THE EFFECT OF SMALL AND MEDIUM ENTERPRISES (SME) ON THE DEVELOPMENT OF PERBAUANGAN SUBDISTRICT, SERDANG BEDAGAI REGENCY

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ABSTRACT

This study aims to analyze the effect of small and medium enterprises (SMEs) on regional development in the Perbaungan sub-district of the Serdang Bedagai Regency. Problems faced by SMEs include limited infrastructure and government access related to licensing and bureaucracy as well as high levels of levies. The research was carried out in Perbaungan District, Serdang Bedagai regency on the Effect of Small and Medium Enterprises (UKM) on Regional Development in Perbaungan subdistrict, Serdang Bedagai Regency. The analytical method used in this study is multiple regression analysis, with 78 SME respondents. The results showed that the factors of capital, place of business, formal education, informal education, the legality of business entities, and coaching simultaneously had a significant effect on the income of SMEs in Perbaungan subdistrict, Serdang Bedagai Regency. Partially the capital variable shows a significant effect on the income of SMEs in Perbaungan subdistrict, Serdang Bedagai regency. Whereas the variable place of business, formal education, informal education, the legality of business entities, and coaching did not show a significant effect on the income of SMEs in Perbaungan subdistrict, Serdang Bedagai Regency.

KEYWORDS: Small and Medium Enterprises (SMEs), Income

1. INTRODUCTION

The contribution of the MSME sector to the country's economy is not in doubt. After the crisis that hit the world economy, the Indonesian state was able to be saved thanks to the existence of this MSME sector. According to Kuncoro (2008), MSMEs proved to be resistant to crises and able to survive because first, they did not have foreign debt. Second, there is not much debt to banks because they are considered unbankable. Third, use local input. Fourth, export-oriented.

Industrial development in a country strongly supports economic growth, so one of the strategies taken by the government is to empower and grow Micro, Small and Medium Enterprises (MSMEs) as the basis for popular economic development. Until 2011, MSMEs were able to contribute to state revenue by contributing 61.9% of gross domestic product (GDP) revenue through tax payments, which are described as follows: the micro-business sector contributed 36.28% of GDP, the small business sector 10.9%, and the medium business sector 14.7% through tax payments. Meanwhile, the large business...
sector only contributed 38.1% of GDP through tax payments (BPS, 2011).

Perbaungan Subdistrict as one of the sub-districts in the Serdang Bedagai Regency, North Sumatra Province, has developed SMEs with types of businesses such as dodol, handicraft and shoe businesses. The existence of SMEs in the Perbaungan Subdistrict, Serdang Bedagai Regency has a positive impact on alleviating the problem of poverty and unemployment to meet the needs of their household life.

The Government of the Serdang Bedagai Regency strives to improve the welfare of the community by providing various business opportunities in the SME sector. But the business is constrained by the UKM itself. As for many problems faced by SMEs, such as limited capital, limited production techniques, and management capabilities, relatively difficult marketing, low-quality human resources.

In addition, the development of SMEs is still faced with various problems that cause weak competitiveness of imported products. Problems faced by SMEs include limited infrastructure and government access related to licensing and bureaucracy as well as high levels of levies. Based on the description above, researchers conducted research on the influence of capital factors, place of business, formal education, informal education, the legality of business entities, and coaching on the income of SMEs in the Perbaungan subdistrict.

Objective of the study
The aim of this study is to analyze the influence of capital factors, the place of business, formal education, informal education, the legality of business entities and the income guidance of small and medium-sized enterprises in the Perbaungan subdistrict of Serdang Bedagai Regency.

2. RESEARCH METHODOLOGY
The data used in this study is quantitative. This type of research according to the level of exploitation is associative / correlational, i.e. analysis of data using inferential statistics, to know the degree of relationship and the form of influence between the independent variable and the dependent variable. Because this study aims to determine the relationship between two or more variables (Rusiadi, et al, 2014).

The study was conducted in Perbaungan District, Serdang Bedagai District, with the object of the study being the Effect of SMEs on Regional Development. The selection of locations was carried out in all rural/urban areas of Perbaungan District.

Primary data obtained through a series of questions asked to respondents in the form of questionnaires and interviews. Secondary data, obtained from related institutions such as BPS, Bappeda and the Department of Cooperatives and Micro, Small and Medium Enterprises (MSME) of Serdang Bedagai Regency, and data sourced from relevant agencies that support in this study. The population in this study were all Small and Medium Enterprises (UKM) of Perbaungan District, totaling 364 business units. Furthermore, using the Slolvin formula, a total sample of 78.45 people was obtained and rounded to 78.

