

# Mapping and Assessment of MSMEs as Capacity Business Enhancement

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## Abstract:

Micro Small and Medium Enterprises (MSMEs) are known to be resilient towards crisis. These enterprises are also as the main actors in the scenario of the Asean Economic Community (AEC). AEC has started in 2015, but unfortunately, it is observed that the MSMEs in Semarang Municipality have not maximized their potential to become the major players to compete in the AEC scenario. Therefore, this research aims to (1) describe the performance of MSMEs in Semarang Municipality district (2) map MSMEs development potential in Semarang Municipality district (3) conduct a "Need Assessment" analysis on the MSMEs so as to improve competitiveness through quality improvement program and business capacity enhancement of MSMEs in the Semarang Municipality district.

This research was conducted using survey and descriptive methods. Data collection technique and need assessment were done using Focus Group Discussion (FGD) method and improved using in-depth interviews. The analysis technique used in this research combined qualitative and quantitative analysis (mix method).

The research results concluded that (1) there were six types of MSMEs in the Semarang Municipality district, and the most common type of MSMEs was based on processed food and handy-craft products (2) the majority of MSMEs were located in the Genuk sub-district (3) MSMEs in the Semarang Municipality district generally did not have administrative and financial accounting aspects, and that the type of production equipment and packaging techniques were relatively simple. It was also found that the marketing techniques used by the majority of MSMEs in the Semarang Municipality district were still quite conventional. From the need assessment conducted, it could be suggested that some efforts to improve the performance of the MSMEs should be done immediately through bookkeeping and marketing training, application of appropriate technology and provisions of business assistances. These efforts are expected to increase the MSMEs' performance in the Semarang Municipality.

**Keywords:** Value relevance, IFRS, Extractives, Exploration.

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## I. INTRODUCTION

The Micro, Small and Middle Enterprises (MSMEs) are tough economic actors in the midst of the currently decelerating economic growth. Judging from the potentials that these Micro, Small and Middle Enterprises (MSMEs) have, they are expected to survive in the free market a of AEC.

The existence of Micro, Small and Middle Enterprises (MSMEs) in this country's economy ought to receive more attention from the government considering their contribution to the national economic development. MSMEs should always be supported to deal with their weaknesses

to be competitive with and to prevent them from being oppressed by their competitors from abroad.

In Central Java, particularly in the Semarang Municipality, MSMEs have developed very rapidly. The number of micro and small enterprises in Semarang Municipality has been increasing each year, indicating that a productive economic growth is taking place as characterized by the improved and conducive growth and climate of micro and small enterprises. According to Osotimehin (2012), reality shows that when economic crisis hits, small and micro enterprises are more resistant and resilient compared to bigger companies.

The problems that the MSMEs in Semarang Municipality face generally involved human resources, capital, and modern technology mastery. These will only worsen once AEC is implemented. If nothing is done about this, MSMEs which are famous for their great endurance will eventually go bankrupt.

As suggested by Rusdarti (2016), the problems of MSMEs in Semarang Municipality in the face of ASEAN Economic Community were relatively low product quality, less responsive human resource to technology, poorly managed bookkeeping, conventional marketing system and unstandardized products of MSMEs.

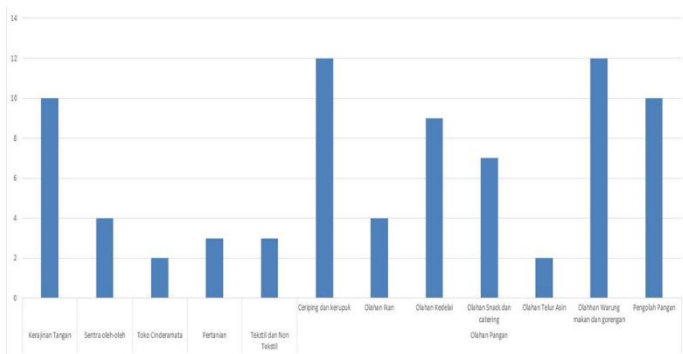
Based on the explained conditions above, it can be concluded that the MSMEs in the Semarang Municipality still have room for improvement. Nevertheless, in so far no studies has been conducted on how the condition and distribution of MSMEs in Semarang Municipality are. The large number of MSMEs is basically one of those instruments available to improve people's welfare and local prosperity. Therefore, attempts should be made to improve these MSMEs' business capacity to allow them to play an active role in AEC. This research aims to describe the performance of MSMEs in Semarang Municipality, to map the potential development of MSMEs in Semarang Municipality and to perform need assessment upon the MSMEs in Semarang Municipality.

