FACTORS THAT HINDER DEVELOPMENT OF SMES IN LAMONGAN: AN INDUCTIVE CONTENT ANALYSIS APPROACH

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ABSTRACT

Lamongan had a big fish auction place (TPI), which is known as the largest producer of fish in East Java. But this natural resources has not been able to encourage a significant increase in the growth of economic well-being of the population working in the field of fisheries. Micro, small and medium enterprises which produce fish-based products have not been able to become an economic backbone. Therefore, this study aimed to identify factors that hinder the development of fish-based SMEs in Lamongan. This study used a qualitative approach with inductive content analysis techniques. The process of data collection during the 6-month study was conducted through observation and semi-structured interviews in order to obtain a clear and specific about the problems that cause the economy to grow slowly. The results showed that there are four (4) critical factors that lead to slow growth of SMEs, namely (1) the managerial ability and resources, (2) location and network, (3) competition, and (4) internal business circumstances.
Keywords: critical factors, SME's growth, qualitative approach, inductive content analysis

INTRODUCTION

Micro, Small and Medium Enterprises (SME's) have the characteristics of capital and assets are relatively small. Government Act No. 20 of 2008 on Micro, Small and Medium defining characteristics of SMEs based on assets and omzet. Micro-businesses have a limit on assets of 50 million with a maximum omzet of 300 million, small businesses have assets of between 50 million and 500 million with omzet between 300 million to 2.5 billion and medium-sized enterprises have assets between 500 million to 10 billion, with omzet limit between 2.5 billion to 50 billion.

These characteristics have an impact on other characteristics of Micro, Small and Medium Enterprises. Other characteristics of the SMEs which are the technology used is relatively simple with resources coming from the surrounding environment without take competence of its workforce into as its consideration. Therefore, the products are often easily imitated, easily abandoned by the customer and do not have traits or uniqeness.

Lamongan is one area that has a big fish auction place Brondong that produce the biggest fish in the East Java province. This area, Brondong, is well known as a place of abundant fish

population but the local people not be able to enjoy an abundance of fish they catch. Around Brondong, in fact, there are two major producer of processed fish. However, local people live around the factory only act as a factory workers or unskilled labor. The entire production export to countries that have the fish processing factory. The presence of two large factories processing fish is not able to provide significantly improved welfare. Similarly, the existence of organizations such as government agencies and non government has so far not functioning properly (Martadwiprani and Rahmawati, 2013).

This condition also causes people who runs business are generally less able to develop. One obvious example is Giono Snack owned by Giono, a member of KUD Mina Tani Brondong. He produces fishery products to become snacks labeled as "Sunduk Crispy". The Business owners, Giono, has been running the business since 2011. So this business has been running for nearly five years. Up to this study conducted, in terms of the areas of marketing, its business scale is still covering an area Brondong and its surrounding areas. Its average production volume reached 2.5 kg per day. This suggests that small businesses have slowly evolved because it was founded 5 years but there has been no significant increase in both the number of production and sales area. Such conditions occur also in other similar business in Brondong region.

Therefore, in this study, we worked with KUD Mina Tani. This cooperative is one pillar of the economy in the Brondong region. By working closely with our cooperative hope to identify what is causing micro-enterprises and small in the Brondong region can not grow fast.

LITERATURE REVIEW

The growth of SMEs cannot be separated from the role of policy makers, in this case is the government. Hamid (2010) convey important policy that is expected to boost SME's products with high competitiveness in the National Symposium in July 2010: Towards a Dynamic and Creative Purworejo, including:

1. Infrastructure. The cost efficiency of production and distribution is largely determined by how easy and economies the facilities and infrastructure that supported, such as roads, electricity supply, gas and fuel. Governments have a central role related to the infrastructure construction.

2. Official license. Government acts to regulate the circulation of business and commerce in order to support the nation's economy. Therefore official license is one of important means for traffic control. Regularity of business and trade is determined by a binding formal permission and control of the business owners. Similarly, seamless business and trade is also affected by the smoothness of licensing. Licensing also provides protection and security for businesses.

3. Capital. Enterprises with scale and any field definitely need capital to run it. However, SMEs often experienced problems with regard to capital. The absence of the ability to access sufficient capital causes difficulties in implementing the expansion and development of production.

