



**AN EXPLORATORY STUDY OF THE PROFILES OF MICRO, SMALL, AND
MEDIUM ENTERPRISES IN THE HANDICRAFT SECTOR
IN THE AREA OF YOGYAKARTA CITY, INDONESIA**

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Abstract

The aims of the study are, first, to identify the profiles of Micro, Small, and Medium Enterprises in the handicraft product sector in Yogyakarta City, second, to identify actual problems faced by business owners involved in the Micro, Small, and Medium Enterprises in Yogyakarta City, and third, to find out efforts that have been made by business owners involved in the Micro Small, and Medium Enterprises in Yogyakarta City. This is an exploratory study. The research object is Micro, Small, and Medium Enterprises in the handicraft sector in Yogyakarta City. Based on the research result, we can identify that the common problems of the business owners are capital, the rise of raw materials' price, the slowed-down of the purchasing power of the customers, unequalled facility services by National Handicraft Council in the forms of exhibitions and promotions, and the tax problems. The trainings for the business owners are still needed to be followed up, so the local government must pay attention more seriously about this issue. The business owners already tried many efforts to solve their business problems. The effort is having a group of businesses that facilitates their problems of capital, marketing and sharing technology.

Keywords: Profiles of Micro, Small, and Medium Enterprises in Yogyakarta City, Handicraft Sector

I. INTRODUCTION

The expectation for a better business sector based on the employment condition in Indonesia is still far from our expectation. The entrepreneurs experienced the financial problems that caused the worsening condition of national economic as the result of declined exchange rate from Indonesian Rupiah to US Dollar, which peaked with a huge economic crisis within a short period



in 2008. That financial problem caused the worst condition of national economic globally, and many companies could go bankrupt. Not only that, but many businessmen having small and medium-sized businesses also experienced the same condition when the currency-rate exchange of IDR to US Dollar started to depreciate in the mid-year of 2012 until now. The financial crisis also gave a bad impact for the businessmen's activities because it happened at the same time as many other countries experienced a slowed-down economic growth globally.

When Indonesian economy faces a multi-dimensional crisis, the Micro, Small and Medium Enterprises can still survive and play their roles functions to produce goods and services while the big businesses can't survive their existence. It can happen because the micro, small and medium-enterprises sectors have some prospects to develop, and these sectors have different characteristics from the big businesses. The differences can be seen from the business scale, the number of workers and the production capacity of the Micro, Small and Medium Enterprises that has strength and endurance in maintaining the business. The Micro, Small, and Medium Enterprises also have an important role in our global economy (Wijaya, 2008).

The Micro, Small and Medium Enterprises in Indonesia have given a big contribution to our national economy. The small businesses and home businesses only circulate 10% of the total cash flow, but they can contribute 49% to Gross Domestic Product (GDP). The business unit in our economic sector that can recruit the most employees is from small corporate compared to the big corporate (Riyanti, 2003). This fact shows that the Micro, Small, and Medium Enterprises are potential to develop in Indonesia because they can bring a recovery to our national economy. The Micro, Small, and Medium Enterprises can relatively give a significant contribution for running our central and local governments because the numbers of the small and medium business owners are relatively bigger than the number of big corporate owners. Therefore, these Micro, Small, and Medium Enterprises can contribute more significant to our Gross National Product (GNP) and to our Gross Regional Domestic Product in local area, especially for Gross Regional Domestic Product in the regions of Yogyakarta City.

Tambunan (2002) indicated some cases to prove a mistake underestimating the economic development that focused on the Micro, Small, and Medium Enterprises dominantly implemented by Indonesian people. The slowed-down recovery process of economy in global has been related to the inaccurate strategy in the industrial development that biased to the big businesses and because of underestimating the Micro, Small, and Medium Enterprises (MSMEs). The role and the development of the Micro, Small, and Medium Enterprises can only be improved by the maintenance and the proper support for those business owners, which can be done effectively if the MSMEs business owners know their potential factors, prospects and their weaknesses in running the business. In addition to that, those business owners need to identify all their problems and needs clearly. Identifying all problems and needs, knowing the market segment and the management skills of those business owners will really help the local government in Yogyakarta City for determining the maintenance method and the type of supports that should be given to the micro, small and medium business owners in Yogyakarta City. If those business owners get the right support and they can address the real problems, it will be easier for the government to develop the owners for breaking through a wider market in their businesses.



