

## CHAPTER I

### INTRODUCTION

#### 1.1 Background of research

Micro, small and medium enterprise (MSME) has importance role toward the citizen and government in the world. For example in Indonesia, the changing economic significantly in the economic crisis in 1998 had been effected all of economic elements. However, MSME can maintain their stability to run their business. Almost of MSME produce the product with the demand elasticity on the lower income of people (Febryansyah, 2012).It indicated that the non-stability income of citizen is not influence to their production quantity. Other reasons are the local product of MSME and the independence character of MSME make they can still survive although in economic crisis.

In Indonesia, there is a large number of MSME in a society sectors. In 2010, the amount of MSME was 52.5 Million, it can contribute to PDB (*Product Domestic Bruto*) was 66.7 % and absorb 89 Million of unemployment (Karsidi, 2011). It showed the evidence how the importance of MSME role in Indonesia economic development. Now days, government give the attention to MSME, especially for their equity in order to prepared the needs of people that want to develop the micro, small and medium enterprise (MSME).

Government of Indonesia has launched KUR (*kredit usaha rakyat*), where the government gives the credit for people in Indonesia as equity to build or develop a business or enterprise. This strategy has been doing as a solution to make the micro, small and medium enterprise (MSME) becomes more exist in Indonesia. Indonesia prepared the speciall regulation which in Undang Undang Dasar of Indonesia and other regulation about micro, small and medium enterprise (MSME). Government has a department that has the function to control and recorded the micro, small and medium enterprise in Indonesia.

Based on UU no.20 in 2008 about the Micro, small and medium enterprise (MSME) of Indonesia, the criteria of micro, small, and medium enterprise based on the amount of assets and turnover that owned by business:

(1) Micro enterprise

Micro enterprise is the productive business that owned by an individual and/or the individual business agency that already fulfill the micro enterprise criteria based on this UU.

- a. Has the assets maximum Rp50.000.000,00 (fifteenth milion Rupiah) not including land and building of business.
- b. Has the income of selling maximum Rp300.000.000,00 (Three hundreds milion rupiah).

(2) Small enterprise

Small enterprise is the productive economic business that owned by an individual and/or the individual business agency, not as branch, or part of company directly and indirectly that fulfill the small enterprise criteria based on this UU.

- a. Has the assets more than Rp50.000.000,00 (fifteenth milion Rupiah) until the maximum number Rp500.000.000,00 (five hundred milion Rupiah) not including land and building of business.
- b. Has the income of selling more than Rp300.000.000,00 (Three hundreds milion rupiah) until the maximum number are Rp2.500.000.000,00 (two bilion and five hundreds milion rupiah).

(3) Medium enterprise

Medium enterprise is the productive economic business that owned by an individual and/or the individual business agency, not as branch, or part of company directly and indirectly with the amount of annual net assets or net income based on this UU.

- a. Has the assets more than Rp500.000.000,00 (five hundreds milion Rupiah) until the maximum number Rp10.00.000.000,00 (one bilion Rupiah) not including land and building of business.
- b. Has the income of selling more than Rp2.50.000.000, (two bilion and five hundreds milion rupiah) until the maximum number are Rp50.00.000.000,00 (fifteenth bilion rupiah).

Planning department of Indonesia has been doing a record about the amount of Micro, small and medium enterprise (MSME) in Indonesia, it is determine the data of enterprise in Indonesia based on UU no.20 / 2008. They got the data of Micro, small, medium enterprise and large enterprise (MSME) in Indonesia below:

**Table 1.1**  
**Micro, small and medium Enterprise data 2012**

Type	Criteria based on UU no. 20/2008	amount	Percentage
Large enterprise	Net income/ year >Rp 10 bilion	4.952 units	0,01%
	Selling >Rp 50 bilion		
Medium enterprise	Net income/ year >Rp 500 milion - Rp 10 bilion	44.280 units	0,08%
	Selling >Rp 2.5bilion- Rp 50 bilion		
Small enterprise	Net income/ year >Rp 50 milion - Rp 500 milion	602.195 units	1,09%
	Selling >Rp 300 mikion- Rp 2.5 bilion		
Micro enterprise	Net income/ year <Rp 50 milion	54.559.9	98,82%
	Selling <Rp 300 milion	69 unit	

*Resources :Data of Ministry of planning Biro KUKM,2012*

Based on the data of Planning Department in Indonesia, the table show the amount of Micro, small and medium enterprise (MSME) in Indonesia where the percentages of Large enterprise are 0.01% as the lowest number , and then Medium enterprise are 0.08% as the second lowest , and then small enterprise are 1.09% as the third lowest and Micro enterprise has a number are 98,82% where it is the biggest number. Beside of the table before, the development of Micro, small and medium enterprise (MSME) in Indonesia based on the Ministry of Cooperation and SME of Indonesia in 2011 – 2012 can be shown on table 1.2.

**Table 1.2**  
**Development of enterprise in Indonesia (2011 – 2012)**

MSME	2011		2012		Development	
	Unit	%	Unit	%	Unit	%
Micro enterprise	54.559.969	98,82	55.856.176	98,79	1.296.207	2,38
Small enterprise	602.195	1,09	629.418	1,11	27.223	4,52
Medium enterprise	44.280	0,08	48.997	0,09	4.717	10,65
Large enterprise	4,952	0,01	4,968	0,01	16	0,32

*Resources: Ministry of Cooperation and SME of Indonesia, 2012*

Table 1.2 shows the development of MSME in Indonesia during 2011 and 2012. In this table indicated the amount for each enterprise in 2011 are less than the amount of each enterprise in 2012. It means the amount of MSME increased in 2012. In the table development shows the develop number of each enterprises clearly. It is different with development of big business that has not significant number from 2011 to 2012.