Data analysis using multiple regression analysis that utilizes the relationship between two or more variables (Qudratullah, 2013).

3. LITERATURE REVIEW

Small and Medium Enterprises (SME)
Criteria for small businesses as referred to in the Law of the Republic of Indonesia Number 20 Year 20008 concerning Micro, Small and Medium Enterprises. Small Business Criteria are as follows:

1. Has a net worth of more than IDR.50,000,000,000 (fifty million rupiahs) up to a maximum of IDR.500,000,000,000 (five hundred million rupiahs) excluding land and buildings for businesses, or
2. Has annual sales results of more than IDR 300,000,000,000 (three hundred million rupiahs) up to a maximum of IDR 2,500,000,000,000 (two billion five hundred million rupiahs), (www.bi.go.id).

In Act Number 20 of 2008 concerning Micro, Small and Medium Enterprises in Chapter IV article 6 states that the criteria for medium-sized businesses are as follows:

1. Has a net worth of more than IDR.50,000,000,000 (five hundred million rupiahs) up to a maximum of IDR.10,000,000,000,000 (ten billion rupiahs) excluding land and buildings for businesses, or
2. Has annual sales results of more than IDR 2,500,000,000,000 (two billion five hundred million rupiahs) up to a maximum of IDR.50,000,000,000,000 (fifty billion rupiahs) (http://www.bi.go.id).

The Central Statistics Agency (BPS) (2011) defines MSME based on the quantity of labor. Small businesses are businesses that have a workforce of 5 people up to 19 people, while medium businesses are businesses that have a workforce of 20 people up to 99 people. From the above opinion, the understanding of MSME is seen from various aspects, both in terms of the wealth owned by the actors, the number of workers owned or in terms of sales/turnover of MSME actors.

The purpose of micro business according to Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, which is aimed at growing and developing its business in the context of building...
a national economy based on a just economic democracy. The level of job creation is higher in microbusinesses than in large companies (Sutrisno and Lestari, 2006). The Ministry of Cooperatives and SMEs in Neddy (2006) argues that the role of micro, small and medium enterprises (MSMEs) in the Indonesian economy can at least be seen from:

3. Its position as a major player in economic activity in various sectors of the largest employment provider
4. An important player in the development of local economic activities and community empowerment
5. Creator of new markets and sources of innovation
6. Its contribution to maintaining the balance of payments through export activities.

Tambunan (2017), there are differences between UMi, UK, and ME in the background or motivation of entrepreneurs to do business. The difference in the entrepreneur's motivation must be seen as the most important characteristic to distinguish between MSMEs and UBS, and between sub-categories within the MSME group itself. According to the report, some micro-entrepreneurs in Indonesia have an economic background, which is to get income improvements. This shows that micro-entrepreneurs take the initiative to look for income to meet their family's daily needs. Besides that, the background of being a micro-entrepreneur is due to heredity, namely continuing the family business. In this case, many family factors are still dominant, i.e. if the parents are fishermen then their children will become fishermen, and so on. While the ideal reason for micro-entrepreneurs is to feel that they have been given certain skills. Another reason to be a micro-entrepreneur is that there are no opportunities for a career in another field.

According to I Gusti in Afifah (2012) the challenges faced by SMEs and Cooperatives are technology, human resources (HR), management, capital, organization, and institutions. The results of a study by the Management Institute of the Faculty of Economics, University of Indonesia show that micro-businesses have problems that can be identified as follows (Sutrisno and Lestari, 2006): (1) Bookkeeping system is relatively simple and tends to follow standard administrative rules so that the data is not up to date. This results in difficulties in assessing the performance of micro-businesses, (2) Business margins that tend to be thin given the very tight competition, (3) Limited capital, (4) Managerial experience of limited companies, (5) Economies of scale that are too small so it is difficult to expect cost suppression to achieve high efficiency, (6) limited marketing, negotiating and market diversification capabilities, (7) low ability to obtain sources of funds from the capital market, due to limited administrative systems.

Regional Development

Sirojuzilam (2005) states that the development of a region means increasing the value of the benefits of the area for the people of a particular area to be able to accommodate more inhabitants, with an average level of community welfare with a lot of facilities/infrastructure, goods or services available and business activities an increasing society, both in terms of type, intensity, service, and quality. Regional development aims to achieve rapid per capita income growth, provide and expand employment opportunities, equalize income, reduce disparity in prosperity between regions and encourage a balanced economic transformation between the agricultural and industrial sectors through the utilization of available natural resources but with due regard to its sustainability aspects (sustainable) (Todaro, 2000).

