The Supporting Factors for the Development of SMEs in Palu City

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Abstract— **This study aims to determine and analyze the condition of SME entrepreneurs in the Masomba Market in Palu City, the factors are relatively more dominant in supporting the development of SMEs in the market, and the contribution of supporting factors to the development of SMEs in the market. The number of SMEs participated in this research was 140 business units. Sampling method has been done by purposive sampling, by selecting 10 samples from 14 business groups. The analytical method used in this study is descriptive statistical method using crosstabulation which show average value (mean) of each variable, then assessed based on the range of scores. The results of the research proves that the relatively more dominant factor determining the development of SMEs are entrepreneurial spirit (X8). Supporting factors for the development of SMEs in Masomba Market in Palu City are specialization (X1), research and development Capacity (X2), knowledge and skills (X3), human resources development (X4), cooperation networks and social capital (X5), proximity to suppliers (X6), availability of capital (X7), entrepreneurial spirit (X8), and leadership and shared Vision (X9).**

Keywords— SMEs, supporting factors, entrepreneurial spirit

I. INTRODUCTION

Micro, Small and Medium Enterprises (SMEs) contribute to 97 percent of employment in Indonesia spread across nine sectors of the Indonesian economy and also contribute to gross domestic product by 40%, and have the potential as an important source of export growth, particularly non-oil and gas exports (Indonesia Small Business Research Center, 2003). According to data from the State Ministry of Cooperatives and SMEs in 2011, about 99 percent of the number of business units in Indonesia are SMEs, and recorded as being able to create jobs as many as 99.4 million workers. Meanwhile, large businesses absorb around 2.8 million workers. Opportunities for state income through the tax sector withdrawn from MSMEs are also quite large. This can be seen with the issuance of Government Regulation (PP) Number 46 of 2013 concerning MSME Taxation. The government has the intention that with the issuance of the Government Regulation, SMEs can become the formal sector so that it is easier to obtain access to finance, capital, and bank credit.

Data from the State Ministry of Cooperatives and SMEs in 2012 shows that the total value of Indonesia's Gross Domestic Product (GDP) reached Rp. 8,241.8 trillion and SMEs contributed Rp. 4,869.5 trillion or 59.08% of Indonesia's total GDP. The total population of Indonesian SMEs in 2012 reached 56.53 million business units or 99.99 percent of the total business units in Indonesia, while the total workforce reached 107.65 million people or 97.16 percent of all Indonesian workers. The data shows that the role of SMEs in the Indonesian economy is very important in providing jobs and producing outputs that are useful for the community.

Seeing the large number of economic actors and their ability to absorb labor, SMEs deserve attention. The development of SMEs will strengthen the structure of the domestic economy due to the absorption of the labor force, increasing people's purchasing power, increasing the level of demand and increasing investment growth. Despite having a strategic role, developing SMEs is not an easy thing. SMEs have quite complex problems, where the problems that are often faced by Micro, Small and Medium Enterprises (SMEs) are in terms of: capital, marketing, raw materials, labor, and management.

Najib (2006:3) reveals the inhibiting factors for the development of SMEs, among others; (1) lack of knowledge about the market, (2) weak bargaining power, (3) lack of capital, and (4) low technology. In addition, SMEs also face several external challenges, including; (1) the emergence of globalization which results in increased market competition, (2) weak regulation and law enforcement, (3) low consumer confidence in the quality of domestic SME products, and (4) the lack of adequate infrastructure support for SME production centers. Meanwhile, Barbara (2000:5), said that problems in the fields of marketing, finance and management greatly affect the development of SMEs.

Handrimurtjahyo (2007:11), found that the development of SMEs is influenced by factors originating from within and from outside SMEs. Internal factors include: (1) managerial ability, (2) the experience of the owner or manager, (3) the ability to access input and output markets, production technology, and sources of capital, and (4) the size of the capital owned. Meanwhile, several external factors are: (1) support in the form of technical and financial assistance from the government/private sector, (2) economic conditions as reflected in domestic and world market demand, and (3) technological advances in production.