Department of Industry, Trade, Cooperative and Agriculture in Yogyakarta City is updating the database of the Micro, Small, and Medium Enterprises, so we can know the latest condition for the type of business that can support the economy in the regions of Yogyakarta City. Based on the information of the Head of Research and Development for Micro, Small and Medium Enterprises Unit in the Department of Industry, Trade, Cooperative and Agriculture, the updating process of the database can help the government to get valid data about the existence of new business units in the regions of Yogyakarta City. Department of Industry in Yogyakarta City has been implementing a routine program for developing the Micro, Small and Medium Enterprises. The program includes training, mentoring and motivating those business owners in order to expand their started businesses. Those business owners highly expect any contribution from the central government of Indonesia either in the support for wider market access or in the support of fund with a relatively low expense and conducive to their businesses.

Wijaya (2008) once had a research of Micro, Small, and Medium Enterprises that tested the entrepreneurship style and model of those business units in Yogyakarta City and Central Java, meanwhile Riyanti (2003) had a research about those business units from the psychology aspect. Based on this background, the problem that we need to find the solution is about what profile of the micro, small and medium-sized enterprises (Micro, Small, and Medium Enterprises) especially for handicrafts in the regions of Yogyakarta City and what problems the business owners have in their businesses, and what solutions they have done to solve their problems. The aims of this study are to identify the profile of Micro, Small, and Medium Enterprises especially for handicrafts in Yogyakarta City; to identify the business owners' real problems in Yogyakarta City in order to help the local government in finding the solutions, and to learn how the business owners solve their problems so that we can offer them more effective solutions.

II. RESEARCH METHOD

This type of research is included in the explorative study. Researchers will ask questions to explore any further information. The characters of this research are creative, flexibel, open, and all sources are considered important as the source of information. The object of this research is Micro, Small and Medium Enterprises for handicraft sector in Yogyakarta City. The population of the research is all business owners in Micro, Small, and Medium Enterprises especially for handicraft sector in 7 districts in Yogyakarta City, which are Kotagede, Kraton, Mantrijeron, Mergangsan, Tegalrejo, Umbulharjo and Wirobrajan. The data for the total number of business owners in the handicraft sector refers to the members data in National Handicraft Council (Dekranas) in Yogyakarta City. The criteria used in the sampling technique are as the followings:

- a. The business owners in this sample are included in the group of handicraft sector and still active in operational every day. The criteria for the handicraft sector refers to the classification issued by Department of Industry, Trade, Cooperative and Agriculture in Yogyakarta City.
- b. The business owners in this sample are the executives as a producer and not as an agent or a vendor of the handicraft products.



- c. The business owners in this sample are in the regions of Yogyakarta City. The last sample's numbers that meet the requirements are 21 Micro, Small, and Medium Enterprises in handicraft sector in the area of Yogyakarta City.

Comprehensive interviews and questionnaires are used to select profile data, business type, experienced problems, and the business owners' efforts to solve the problems. The data used in this research is a primary data. The method of collecting data in this research uses a questionnaire, *depth interview* and documentation. The interview is a way to collect any information by interviewing the respondent verbally face-to-face with the guided direction and goal.

