Factors Affecting The Business Continuity In Micro And Small Enterprises (MSEs) In Jombang  

Fahimul Amri  
Postgraduate, Universitas Negeri Malang, Indonesia  
Department of Economic Education, STKIP PGRI Jombang, Indonesia

Abstract: Micro and small enterprises (MSEs) have a major contribution for the economy of the countries such as in Indonesia. This contribution is visible in GDP and employment. However, MSEs is still facing various problems such as the factors that affect the sustainability of MSEs. Problems as well as factors that affect the MSEs business continuity associated with factors of production and human resources including raw materials, product innovation, competence of employers, employees, counseling and guidance, as well as education and training; marketing and promotion factors; factor of production techniques and technologies; and access to credit and capital factors. The survey was conducted on 138 entrepreneurs or MSEs owners in Jombang by using questionnaires and structured interviews. MSEs’ criteria which have been surveyed are not only industries producing handicrafts and household appliances, but also engaged in the food processing industry. MSEs’ criteria which have been surveyed are already running a business activity over three years and have a number of employees of more than three people. Analyses were performed by using factor analysis, and the results showed that the factors of production and human resources; marketing and promotion factors; factor of production techniques and technologies; and access to credit and capital factors affect the sustainability of the MSE business.

Keywords- production and human resources; marketing and promotion; production techniques and technologies; access to credit and capital; business continuity.

I. Introduction

Micro and small enterprise (MSEs) is one of the sectors that have a major contribution on the economy of countries around the world. This is shown by Jutla et al (2002) that MSEs contribute to economic progress in some countries by 80% of the global economy. Micro and small businesses are the main engine of growth in most economies around the world (Fatoki & Garwe, 2010).

In line with this statement, the contribution of micro and small enterprises for the economy in the countries such as China, Thailand, and South Korea. Which is stated in Siriwan et al (2013) showed that in 2011 MSEs accounted for about 36.6% of total GDP in Thailand. Also according to the Office of Small and Medium Enterprises Promotion (2011) that MSEs contribute to the growth of manufacturing exports in East Asia (more than 40% in China and the Republic of South Korea, and 56% in Taiwan). Musso & Francioni (2012) also explained that the micro and small enterprises play an important role in the economic growth of the countries in the world, including in Italy. Siwangazza (2014) revealed that MSEs play an important role in economic and social development in South Africa.

In addition to the contribution of micro and small enterprises in several countries that have expressed the micro and small businesses also specifically contributes to the Indonesian economy. It is estimated based on data from the Ministry of Cooperatives and SMEs (2013) micro business unit in Indonesia in 2013 has a number of 57.189.393, or 98.77% and 654.222 or 1.13% for small businesses. The amount of the contribution of micro enterprises in Indonesia for the formation of GDP in 2013 is estimated at 30.25% and 12.83% for small businesses of the total GDP. Contributions in employment is 104.624.466 or 88.90% for the Micro and amounted to 5.570.231 or 4.73% for small businesses. In addition, the micro and small enterprises (MSEs) are also able to contribute to the export of 1.38% for micro enterprises and by 2.76% for small businesses, although it is still far less contribution from medium and large businesses. In fact, it is not only that, but also small and micro businesses help the survival of the economic crisis that hit Indonesia in 1997-1998 at a time when many large companies had collapsed.

Yet, despite a very large contribution of MSEs on the national economy, this sector still has many problems that can hinder the progress and sustainability of the business in the future. Problems in the MSEs sector are very complex. Yustika (2005); Wijono (2005); Kuncoro (2009); Amri (2014) revealed that the problems which are still faced by MSEs started from the difficulty of obtaining raw materials, access to credit and capital, marketing, promotion, production engineering, management, technology, human resources, lack of guidance and coaching, limited cooperation and competition issues. Liberman-Yaconi et al (2010); Robson et al (2009) also revealed factors that become obstacles to the survival and performance of micro and small
businesses is the low level of managerial skills, lack of access to market information, the lack of capital resources and human resource capacity. Besides, Utami (2007); Siriwans et al (2013) also stated that the problems faced by MSEs is dealing with management problems as well as problems of education and development for businesses. Seeing these problems, it appears that the problem is actually a deciding factor for business sustainability for MSEs.

II. Review Of The Literature

2.1. Production and Human Resources

Production activity is activity that is absolutely exists in a company. Activities in managing raw materials into semi-finished goods or finished goods are finally ready to be consumed by the public. One important part of the production activity is related to the availability of raw materials. Raw material becomes very important when the raw materials needed are increasingly scarce and increasingly expensive. The sustainability of the production process will be stopped altogether if the raw materials used are not available. In addition, raw materials are also important for MSEs in facing the competition that is associated with product innovation. Product innovation is important to anticipate changes in consumer tastes and competition. Product innovation in a sustainable will provide great benefits to MSEs. Doroshenko et al (2015) stated that the MSEs is characterized by the existence of business innovation in accordance with the character of their business. Freel (2005) also found that there is no relationship between innovation intensity of training, and the most innovative companies to train more employees. The problem for MSEs is how the availability of financial resources in order to maximize the innovation of the products produced. Triguero et al (2015) stated that financial constraint is faced by MSEs to implement innovations.