Income

Income are increases in company capital due to the sales of company products. Asset inflows or other increases in assets or liabilities settlement of the entity (or a combination of the two) from the sender of goods, providing services, or other activities that are the main operations or central operations of the company (Soemarso, 2009).

Income is the money received and given to economic subjects based on the achievements submitted, namely in the form of income from a profession that is done by yourself or an individual business and income from wealth. The amount of a person's income depends on the type of work (Sukirno, 2006). Soekartawi (2012) explains that income will affect the number of goods consumed, which is often found with an increase in income, so the goods consumed not only increase but also the quality of the goods comes to the attention. For example, before the increment of rice income which is assumed to be of poor quality, but after the addition of income, the consumption of rice becomes better quality.

4. RESULT

Serdang Bedagai Regency has a coastline of 92 km and 1 island, namely idol island as the outermost island bordering the Malacca Strait, from 17 sub-districts in Serdang Bedagai Regency there are 5 (five) coastal districts namely Pantai Cermin sub-district, Perbaungan sub-district, Teluk Mengkudu sub-district, Tanjung Beringin sub-district, and Bandar Khalifah sub-district. In addition to marine products and other fisheries, these 5 (five) sub-districts have tourism potential that has not been maximally developed.
The administrative area of Serdang Bedagai Regency is bordered by:

- Northside: Malacca Strait
- Southern side: Simalungun Regency
- Westside: Deli Serdang Regency
- East: Batubara Regency and Simalungun Regency

Figure 1 Serdang Bedagai Regency Administration Map

Perbaungan Subdistrict is located in Serdang Bedagai Regency, North Sumatra Province, with an area of 111,620 km² consisting of 24 Villages and 4 Kelurahans, where Adolina Village is the village that has the widest area among other villages and the village farthest from the Perbaungan Camat office is Sei Village Naga Lawan is located at the eastern end of the subdistrict boundary area. Perbaungan subdistrict from sea level +0 - 65 meters.

The administrative boundaries of Perbaungan subdistrict are:
- Northside: Pantai Cermyn sub-district
- Southern side: Pegajahan sub-district
- East: Teluk Mengkudu sub-district
- Westside: Pagar Merbau sub-district Deli Serdang Regency

Figure 2 Administrative Map of Perbaungan sub-district
Table 1

<table>
<thead>
<tr>
<th>Characteristics of Respondents</th>
<th>Category</th>
<th>Total</th>
<th>Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>20-30</td>
<td>15</td>
<td>19.23</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>33</td>
<td>42.31</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>19</td>
<td>24.36</td>
</tr>
<tr>
<td></td>
<td>51-60</td>
<td>11</td>
<td>14.10</td>
</tr>
<tr>
<td>Sex</td>
<td>Female</td>
<td>61</td>
<td>78.21</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>17</td>
<td>21.79</td>
</tr>
<tr>
<td>Education</td>
<td>Junior High School</td>
<td>16</td>
<td>20.51</td>
</tr>
<tr>
<td></td>
<td>High School</td>
<td>51</td>
<td>65.38</td>
</tr>
<tr>
<td></td>
<td>Diploma/Bachelor</td>
<td>11</td>
<td>14.10</td>
</tr>
</tbody>
</table>

Based on Table 1, the majority of SME respondents in Perbaungan District are aged 20-60 years, and in general SME respondents are at a productive age to be able to conduct business activities in making a living for the family. Male respondents are still the backbone of the family in earning a living and the majority are high school educated.

The Influence of Capital Factors, Place of Business, Formal Education, Informal Education, Legality of Business Entity, and Coaching on SME Income in Perbaungan Sub-district

Table 2

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.916*</td>
<td>.839</td>
<td>.825</td>
<td>.94159</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Capital, Business Place, Formal Education, Informal Education, Business Entity Legality, Coaching
b. Dependent Variable: Income
Source: Primary Data Processed, 2019

The result of calculating the value of R Square is 0.839. This means that 83.9 percent of SME income can be explained by the independent variables (capital, place of business, formal education, informal education, legality of business entities and guidance) above, while the remaining 16.1 percent is explained by other variables that are not included in this study.