III. RESEARCH'S FINDINGS

The Profiles of Micro, Small and Medium Enterprises in Yogyakarta City

Based on the regulation or Constitution No 20 in the year of 2008, the Micro, Small and Medium Enterprises is a productive enterprise that belongs to an individual or an individual business entity that meets the criteria of Micro Enterprise that is ruled in this regulation or Constitution. Small Enterprises is a productive economy enterprise that stands alone, which is operated by an individual or a business entity that is not a subsidiary or a branch, that is owned, managed, or a direct or indirect part of medium enterprise or big enterprise that meets the criteria of Small Enterprise that is ruled in this regulation or Constitution. Medium Enterprises is a productive economy enterprise that stands alone, which is operated by an individual or a business entity that is not a subsidiary or a branch that is owned, managed, or a direct or indirect part of Small Enterprise or big enterprise with the total net wealth or annual sales revenue that is ruled in this Constitution. In this era of regional autonomy, every region is motivated to take benefits of the local resources in order to increase the competitive advantage of the products in each region, either for the domestic market or for international market with the paradigm of think locally but action globally. In the future, the group of Micro, Small, and Medium Enterprises as a prioritized economy sector should pay attention to the followings: (1) having a high competitive advantage, (2) being socialized, (3) being supported by the knowledge of science and technology to increase efficiency, (4) being decentralized and spreading over equally in every region, (5) being an movement agent in developing our national economy. Therefore, Indonesian economy foundation will be based on Micro, Small, and Medium Enterprises. For the distribution of income, the development of Micro, Small, and Medium Enterprises will speed up more fair equalized income. More than 30-year experience in supporting the industrial development and large business without giving the priority, which means that the development of Micro, Small, and Medium Enterprises has failed to build a strong Indonesian economy from the threat of global economic crisis. Therefore, central and local governments will focus more on Micro, Small, and Medium Enterprises.

Based on the Central Bureau Statistics, the criteria of small enterprise can be seen from the total amount of employees, which are around 5-19 people, and then, medium enterprise has the total employees of about 20-99. If the enterprise has more than 100 employees, so it is considered a large company. Meanwhile, the home or micro industry has less than 4 workers. Especially for Handicraft sector and General-Category sector, they were all 453 Micro, Small, and Medium



Enterprises spread over 7 districts in Yogyakarta City. At the moment, the data for the Handicraft enterprise have many changes, and they are not accurate.

The research data refers to the members of business owners registered in the National Handicraft Council (DEKRANAS) in Yogyakarta City. Based on the data, there are 314 companies registered as the members of National Handicraft Council in Yogyakarta City. Based on that number, the total active business owners of Micro, Small, and Medium Enterprises in Yogyakarta City are 122 business owners. Not all of those business owners involve in the handicraft sector. However, most of them are the collectors, distributors and retail vendors that have a showroom of handicraft products, and they live in Yogyakarta City.

Based on this research, we know that the total active business owners of Micro, Small, and Medium Enterprises, especially handicraft sector that registered actively as a member of National Handicraft Council are only 21 business owners. More of them, based on the survey, indicated that many Micro, Small, and Medium Enterprises are closed, or they are still in operational but not active and their data aren't valid because their names and businesses can't be detected as registered in National Handicraft Council in Yogyakarta City. Therefore, the related institution should pay more attention and verify periodically the list of business owners in the membership.

Respondents in this research meet the criteria of the sampling technique, who are 21 business owners of Micro, Small, and Medium Enterprises. In the first part, we focus on the topics of business profile, and activity profile of business owners in general. We focus the first issue to explore the first research question which is about Micro, Small, and Medium Enterprises profile of handicraft product in the area of Yogyakarta City. In the second part, we focus to explore and answer the second research question which is about various problems experienced by the business owners. The third part, we focus to answer and explore the research questions about the business owners' efforts to solve their problems.