Furthermore, in MSEs, production activities would not be able to run perfectly without human resources to work, both as owner or as an employee. Brand & Bax (2002) mentioned that human resources play an important role in the development and sustainability for competitive advantage of MSEs. The same thing also expressed by Amri & Atmojo (2014) in his research mentioned human resources affect business continuity. The MSE owners often double as a manager. Therefore, there is the vital role of the owner of the business will determine the survival of MSEs. Adner & Helfat (2003) showed that the characteristics of the top management teams of a company are a major contributor to the development of managerial capabilities that ensure a sustainable competitive advantage. Gagoitseope & Pansiri (2012) in his study also mentioned that the attitude of the entrepreneur as a critical success factor for the development of MSEs. Acquaah & Agypong (2015) also found that the superior managerial capabilities improve overall company performance. Siwangaza (2014) also mentioned that the lack of managerial and operational skills of the owner manager is one of the key factors that led to the failure of MSEs. Entrepreneurs are individuals who start their own businesses which have the ability to innovate and able to take advantage of existing opportunities and be able to allocate resources to achieve their goal (McKay & Chung, 2005; Tajeddini & Mueller, 2009), and they have the creativity, able to combine the factors of production, is able to develop new products, capable of entering and developing new market segments, and designing a new technology (Tajeddini & Mueller, 2009).

In addition to the owners or managers of MSEs, employees also have a major role in developing MSEs. Usually in MSEs employees recruited from the local community that emphasizes the relationship that is not formal, so that in the recruitment process of employees regardless of ability or competence needed (Williamson, 2000; Heneman et al, 2000). Therefore, MSEs are often confronted about how to recruit, select, maintain, and retain qualified employees (Heneman et al, 2000).

In the process of developing a business, owners or managers and employees need to get education and training. Education and training are an important part of the process of human resource development of MSEs. With education and training that will get the knowledge and skills of owners and employees. Gagoitseope & Pansiri (2012) suggests the need for entrepreneurial training and development for all employees in micro and small enterprises (MSEs). Further Gagoitseope & Pansiri (2012) in his research showed that entrepreneurship training is required for employers in facing the increasingly stringent environmental challenges in the future.

Besides, counseling and guidance program are also important in the effort to improve the performance of MSEs, counseling and guidance should be made by the parties concerned, especially by the government in maintaining the sustainability of MSEs. Amri (2014) stated that counseling and guidance provided by the interested parties on the government in particular MSEs can assist MSEs in improving productivity and competitiveness.

2.2. Marketing and Promotion

Marketing is an integral part of business activity MSEs, because through the marketing of MSE products produced can be absorbed by consumers. Therefore, MSE employers must have the ability to market products that have been produced. Marketing capability is a recurring pattern of a company which is effectively marketing the product produced (Chang et al, 2010). Marketing skills are also seen as practice organization,
routines and work patterns in applying company resources to the needs associated with the business market (Vorhies & Morgan, 2005).

Marketing has several technical and marketing techniques that is most frequently encountered is the advertising and promotion (Acquaah & Yasai-Ardekani, 2008). Marketing techniques can not be effectively used without a strong marketing capability (Acquaah & Agyapong, 2015). Even, Weerawardena (2003) found that there is an important marketing skill in designing competitive strategies are appropriate and will direct the company's competitive advantage.

2.3. Production and Technology Technique

Production technique is a method that is used by MSEs in producing a product. During this time production techniques that exist in MSEs is still very modest when compared to large companies. Production techniques that exist in MSEs are still difficult to compete with medium or large companies in improving productivity. Production techniques associated with the technology applied. Simple technology will create a simple production technique as well. Conversely, an advanced technology will produce sophisticated production technique that will produce high production capacity. Louart & Martin (2012) described the technological innovations used to adjust and adapt in an effort to secure international markets.

2.4. Access Credit and Capital Access

Access to credit and capital are an integral part in a business activity. Companies that have constraints in financial resources will try to access capital through credit. Domeher et al (2014) stated that access to credit remains to be the most important issue for most MSEs, and even debt as the only option available because of insufficient internal resources and the unavailability of financing itself (Frelinghaus et al, 2005). The same thing Fajnzylber et al (2009) found that access to sources of micro-credit allows the company to continue. Gray et al (1997) also pointed out that lack of capital is an obstacle in starting a business on micro and small businesses.

So far, MSEs have a low ability to access the capital and credit to obtain capital. MSEs often rely on their own capital because of the inability to access the credit. He & Kira (2012) revealed that the majority of MSEs rely on internal finance because they are not able to access to external financial resources. Domeher et al (2014) also mentioned that MSEs have difficulty in accessing credit to obtain capital. With difficulty accessing credit and to increase capital constraints, then it could happen MSE will stop operating. Gray et al (1997) mentioned that limited access to capital sources can prevent the purchase of inputs and limit employers' ability to achieve maximum economies scale.

