RISK CONTROL: A Moderation Effect On Performance of SMEs

Dede Ansyari Guci, S.E.,M.Sc., Ph.D

Khomeiny Yunior, S.E., M.Si.

RISK CONTROL: A MODERATION EFFECT ON PERFORMANCE OF SMES

The most important things to become success SMEs are the risk in business. Risk Control is one of the way to decrease the risk in business and to get a better performance of SMEs.

Penulis

Dede Ansyari Guci, S.E., M.Sc., Ph.D
Khomeiny Yunior, S.E., M.Si

ISBN

978-623-8299-20-1

Penerbit

UNPRIPRESS
ANGGOTA IKAPI

Copyright @2024

UNIVERSITAS
PRIMA INDONESIA
UNPRI PRESS

Hak cipta dilindungi oleh undang-undang dilarang memperbanyak menyalin merekam sebagian atau seluruh bagian buku ini dalam bahasa atau bentuk apapun tanpa izin tertulis dari penerbit.

PREFACE

On the opinion that the importance of the Indonesian small and medium enterprises and the big numbers of it, it is so very urgent and very important to find the risk control effect on the relationship between government support, training, digital marketing, financial capital and performance of small and medium enterprises (SMEs). This book comes with a number of interesting facts. First, small and medium enterprises are of overwhelming importance in Indonesia, as they account for more than 90 percent of all enterprises outside the agricultural sector, and thus are the biggest source of employment. Second, the support from government for SMEs in Medan is low. Third, Entrepreneurs in Medan are less knowledge about digital marketing. Moreover in the era of globalization and digital era, Indonesia has to prepare the small and medium enterprises to make the entrepreneurs in SMEs can survive for future.

our special gratitude goes to Almighty Allah (SWT) for his protection, inspiration and who lavishly gave us the foresight, courage, wisdom, resilience, thoughtfulness, endurance, patients to carry out and to complete this book. Without his endless love, care and mercy we would not have been what we are today and achieved what we have at the present moment of our life.

Finally, our deepest appreciation goes to all parties for their support and their contribution while carrying out this book.

Medan, 15 March 2024

Authors

TABLE OF CONTENTS

CHAPTER 1

SMALL AND MEDIUM ENTERPRISES

Small and Medium Enterprises (SMEs) are recognized as the driving force for developed and developing countries across the globe for playing important role in economic growth and sustainable development (Ariyo, 2005). SMEs occupy or contain a place of pride in virtually every country or state. Because of their significant roles in the growth and development of various economies, they have aptly been regarded as "the engine of growth" and "catalysts for socio-economic transformation of any country". SMEs serve as a veritable vehicle for the achievement of national economic objectives for poverty reduction at low investment cost and employment generation as well as development of entrepreneurial capabilities, which include indigenous technology. In same vein intrinsic benefits of vibrant and healthy SMEs include access to infrastructural facilities occasioned by the present or existence of such SMEs in their surroundings, and the stimulation of economic activities which include suppliers of several items and distributive trades for items produced or required by SMEs, stemming from rural-urban migration, and also enhancement or strengthening of standard of living of employees or workers of the SMEs and their dependents as well as those that are directly or indirectly related to them (Onugu, 2005). SMEs worldwide can boast of being the major employers of labor and the likes mentioned above if it is compared to the major industries including the multinationals.

According to Cook and Nixson (2017), argue that the interest in the growth and development of SMEs and their contribution to the development process continue to move at the forefronts of the policy debates in developing countries. The advantages claimed for SMEs are many, which includes greater likelihood that SMEs will utilize labor intensive technologies; encouragement of entrepreneurship and thus have an immediate impact on employment generation; there can quickly be established rapidly and put into operation to produce quick returns; their development can encourage the process of both inter and intra-regional decentralization; and there may become a countervailing force against the economic power of Larger Scale Enterprises (LSE).

However, the growth and development of SMEs is seen as accelerating factors for the achievement of wider economic and socio-economic objectives or goals, including poverty alleviation. The value of SMEs in industrial and economic development came to light following the success stories of some Western Europe countries such as: Germany and Italy and East Asia such as Singapore, North Korea and Taiwan (Hallberg, 2015). In Europe, SMEs have been the primary source of employment growth within the non-financial sector in the economy. SMEs employ about two-thirds of the workforce in Europe and generate more than a half (57.3%) of its Value Added Tax (Schmiemann, 2006). Furthermore, in Asian Pacific economies, the SMEs account for about 90% of its enterprises in which there constitute the backbone of the region because between 32% and 48% of the SMEs contribute to employment and between 60% and 80%contribute to the gross domestic product (GDP) in individual Asia Pacific economies. Also the United States economic performance has been stimulated by the creation of SMEs in which there accounted for 43% of the job generation between 2014 and 2015 (UN/ECE Secretariat, 2016).