From the results of previous research conducted by Bahri Syamsul (2014) on SMEs in the Manonda Modern Market Palu, it shows that: (1) Government factors, the most prominent problem is the fuel price policy and localization policy, (2) Production factors, the most prominent problem What stands out is the inventory and product design process, (3 Marketing Factors, the most prominent problem is the selling price and distribution of goods/services, (4) Human Resources Factor, the most prominent problem is experience and work spirit, (5) Financial Factor , the most prominent problems are capital and bookkeeping/recording, and (6) Supplier Factor, the most prominent problems are supplier prices and quality of goods/services.

In connection with the above, the Ministry of Cooperatives, Small and Medium Enterprises of the Republic of Indonesia, (2001) has determined the supporting indicators for the development of SMEs, which can be seen from several variables determining the strength of SMEs, namely: (1) Specialization (2) Research and development capacity (3) Knowledge and skills (4) Human resource development (5) Cooperation network and social capital (6) Closeness to suppliers (7) Availability of capital (8) Entrepreneurial spirit and (9) Leadership and shared vision.

1. The results of observations made at the research location (Masomba market Palu City) that every time the number of entrepreneurs (traders/sellers) is increasing, in this case SMEs. Based on the results of an interview with the Head of Masomba Market in Palu City, every year SMEs increase by an average of 20% to 30% and business scale also grows by an average of 35% to 40% per year. This is indicated by the increasing number of SMEs opening similar businesses and new businesses in locations around Masomba Market, Palu City. Further information obtained from the head of Masomba Market in Palu City that the types of SME businesses that experienced an increase and growth were 14 types of businesses respectively: Glassware, Mixtures, Shoes, Vegetables, Fish, Chicken, Jewelry, Clothing, Rice, Fruits, Cosmetics, Cakes, Building Materials, and Furniture. Based on the background of the research above, the problems in this study: (1) What factors are relatively more dominant in determining the development of SMEs in Masomba Market, Palu City? (2) How big is the contribution of supporting factors to the development of SMEs in Masomba Market, Palu City?

II. LITERATURE REVIEW

Micro, Small and Medium Enterprises (SMEs)

The role of SMEs cannot be doubted in supporting the increase in people's income, but the meaning of SMEs is still diverse. The meaning of MSME itself varies according to several agencies or institutions and even laws. In accordance with Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (SMEs) it is defined as follows:

1. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law.
2. Small Business, is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly of Medium Enterprises or Large Businesses that meet the criteria for Small Business as referred to in this Law.
3. Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly with Small Businesses or Large Businesses with a total net worth or annual sales proceeds as regulated in this Law".
4. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law.
5. Small Business, is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly of Medium Enterprises or Large Businesses that meet the criteria for Small Business as referred to in this Law.
6. Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly with Small Businesses or Large Businesses with a total net worth or annual sales proceeds as regulated in this Law".

The definition according to Law Number 9 of 1995 concerning Small Business and then implemented further by Government Regulation Number 44 of 1997 concerning Partnerships, where the definition of UMKM is a productive economic business that stands alone, carried out by individuals or business entities that are not subsidiaries or not a branch that is owned, controlled or become a part either directly or indirectly of a medium or large business that meets the criteria of a small business.

The definition according to the Ministry of Cooperatives and SMEs Small Business (UK), including Micro Enterprises (UMI), is a business entity that has a net worth of at most Rp. 200,000,000,- excluding land and buildings for business premises and has annual sales of a maximum of Rp. 1,000,000,000,-. Meanwhile, Medium Enterprises (UM) are business entities owned by Indonesian citizens who have a net worth of more than Rp. 200,000,000, - up to Rp. 10,000,000,000, - excluding land and buildings.