III. Research Methods

This study was conducted to micro and small enterprises (MSEs) in Jombang. The study was conducted through a survey. MSEs existing population is more than 1000 units of the business. The survey was conducted for business owners or MSEs which consist of 138 people. The surveyed MSEs entrepreneurs are not only engaged in the craft sector and household appliances, but also entrepreneurs engaged in food processing industry sector. The survey was conducted by using questionnaires and structured interviews. Structured interviews conducted when respondent does not want to fill out questionnaires. The instrument has a gradation from the lowest value of 1 to the highest value of 5. The test instrument used is questioner made to some MSEs that are not part of the surveyed MSEs, and the results of all the items in the instrument are valid.

The criteria of the surveyed MSEs are those which has more than 3 employees. It is based on the argument of Ha et al (2014) in his research showed that differences in the number of employees affect the success different for some MSEs, which means that the difference in the number of employees affect the success differed in aspects of the business as a whole and the stability and reputation of MSEs. The next criteria set out in this survey are being run MSEs has been running more than 3 years. It is based on the findings of Taormina & Lao (2007) who called the company that is able to survive and run the business successfully defined as a company that has been operating for at least 3 years.

The examined factors related to factors that affect the sustainability of MSE business in Jombang is production and human resources, marketing and promotional factors, technological factors and production techniques, and the factor of access to credit and capital. This study used analysis factor.

IV. Data Analysis

Factor analysis requires the fulfillment of a series of assumptions. Santoso (2006) stated that a number of assumptions were fulfilled in this study is as follows: 1) large correlation or correlation between the independent variables must be strong enough; 2) the partial correlation, the correlation between the two variables by assuming other remaining variables should be small. Detection of partial correlation is given through the choice of Anti-Image Correlation; and 3) testing of the entire matrix of correlation (correlation
The correlation between the independent variable in this study was set at >0.5 with research significance of <0.05 (Santoso, 2006). The correlation between the independent variable test results obtained KMO value of 0.801. It can be interpreted that the value of KMO> 0.5. Meanwhile, the resulting significance of Bartlett's Test of Sphericity is 0.000. It can be said that the variable and the sample can be analyzed further. Furthermore, Santoso (2006) stated that to see the correlation between independent variables and see the value of MSA (Measure of Sampling Adequacy). MSA value ranges from 0 to 1, with the following conditions: 1) MSA = 1, the variable can be predicted without error by the other variables; 2) MSA> 0.5, variables can still be predicted and can be analyzed further; 3) MSA <0.5, variables can not be predicted and could not be analyzed further, or removed from the other variables. As based on the analysis of the MSA, employers competence in value by 0.683 or 68.30%; employee explained by 0.493 or 49.30%; technique described by 0.623 or 62.30%; product innovation is explained by 0.920 or 92%; counseling and guidance is explained by 0.694 or 69.40%; education and training described by 0.777 or 77.70%; market access is explained by 0.586 or 58.60%; promotion is explained by 0.553 or 55.30%; access to credit is explained by 0.683 or 68.30%; employee explained by 0.493 or 49.40%; technology described by 0.397 or 39.70%; Raw material value of 0.876> 0.5; and the capital value of 0.574> 0.5.

Furthermore, it aims to determine whether the independent variable can be grouped into one or several factors (Santoso, 2006). Besides, how big a factor that will be formed is able to explain the variable. Therefore, the analysis result is able to explain the variable of businessman competency that is 0.927 or 92.70%; production technique described by 0.623 or 62.30%; product innovation is explained by 0.920 or 92%; counseling and guidance outlined by 0.694 or 69.40%; education and training described by 0.777 or 77.70%; market access is explained by 0.586 or 58.60%; promotion is explained by 0.553 or 55.30%; access to credit is explained by 0.683 or 68.30%; employee explained by 0.493 or 49.40%; technology described by 0.397 or 39.70%; Raw materials are described by 0.619 or 61.90%; and capital can be explained by 0.589 or 58.90%. Seeing these finding, the average variable magnitude explanation above 50%, then in this case the factor remains to be determined.

The next is to determine how big the factor can be formed. Based on the analysis, it appears that components 1 to 12 represent the number of independent variables. In Eigenvalues, Initial analysis can be determined in value 1 (Santoso, 2006; Cohen et al, 2007). Variances can be explained by a factor of 1 is equal to 4.197 / 12 x 100% = 34.975; 2 factor of 1.364 / 12 x 100% = 11.370; 3 factor of 1.260 / 12 x 100% = 10.500; and the fourth factor of 1.039 / 12 x 100% = 8.657. Total four factors will be able to explain the variable of 34.975% + 11.370% + 10.500% + 8.657% = 65.502%. Thus, since the Eigenvalues is set to 1, then the total value which should be taken is factor> 1, that is component 1, 2, 3 and 4, while the components 5 to 12 were not taken as the value factor <1. Thus, the maximum factor that can be formed four factors.

