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MICRO AND SMALL BUSINESS EMPOWERMENT THROUGH IMPROVEMENT OF FINANCIAL AND MARKETING MANAGEMENT

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Abstract: *This research aims to empower SMEs through efforts to improve the management of Finance, marketing and the selection of SME strategies. The approach taken is to conduct exploration, provide training and workshops as well as the last stage is to provide assistance. This research is a kind of Aresearch study of action. It is expected that the SMEs participants in the research can: (1). Growing creative ideas. (2). Obtaining knowledge about micro business finance management (3). Obtaining information access capital for SMEs (4). To understand the marketing strategy. (5). To be able to make good business strategy selection. The results of this action study indicate: To enter the market, SMEs should access market and promotion of its products on targeted target market. Opportunities are always there for the development of SMEs in Surabaya and surrounding areas. With the training, both by the universities in Surabaya, especially the Faculty of Business Widya Mandala Catholic University Surabaya expected micro and small businesses able to create and present financial statements better, manage finances well so as to facilitate in obtaining business credit. Therefore, the development of managerial capability in SMEs done through continuous training process, workshop and mentoring to participants of SMEs participants.*

Key Words: *SMEs participants, business, goods or products, Small Micro Business Empowerment.*

1. INTRODUCTION:

1.1. Background of The Study

SMEs as a very strategic national economic sector in the development of the people's economy, has always been a central issue contested by politicians in attracting mass sympathy. The academics and NGOs also discussed many of them in seminar forums, but rarely did the real effort so that the impact on improving the prosperity of SMEs.

As the axis of national economic revival, SMEs are not a business sector without problems. In its development, this sector is facing many problems that until now have not received serious attention to overcome them (Permana, Laksmana, Ellitan, 2017). In addition to capital problems caused by the difficulty of having access to financial institutions due to the absence of collateral, one of the problems faced and at the same time the weakness of SMEs is the lack of access to information, especially market information (Ishak, 2005). This is a constraint in terms of marketing, because with limited access to market information resulted in low market orientation and weak competitiveness at the global level. Poor information about the market, making SMEs cannot direct the development of business clearly and focused, so the road is slow if not said stagnant (Widyarini, 2007).

In addition, **Micro, Small and Medium Enterprises (SMEs)** is one of **the economic** sectors that is highly calculated in Indonesia because it contributes considerably to the economic development. The role of SMEs can be seen in Gross Domestic Product (GDP) in increasing national added value and employment. SMEs resilience to local competition and global competition must continue to be improved following market demand (www.bisnisukm.com, 2012).

SMEs in East Java develop from year to year either from the number of centers, business units, the use of labor, the value of investment and production value. Seeing the development is required continuous efforts both by SMEs themselves, the government and the business world, so that the role of SMEs in the economy getting bigger. The role of SMEs in Indonesia in general and East Java in particular in exports is still small compared to the total value of non-oil exports, but the future prospects of SMEs in the export sector should be kept in mind as SME export structure is positively correlated with excellent products owned by SMEs (Source: Trend CPM data).

In the face of an increasingly open and competitive market mechanism, market control is a prerequisite for increasing the competitiveness of SMEs. In order to dominate the market, MSMEs need to get information easily and quickly, both information about the production market and the production factor market. Information about the production market is necessary to expand the marketing network of products produced by SMEs. Market information of production or commodities market required e.g. (1) what kind of goods or products are needed by consumers in certain areas, (2) how people buy the product, (3) what prevailing market price, (4) consumer appetite on local, regional, and international markets. Thus, SMEs can anticipate various market conditions so that in running their

business will be more innovative. While production factor market information is also needed primarily to know: (1) source of raw materials needed, (2) raw material price to buy, (3) where and how to obtain business capital, (4) Professionals, (5) the level of wages or salaries that are appropriate for workers, (6) where to obtain the necessary tools or machinery (Ishak, 2005).