4. Foreign Product Control. One of the effects of free trade is the proliferation of foreign products. Therefore, the government can take on the role by performing control of the quality of national products and to apply clear criteria on permits for foreign products.

5. Love Domestic Products. Movement to love domestic products need to be voiced aloud. Therefore, in addition to eco-friendly based economy, the need for sound economic nationalism. One form of government protection for SMEs is the need for the rules of the minimum quota of cooperatives and SMEs products that must be sold in modern stores

There are many researchers have investigated what factors inhibiting the development of SMEs. Here are two studies used in this study to formulate indicators to be confirmed.

1. According to the CEO of Micro Top Investindo Budi Isman (as posted on Saturday, 27/9/2014, in ekbis.sindonews.com) there are three main factors:
   a. regulation,
   b. technology
   c. licensing, official permission that complicated and burdensome impressed SMEs
2. According to Yuwono dan Ardianti (2013), the factors are:
   a. Infrastructure institutions and infrastructure outside the institution consisting of the variable: "The high cost of registration and business license", "The poor condition of road land transport", "The poor state of port and maritime transport", "The number of illegal levies on the business", "bribery to obtain contracts of the government "," Bribes to obtain business credit ", and" high level of criminality ".
   b. Managerial capabilities and resources consist of variable: "inability to understand the market conditions or industry", "The lack of relevant experience to do business in general", "The lack of previous experience in managing business today", "The lack of experience in managing human resources" "the difficulty in terms of availability and cost of electricity", and "the difficulty in terms of availability and cost of water".
   c. Labor and technology consists of a variable: "Difficulties in obtaining skilled labor", "Demand for high wages," "low ability/performance of their employee", "The demands of facilities and insurance by employees", "The difficulty and expense to get production equipment ", and" Most competitors with greater force ".
   d. Financial factor consists of variable "Difficulty obtaining loans from financial institutions", "The high lending rates".
   e. Location and Network consists of variable: "limited business networks" and "Difficulty getting locations that support the business".
   f. Competition consists of variable: "presence of substitutes has in common with the products sell/produce" and "Number of competitors with similar power".
   g. Business conditions consist of variable: "low purchasing power of the product" and "The ease new players get into the field of business that was involved".

RESEARCH METHODS

This study has the purpose to explain or describe a condition that occurs so that a qualitative approach is very appropriate for this study. Therefore, by conducting qualitative content analysis inductive, it is expected to obtain a detailed picture of the causes of micro and small enterprises slow growth in the Brondong-Lamongan region. The analysis process carried out in two stages, before and during field data collection process.

In the analysis phase before the process of data collection in the field, researchers determined the focus of the study based on secondary data that has been collected and observations made earlier. Based on the findings at this stage, it is determined the issues to be discussed in the study. However, because the process is still early then it is open the possibility of expansion of the scope of the study.

The next stage, the analysis conducted during field using a model developed by Miles and Huberman (Sugiyono, 2012). Stages starting from data collection, data reduction, data

presentation, and drawing conclusions. This process takes place in a cyclical so it will be repeated to obtain valid data as perceived by the researcher.