Next, we need to determine each independent variable that goes into factor 1, factor 2, factor 3, or factor 4 as seen in the following table:

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businessman’s Competent</td>
<td>0.962</td>
<td>0.023</td>
<td>-0.032</td>
<td>-0.023</td>
</tr>
<tr>
<td>Production Technique</td>
<td>-0.004</td>
<td>0.137</td>
<td>0.773</td>
<td>-0.078</td>
</tr>
<tr>
<td>Product Innovation</td>
<td>0.958</td>
<td>0.010</td>
<td>-0.053</td>
<td>-0.013</td>
</tr>
<tr>
<td>Counseling and guidance</td>
<td>0.819</td>
<td>-0.001</td>
<td>-0.119</td>
<td>-0.091</td>
</tr>
<tr>
<td>Education and Training</td>
<td>0.809</td>
<td>0.329</td>
<td>-0.124</td>
<td>0.000</td>
</tr>
<tr>
<td>Market Access</td>
<td>0.153</td>
<td>0.678</td>
<td>-0.318</td>
<td>-0.050</td>
</tr>
<tr>
<td>Promotion</td>
<td>-0.049</td>
<td>0.648</td>
<td>0.322</td>
<td>0.165</td>
</tr>
<tr>
<td>Credit Access</td>
<td>0.074</td>
<td>0.265</td>
<td>0.086</td>
<td>0.774</td>
</tr>
<tr>
<td>Employee</td>
<td>0.655</td>
<td>0.149</td>
<td>-0.212</td>
<td>0.024</td>
</tr>
<tr>
<td>Technology</td>
<td>-0.139</td>
<td>-0.108</td>
<td>0.604</td>
<td>0.032</td>
</tr>
<tr>
<td>Raw Material</td>
<td>0.672</td>
<td>-0.314</td>
<td>-0.208</td>
<td>0.165</td>
</tr>
<tr>
<td>Capital</td>
<td>-0.010</td>
<td>-0.410</td>
<td>-0.201</td>
<td>0.669</td>
</tr>
</tbody>
</table>

Source: Data processed

Based on the table, the input variable for the determination of certain factor will follow on the large correlation between variable factor which is the large correlation (Santoso, 2006; Cohen et al, 2007). Thus, it can be seen that the correlation between independent variables and factors formed are as follows: 1) Factor 1: employers’ competence, employees, counseling and guidance, education and training, innovation of products and raw materials; 2) factor 2: Market access and promotion; 3) Factor 3: production techniques and technologies; and 4) Factor 4: Access to credit and capital.
Factors Affecting The Business Continuity In Micro And Small Enterprises (MSEs) In Jombang

Based on further analysis of factor 1 has a correlation of 0.985; 2 has a correlation factor of 0.876; 3 has a correlation factor of 0.867; and factor 4 had a correlation of 0.990. This means that all the factors have a strong correlation since correlation> 0.5. Thus, factor 1, 2, 3, and 4 can be said to be appropriate to summarize the 12 independent variables.

Based on this analysis, it can be disclosed that the business sustainability of MSEs in Jombang cannot be separated from the four factors as described above that is factor 1 were interpreted as a factor of production and human resources including raw materials, product innovation, competence of employers, employees, education and guidance, and education and training. Factor 2 is interpreted as a factor in marketing and promotion. Factor 3 is interpreted as a factor of production techniques and technologies. And factor 4 is interpreted as a factor in access to credit and capital.

V. Discussion

5.1. Factor 1: Production and Human Resource Factors

5.1.1 Raw Material

Raw material is one of the production factors which is very important for MSEs. The sufficient raw material will facilitate production activities. Without a sufficient supply of raw materials, it will be difficult to establish a stable production process (Amri, 2014). Nowadays, there are some MSEs which are experiencing problems related to raw materials, mainly related to the difficulty of finding raw materials. It is also associated with more expensive raw materials. There are several MSEs using raw materials that are imported, so the price fluctuations in raw material prices follow world. In the case of entrepreneurs eventually forced to keep buying the raw materials are increasingly difficult and expensive for the sake of continuity of the production process, so that it becomes a barrier for MSEs in production activities. Whereas, the availability of cheap raw materials will push to higher productivity and result on long-term MSEs able to face increasing competition (Amri, 2014).

Nevertheless, the majority of MSEs raw materials derived from domestic production. This obviously will be very beneficial because of the dependence on raw materials from abroad that is getting smaller. The impact is the sustainability of the production will remain intact. This is one of the advantages of MSEs that use domestic raw materials which are much less likely influenced by fluctuations in world raw material prices compared to large companies which generally use a lot of imported raw materials. Therefore, in times of crisis, this sector is able to withstand the economic shocks.