## II. RESEARCH METHODOLOGY

The object of this research is the MSMEs located in Semarang Municipality. Its sample consisted of 78 superior MSMEs in Semarang Municipality which were taken using purposive sampling. The data used in this research were secondary and primary. The secondary data used are all data related to MSMEs in Semarang Municipality from BPS of Semarang Municipality, Cooperative and MSME Office of Semarang Municipality and Bappeda of Semarang Municipality and the primary data were collected from interviews conducted to the MSME samples in Semarang Municipality. The data collection and need assessment were done using Focus Group Discussion (FGD) and they were complemented with in-depth interviews. The Focus Group Discussion (FGD) were done by grouping MSMEs based on their types and a discussion was held for each group to explore the information and need assessment using participatory principle. The data in this research were analyzed using mixed method approach, which combined quantitative and qualitative approach.

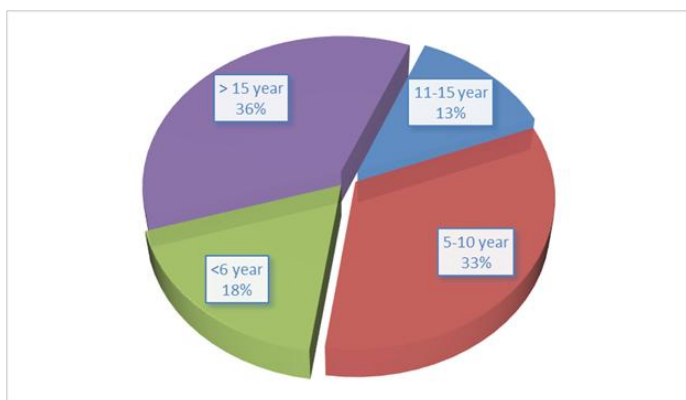
## III. RESULT AND DISCUSSION

Based on the survey conducted, it was found that the government of Semarang Municipality classified MSMEs into several categories, consisting of handicrafts, processed food, souvenir, memento, agriculture, and textile and non-textile MSMEs. In this research, each of these categories was sampled. Handicrafts had ten respondents, souvenir center had four respondents, memento had two respondents, agriculture had three respondents, textiles and non-textile had three respondents. Next, processed food was divided further based on its subcategories, including chips and crackers with twelve respondents, processed fish with four respondents, processed soy with nine respondents, snack and catering with seven respondents, salted egg with two respondents, food stall with twelve respondents and food processor with respondents. A total of seventy-eight respondents were sampled in this research.



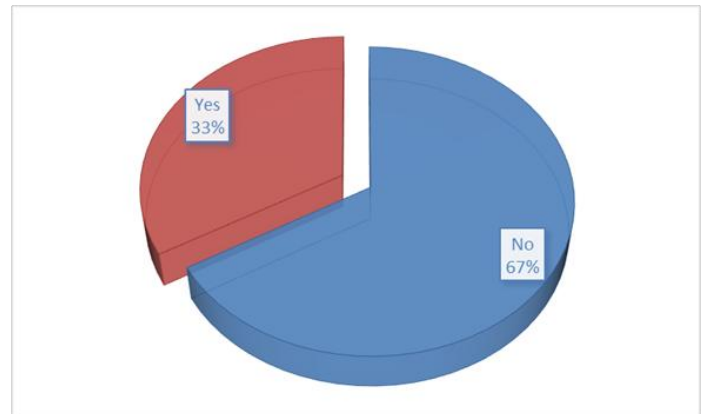
Source: Primary data, processed  
Figure 1: Number of MSMEs Based on Categories in Semarang Municipality

It is found that most MSMEs in Semarang Municipality have been doing their businesses for more than 15 years at 36% and only a few have established their business for 11to15 years at 10%. Meanwhile, those doing their businesses for more than 6 years are only 18%.



