district of 28 stores.

a. Micro Business Description

Tabel 5. Micro Business Description

No.	Description	Answer	Total	Percentage
A	Micro Business Conditions in terms of the capital, human resources, facilities and services.			
1	Long Business has been in operation	>3-11 years	21	78%
2	The first capital of micro business	< 10 million	11	41%
		10-50 million	13	48%
3	Micro business development	100 million	5	18%
4	Have employees	Employees	9	33%
5	Employees education	SMA	22	81%
6	Facilities and services	Facilities	6	22%
B	The ability of micro business in business development and business competition.			
7	Stall stand before the franchise is established		20	70%
8	Decrease sales turnover	10%-50%	17	62%
		50%	2	0,7%
9	Micro business income	1-5 million	15	56%
10	Turnover of business sales per month	4-50 million	21	78%

Resource: The result of data processing in the year I (2016)

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

Lack of the capital will result in less competitive capability and impact on the low development in the micro-enterprise itself. This can be seen from the lack of an increase in assets of the the undertakings, it is known that the business does not increase much, it does only about five or 28% of 28 micro enterprises that are unable to increase their assets. Besides that, who provide the facilities to the buyers and customers are only a small part from the micro business actors which is only 22% who provide the facilities between the goods purchased to the customer's home and 33% who have employees, so the slow service impact on satisfaction and dissatisfaction buyers.

On the ability of micro enterprises in business development and business competition can be seen in the table above, most of the stalls have been standing for a long time but did not show any significant improvement. The growth of micro franchise has an impact on the decrease of sales turnover of micro business, it can be seen in the turnover of 10-30% which experienced by 55% of micro business, some of them even decreased up to 50% and the sales turnover of most micro business only 4 – 50 million per month. This condition impacts on the low income, as much as 56% of micro business actors only earn about 1 – 5 million per month. With the amount of that income, it is most likely to be set aside as the additional capital is difficult.

Then on the administration and the finance of the micro businesses which run by business actors, as much as 45% have used the financial statenents and as much as 55% of micro business actors do not use and make the financial

statements in running their business. This condition complicates the business actors in obtaining the financial assistance from the financial institutions.

The government issued a capital assistance program for micro enterprises. But the administration and the financial condition of most micro business actors who have not yet done the bookkeeping of their business operations, so that the assistance without collateral is difficult to obtain. The survey result shows that the micro business owners such as stalls, shops or kiosks, are almost do not borrow the capital at financial institutions to develop their business. But the survey result shows that most of the micro business actors want that help, they will to make a financial report for their business. 52% agreed with the existence of unsecured loans as they increased their business and increased the variety of their merchandise. So with the expected sales the turnover becomes increasing.

Entrepreneurship Program

Based on the problem of micro business, conducted the analysis of findings and generated entrepreneurship program which is based on the marketing mix consisting of 4P; Product, Price, Place and Promotion and also added by services and finance report. Entrepreneurship program consists of two major parts, the first consists of the program for managing the stalls, its management and its service to the customers, the second is, comprises a program for the financial management necessary for micro enterprises which is useful for knowing how much expenditure and income is beneficial when it comes to obtaining financing or loans from a banking institutions.

Entrepreneurship program based on the marketing mix (4P)

1. Entrepreneurship program on a Product

It is very important to pay attention to the product to be sold on a business run. The problems faced by micro businesses that do not have a large

number of products and variations of its kind to be sold to consumers or buyers who come. For the aim of the competition, the micro business actors must pay attention to things below: (a) diversity or varied product, (b) brand, filling goods from products with a well-known brands as it is known by the markets or consumers. (c) completeness of goods. The buyer's character is shopping all his needs at a stall that provides all his needs at one stall so he do not need to go to another stall.

2. Entrepreneurship program on price

Price is the part that determines the success of the product sale in the market. The price is the value assigned to a ready-made product which includes all the elements contained in the product. The more facilities provided to obtain a product, the higher the value to be set against a product.

3. Entrepreneurship program on place

The place referred here is part of the condition within the shop or shop of the undertaking. For that, although the stalls cannot compete with the franchise or minimarket, but as much as possible to do the spatial arrangement so as to give a better impression on the buyer. Sometimes buyers who had no intention to buy but because they see the goods in the shop finally they buy. For that, display the items as attractive as possible, easy to see and the collection of goods look complete. In addition, the cleanliness of the place and the goods must be maintained and clean.

4. Entrepreneurship program on promotion

In general, stalls have stood longer, its mean that the existence of a shop does not need to be promoted because people have known of its existence.

But what need to be done is how to make the stalls that become our business is known as a stall subscription for many buyers to buy their needs. For that, micro business actors need to do the promotion with good communication, establish a familiarity with the customer stalls, for a newly opened shop by dividing brochures by highlighting the products that are cheaper than neighboring stalls.

Entrepreneurship program on Service

Giving a good and pleasing impression to the buyer is important. As a word say that "a buyer is a king", then serve the buyer as best as we can which make him feel necessary and important. Besides that, the good service is also including in giving satisfaction to the way we serve a buyer. The buyer is a very valuable asset for the business and the development of the business for going forward.

Entrepreneurship program on finance report

A financial report is a useful report for delivering reliable financial information to the interested parties. The financial statements contain several things, including assets, debt, capital, and all revenues earned and expenses incurred by the company in a certain period in order to obtain the profit. (Mahmudin, 2014). For the internal, the financial statements are useful for assesing the company's financial performance during a period of record which then used as a basis in returning the decision for the next business development. These decisions include, for examples, market development, cost and purchase efficiency, increasing production facilities and so on.

As for the external parties, the financial statements are used for one of them is to assess the feasibility of the 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 anytime the basis as per parties concerned. A

good company, at least will make the financial statements at least once in a month.

Summary

- a. Most of Medan city community have a profession as a business actor, both small and medium business.
- b. Most micro businesses have the capital less than IDR 50 million making it difficult to compete. Lack of capital causes the limited goods sold to the consumers.
- c. Some micro business actors do not yet have the financial report because they do not understand how to make a report, so it becomes obstacle for micro business to borrow the capital to the financial institution.
- d. Entrepreneurship programs are expected to solve the problems which is faced by micro-enterprises.

Suggestion

Based on the result of the research and the conclusion obtained, the researcher gives suggestions as follows:

- a. It is necessary to collect the data on micro business to find out how many micro business actors have business to manage the stalls and kiosks.
- b. Need support from the government by providing the motivation and other support for the micro business to run its business better in the future.
- c. The entrepreneurship program needs to be implemented on a scheduled basis for every micro business actor to improve the ability of micro business.
- d. It is necessary to socialize the benefits of banking institutions for micro business actors in enlarging their business so that it can compete with other business in the future.

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