Table 3

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>327.080</td>
<td>6</td>
<td>54.513</td>
<td>61.486</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>62.949</td>
<td>71</td>
<td>.887</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>390.029</td>
<td>77</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Capital, Business Place, Formal Education, Informal Education, Business Entity Legality, Coaching
b. Dependent Variable: Income
Source: Primary Data Processed, 2019

Statistical tests are simultaneous with a probability level of 0.000, thus it can be concluded that $P = 0.000 < \alpha = 0.05$, which means that $H_a$ is accepted. This means that the independent variables (capital, place of business, formal education, informal education, business entity legality, and coaching) are significant in explaining the income of SMEs.
Based on Table 4 and the description above, thus the multiple regression equation as follows:

\[ Y = -1,251 + 0,211 X_1 + 0,073 X_2 + 0,039 X_3 + 0,268 X_4 + 0,045 X_5 + 0,244 X_6 \]

The multiple regression equation model has the following meanings:

1. A constant value of -1,251 means that if the independent variable (capital, number of workers, place of business, formal education, informal education, the legality of business entities, and coaching) is considered constant, then the income of SMEs is Rp. -1,251 million / month.

2. The capital variable has a positive effect on SME income with a coefficient value of 0.211, meaning that each additional capital variable of IDR 1 million will increase SME income by IDR 0.211 million / month.

3. The place of the business variable has a positive effect on the income of SMEs with a coefficient value of 0.073, meaning that every additional score of the place of business will increase the income of SMEs by IDR 0.073 million / month.

4. The formal education variable has a positive effect on UKM income with a coefficient value of 0.039, meaning that every year the formal education variable will increase the income of SME by IDR 0.039 million / month.

5. The informal education variable has a positive effect on the income of SMEs with a coefficient value of 0.268, meaning that each additional score of the informal education variable will increase the income of SMEs by IDR 0.268 million / month.

6. The legality variable of a business entity has a positive effect on the income of SMEs with a coefficient value of 0.045, meaning that every addition to the score of the legality variable of the business entity will increase the income of the SME by IDR 0.045 million / month.

7. The coaching variable has a positive effect on the income of SMEs with a coefficient value of 0.244 meaning that each additional score of the coaching variable will increase the income of SMEs by IDR 0.244 million / month.

**DISCUSSION**

Factors of Capital, Business Place, Formal Education, Informal Education, Legality of Business Entity, and Fostering of SME Income in Perbaungan sub-district, Serdang Bedagai regency

The capital used by SMEs has a positive and significant effect on the income of SMEs in the Perbaungan District, Serdang Bedagai Regency. This result is in accordance with the Cobb-Douglas theory which states that production output is influenced by capital. These results indicate that with high capital it will increase the amount of production, because in the production process required costs are used to purchase materials, equipment and pay employee salaries.

According to Ashari in Utari and Dewi (2014), capital is a factor that has an important role in the production process, because capital is needed when entrepreneurs want to establish a new company or to expand an existing business, without sufficient capital it will affect the smooth running of the business so that it will affect the income earned. By the characteristics of the business scale, SMEs do not need capital in too large a number.

According to Todaro (2000), the main problem faced by informal sector workers is related to limited working capital. Therefore, providing soft
loans will greatly help more units, so that in the end will create more income and employment. To be able to increase capital, informal sector workers have easy access to soft loans from financial/banking institutions. The results of the study above are in line with the results of research by Paranesa, et al., (2016) showing that sales and equity alone have a significant effect on operating income at UD Aneka Jaya Motor in Singaraja. Sukesti and Nurhayati (2015) show that working capital has a significant effect on the financial performance of small food SMEs in the city of Semarang. Utari and Dewi's research (2014) proves that capital partially has a positive and significant effect on UKM income in the Imam Bonjol area of West Denpasar. Research Ganitri, et al., (2014), showed the same results, namely own capital, loan capital, and business volume significantly influence the difference in operating results in savings and loan cooperatives. Winarko (2014) proves that assets, own capital, and the number of members have a significant effect on the residual results of operations in cooperatives in the city of Kediri. Research conducted by Muhdin (2010) shows that working capital has a significant effect on PT Indosat Tbk's operating profit.

Tambunan (2017) explains that capital is one of the most important factors of production for every business, whether small, medium or large scale. While Neti (2009) states that in starting a business, capital is one important factor besides other factors, so that a business may not run if capital is not available. This means that a business will never exist or cannot run without capital. This illustrates that capital is the main and determining factor of business activity. Therefore everyone who will carry out business activities, then the main step is to think about and find capital for their business.