The selection of informants conducted using purposive sampling techniques, a technique with certain criteria. The criteria used are: 1) the owners or the micro and small who have run the business more than 3 years, 2) up to 3 years of running a business, they are not experience significant increase both in terms of area of sales, total employment and production volume. If the key informants have been obtained but further information is still required, further informant election conducted using the snowball technique. The data have been obtained from informants were processed using content analysis technique, the analysis of which rely on code found in a text data recording during interviews conducted with the subject in the field (Bungin, 2010). Qualitative content analysis procedures - inductive is as figured below in Figure 1.
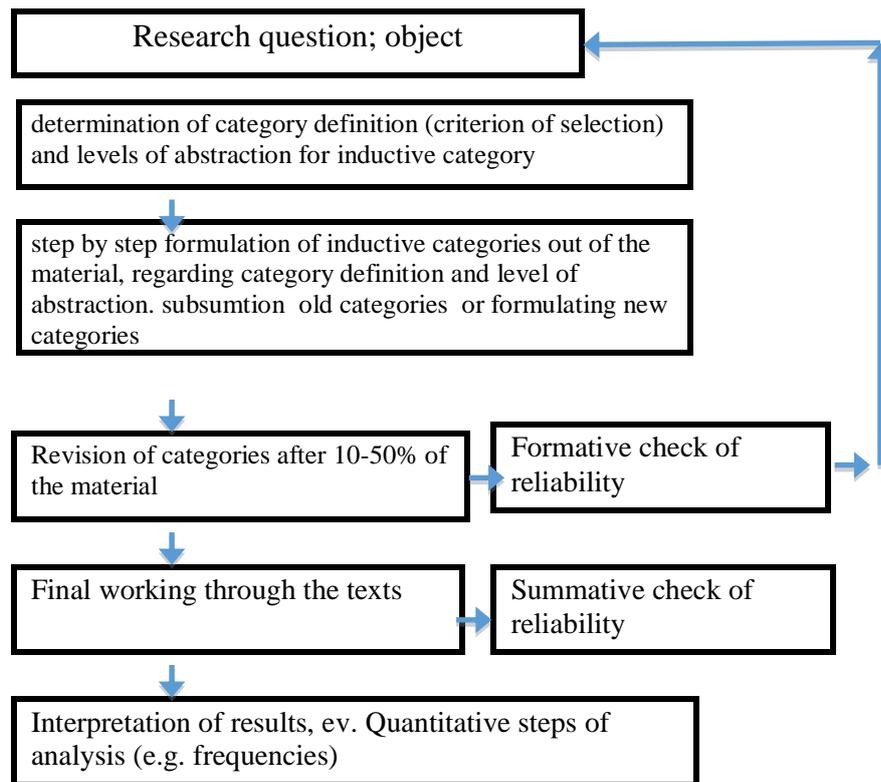
Figure 1: Qualitative Content Analysis Procedures-Inductive
Source: Mayring, 2000

Based on the procedures described above, it is necessary to determine the criteria for the classification categories based on inductive process. The category and criteria are developed based on Yuwono dan Ardianti (2013). Table 1 shows the criteria that are based on technique developed by Mayring (2000).

Table 1. Classifying Inductive Category

Category	Definition/criteria	Aturan pengodean
Factors institutional infrastructure and infrastructure outside the institution (II)	Registration and business licenses fees Land transport road conditions Ports and maritime transport conditions Illegal charges against businesses Bribery to obtain a contract from the government Bribes to get business loans Crime rate	II categorized as high if all aspects of has good value (1) II categorized as moderate if not all aspects rated good (2) II categorized as bad if all aspects considered bad (3)
Managerial capability and resources factors (MS)	The ability to understand the market or industry conditions Business experience Experience managing human resources The availability and cost of electricity Availability and cost of water provide	MS categorized as high if all aspects of has good value MS categorized as moderate if not all aspects rated good MS categorized as bad if all aspects considered bad
he labor and technological factors (TK)	The ease of getting skilled manpower wage demands Capability / performance of employees The demands of the facility and the guarantee of work by employees The ease of getting equipment production The number of competitors with greater strength	TK categorized as high if all aspects of has good value TK categorized as moderate if not all aspects rated good TK categorized as bad if all aspects considered bad
Financial factor (FI)	The possibility of obtaining loans from financial institutions The interest rate on loans from financial institutions Financial assistance from government	FI categorized as high if all aspects of has good value FI categorized as moderate if not all aspects rated good FI categorized as bad if all aspects considered bad
Location and network factors (LJ)	Business network Ease of obtaining locations that support business success	LJ categorized as high if all aspects of has good value LJ categorized as moderate if not all aspects rated good LJ categorized as bad if all aspects considered bad
Competition factor (KO)	The existence of substitutes that have similarities with products sold/ produced Number of competitors with similar power	KO categorized as high if all aspects of has good value KO categorized as moderate if not all aspects rated good KO categorized as bad if all aspects considered bad

Business condition factors (KU)	Purchasing power of the product The ease new players get into the field of business that was involved	KU categorized as high if all aspects of has good value KU categorized as moderate if not all aspects rated good KU categorized as bad if all aspects considered bad

As the procedure described above, each of the answers given by interviews with each informant will be grouped based on the criteria above. During the interview process, it is possibly that we will find answers outside the seven factors that have been compiled over. If their answer consider as relevant, we will include those answer as eighth category and so on.

