

# Small and Medium Enterprises (SMEs) Barriers in Running a Business

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**Abstract**—The fact that SMEs become the backbone of the economy in a country cannot be refuted. However, the treatment, guidance and mentoring of SMEs are not done optimally in overcoming the problems faced by SMEs themselves. Until now, UMKM is still experiencing classic barriers that has always faced. Therefore, this study aims to find out what constraints faced by SMEs and how to overcome these obstacles. The majority of SMEs face the classic problems of capital, human resources and business development. However, not a few who can handle it in various ways and implemented independently.

**Keywords**—SMEs; capital; human resources

## I. INTRODUCTION

Small and Medium Enterprises (SMEs) is a business that becomes the motor of the economy. It could be proven that SMEs can become the backbone of the nation's economy at a time when the country was in crisis.

In 1998, Indonesia experienced an economic crisis that resulted in stagnation of large-scale business activities, many of which even collapsed or went bankrupt due to the storms of the crisis. However, this is not experienced by the majority of SMEs. This is because SMEs do not bear the burden of high debt when the crisis occurs.

Unlike with large businesses that bear the burden of debt let alone in the form of dollars. Because in times of crisis happened high dollar value jump.

In addition, SMEs are also able to contribute to open employment. In fact, the number can match the big business. if one SME is able to absorb a workforce of at least 10 (ten) people, and if the number of SMEs 1,000 (one thousand) units then the labour absorbed reach 10,000 (ten thousand) employees.

Although SMEs have proved able to become the backbone of the state economy, not necessarily the barriers experienced by SMEs in running their business can be solved. This becomes a joint work of the Government, Big Business Actors, Non-Government Organizations (NGOs) and Academics to address the problems facing SMEs.

SMEs in Gresik Regency have experienced good growth from year to year. This would provide a positive impetus for economic growth in Gresik.

The number of SMEs in Gresik Regency until 2016 reached 192,021 business actors increased from the previous year that is 2015 reached 188,354 business actors. Detailed data can be seen in table 1.

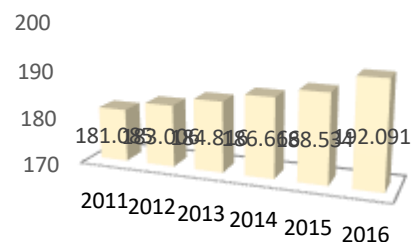


Fig. 1. Number of SME Gresik regency in 2011-2016.

DISKOPERINDAG Gresik Regency

This amount is certainly in addition to increasing the amount of production in Gresik Regency also gives effect to economic growth. This is recorded in the table of economic growth presented by Central Bureau of Statistics. From 2012 to 2015 the economic growth of Gresik Regency is higher compared to the provincial and even national level economic growth.

While in 2016, economic growth Gresik Regency is higher than the national economic growth and slightly different from the provincial economic growth. For economic growth Gresik Regency for the year reached 5.5 percent while economic growth East Java Province reached 5.55 percent and the national level reached only 5.02 percent.

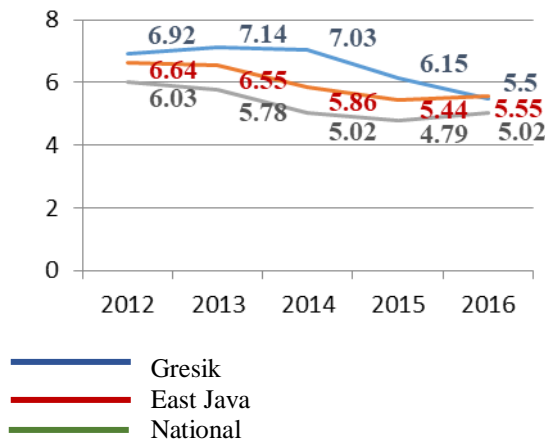


Fig. 2. Relative position of economic growth Gresik, East Java, national.

Central Bureau of Statistics of Gresik Regency.

The growth of SMEs in Gresik Regency is not surprising. Given that, at the beginning before the establishment of State-Owned Enterprises (BUMN) in Gresik Regency as well as PT Petrokimia Gresik and PT Semen Gresik, Gresik people tend to do independent business in the form of home industry.