5.1.2 Product Innovations

Product innovation is highly necessary for business development and mainly for MSEs. MSEs are able to survive in the competition is MSEs able to create new innovations in production. MSE entrepreneurs who are able to create products that are unique, interesting, and competitive will be very popular with consumers. This is one of the obstacles still faced by MSEs over the years. MSEs lack the ability to innovate products, they tend to produce products that remain and are less likely to have appeal for consumers. This is clearly different from large companies that have the ability to innovate products. Inability of MSEs to create innovative products due to financial resources is relatively small and relatively low quality of human resources, and for the process of creating product innovation requires financial resources or funds and the quality of human resources in product innovation. This is one of the shortcomings that are still faced by MSEs. It is the same as described in the study of Triguero et al (2015) provides empirical evidence that small firms are not the same as the company's medium and large enterprises in innovative economic activities. This is because small companies have limited financial resources, especially compared to medium and large enterprises in the innovation economy.

Product innovation should be done by MSE entrepreneurs, in order to run a business that is able to survive in the midst of competition with other products more competitive. Such efforts should be supported by agencies associated with MSEs, by providing assistance in the form of funds and human resources to develop the product. Therefore, in this way will help entrepreneurs to produce a superior and competitive product.

5.1.3. Businessman’s Competence

Employers are the most important part in a business not least for MSEs. Entrepreneur is the one who makes MSEs develop or fail. Employers will be very influential on the course of the MSE, because the he is the person who controls the running of the MSE organization. In the context of the business sustainability, competence or ability of employers greatly affects business continuity. Lerner and Haber (2000) revealed that the level of performance of small businesses mainly associated with education, experience, skills, and personal entrepreneurial characteristics of entrepreneurs. One characteristic that is very thick in the MSE is that the entrepreneur or the owner as well as the manager or the person who set up and run the company. It is certainly very different from large companies. In the organization's activities, large companies are run by professionals.
who have been or are determined by the shareholders, while the owner or entrepreneur does not have to be in business activity.

Seeing this phenomenon, competence or ability of employers to his business is one of determinants for MSEs business continuity (Adner & Helfat, 2003). Employers have every right to maximize existing resources in MSEs to achieve high productivity in order to create high profit or gain. Employers have the right to organize and mobilize all employees to work in an effort to maximize profit.

MSE entrepreneurs as well as managers in Jombang do not require higher education, on average they have not undergraduated degree, yet, they were able to bring their business to survive even able to create jobs and increase income for people in the vicinity. It is certainly different from large enterprises, there is a professional organizer who has a higher education and experienced for being a manager. Besides, employers in managing their business has a solid understanding of the business they work, they gain understanding and knowledge to manage their business from their parents, siblings, or even those learned from a friend who previously had a business.

5.1.4. Employee

Employees are key parts of MSEs because employees who help entrepreneurs to achieve high business performance. Employees without employers will be difficult to develop the business. Employees are the spearhead to the success of MSEs. High employee performance will be able to create high productivity for MSEs. Abbasi & Alvi (2013) showed that the performance of employees is a major predictor of the effectiveness of an organization that can improve the productivity of the company.

As described above, the MSE is able to absorb more workers or employees. Employees who work are derived from the area around the MSEs, and tends to have the low educational background. This is reasonable because in addition to helping people around the MSE operates, as well as to overcome the limitations of financial resources to recruit workers who are educated and have high skills, because during this time the problems associated with the recruitment of employees in MSEs is due to limited financial resources (Cardon & Stevens, 2004). Furthermore in that context between the employer and employee relationship can be informal (Coetzer, 2001), and informal relationships are still regarded as the most appropriate approach to establish an effective working relationship (Harris, 2002). Informal relationship is one of them appears when recruiting employees usually do not pay attention to the competence of employees and specific requirements in the work (Williamson, 2000; Heneman et al., 2000). This is what appears to happen in MSEs, employers recruit employees who live at the neighborhood or residents around MSE, regardless of the capabilities and skills of employees needed in the business activity of MSEs, which are essential for employees who are willing to work. Because entrepreneurs are important considerations can help local communities to earn for living.

There is something interesting in the existing production activities in the MSEs linked to the performance of employees working in MSEs. Some MSEs’ employees work in their homes because production can be brought home. In that context, there is a negative side and a positive side for MSEs. The positive aspect is that production activities can be done anywhere, especially in the home of each employee. Employees carry all the equipment and materials to create products into their homes, so that it will add to the flexibility for employees to work, other than that it will provide comfort for those in work, because in addition to be done at home also work without tight supervision.

The negative side is that employees’ productivity can not be maximized because the lack of supervision of employers on employees production activities which are carried out. Besides, the activities undertaken by the employees work in production activities carried out after taking care of the household activity is completed, it is mainly done by women employees. Thus, it appears that the employment relationship in MSEs is still informal as described above.