Source: Primary data, processed  
Figure 2: Duration of Business of MSMEs in Semarang Municipality

EventhoughmanyMSMEsinSemarangMunicipalityhavebeenestablishedrelativelyfor a long time, it seems that most of them have not been managed well. This can be seen from their bookkeeping records. Most MSMEs in Semarang Municipality have not had administrative records on their businesses. This means that they do not know the importance of administrative record of abusiness.

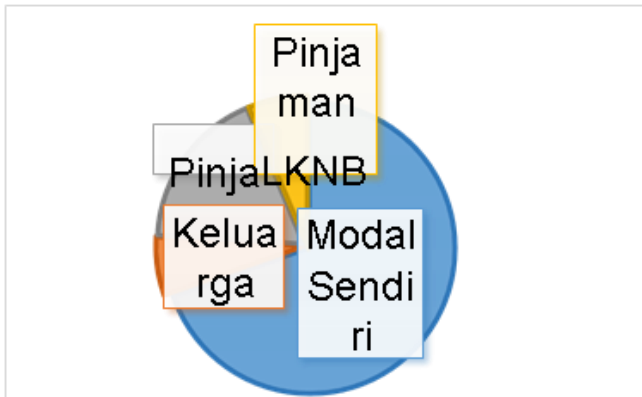


Source: Processed data  
Figure 3: Possession of Business Administrative Record

Based on the processed data above, it was found that only 33% of these MSMEs have done financial records and the remaining 67% do not have it. The administrative and financial records have fulfilled accounting standards and principles.

It was also found that the administrative and financial records of most of those MSMEs had met the accounting standards and principles with 81% and the remaining 19% have not. This weakness in documentation, be it for administrative record or financial statements, was probably due to the fact that most MSME owners in Semarang Municipality only had high and elementary school educational backgrounds.

Next, the working capital of most MSME actors came from themselves. Only a few of them had the courage to borrow from banks for their working capital or even for the development of their businesses. Several reasons were behind this, including their fear to make loans. They think loans are something of a taboo. They were concerned that they might fail to pay back the monthly installments. This was due to their low educational background which eventually led them to never think of how to develop their existing business to grow further.



Source: Processed data

Figure 4: Source of Working Capital

The Micro, Small and Middle Enterprises in Semarang Municipality which produce handicrafts were divided into two types of handicrafts - embroidery and gold-ink calligraphy. Three embroidery handicraft MSMEs were located in East Semarang District and eleven in the Pedurungan District. Meanwhile there was only one gold-ink calligraphy MSME and it was located in Gunungpati.

Based on the research result, the MSMEs producing chips dan crackers were mostly in Genuk District (25), Pedurungan District (7), Ngaliyan District (5), West Semarang District (5), Gunungpati District (4) and Banyumanik District (1). These MSMEs mostly produced cassava chips, banana chips, and animal skin crackers.

Based on the research results, the MSMEs running their business in fish processing were mostly located in Genuk District (9), West Semarang District (4) and Pedurungan District (3).

These MSMEs were mostly produced processed fish such as pressure-cooked milkfish, shrimp paste and fish skin crackers.

The third category of MSMEs in Semarang Municipality is Semarang-specific souvenir shop. There were 18 Semarang-specific souvenir shops, most of which were located in Central Semarang District (15), Banyumanik District (2) and Genuk District (1). The souvenir center was located along the Pandanaran area of Central Semarang District.

This area has been established by the government of Semarang Municipality as a Semarang-specific souvenir center area to allow visitors from other cities to buy Semarang-specific souvenirs easily.