Comprehensive and accurate market information can be utilized by SMEs to make their business planning appropriately, for example: (1) make product designs favored by consumers, (2) determine competitive prices in the market, (3) know the target market, and other benefits. Therefore, the role of government is needed in encouraging the success of SMEs in gaining access to expand its marketing network.

Things need to get the attention of all parties is how to develop these SMEs to be able to contribute to and influence as well as a greater value to the industry and the community around it. From the initial interview to identify problems faced by SMEs, in general the obstacles faced are related to the low quality of human resources (HR), weakness of business management, low access to financing sources and low utilization of information and technology owned.

The important business management issues in the effort to improve the competitiveness of industries in East Java are in the entrepreneurial ability, financial management and marketing strategy. These three things need to get serious attention because of the lack of knowledge of SMEs in management, financial management and marketing (marketing). It is difficult for SMEs to compete regionally, even national and global competition if the three things are not done and not managed properly. Manufacturers must "pick up the ball" and must be more creative in an effort to improve the product, it is not less important is the quality of the marketing strategy undertaken (Uli, 2009).

With the background of the above problems, the need for training that can open the insight for SMEs to be able to manage the business to always be creative, have the ability to manage finances, have access to capital and utilize information technology as a means of promotion (Suyanto, 2005). It is expected that some SMEs in East Java, especially Surabaya and Sidoarjo areas will gain control of the market and can survive in any period, if managed well in the field of finance and marketing then the products produced will have export potential. The industrial sub-sectors targeted in this training. The types of industries and companies that became the object of this workshop were established together with the SME Group of Surabaya of East Java Industry Office (Disperindag Jatim) who knew exactly SMEs to follow the entrepreneurship workshop, financial management and marketing strategy as a means to increase sales. The types of SMEs established are: 1) food; 2) crafts; 3) batik and embroidery; 4) footwear. This training is intended for SMEs in the area of Surabaya and Sidoarjo which became the co-operative of the Department of Cooperatives and SMEs East Java.

1.2. Formulation of the Problem

From the results of identification through the spread of questionnaires and interviews on some SMEs, problems in the region of Surabaya and Sidoarjo are (Results Focus Group Discussion and exploratory studies, (Ellitan and Koesworo, 2014):

- Lack of search effort Creative ideas of SMEs.
- Lack of ability in micro business finance management.
- Lack of knowledge about financial management.
- Lack of understanding of marketing strategies.
- Lack of understanding about the importance of business strategy formulation for SMEs

1.3. Research Objectives

The workshop of entrepreneurship and facilitation is conducted twice in two months. The first activity focuses on micro business finance management and marketing strategy formulation with the aim that the company can exist with the ability to manage the business, the ability to manage finances and use marketing strategies to increase sales of its products. In addition SMEs are also directed to manage and formulate strategies to continue to exist in competition. After participating in this training and facilitation, it is expected that participants representing SMEs can:

- Growing creative ideas.
- Gain knowledge of micro business finance management
- Obtain information on access to capital for SMEs
- Understand the marketing strategy
- Able to make good business strategy selection

A month after the training, SMEs will be reassembled to tell the progress and problems faced and the team will provide consultation and discussion considerations. Discussions can be conducted through small groups accompanied by teams of abdimas and outside experts.

The five benefits of this action research study are:

- Improve the search for creative ideas.

- Applying the financial management knowledge of SMEs obtained in the training.
- Increasing the knowledge of SMEs in obtaining access to capital.
- Improve knowledge of SMEs in marketing strategy so that market share and income of SMEs increase.
- SMEs can formulate and choose the right business strategy to stay competitive.

2. LITERATURE REVIEW:

2.1. Overview of Micro Small Medium Enterprises

All this time, various efforts and policies have been made by various agencies to develop this sector. One of the efforts of financial institutions to develop SMEs has been done through the channeling of credit SMEs. Likewise efforts that have been made by Non-Finance Institutions in the development of SMEs in Indonesia has been done in the form of capital access and training, but in reality there are many groups of Micro, Small and Medium Enterprises (SMEs) that face various obstacles, both from internal company itself or from external factors.