5.1.5. Counseling and Guidance

Counseling and guidance are important parts of MSEs sustainability. Counseling and guidance will be able to improve the performance of MSEs. Counseling and guidance provided can be associated with the management, production technique, marketing, promotion and other matters related to business activity in MSEs (Amri, 2014). However, during this counseling and guidance made by the department that handles MSE has not so maximized, even some of the MSEs has never touched counseling and guidance, especially MSEs which are in remote areas. Therefore, agencies should intensify counseling and guidance for employers; so that they work effort can achieve sustainability.

The related department of MSEs should develop that sustainability efforts continued running to provide intensive and regular counseling and guidance, in the sense of counseling and guidance provided should be programmed in such a way to make it work, could every month or twice a month. Thus, benefit from counseling and guidance can be enjoyed by the MSE entrepreneurs.

Besides, provided counseling and guidance must contain an element of fairness to all employers MSEs, in terms of both small and large, both new ventures and existing businesses established, both in the city and
businesses located in rural areas should be given portion of counseling and the same guidance without a difference. Lately, there are still differences in the context of the intensity or the portion of counseling and guidance given, even some MSEs have never felt the counseling and guidance provided services and other parties related to the business development of MSEs. Therefore, it will be able to inhibit the development of MSE businesses. Conversely, counseling and guidance will be given the right to further strengthen MSEs and will eventually be able to create business continuity.

Further services related to MSEs should be able to increase the intensity of counseling programs and guidance to entrepreneurs MSEs by placing extension officers in each center MSE or in areas of small (sub-district or village) that has the potential development of MSEs, so that it will increasingly increase the contribution to MSEs in developing their business.

5.1.6. Education and Training

One drawback of MSE entrepreneurs is the ability and experience in promoting MSE business. Many employers and employees the ability is still low, especially in the context of education and skills possessed in managing the business. One of the problems often faced by micro and small enterprises is the lack of training (Brand & Bax, 2002). It is often happen that most MSEs do training when needed, and when the quality of service and increased customer complaints (Cetinet al, 2009).

Education and training efforts are required both by employers and employees in developing the business. Education and training programs given to employers and employees will be able to improve the company's performance both in terms of management, production, marketing, promotion, and other matters related to the business. Training is a key element in shaping the capabilities and skills, customer service, morale, and employee commitment (Nolan, 2002). And the training program will help employees to cope with uncertainty in work and career, become more familiar with the organization and employers, and will begin to make a positive contribution to the company (Kaman et al, 2001).

One thing that is clearly a differentiator for entrepreneurs or employees of MSEs is that those who have completed education or training effort will increase the ability and skills of their business compared with that has not been getting. It thus occurs in a small fraction of existing MSE entrepreneurs. That much is that they have never had the opportunity to improve their knowledge and skills in developing their business. And they are very eager to be able to get education and training effort. Their hope is to get this, their business will increase and increase. Matlay (1997) revealed that the problem of the quality of products or services related emerging as the most important determinant of the training strategy in the sector of micro and small businesses, and the economic conditions prevailing at the time as a second factor which is most important that directly affects the provision of training in companies. Yet, the problem for MSE entrepreneurs is the availability of financial resources or training to entrepreneurship, whereas increased investment or specific budget provision in training will be able to improve business performance for MSEs (Johnson, 2002). In addition to the challenges related to issues of education and training is to maintain the performance after getting education and training. Do not wait until after getting training, business performance has declined.

5.2. Factor 2: The Marketing and Promotion Factors

Marketing and promotion are the gateway for MSEs to introduce their products to consumers, without both of these MSEs impossible to survive. The ability to market products produced MSEs so important and directly affects corporate performance improvement (Morgan et al, 2009; Slotegraff & Dickson, 2004; Vorhies & Morgan, 2005; Weerawardena, 2003; Shin, 2013). Marketing capability is an accumulation of knowledge, skills and expertise that are embedded in the company's marketing activities (Acquaah & Agyapong, 2015). By marketing their output or production can be consumed by the public. Broader market access is still difficult to be penetrated by the products produced by MSEs in Jombang. Marketing of products produced is still limited to the most extensive in the region or to other regions. The potential for products produced by MSEs is very large for the export market. But what happen is that MSEs-scale production of exports is still very small.

At this time, the resulting product MSEs in Jombang is difficult to expand the market share for several reasons including the huge marketing costs and can increase capital while the other side is very small MSEs. Acquaah & Agyapong (2015) explain that harness the power of marketing may be expensive because it would involve intensive marketing activities, promotions, and other marketing strategies. In addition, micro and small businesses may not have enough resources to hire a marketing expert or arrange training programs to improve the skills of existing personnel to improve their skills in marketing. Shin (2013) also describes the majority of MSEs lack of skill on how to collect, develop, manage, and utilize market information due to their limited resources. In addition to costs, market information owned MSE was also very limited. Though the market has enough information to know what strategies will be used in marketing the product. In the context of information, management of market information may include systematic information about customers and competitors, an advantage in the use of market information to develop better marketing program, and tracking of customer needs and desires (Vorhies & Morgan, 2005).
Therefore MSE entrepreneurs need to work hard to get into the wider market, especially the market share of the export scale. This can be done by working together with the other rights that already has the ability to export products. Besides, there is the need for more support from the government should be given by way of providing convenience in the form of duty-free or tax for the export of products to be exported.