The fourth type of MSMEs was the memento MSMEs. They were mostly situated in Central Semarang District (23), and the remaining was spread to several districts in Semarang Municipality. This is because the Central Semarang District is the heart of Semarang Municipality and many economic activities are here. In fact, many MSMEs choose to establish their businesses in Central Semarang District for its strategic location despite high rental costs.

The next one was those MSMEs running their business in agriculture in a wider sense. These agriculture MSMEs were located in Mijen District (5), Ngaliyan District (4), Banyumanik District (2), Gunungpati District (2), Candisari District (1) and Tembalang District (1). Products of these MSMEs included dairy cow, flower, ornamental plants and herbal plants.

The last type of MSMEs was textile and non-textile. The textile and non-textile MSMEs were located in Tembalang District (3), Central Semarang District (3), Candisari District (2), West Semarang District (1), Gajahmungkur District (1) and Pedurungan District (1). Products of these MSMEs included embroidery, garment, batik bag and fashion.

Looking at the performance of MSMEs in the various aspects above, it could be concluded that guidance, training and knowledge enrichment and assistance needed to be given to these industries. It is safe to say that the performance of most small, family-owned businesses in Semarang Municipality is relatively low. The limited knowledge on business development strategy leaves many things which require immediate follow up in order to make these enterprises survive amongst stiff competition. The efforts of improving performance should be done immediately through training, efficient application of technology and business assistance. By implementing these efforts, it is expected that the

enterprise performance would improve, and eventually their welfare would improve too.

Judging from the descriptions and the mapping of the MSMEs above, we could see that the existence of many MSMEs in a region is actually a potential in which the region could benefit from. In addition to contributing towards regional economic growth, MSMEs also give significant contribution to manpower employment. This means that they can help reduce unemployment level. However, it turns out that most MSMEs in Semarang Municipality have not been managed optimally. Running a business as it is without managing it well would not improve the capacity of the businesses. Factors such as bookkeeping, production and marketing are all important aspects to be considered. Thus, in order to

improve the MSME's performance, the participation of all parties, from entrepreneurs to government to academicians, is needed. Now that the MSMEs are

mapped out, it is expected that a follow up would be made to improve the current state of affairs of MSMEs in Semarang Municipality.

Furthermore, from the Focus Group Discussion (FGD) with the MSME owners and based on data analysis, some information regarding what were needed by each group of MSMEs in Semarang Municipality as an attempt to improve their business capacity was obtained. The information gathered from the need assesment is presented in the table below:

Table 1: Need Assesment of MSMEs in Semarang Municipality

Type of MSMEs	Number of MSMEs	Need Assesment
Handicrafts	43	<ul style="list-style-type: none"> <li>▪ Training on administrativerecording</li> <li>▪ Training on preparing financial statements                             <ul style="list-style-type: none"> <li>▪ Innovation in terms of design</li> <li>▪ Training on packagingtechnique</li> <li>▪ Training on marketingtechnique                                     <ul style="list-style-type: none"> <li>▪ Workingcapital</li> <li>▪ Access to rawmaterials</li> </ul> </li> </ul> </li> </ul>
Processed food: Chips and Crackers	56	<ul style="list-style-type: none"> <li>▪ Training on administrativerecording</li> <li>▪ Training on preparing financial statements                             <ul style="list-style-type: none"> <li>▪ Innovation of productionequipment</li> <li>▪ Training on packagingtechnique</li> <li>▪ Training on marketingtechnique                                     <ul style="list-style-type: none"> <li>▪ Workingcapital</li> </ul> </li> </ul> </li> <li>▪ Training on innovation to make varied crackers</li> </ul>