Based on the thinking, using the primary data obtained through the Focus Group Discussion and secondary data from financial institutions and SMEs data (conducted by Team FB WMCU in 2014 (Ellitan and Koesworo, 2014), the FGD obtained the following conclusion:

- Roles that have been implemented by institutions (both financial and non financial institutions) in the development of SMEs are in the form of efforts as follows:
 - A. Help SMEs in the field of credit / financing
 - B. Training and managerial, technical guidance
 - C. Help market access by engaging SMEs entrepreneurs in exhibition activities both regional, national and international.
 - D. Comparative studies to similar companies in other parts of Indonesia.
- 2. The obstacles of SMEs development in Surabaya and Sidoarjo are:
 - A. The low quality of Human Resources in the development of SMEs.
 - B. Differences of expectations and perceptions between MSME entrepreneurs and related institutions in terms of accessing SMEs loan funds
 - C. Availability of information systems related to SMEs development is still minimal, such as: Service information
 - D. The lack of market access assistance for SMEs entrepreneurs who want to take advantage of national and international market opportunities.
 - E. Products from the processing sector generally do not have certification of quality standards.
 - F. Continuity of raw material supply and unstable raw material prices.
 - G. Lack of coordination among agencies / agencies SMEs builders are programmed and scheduled.

In connection therewith, some of the recommendations given are as follows:

- **Related to Licensing**, it is better for the government / related institutions to facilitate the licensing bureaucracy through a one-stop service system, to reduce the cost of obtaining business licenses, and to provide a licensing information system (permit types, procedures and business licensing requirements including licensing administration fees).
- **Regarding to Training**, financial and non financial institutions should cooperate with universities to improve the knowledge and skills of SMEs entrepreneurs in management and technical training activities in order to improve the quality of SMEs Human Resources.
 - A. Bookkeeping / administration and financial management training.
 - B. Managerial training (marketing and production aspects)
 - C. entrepreneurship training
 - D. Business ethics training
- **Related to Guidance and Consultation**, it is better for Banking Institution to be more active in conducting coaching efforts in the form of management and technical guidance and consultation through establishment of SMEs consultancy service unit for the assisted partner / debtor
- **Related to taxation**, for the long term, the government should consider reducing the burden of business income tax for SMEs, proportionally based on business scale, as well as establishing tax service information system (by the Tax Office), which is easily accessible by SMEs entrepreneurs
- **Related to Business Financing**, SMEs, financial institutions should be expected to provide the allocation of funds greater credit for SMEs, and facilitate credit terms, as well as applying low interest rates. Especially for micro enterprises (which are relatively difficult to meet collateral requirements) can be granted credit collectively to business groups, with collateral being a joint responsibility (joint responsibility). One of the weaknesses of **Micro Small and Medium Enterprises is the capability of capital**. Therefore, helping access to capital sources or credit providers will solve some of the problems of the company's capital needs. In fact, many SMEs require funding of capital resources, on the other sources of capital have sufficient funds to be channeled to SMEs, but there is a gap

so that the two poles never met so there is no transaction (Appelbaum, Pierre, Glavas, W., 1998). Constraints that have contributed to difficulties SMEs access to sources of capital include: do not know each other between sources of capital to SMEs, the differences in habit where SMEs entrepreneurs are not too familiar with the banks while on the other hand, banks are very familiar with the SMEs, the inability to prepare feasibility of including SMEs. It is difficult to meet the administrative requirements requested by the owner of the funds. A normal if the owner of the funds in providing financing to other parties with extreme caution, because anyone in releasing the funds expect that these funds safe, in the sense that these funds are guaranteed to be returned and at the same time make a profit from it. Without getting to know each other it is impossible for the owner of the funds to give it to others, it is worth it in everyday life people will not marry if each has not known each other. Small businesses often do not do accounting or bookkeeping very simple, where the various costs not accounted for by obvious like: do not do the depreciation of fixed assets, did not take into account the labor costs of personal or family, and do not separate corporate assets with personal wealth. This condition will cause difficulties to the owner of funds to conduct business feasibility. The feasibility of the business to be financed is a handbook for the source of capital (the owner of capital) to determine whether to fund the business or not. Therefore the ability to draw up a feasibility study to be very important, because it may be the actual business that will be financed by the potential and will be able to provide great benefits, but because of the presentation of the feasibility study does not describe the real potential that the effort was financed, the capital sources not Willing to provide funding. In other words, although the business will provide a great advantage, but if the business feasibility is not able to convince the source of capital, then the business will not be funded. Efforts undertaken include: bringing together SMEs with the owners of funds, providing bookkeeping training and preparation of business feasibility studies or funding proposals.