This research focuses to economic creative industry of Bordir and Sulaman in West Sumatera. Because of that researcher search the resources about MSME in West Sumatera specially. This table 1.3 below will show the data of MSME in West Sumatera:

**Table 1.3**  
**Micro, small and medium enterprise (MSME) in West Sumatera 2012**

Type	Amount
Micro enterprise	422.280
Small enterprise	74.410
Medium and large enterprise	3.720
Amount	501.410

*Source: Statistic department, 2012*

Baerd on the table, stattistic centre department show that the comparison of Micro, small, medium and large enterprise in West Sumatera. It is indicated that the amount of micro enterprise in Indonesia has the superiority compare with others enterprise in West Sumatera. There is another data show the development of MSE and Large enterprise in West Sumatera.

**Table 1.4**  
**SME of West Sumatera 2008-2011**

Indicator	2008		2009		2010		2011	
	Amount	Segment	Amount	Segment	Amount	Segment	Amount	Segment
	(unit)	(%)	(unit)	(%)	(unit)	(%)	(unit)	(%)
SME	50.145.800	99,99	51.409.612	99,99	52.764.603	99,99	53.823.732	99,99
Large enterprise	4.463	0,01	4.650	0,01	4.677	0,01	4.838	0,01
Amount	50.150.263		51.414.262		52.769.280		53.828.569	

*Source: cooperation and SME Department of Indonesia (2012)*

This table show how the development of Micro, small and medium enterprise is more efflorescer than large enterprise in West Suamtera Indonesia it-self, where the number that give our data about the development of SME in West Sumatera in 2008 are 50.145.800 units , next year in 2009 was increase about 1.263.812 units so the amount are 51.409.612 units.

In the next year in 2010 also increase about 1.354.991 units so the amount are 52.764.603 units. In the next year in 2011 also increase about 1.059.129 units so the amount are 53.823.732 units. So every year the developmet of SME in West Sumatera always incerase every year. It is possible this condition will always increase and will impact to stimulation of incerasing the income of West Sumatera. This result will impact to economic of Indonesia.

Because of the role of micro, small and medium enterprise (MSME) in our country, researcher needs the analysis of micro, small and medium enterprise (MSME) in west Sumatera, Indonesia. The focus of research is Bordir and Sulaman as Micro, Small and Medium (MSME). Bordir and Sulaman that can be categorize as Micro, Small and Medium (MSME) in West Sumatera. The size of bordir and sulaman business in West Sumatera also can be categorized as MSME. This business can be found as home product and the amount of worker that relate with the characteristics of Micro, Small and Medium Enterprise (MSME). Bordir and Sulaman are not only for business but also as culture of West Sumatera it-self. Bordir and Sulaman can attract the tourist and increasing the value of tourism in country and impacted to economic development.

West Sumatera is one of tourism destination in Indonesia because of wealth of nature and culture. West Sumatera has potential assets to develop Bordir and Sulaman business, the entrepreneur skill and culture that already owned by citizen in West Sumatera. Based on all of reasons we need to doing about of bordir and sulaman MSME in West Sumatera. In this research, researcher take samples about 140 of Bordir and Sulaman's micro, small and medium enterprises (MSME) in West Sumatera district.

The role of Bordir and Sulaman in West Sumatera and their importance, make researcher need doing a research to progres this business and make the strong power of owner use the market orientation (MO) and entrepreneurial orientation (EO). Narver and Slater's (1990) finding a positive relationship between MO and business profitability is retested in a board sample of product

and services business operating in a variety of industries. Covin, Green and Slevin, (2006) finding 110 manufacturing firms indicated a positive effect of EO on sales growth rate. Therefore, in this research, the researcher wants to examine the variables – THE INFLUENCE OF MARKET ORIENTATION AND ENTREPRENEURIAL ORIENTATION TOWARD MSMEs PERFORMANCE (CASE STUDY: BORDIR AND SULAMAN IN WEST SUMATERA)

### **1.2 Problem statement**

Based on the research background above, the problem researcher wants to analyze market orientation and entrepreneurial orientation and their influence on MSME performance. This problem statement produces two research questions:

1. How does the relation between market orientation (MO) of Bordir and Sulaman in West Sumatera on MSME's performance?
2. How does the relation between entrepreneurial orientation (EO) of Bordir and Sulaman in West Sumatera on MSME's performance?

### **1.3 Purposes**

Based on the research questions mentioned before, the purposed of this research:

1. To test the the relation between market orientation (MO) of Bordir and Sulaman in West Sumatera on MSME's performance
2. To test the the relation between entrepreneurial orientation (EO) of Bordir and Sulaman in West Sumatera on MSME's performance.



#### **1.4 Contribution of Research**

Based on the literature review thought references to solve the problem, researcher prediction some of benefit of this researcher for several sides :

1. Understanding the variables that influence the Micro, Small and Medium Enterprise (MSME) performance
2. Strengthen the theories related to market orientation (MO), entrepreneurial orientation (EO), Bordir and Sulaman West Sumatera, Micro, small and medium enterprise (MSME)
3. To improve and develop the culture and tourism of West Sumatera
4. The result of this research is aimed to be used as guidance or resources for the next researches in any areas related to market orientation (MO), entrepreneurial orientation (EO), Bordir and Sulaman West Sumatera, Micro, small and medium enterprise (MSME)
5. This research can be reference for Bordir and Sulaman in West Sumatera to provide the business
6. This research can be references for government to know the condition of micro, small and medium enterprise (MSME) and help government to make the regulation or decision about the Micro, small and medium enterprise (MSME).