Processed fish	18	<ul style="list-style-type: none"> <li>▪ Training on administrative recording</li> <li>▪ Training on preparing financial statements</li> <li>▪ Innovation of production equipment <ul style="list-style-type: none"> <li>▪ Training on packaging technique</li> <li>▪ Training on marketing technique <ul style="list-style-type: none"> <li>▪ Working capital</li> </ul> </li> </ul> </li> <li>▪ Training on innovation of diversifying processed fish</li> </ul>
Processed soy	42	<ul style="list-style-type: none"> <li>▪ Training on administrative recording</li> <li>▪ Training on preparing financial statements</li> </ul>
		<ul style="list-style-type: none"> <li>▪ Training on packaging technique</li> <li>▪ Training on marketing technique</li> <li>▪ Working capital</li> <li>▪ Training on innovation in diversifying processed soy</li> </ul>
Processed food Snack and Catering	33	<ul style="list-style-type: none"> <li>▪ Training on administrative recording</li> <li>▪ Training on preparing financial statements</li> <li>▪ Innovation of production equipment</li> <li>▪ Training on packaging technique</li> <li>▪ Training on marketing technique</li> </ul>
Processed food Salted egg	8	<ul style="list-style-type: none"> <li>▪ Training on administrative recording</li> <li>▪ Training on preparing financial statements</li> <li>▪ Access to raw materials</li> <li>▪ Innovation of production equipment</li> <li>▪ Training on marketing technique</li> </ul>
Food processor	43	<ul style="list-style-type: none"> <li>▪ Training on administrative recording</li> <li>▪ Training on preparing financial statements</li> <li>▪ Training on packaging technique</li> <li>▪ Training on marketing technique</li> <li>▪ Innovation of production equipment</li> <li>▪ Training on innovation in diversifying processed foods</li> </ul>
Semarang-specific souvenir shop	18	<ul style="list-style-type: none"> <li>▪ Training on packaging technique</li> <li>▪ Training on marketing technique</li> <li>▪ Working capital</li> </ul>
Memento Shop	8	<ul style="list-style-type: none"> <li>▪ Training on administrative recording</li> <li>▪ Training on preparing financial statements</li> <li>▪ Working capital</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Training on marketing technique</li> </ul>
Agriculture	15	<ul style="list-style-type: none"> <li>▪ Training on administrative recording</li> <li>▪ Training on preparing financial statements</li> <li>▪ Innovation of production equipment</li> <li>▪ Training on packaging technique</li> <li>▪ Training on marketing technique</li> <li>▪ Working capital</li> <li>▪ Solution to weather dependence issue</li> </ul>
Textile and Non-Textile	12	<ul style="list-style-type: none"> <li>▪ Training on administrative recording</li> <li>▪ Training on preparing financial statements</li> <li>▪ Innovation of production equipment</li> <li>▪ Training on packaging technique</li> <li>▪ Training on marketing technique</li> <li>▪ Working capital</li> <li>▪ Solution to increasingly higher costs of raw materials</li> <li>▪ Training on innovation in fashion design</li> </ul>

Source: Processed data

From the tabulation of need assessment presented in Table 1, we can see the various needs of each type of MSMEs in Semarang Municipality. Having figured out the need assessment of each MSME, it is expected that a follow up in the form of either further research or community service would be made. This is all done with hope that when the need assessment has been settled, the working capacity in each MSME in Semarang Municipality would improve, and eventually the contribution that MSMEs make to locally generated income in Semarang Municipality would increase as well.

#### IV. CONCLUSION

Judging from the types of MSMEs in Semarang Municipality, each one of them has its own varied conditions and distributions. Handicraft MSMEs producing embroidery were mostly located in Pedurungan District. Genuk District is where most MSMEs run their business in the food field,

particularly chips and crackers, processed fish, processed soy, processed food snack and catering, processed salted egg, food processor enterprises were situated. Central Semarang District was the hub where most Semarang-specific souvenir, memento and textile and non-textile MSMEs were located. For agriculture MSMEs, most of them were in the Mijen District.

Some needs in the effort of improving the business capacity of MSMEs in Semarang Municipality included aspects such as: training on administrative recording, training on preparing financial statements, innovation of production equipment, training on packaging technique, training on marketing technique, working capital, access to raw materials, training on product innovation, and production waste management. Having figured out the need assessment of each MSME, it is expected that a follow up in the form of either further research or community service would be made. This is all done

with a hope that when the need assessment is settled, the working capacity in each MSME in Semarang Municipality will improve and eventually the contribution that MSMEs make to locally generated income in Semarang Municipality will increase as well.

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