RESULTS AND DISCUSSION
Based on observations and in-depth interviews can be concluded that there are no categories proposed irrelevant and there is no new category is generated. Therefore, it can be continued by summarizing the results of the interview that is based on table 1 above. Table 2 below presents a summary tabulation of the answers to questions by referring to the 7 factors.

Table 2. Summary of Results Encoding Interview

Kategori	Definisi/kriteria	Gi	Ar	Su	KUD	Dinkes		
Faktor infrastruktur institusi dan infrastruktur di luar institusi (II)	Biaya pendaftaran dan izin usaha	tinggi	tinggi	tinggi	rendah	rendah	2	2
	Kondisi jalan transportasi darat	buruk	buruk	buruk	buruk	buruk	3	
	Kondisi pelabuhan dan transportasi laut	buruk	buruk	buruk	buruk	buruk	3	
	Pungutan liar terhadap usaha	rendah	rendah	rendah	rendah	rendah	1	
	Penyuapan untuk mendapatkan kontrak dari pemerintah	rendah	rendah	rendah	rendah	rendah	1	
	Suap untuk mendapatkan kredit usaha	tinggi	tinggi	rendah	rendah	rendah	2	
	Tingkat kriminalitas	rendah	rendah	rendah	rendah	rendah	1	
Faktor Kemampuan manajerial dan sumber daya (MS)	Kemampuan memahami kondisi pasar atau industry	rendah	rendah	rendah	rendah	rendah	3	3
	Pengalaman berbisnis	rendah	rendah	rendah	rendah	rendah	3	
	Pengalaman mengelola sumber daya manusia	rendah	rendah	rendah	rendah	rendah	3	
	Biaya listrik	tinggi	tinggi	tinggi	tinggi	tinggi	3	
	Biaya air	tinggi	tinggi	tinggi	tinggi	tinggi	3	
Faktor Tenaga kerja dan teknologi (TK)	Kemudahan mendapatkan tenaga kerja ahli	Sulit	Sulit	Sulit	Sulit	Sulit	3	2
	Permintaan upah	sedang	sedang	sedang	sedang	sedang	2	
	Kemampuan/kinerja karyawan	sedang	sedang	rendah	rendah	rendah	2	
	Tuntutan fasilitas dan jaminan kerja oleh	rendah	rendah	rendah	rendah	rendah	2	
	Kemudahan mendapatkan peralatan produksi	sedang	sedang	sedang	tinggi	sedang	2	
	Jumlah pesaing dengan kekuatan yang lebih besar	tinggi	tinggi	tinggi	tinggi	tinggi	3	
Faktor finansial (FI)	Kemungkinan memeroleh pinjaman dari lembaga keuangan	rendah	rendah	rendah	tinggi	rendah	2	2
	Tingkat suku bunga kredit dari lembaga keuangan	tinggi	tinggi	tinggi	rendah	tinggi	2	
	Bantuan keuangan dari pemerintah	rendah	rendah	rendah	rendah	rendah	3	
Faktor Lokasi dan Jaringan (LJ)	Jaringan usaha	rendah	rendah	rendah	rendah	rendah	3	3
	Kemudahan mendapatkan lokasi mendukung	rendah	rendah	rendah	rendah	rendah	3	
Faktor kompetisi (KO)	Adanya barang pengganti yang memiliki kesamaan dengan produk yang dijual/hasilkan	tinggi	tinggi	tinggi	tinggi	tinggi	3	3
	Jumlah pesaing dengan kekuatan yang sama	tinggi	tinggi	tinggi	tinggi	tinggi	3	
Faktor keadaan usaha (KU)	Rendahnya daya beli masyarakat terhadap	tinggi	tinggi	tinggi	tinggi	tinggi	3	3
	Mudahnya pemain baru masuk ke bidang usaha yang digeluti	tinggi	tinggi	tinggi	tinggi	tinggi	3	

Discussion of results in this section do not present a detailed summary of the interview transcripts. It aims to simplify the presentation of data so as to provide a wider space for the present discussion.