2.2. Strategies in SMEs

Porter (2005) suggests that efforts to improve business performance through the achievement of company efficiency and productivity as a company goal require a competitive strategy based on core competencies. The choice of a company's competitive strategy is based on two things:

- The attractiveness of the industry for long-term profitability and the factors that determine its attractiveness and profitability.
- How is the relative competitive position of the company in an industry.

The three things a company must do to achieve competitive advantage through formulation and implementation of competitive strategies include (Porter, 1998):

- Environmental Analysis
- The Company identifies strengths, weaknesses, opportunities and threats and understands the environment, customers, industry and competitors.
- Determination of the Company's Mission
- Establish a company's mission can be by establishing the reason for the existence of the company and identifying the value of the product to be created by the company.
- Strategy Formulation
- Strategy formulation or stages of strategy formation can be done by building competitive advantage such as low price, design flexibility or content, quality, fast delivery, dependency, after sales service, or extensive product line.

3. METODE USED:

3.1 Method of Action Research

SMEs problems are lack of understanding of financial management, lack of knowledge of capital access, lack of utilization of marketing strategy in support of development strategy of UMKM. Furthermore, this dedication activity can be solved with 2 (two) community service activities that is:

- Workshop in interactive lecture on matters relating to financial management of small and medium enterprises, knowledge of capital access and marketing strategy and human resource management, implemented for 1 (one) time with interval of one month.
- Mentoring the development of marketing plans and formulation and selection of competitive strategies (implemented one month by providing guidance after the activities of the previous month).

3.2 Information on Industry / Micro Entrepreneurs

In order for this workshop, the targeted information on industry type and the names of SMEs that have the prospect to attend this training are obtained from East Java Industry Office. Some SMEs are selected considering the

data obtained from Disperindag related to the use of labor, as well as the level of education of business owners. The average business owner is a high school graduate, diploma and undergraduate level (S1), age is relatively under 50 years. Management of business management is still familial, but SMEs has been using the computer to assist the process of daily transactions conducted. Some entrepreneurs have email so they have known the use of internet as a means of communication although its utilization has not been optimal.

Considering managers' education, production turnover and relatively young age, it is expected that SMEs is easy to adopt the information given in this workshop to be used as a medium for SMEs development. Thus, SMEs is feasible to attend this workshop. There are some SMEs who have been on the phone from officials of East Java Industry and Trade Office and have stated willing to attend this workshop.

3.3. Place of Observation

The activity was held at Faculty of Business, Widya Mandala Catholic University, Surabaya on April 6 and May 4, 2016. Assistance activities are also conducted until 31 May 2016 for SMEs that need consultation problems.

4. RELATED ACTIVITIES:

4.1. First Stage Activities

Activity title of Small Micro Business Empowerment Through Improved Financial Management, Marketing and Election Strategy has been held on Sunday, April 6, 2016, at 08.00 until 16.00 pm. Participants of the training and Focus Group Discussion numbered 45 SMEs in Surabaya area. UMKM industry sectors vary, ie food/beverage industry, stamp industry, handicraft industry and other industries. FGDs were conducted to find out the general characteristics of the SMEs participants. SWOT analysis approach helps SMEs to know the potential of self, strength, weakness as well as opportunities and threats that exist around the business. That way we can do a strategic plan for the business. Doing SWOT analysis is one of the Business Success Tips that can be reached. FGD results indicate the position of SME participants training is as follows:

Table 1. SWOT SMEs

<p>Strength</p> <ul style="list-style-type: none"> • Competitive price • Reliable service to potential customers • Availability of market share • Good work ethic of employees through values of motivation and honesty 	<p>Weakness</p> <ul style="list-style-type: none"> • Lack Business Network • Less Market Penetration capability • Limited Business Facilities and Infrastructure • Lack of information related to the access of new technology, • Limited Access to Information In addition to access to finance • Lack of capital.
<p>Opportunities</p> <ul style="list-style-type: none"> • The market is still open inside and outside the country • Public acceptance of SME products • Support from central and local government. • Utilization of information technology • Get training from SMEs development agencies • Credit assistance for SME • Many radio or television programs provide useful insights for SME development 	<p>Challenge</p> <ul style="list-style-type: none"> • Being prosecuted for productive and efficient production processes, • Strict competition with other SMEs that produce the same product and serve the same market niche. • Fast innovation • To be more proactive in the market.

4.2. Second Stage Activities: Assistance, Module Distribution and Discussion

This second phase of activities was conducted on May 4, 2014 at the UKWMS Business Facility Room A202 and attended by 37 small and medium entrepreneurs. Assistance is done by responding and discussing the problems faced by SMEs in Surabaya and surrounding areas. Activities are held from 9 am to 4 pm.

The results of the discussion indicate that East Java as one of the provinces whose development so rapidly in the growth of SMEs. Based on experience compared to large companies, SMEs relatively can overcome the situation although the possibility of SMEs will also be affected by the shrinking of the domestic market, as most SMEs supply their products to large companies that actually experience the most severe crisis impact.

Furthermore, the necessary conditions for the empowerment of SMEs can be implemented include: First, there is the biggest obstacle faced by SMEs is to access formal credit, namely the low access of SMEs to formal credit

information. Therefore, the presence of institutions and credit information networks to improve SME access to banking credit. In addition, the institute will, if possible, at the same time be able to function as a guarantor institution for a larger loan as well as a center of information about prospective borrowers and the type of business.

Second, to propose to the government that state-owned banks, as well as other commercial banks to provide loans and extension of loans to SMEs with more competitive interest rates that can be used by SMEs to mobilize initial capital and working capital and long-term investment in order Spur business growth. Third, to encourage the establishment of a small business integrated assistance control, which serves as a financial service providers and bookkeeping for SMEs that do not have adequate system? Fourth, to provide business licensing services for free, so that SMEs will be encouraged to register their business. Given this problem that until now still many complained by SMEs, because to obtain formal credit administrative requirements required.

To be able to realize the goal is not easy, it needs coaching and development of SMEs continuously and continuously with dynamic policy and according to condition and aspiration of business actor. This is because it is not a secret that the business actors in the region, especially SMEs groups do not have a voice, and rarely can champion their interests professionally. Therefore, decentralization aiming to bring policy-making closer to the community still needs to be proven whether local communities have the right to take part in policy-making processes that directly concern their interests, thereby promoting the development of healthier, more efficient and highly competitive SMEs.

5. CONCLUSION:

To enter the market, SMEs must access market and product promotion to targeted target market. This activity is very expensive and high risk. SMEs individually will not be able to do this. This business risk should be taken over by the Government. Thus, it is necessary to divide the tasks between SMEs and the Government. Role-sharing is based on the concept of "marketing mix" in conventional marketing theory: product, price, distribution channel, and promotion, in which case the Government can assist in distribution and promotion.

Nevertheless, opportunities are always there for the development of SMEs in Surabaya and surrounding areas. With the training conducted by both Surabaya city government and by universities in Surabaya, it is expected that micro and small enterprises can make and present financial statements better, making it easier in getting business credit. In addition, with the increasing number of micro businesses getting training on marketing strategies, it is expected that these business actors can further improve the quality of their products, market share and lead to increased income. Therefore, the development of managerial capabilities in SMEs conducted through the process of training, workshops and mentoring are still needed.

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