Even in the early 1970s when PT Petrokimia Gresik was established, people preferred to move in the home industry compared to working in companies that produce the fertilizer. This shows the potential and interest of the Gresik community for entrepreneurship is very high. This is evidenced in that era, Gresik society production as well as sarongs, songkok and bags control the market in East Java even in Indonesia, especially sarong and songkok.

However, the good potential is certainly not experiencing problems. Particularly encountered by SMEs. Common obstacles encountered are in the areas of capital and business development, the quality and quantity of human resources, as well as the quality of products produced to the mastery of renewable technologies.

## II. METHOD

### A. Selection of Research Types Rationality

The approach in this study used a qualitative approach, with consideration:

- This research is based on facts that occur
- This study does not aim to test the hypothesis.

Bogdan and Taylor in Moloeng define a qualitative method as a research procedure that produces descriptive data in the form of written or oral words of people and observable behaviour [1]. Qualitative approach is more emphasis to know a meaning of a phenomenon and directed to the background of the individual holistic (whole).

The method used in the qualitative approach is a more suitable case study method used in answering research questions how and what, and when researchers have little

chance of controlling the events to be researched and the focus of research on real-life phenomena in real life.

Qualitative approach uses observation and communicative interaction especially in-depth interview. The findings in the research with qualitative approach are unique and the conclusions can be transferred to a certain system whose characteristics are the same or almost the same.

The use of this approach is also because the goal to be achieved is to gain confidence that if a subsequent researcher follows precisely the procedure as described by the previous researcher and restores the same case study, the latter researcher will arrive at the same findings and conclusions.

In the revelation of the research questions "how and why" basically leads to the use of case study methods, historical and experimental.

Gunawan states that collective case study research is a case study that uses many (more than one) issues or cases in one study [2]. This research can focus on just one issue or concern and utilize many cases to explain it.

Baxter and Jack in a multi-case study, researchers examined several cases to understand the similarities and differences between cases studied [3]. Similarly, Yin adds that a multi-case study descriptive is used to predict similar results (literal replication) or predict counter-results but for predictable reasons (theoretical replication) [4].

In the context of this study, researchers used a multi-case study design study to enable researchers to find out the difference between SMEs barriers to doing business.

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### B. Objects and Research Subjects

The subject of the study is the intended subject to be studied by the researcher. The object of research is the object that made the research or the point of attention of a study. In this study, the subject of research is the SMEs. And the object of research is the SMEs who have barriers in running the business.

### C. Types and Data Sources

The type of data used in this study is qualitative data. Qualitative data is data in the form of explanation and description of the results of interviews with resource persons on the problems encountered in running the business, ways or strategies to overcome obstacles, and the causes of these obstacles appear.

The data used in this study comes from primary data sources and secondary data. Primary data is obtained directly by SME managers by interviews and direct observation of the information needed to support this research. Secondary data are obtained indirectly where obtained through available sources and are additional data.

#### D. Data Collection Procedures

The steps taken in collecting the required data are as follows:

1) *Preliminary survey*: The researcher visits SMEs to explain the purpose and objectives of conducting research and to obtain information about the business or business situation and condition.

2) *Field Studies*: In this stage, the relevant data collection is related to the researcher's problem. Data collection was done by interview technique.

Interview is the process of obtaining information through question and answer directly face to face between the interviewer with the SME entrepreneur.

#### E. Data Analysis

In this stage of analysis, the results of the collection process and collected are then prepared in the form of detailed reports. It is summarized and selected the main points and important to obtain the theme or pattern. In this study the data will be analysed by data reduction, presentation of data and conclusion drawing verification done simultaneously [5]. The steps of data analysis are shown in the scheme below:

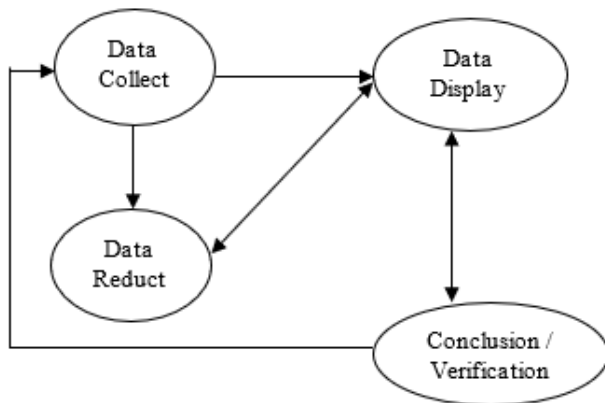


Fig. 3. Miles and Huberman data analysis component scheme.