The definition of SMEs according to Bank Indonesia (2011) is a small business is a productive business owned by an Indonesian citizen, in the form of an individual business entity, a business entity that is not a legal entity, or a business entity with a legal entity such as a cooperative; is not a subsidiary or branch that is owned, controlled or affiliated, either directly or indirectly with a medium or large business. Have a net worth of a maximum of Rp. 200,000,000,- excluding land and buildings, or have a sale proceeds of a maximum of Rp. 200,000,000,- per year, while medium-sized businesses are those that have fixed asset criteria with a size that is distinguished between industries. manufacturing (Rp.200,000,000,- up to Rp.5,000,000,000,-) and non-manufacturing (Rp.200,000,000,- up to Rp.600,000,000,-)".

According to the Central Statistics Agency (BPS) in 2003 (in Susanti, 2009:13) defines SMEs according to 2 (two) categories as follows:

1. According to Turnover. Small Business is a business that has fixed assets of less than IDR 200,000,000 and an annual turnover of less than IDR 1,000,000,000.
2. According to the number of workers. Small Business is a business that has a workforce of 5 to 9 workers. Home industry is an industry that employs less than 5 people. SMEs are businesses that have a small initial capital or a small value of wealth (assets) and a small (limited)

number of workers, the value of capital (assets) or the number of jobs according to the definition given by the government or other institutions with specific objectives.

According to the Ministry of Industry and Trade, MSMEs are defined by the following definition: "SMEs are a group of modern small industries, traditional industries, and handicraft industries that have a capital investment for machinery and equipment of IDR 70,000,000 and below and their businesses are owned. by Indonesian citizens".

Supporting Factors for SME Development

In connection with the above, the Ministry of Cooperatives, Small and Medium Enterprises RI, (2001) has determined the supporting factors for the development of SMEs, which can be seen from several variables determining the strength of the SME group, namely: (1) Specialization (2) Research and development capacity (3) Knowledge and skills (4) Human resource development (5) Cooperation network and social capital (6) Closeness to suppliers (7) Availability of capital (8) Entrepreneurial spirit and (9) Leadership and shared vision.

Development of Micro, Small, and Medium Enterprises (SMEs)

Development is an action, process, result or question for the better (Thoha, 2007:7). The definition of development has two elements, namely: (1) development itself can be in the form of an action, process or statement of a goal, and (2) development can show improvement on something. According to Warren G. Bennis (in Sutarto, 2005:416) development is an answer to change, a complex educational strategy that is expected to change beliefs, attitudes, values and organizational structure, so that organizations can better adapt to technology, markets, and new challenges and the rapid turnaround of change itself.

Based on the description above, what is meant by SMEs development is an action or process to advance SMEs conditions in a better direction, so that SMEs can better adapt to new technologies, markets, and challenges as well as the rapid turnaround of changes that occur. SMEs development is an important component in the national development program to lay the foundation for sustainable and equitable economic development.

III. METHOD

This research can be classified as exploratory research (tracing) descriptively (description), with the aim of researching and describing actors who support the development of Small and Medium Enterprises in Masoma Market, Palu City, which consists of factors: Research and development capacity, knowledge and skills , human resource development, cooperation networks and social capital, proximity to suppliers, availability of capital, entrepreneurial spirit, as well as leadership and shared vision.

The population in this study are all SMEs in Masomba Market, Palu City who are involved in various types of business/sales: Crockery, Mixtures, Shoes, Vegetables, Fish, Chicken, Jewelry, Building materials, Furniture, Clothing, Fruits, Rice, Cosmetics and Cakes. The exact number of SMEs players in Masomba Market in Palu City is not known. The size of the sample was determined based on

Roscoe's theory in Sugiono (2010; 130) as much as 140, using a purposive sampling technique. The determination of the value of the Likert model scale is carried out using the normal deviation, which moves from 1 (one) to 5 (five). A value of 5 means that it is greater than an alternative that is worth 4, an alternative that is worth 4 is greater than an alternative that is worth 3, and so on. The research instrument has carried out validity and reliability of 30 samples.

In this study, the supporting factors for the development of SMEs in Masomba Market in Palu City are described in Operational Research Variables including: Specialization (X1), Research and development capacity (X2), Knowledge and skills (X3), Human resource development (X4), Cooperation network and social capital (X5), Proximity to suppliers (X6), Availability of capital (X7), Entrepreneurial spirit (X8), shared leadership and vision (X9), and SMEs development (Y). The indicators used for each variable refer to the SMEs development indicators from the Ministry of Cooperatives, Small and Medium Enterprises, Republic of Indonesia (2001).