Besides, promotions also have an important role for the introduction of MSE products to consumers or the public. Promotion will provide better information to consumers on product specifications, types and product quality, product prices and other expediency of products produced MSEs. MSE entrepreneurs who have more ability to promote their products will have more profits for business. And vice versa, MSE entrepreneurs who lack or do not engage in business promotion will run into obstacles in its business activities. During this limited promotional efforts following the exhibition held by local governments or agencies and other interested parties for the advancement of MSEs, and even then not all MSE entrepreneurs could follow exhibitions are held.

That happened is that many MSE entrepreneurs who do not have more ability in promoting the business. The causes varied, ranging from the cost or financial resources are very small, ignorance information about how to promote the business, and other causes. According to the businessman the cost factor becomes a major obstacle to the realization of the procurement business promotion. They do not specifically allocate costs for promotional activities. It seems reasonable because after the promotion of business costs are not small; even if the promotion is done in the media will further increase production costs for MSEs, so that MSE entrepreneurs are very expensive in the provision of business promotion.

In addition, most entrepreneurs do not have the knowledge and do not even have thought to promote their business. They consider that the production absorbed or consumer society has been good enough, so they do not seek to introduce products that are produced through the promotion of business. However, in the recent time technology and information-based, it is very easy to do marketing and promoting the MSEs production. Marketing and promotion efforts that can be done are through the internet (web, social media facebook, twitter, instagram etc.) or even through electronic business (e-business). Poon (2002) in his research said that many MSEs have benefited from the E-Commerce / E-Business, and there is no doubt that MSEs can benefit from the successful adoption of E-Commerce / E-Business.

Now that is a top priority for the parties concerned is to provide information and sensitize employers about the ease and benefits of MSE promotion of the business through the web or social media. This is important because many entrepreneurs who do not have the knowledge and do not have the ability to promote business through the media. However, business promotion through the media is very easy and very cheap to be done. Hence the need for programs of local governments or agencies concerned to provide counseling and guidance is mainly related to the promotion and marketing, so that the ability of MSE entrepreneurs in terms of marketing and promotion is increasing.

5.3. Factor 3: Factors of Production Techniques and Technology

Production technique or method in MSEs is very different from large companies. In traditional MSEs production method is made by the employer or manager. It means that production in MSEs is not well documented, in the sense of how the production does not written in a particular procedure, but the procedure in production activity was recorded in the memory and routine activities. Employers have their own way in managing business activities, especially in terms of production.

In addition to production techniques, technology becomes an important part in the development of MSEs. Rasiah et al (2011) revealed that the intensity of the important technologies for productivity and export orientation in small and medium enterprises. Louart & Martin (2012) in his research concluded that damaging a technological innovation that is fundamental to the company, especially for export orientation (internationalization).

At this moment, what is visible in MSEs Jombang, the technology used is very simple which obviously very different from large companies. MSEs use simple technology as one factor is the cost of procurement of technology that does not exist. Almost all MSE entrepreneurs make equipment or production technology that made its own corresponding sort order for the existing production activities. Yet, they want the technology in its production activities, but have limited financial resources or funds which are the major impediment to the realization of the procurement of the required technology.

5.4. Factor 4: Factors of to Access Credit and Capital

MSEs in its development can not be separated from the capital. Enough capital will provide sufficient resources for business activities. Nowadays, there is a lot of MSE entrepreneurs who complained about the capital. They want extra capital for their business activities. They consider the capital that is still not sufficient for the development of enterprises, because after a business definitely need capital. Indeed, during this capital support from the government has been rolling, but still not able to provide capital to MSEs, and that getting help is not all MSEs capital, only MSEs receiving portion.
Factors Affecting The Business Continuity In Micro And Small Enterprises (MSEs) In Jombang

One of the alternatives that they can do to be able to add capital in business activities is by borrowing or credit to other parties (external financing) that are willing to lend funds for MSE business development. It is the only way that can be done so that the sustainability of MSE businesses can continue to happen, because capital support from the government is not sufficient for all existing MSEs. This is consistent with the findings of Frelinghaus et al (2005) mentioned that in MSEs debt is an available option. Pretorius & Shaw (2004) also pointed out that access to external finance is critical to solving the shortage of cash flow for micro and small businesses. The financing required to set up and expand business operations, new product development, research and development, human resource development and updating production equipment and technology.