Business places, formal education, informal education, the legality of business entities, and guidance used by SMEs do not have a positive and significant effect on the income of SMEs in the Perbaungan sub-district, Serdang Bedagai Regency. These results indicate that place of business, formal education, informal education, the legality of business entities, and coaching can increase the income of SMEs but have not been able to significantly affect the income of SMEs. The results of this study are in line with the research of Harahap (2017) which states that place of business, informal education, and legality of business entities do not show a significant effect on MSME income in Medan Johor sub-district, Medan City.

SMEs in general who do not have a place of business permit are micro-entrepreneurs who are identical to the field of creative traders (PKL) so that the efforts of the Government of Serdang Bedagai Regency are needed to be able to organize and relocate micro businesses that do not have a business place permitted to cause the appeal of the community to be able to buy products of micro-businesses. The existence of street vendors to date has been scattered in various places such as industrial and trade areas, roadside areas, tourism areas, and others because there is no special land provided so that the empowerment of micro-businesses through location access is then arranged and given capital access and guidance so they can compete.

Education is a form of investment in the field of human resources that plays a role in spurring economic growth. This investment is a long-term investment because the benefits can only be felt after ten years (Atmanti, 2005). According to Simanjuntak (2001), the relationship between the level of income at the level of education is because by assuming that the higher the level of education the higher the level of employee productivity and ultimately affect the level of income. The results of the study above are in line with the results of research by Utari and Dewi (2014) proving that the level of education partially has a positive and significant effect on the income of SMEs in the West Bonjol Imam Bonjol area. Saraswati's research results in Utari and Dewi (2014) mentioned that education simultaneously had a significant effect on income and education partially had a real and positive effect on income.

Improving the quality of human resources through training is needed to improve the competitiveness of micro-businesses towards a larger business scale, with better management. The type of training is management and entrepreneurship training. According to the results of the study of Harini et al (2015) shows that training has a significant effect on income, training has a contribution to increasing income. If the improvement in the quality of human resources gets better through training activities, business income will increase.

Financial management, marketing, operational, HR training, attitude and entrepreneurial mentality significantly influence SME performance (Harini, 2012). According to Kamby (2013), based on the results of the regression analysis it was concluded that training and development had the greatest influence on employee performance at PT, Njonja Meneer. Several studies have shown that HR development or improvement of HR quality through training has an effect on employee performance, productivity, and organizational performance.

According to Harini, et al (2015) the role of policymakers is to hold meetings with micro businesses to determine the problems faced, provide an understanding of the importance of financial records, and provide an understanding of the importance of maintaining the quality of the products produced, providing an understanding of ways to do marketing, and practicing skills. The Government of Serdang Bedagai Regency needs to socialize and
facilitate SMEs in taking care of licensing, this is because without having proof of business legalization in the form of a small micro-business permit (MSE), SME actors cannot get special treatment from banks when they want to apply for capital such as community's business loans (KUR). The legality of SME business entities can facilitate market and capital access.

The Government of Serdang Bedagai Regency is to provide guidance to SMEs, both in the form of empowerment and capital. The concept of empowerment is an alternative solution to the development dilemmas faced. Community empowerment is a concept of economic development that encapsulates social values. This concept reflects the new paradigm of development, which is "people-centered, participatory, empowering, and sustainable" (Kartasasmita, 1996). Empowerment has two objectives, firstly, to release the shackles of poverty, and secondly to strengthen the position of the people in the economic structure and power. Conceptually, community empowerment is an effort to increase the dignity of the layers of society that in their present condition are unable to escape the pitfalls of poverty and underdevelopment. In other words empowering is enabling and independent of society. Empowerment intended in this research is the empowerment of the informal sector, especially street vendors as part of the community who need separate handling or management from the government related to the resources they have, which are expected to be able to encourage increased business revenue and business structuring of the street vendors themselves.

6. CONCLUSION

Factors of capital, place of business, formal education, informal education, legality of business entities, and simultaneous development have a significant effect on the income of SMEs in Perbaungan sub-district, Serdang Bedagai regency. Partially the capital variable shows a significant effect on the income of SMEs in Perbaungan sub-district, Serdang Bedagai regency. Whereas the variable place of business, formal education, informal education, legality of business entities, and coaching did not show a significant effect on SME income in Perbaungan sub-district, Serdang Bedagai regency.

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