Based on the respondents' profile, the business owners of Micro, Small, and Medium Enterprises who can survive their operation until now are those who depend on their own capital as their source of fund, and there are only 2 respondents who use their additional debts in running their businesses. The average of sales income is 30 million IDR with the lowest sales income of the respondent is 5 million IDR, which is for the business owner having cardboard box production. That business owner financed his handicraft product by a bank loan in which the owner paid their workers' salaries by termed payment. In the period of the research, that cardboard box business was decreasing in its sales because of a slowed-down economy globally. The respondent's biggest sales income is 135 million IDR, who is a business owner of the sandals and leather shoes industry, in which this business product is quite expensive at that time. The workers are about 3-7 persons, which indicated that the handicraft businesses in Yogyakarta City haven't employed many workers yet, which is caused by required specific skills for the workers, and many people choose to work in a settled company that can support their life and families. During the period of this research, the average business owners of Micro, Small, and Medium Enterprises in Yogyakarta City have decreasing of sales income as an impact of the slowed-down national economy.



Various problems successfully identified in this research are as the followings:

- The slowed-down national economy condition gives an impact to the purchasing level of the community, so the demand of the Micro, Small, and Medium Enterprises' products is getting lower.
- The prices of raw materials increase
- There is a business maneuver from a certain business owner that causes the loss for others. On the other hand, there is an unhealthy competitive condition in the business area of Micro, Small, and Medium Enterprises in Yogyakarta City.
- Some business owners still have some marketing problems for promoting their products.
- Limited capital from the business owners for funding their businesses that hinder the growth of their businesses
- There is an internal problem for the human resources to support the business, especially for the lack of skills of the workers.
- There is a maneuver in the market for setting the price of raw materials, especially for the leather industry in Yogyakarta City.
- Some business owners have some problems to serve a hugh demand from the customer because of lack of the internal resources
- Pricing is mostly determined by the collectors not by the crafters, so their bargaining power for setting the production cost is still low.
- Many efforts have been done by the owners to solve their problems. Based on the survey, we can identify some efforts that the owners tried to solve the problems as the followings:
 - Having a group of businesses that facilitates the business owners for the capital, marketing and sharing technology within the group.
 - Participating in the expo or exhibition to develop the marketing tools through social media electronic.
 - Co-operating with the collectors to accommodate the products as a conventional alternative of marketing
 - Participating in the trainings related to their businesses

IV. CONCLUSIONS AND SUGESSTIONS

Based on the research result, we can identify 21 business owners of Micro, Small, and Medium Enterprises in Yogyakarta City that meet the defined sampling requirements. The requirement is that the business owner must be still active in operational when the research conducted, and the business owners are the crafters in handicraft industry in Yogyakarta City. The crafters are the producers in the business and not as distributors, collectors or retailers.

The common problems of the business owners are capital, the rise of raw materials' price, the slowed-down of the purchasing power of the customers, unequaled facility services by National Handicraft Council in the forms of exhibitions and promotions, and the tax problems. The trainings for the business owners are still needed to be followed up, so the local government must pay attention more seriously about this issue. The business owners already tried many



efforts to solve their business problems. The effort is having a group of businesses that facilitates their problems of capital, marketing and sharing technology.

To accommodate and respond the various problems experienced by the business owners in Yogyakarta City, we recommend some suggestions in the research as the followings:

- Identifying and updating the database of the business owners of Micro, Small, and Medium Enterprises in Yogyakarta City legally and accurately periodically.
- Reviewing back the classification of types of Micro, Small, and Medium Enterprises by reconsidering their business characteristics, so there won't be any sharp differences in the classification because of different perceptions.
- Re-collecting the data for all business owners in Yogyakarta City more accurately for sharing the information of the facilities that they will need in the business.
- Entering the data regularly that will increase the original income of the local area by the tax payment of the business owners of Micro, Small, and Medium Enterprises.
- The government as a public institution must be present in helping the business owners of Micro, Small, and Medium Enterprises to develop and run their businesses, and the government should give the same treatment or service for all business owners.
- The local government in Yogyakarta City in the short term is expected to give trainings, marketing facilities, and capital support in various plans for the business owners of Micro, Small, and Medium Enterprises in Yogyakarta City.

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