But the problems faced by MSEs further appears related to credit access to capital. Domeher et al (2014) mentioned that MSEs has been beset by a number of challenges that hinder their development and the most prominent is the difficulty MSEs in accessing credit. Then, the difficulties and lack the ability to access capital affect the success of small businesses (Otto et al, 2012). In addition to limited access to credit that can restrict the ability of employers to increase economies of scale MSEs (Gray et al, 1997). In the context of access to credit for the capital, it has been a source of capital that there is a source of capital that provide high interest or have to meet complex requirements. Kumar & Francisco (2005) reported the cost as the main reason why some micro-businesses do not apply for credit. So many entrepreneurs MSEs aborted or are afraid to borrow capital in the development of its business.

In addition to high interest rates, another problem faced by MSEs in Jombang is a problem to get a guarantee of capital. He & Kira (2012) stated that the lack of guarantees or collateral by MSEs impede their access to debt financing, and most are rejected due to lack of value of the assets pledged as collateral. Bougheas et al (2005) showed that the collateral requirement is an important aspect for MSEs to access external financing from lenders.

In addition, the employers have limited information about how to get the capital to other parties that provide funds for business development of MSEs. He & Kira (2012) mentioned that the company at the initial stage of the operation has difficulty in accessing debt financing because of the information gap. On the other hand, the lender also sometime has limited information about the MSE that will be given a loan. Sarapaivanich & Kotey (2006) described the lenders interested in lending to MSEs by first evaluating the company's capital structure. Furthermore, lenders use the business information to decide the credibility of the borrower whether to issue or extend a loan or not. It seems it happens to MSEs in Jombang that does not meet the criteria established primarily associated with small asset structure at the time the lender will lend. Fatókí & Asah (2011) found that because of the size of the company, access to debt financing from commercial banks is less likely than larger firms.

During this time entrepreneur obtains financial credit from microfinance institutions in the area or near to their efforts, because they consider access to micro-finance institutions do not require complex requirements and can be withdrawn immediately. This is consistent with what is expressed by Domeher et al (2014) that most small businesses tend to seek credit from micro and small financial institutions (MFIs) but not a commercial bank.

The proximity of the business with the formal financial sources becomes important for MSEs. Most of MSEs in Jombang are located in rural areas is far from urban areas. The proximity to the formal financial sources can be one of the considerations for providers to give credit to MSEs because the information related to the performance of MSEs highly recognized by the credit providers. Berger & Udell (2006) found that the geographical proximity between the lender and the customer has a relationship with companies to access credit. The lenders that are geographically close to the customer, able to leverage customer information to build credibility as an ingredient to give credit.

VI. Conclusion

Based on factor analysis, the results showed that the production factor and human resources such as raw materials, product innovation, employers’ competence, employees, counseling and guidance, as well as education and training; marketing and promotion factors; factor of production techniques and technologies; and access to credit and capital factors affect the sustainability of the MSE business. Such factors will be very challenging to MSEs. Therefore, the problem that exists in these factors should be minimized by MSEs in order that business sustainability can be achieved. Then, MSEs will still be able to contribute substantially to the economy.

The implications of these results are that the government should provide cheap raw materials for MSEs, because the raw materials are inputs in the production process. In addition, the government should help MSEs to find and create alternative raw materials. On the other hand, MSEs should be able to cooperate with other parties (research institutes and universities) in developing alternative raw materials. MSEs should also be able to develop and improve product innovation, especially innovation in an effort to anticipate changes and competition with other companies.
The government must be intensified to provide counseling and guidance for MSEs due to the fact that counseling and guidance will provide assistance for both technical and non-technical related to the development of MSEs. Counseling and guidance can be provided on a regular basis either twice a month or once a month. Then, the government should provide sufficient workers who have knowledge of MSEs in the centers MSEs.

Employers should provide financial resources to conduct education and training for all employees, since education and training will provide knowledge and skills to employees, so that productivity will increase and may ultimately improve the company's performance; entrepreneurs should be able to fix or modify the existing production techniques due to the used production techniques is still very simple in order to have an impact on productivity. Additionally, MSEs should be able to adjust in the use of the latest technologies to improve the performance of MSEs.

Employers should be more intensively to increase market access to products, not only in the local market but must be able to reach a national scale even have to be export-oriented. On the other hand, the government should help MSEs employers to market the products through a variety of ways such as providing incentives for MSEs that are able to export products. Furthermore, employers should aggressively promote a business, especially via Internet, because the Internet will increase the facility to maximize business opportunities. Therefore, the government must assist and provide infrastructure for improved market access and promotion. The government should increase the establishment of non-bank financial institutions (microfinance institutions and small) because these financial institutions can help MSEs to access credit easily as a source of capital. Lastly, the government should establish a policy that is favorable to MSEs related to the ease of access for credit to formal financial sources such as banks and accompanied with a set easy terms and low interest.

References

Factors Affecting The Business Continuity In Micro And Small Enterprises (Mses) In Jombang


DOI: 10.9790/487X-17102103114 www.ioksrjournals.org 113 | Page
Factors Affecting The Business Continuity In Micro And Small Enterprises (Mses) In Jombang