The analytical method used in this study is the descriptive statistical method Crosstabulation (cross tabulation) which produces the average value (mean) of each variable, then assessed based on the range of scores guided by table 3.1 as follows:

Analysis Criteria Table Description

Scoring Category Range	Interpretation
1,00 – 1,79	Very Bad/Very Low
1,80 – 2,59	Not Good/Low
2,60 – 3,39	Enough/Medium
3,40 – 4,19	Good/High
4,20 – 5,00	Very Good/Very High

Source: Muhidin et al (2011:146)

After assessing each variable based on the range of score categories, a descriptive analysis will then be carried out by comparing the results of previous studies.

IV. RESULT AND DISCUSSION

The discussion of the results of the research on supporting factors for the development of SMEs in Masomba Market, Palu City, was carried out in the form of presenting respondents' statements on each indicator of research variables per business group with a crosstabulation approach and then analyzed with a descriptive approach. Based on the problem (1) stated in the previous chapter, the relatively more dominant factor determining the development of the Masomba Market SMEs in Palu City is "Entrepreneurial Spirit (X8)" with a total mean of 3.86 which means giving an interpretation of the "High" category.

The results of this study are in line with research conducted by Dani Danuar Tri U (2013) with the title "Development of Micro, Small and Medium Enterprises (SMEs) Based on Creative Economy in Semarang City". It was revealed that creative SMEs in the city of Semarang

were seen as capable of developing human resources armed with knowledge, creativity, innovation and being able to develop jobs.

To answer the second problem raised in Chapter 1 previously, based on the results of the recapitulation of the total mean of the respondents' statements for each variable supporting the development of the Masomba Market SMEs in Palu City, the supporting factors consist of: Specialization (X1), Research and Development Capacity (X2), Knowledge and Skills (X3), Human Resources Development (X4), Cooperation Networks and Social Capital (X5), Proximity to Suppliers (X6), Availability of Capital (X7), Entrepreneurial Spirit (X8), and Leadership and Shared Vision (X9), resulting in an average value of 3.51 giving an interpretation that the 9 (nine) supporting factors "contribute highly" to the development (Y) of the Masomba Market SMEs in Palu City which has a total mean value of Table 4.14 3.87 with a high category.

In line with the research conducted by Robby Yuwono and R.R. Retno Ardianti (2012) with the title "Analysis of Factors Inhibiting the Growth of Micro, Small and Medium Enterprises (SMEs) in the Formal Sector in East Java. The results of the research are on the contrary, there are several factors that support the development of SMEs in Masomba Market, Palu City, but are inhibiting factors for the growth of SMEs in the formal sector in East Java, including managerial ability and resource factors, labor and technology factors, financial factors, location factors, and business networks.

The findings of this study contradict the research conducted by Sakur (2011) entitled "A Study of Factors Supporting the Development of Micro, Small and Medium Enterprises: A Case Study in Surakarta City 2011. The hypothesis testing conducted proves that there is no direct influence between capital structure and capital structure. with company performance. It is not a guarantee that the greater the number of financing facilities obtained, the higher the performance of SME companies. This finding is contrary to research conducted on the Masomba Market SME in Palu City, the result is that the availability of capital has a high contribution to the development of SMEs.

V. CONCLUSION

Based on the results of the research discussions that have been stated previously, the following conclusions can be drawn: The relatively more dominant factor supporting the development of the Masomba Market SME in Palu City is the Entrepreneurial Spirit (X8) which means giving an interpretation of the "high" category; Supporting factors for the development of SME Masomba Market in Palu City consist of: Specialization (X1), Research and Development Capacity (X2), Knowledge and Skills (X3), Human Resources Development (X4), Cooperation Networks and Social Capital (X5), Proximity with Suppliers (X6), Availability of Capital (X7), Entrepreneurial Spirit (X8), and Leadership and Shared Vision (X9), category "high".

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