Miles and Huberman argue that data reduction is a form of analysis that sharpens, classifies, directs, discards unnecessary, and organizes data, including selecting and summarizing relevant documents. The conclusions of the data presentation are designed to present thematically and integrated information to the reader [5].

The conclusion is also as part of the configuration is intact. And it was verified during the study. The data obtained then categorized, sought pattern then drawn conclusions. Data analysis in this research is done continuously until the required data is collected.

#### F. Quality Research Design

A research design is expected to present a series of logical statements, then it can determine the quality of the design according to a particular logic test. In this study used the relevant test are:

1) *Credibility*: To find out the credibility of this research is used triangulation technique, where the researcher conduct examination to other source that is data obtained by comparing data of observation result with result data of interview, compare result of interview with contents of related document, and compare situation and perspective of someone with various opinion to obtain the truth of the data collected, and the reasons for the reasons if there are differences.

2) *Transferability*: This test is concerned with the issue of whether the findings of a study can be generalized outside the case.

3) *Dependability*: The general purpose of transferability is to minimize errors and biases (deviations) in a study. In order to be achieved then required a careful examination of all components and research processes and research results.

4) *Confirmability*: This technique by doing by explaining the reasons why using the design, the limitations of research.

### III. RESULT AND DISCUSSION

SMEs that become the object of research are SMEs located in some areas in Gresik. The business is done with a long period of time, such as SMEs Bakso Ceria. This business since 1981 is a hereditary effort. SMEs Bakso Ceria was originally a traveling trader. But now, Bakso Ceria has a place of business and one employee.

Other culinary fields are processed bandeng fish. Bandeng is a typical fish production Gresik. Variety of bandeng innovation is bandeng shrimp, bandeng brains, bandeng presto. However, SMEs who become the object of this research is to manage bandeng without thorns or called "BANTARI". The business that was established since 2015 in Betojo is in great demand by the public because of its promising prospects.

Still in the culinary field, the beginning of the establishment of Hana Snack business is derived from the desire of Mrs. Siti Handayani to get additional income for his family. In addition, to fill the spare time on the side-lines of his busy life as a housewife with one child. Her husband, who works as a private employee outside the city and only returns every weekend, makes her have plenty of free time. The reason for choosing this field of business is in common with the efforts of in-laws outside Gresik. Finally stand up Hana Snack this business.

Since its establishment in mid-2015 until now, this new business employs one employee as its servant. The employee is none other than the niece of Mrs. Siti Handayani. Since his efforts established until now many experience fall-ups and ups and downs. Starting from the difficulty of starting a business and finding customers, to financial problems and place of business.

This one SME runs business in the field of timber trade. Starting the business since 2000, the business managed by Askan has an initial capital of Rp.5.000.000, - (five million rupiah). The entrepreneur, located on Jl Mayjend Sungkono, is facing challenges with the switching of people using aluminium or galvanized materials instead of wood.

This SME is engaged in services. The business that was established since 2016 is the delivery of goods Bawean-Gresik or otherwise. The effort, called Riwa-Riwi, is known to the public.

Another area of business is the management of rattan. The business, called Rotan Jaya, was established since 2008, integrating skills between rattan management and textile business. This rattan is imported from Palu, Sulawesi which has abundant rattan resources. For three years, this business was well developed which initially employed only three current employees increased to ten employees. Six came from Java and the rest came from Palu.

The implementation of this research is conducted for 6 months, starting from January to July 2018. This research is processed based on the author's interview to the related parties i.e. the manager of Micro Small and Medium Enterprises (UMKM). The informants interviewed were coffee shop owner Cahyo Novianto, owner of Sahabat Kerupuk Hasan Fuad, owner of tambourine H Abdoel Malik, Ridlwan, former timber businessman Askan, Siti Handayani business owner in the field of snack.

Data obtained by researchers in conducting research is primary data. Primary data obtained through observation or in-depth interviews and interviews. Observations made is the passive participation observation, where researchers make observations by observing the perpetrators of SMEs. This is to know how the working atmosphere, but not involved in the activities undertaken by the business actors. Researchers conducted interviews using a general guidance approach, in which the authors drafted the outline and outline of the questions asked in the questioned interview process in order.