A summary of the informant profiles are presented as follows:

1. Key informants are entrepreneurs in the processing of food made from fish that has been doing business for almost 5 years but has not been able to increase the area of sales, employment and sales volume.
2. The informant who has a role as a conduit of information is the management KUD Mina Tani, businesses are on par with key informants, and health officers.

There are four main factors that led to the slow growth of SMEs, namely factor locations and networks, competition and business circumstances. The fourth factor is confirmed by three groups of informants as being inhibiting. From the explanation given by SMEs indicate that they are doing business at home means not from the outset designed to conduct business. As Gi statement:

> "*My place of business is also the house where I live. My house has not changed since the first when I was working in a factory belonging to a relative until now I own my own business. Condition of the house has not changed much. Only there is the addition bulkhead so as not to disturb people who are passing by. The house is narrow and small. But that condition our homes and businesses ...*"

The statement was in keeping with description of Gi's location. The location is in an aisle with a width of no more than 2 meters. The distance between the end of the aislel and houses as far as approximately 100 meters from the end of the highway. Thus, consumers would have difficulty reaching the location of SME. Instead, employers would be quite difficult to transport the materials or tools that are large or heavy since four-wheeled vehicles can not enter. Similar conditions also occur in other two locations SMEs that become research informants.

The ability to open and establish the network is not always possessed by each person. SMEs often rely on existing kinship relations to run the business as told by Gi:

> "*....after being packed in plastic, crackers sunduk (product name) I Leave to a neighbor, friend or relative who opened the food stall. If you do not know for a long time, I am afraid to be deceived, because today, even though it was long enough to know can be deceiving, especially if never know at all ...*"

Another informant, Su, also gave a similar statement:

> "*....My product is already proper to be sold in large stores or malls. But I do not know how can I get the chance. Suppose there is a request, I will give.*"

That sight and reach of SMEs to the networks should be able to build but cannot be realized because of ignorance and lack of courage to go further.

The use of simple technologies for production processes that are applied causing the characteristics this business has easily imitated. Because everyone can easily imitate it. For example Ar that has a business to make frozen food products made from fish. He needed only common household items used by households.

> "*…..all cookware does not need to be purchased because it is readily available at home. Simply use existing tools in the kitchen, basin, towel, strainer, stirrer, we can use anything that could be used to stir and doing freeze. Seasoning takes all also available in a nearby market …*"

The only tool that is quite expensive is the freezer. But this can be easily anticipated by Ar because he can buy a used freezer at a much cheaper price. Their substitutes which have a function similar or almost the same characteristics, such as processed food products are

packaged has a lot of nice selection of types, flavors and ingredients. Therefore, consumers can easily switch from one product to another similar product. Eg brand X fish crackers consumers easily switch to brand Y prawn crackers and did not find it difficult to carry out the transfer process. Consumers also can move from buying crackers turns giving rengginang or cassava chips. So that competitors of the type of business this kind of product not only chips but also other small foods.

Competitors could easily follow the product that has become the market leader. Eg fish crackers X brand will be easily followed at all times by the makers of cassava chips and even new players can easily replicate and produce similar products. For example a new competitor of Su business:

> "....*very easy process to make crackers. In the past, I learned from my neighbor when I was a factory worker. Once I was not in line with my boss, and then I went out to make my own crackers. Because it is very easy and the mechanism was simple, the ingredients are easy to obtain...*"

Conditions such as these cause the number of competitors' products increased rapidly. However, the number of entrepreneurs out of business are also very much due to the presence of new players shifted. Easy to enter but also easy to exit.

Another feature of the SME products is segmenting buyers. Buyers came from middle class and even tends to bottom. SME products are not standardized eventually cause the quality is not maintained in the upper middle segment consumers choose products major manufacturers that have a certain standard of quality. As a result, SMEs can not penetrate the market in that segment. While the lower middle segment will slowly starting to shift when they experience economic improvement.

CONCLUSION

The results showed that there are four (4) critical factor that causes slow growth of SMEs, namely (1) the ability of managerial and resources, (2) Location and Network, (3) competition, and (4) state Enterprises. Therefore, collaboration between government, business SMEs, and communities to jointly build and strengthen factors into strengths and fix the things that becomes a weakness.

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