#### A. *SME Obstacle*

Understanding the barriers of business actors are diverse. According to the perpetrators of Sahabat SMEs, the obstacle is a constraint that causes the business activities to break. Barriers are also interpreted as a problem that must be solved and get the solution. Meanwhile, according to business actor Hana Snack, obstacles is a thing that causes effort to be difficult to develop.

According to the perpetrators of Bantari SMEs or bandeng without thorns, obstacles are things that cause the business owner has not been achieved. Business barriers according to business actors Citra Media Copy and Stationary Photo is a job that is not executed by an entrepreneur or also be interpreted as a situation that can cause implementation is disrupted and not implemented properly.

In the field of transportation services, SME Riwa Riwi defines the bottleneck is the amount of operational costs, especially transportation costs in delivering goods.

According to the manager of SME coffee shop barriers is an obstacle that can make jams in this coffee shop business. Barriers are also a problem that must be solved and found the solution, all entrepreneurs and I must be able to face these obstacles or limitations so that SME managers like this coffee shop can expand its business.

Constraints or obstacles according to the manager of SME Rebana H Abdoel Malik is the difficulty of obtaining raw materials and marketing that is less widespread. In addition, not yet prepare the financial statements correctly so that the expenditure is still mixed with other needs so that the profits obtained do not show the value that is actually a barrier other than the lack of human resources in working on the product. So, it can be concluded barriers are problems that are quite difficult to overcome in a short time due to the limitations in the company.

#### B. *Causes SMEs Barriers*

The causes of barriers facing SMEs are diverse. For SMEs Bakso Ceria, obstacles due to the bookkeeping system that has not been done properly so that financial mixed with personal money. While SMEs Bandeng without Duri or Bantari barriers occur because of human resources (HR) owned. The average human resources that have owned have not ability to display culinary dish with interesting. This is the perceived Bantari management as an obstacle.

Differences with Siti Handayani founder and manager of SME Hana Snack. Entrepreneurs who work in the field of snacks revealed the cause of business obstacles lies in the field of finance and place.

In the field of finance, SME Hana Snack experiencing constraints on the hampered consumer payments and financial records have not been well ordered because it is still mixed money business and personal money. As for the problem place, Hana Snack has not had a representative place for business because it still uses the living room as a place of business.

While Askan's former timber businessman said the business, constraints are difficult to find raw materials. Not only that, changes in consumer behaviour that originally used wood is now turning to the gavalum.

Several other SME actors such as Sahabat Kerupuk, Rina Citra Media, Rebana Abdoel Malik experienced similar obstacles in the field of recording and financial reporting as well as in the field of human resources and marketing. Differences with business actor Riwa-Riwi delivery. This business actor has difficulty if there is order delivery of goods outside the city of Surabaya and Gresik destinations.

#### C. *How to Overcome Obstacles*

Various ways done by SMEs to solve problems. In overcoming the limitations of funds, SMEs uses the People's Business Credit (KUR) program from the Bank. KUR is a credit that is given a special banking for the perpetrators of SMEs with a certain value is not large.

SME managers also conduct activities to improve the quality and skill of financial reporting. So that SME players can prepare and present financial statements well.

Building a business network is also done to overcome the limitations of SMEs. Particular SMEs in the field of goods delivery, SME players will find the same business actors to join to send goods with the same destination. So, the cost is relatively small.

Meanwhile, Bantari SME managers overcome barriers by way of packing well so that consumers are happy with the products offered.

Innovative thing done by SME in photo copy field Citra Media. SME managers are selling additional goods i.e. drinks and provide a comfortable waiting room equipped with a mini library. The goal, consumers are not saturated queue photocopy service. In addition to serving customers with a vengeance, SME managers improve product quality. To overcome human resource constraints, SME Citra Media conducts training to employees and adds employees during peak season.

#### IV. CONCLUSION

Barriers are also interpreted as a problem that must be solved and get the solution. Meanwhile, according to business actor Hana Snack, obstacles is a thing that causes effort to be difficult to develop. Building a business network is also done to overcome the limitations of SMEs. Particular SMEs in the field of goods delivery, SME players will find the same business

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