The role played by SMEs in any developed and developing society is undoubtedly essential, for instance, in Portugal around 98% of its industrial fabric is composed of SMEs (Duarte, 2014). SMEs have remained as vital and relevant to industrialized and developed countries like that of UK, where there are 3.7 million businesses or one for every ten people of working age of those businesses, 99.8% have fewer than 250 employees. Only 31,000 businesses have

50 or more employees. One in eight of the workforce, or 2.3 million businesses are self-employed (Lukacs, 2015). SMEs also play an important role as sub-contractors in the privatization, downsizing and restructuring of big business (Fan, 2013). In Canada for instance, the SMEs contributes about 59% of employment to the labor force (Industry Canada, 2018). SMEs constitute nearly 90% of all the enterprises or firms in Pakistan; employ eighty percent 80% of the non-agricultural labour force; and their share in the annual GDP is 40%, approximately (Bashir, 2018). SMEs are the growing force and factors behind moving and fastest growing economy of China, in terms of contributing to the national GDP which account for 40%, scale of assets and the creation of employment, diversification of products. Furthermore, the role of SMEs is well acknowledged in most countries such as in Korea, Japan and also all other industrialized economies in terms of reducing poverty, creating employment and increasing the welfare of the society (Bashir, 2018).

In Indonesia, the SMEs sector accounts for almost ninety percent of all the enterprises or firms, in which they are located in both the rural and urban areas, whereby there provide more equitable distributions of income in all spheres of the countries. This means that the SMEs are the major source of providing job opportunities to the people, and also stimulate the development of the countries by promoting business skills and entrepreneurship amongst communities and strengthening the local or domestic production sector as well as the industrial base. Therefore, the SMEs in Indonesia have been recognized to be an essential engine for obtaining national development goals, which include economic growth and poverty alleviation (Ummu Hani, 2014). For both developed and developing countries, SMEs play essential roles in the process of industrialization and economic growth. Apart from increasing per capital income and output, SMEs enhance regional and economic balance through industrial dispersal, create employment opportunities, and also it promote efficient resource utilization considered critical to engineering economic development and growth (Yunilla Nurhalim. 2014).

In Indonesia, been the focus continent of discussion, SMEs account for about 70% of industrial employment (Syaifoel Choeryanto, 2014). Anak Agung Gede Ngurah Prayoga, (2018), Minister of Cooperatives and SMEs (Menkop, dan UKM) describes Indonesia SMEs as a very heterogeneous group of businesses that operate in different sectors of the economy. Despite such, SMEs in Nigeria have not been performing creditably well and hence have not played or shows the expected role in the economic growth and development of the nation. The issue has been of high concern to the government, citizenry, practitioners, operators, and the organized private sector groups. The Governments at Federal, State and even the local levels through budgetary allocations, pronouncements and policies have signified interest and acknowledgement of the important roles of the SMEs sector of the economy and hence made policies for energizing the sector. There has also been support and aid from fiscal incentives, grants, bilateral and multilateral agencies as well as specialized institutions, which all geared towards making the SMEs sector vibrant, and also it is a great concern to all, and sundry to promote development and performance of SMEs, with this it has been a great concern to all the fact that the vital sector has fall shorts of expectations. The situation is more worrying and disturbing when compared with what other developed and developing countries has been able to achieve with their SMEs sectors, and it has been shown that there is a high correlation and relationship between the degree of poverty, hunger, unemployment, economic well-being of the citizens of the countries and the degree of vibrancy of the respective SMEs (Ummu Hani, 2014).

Ummu Hani (2014) posits that if Indonesia were to achieve an appreciable success towards the attaining Millennium Development Goals (MDGs) for 2024, one of the possible ways would be vigorously to pursue the growth and development of its SMEs performance. Some of the key MDGs, like reducing child mortality, reducing poverty, improving maternal health and the rest, may indeed be a mirage unless there is a turnaround of the SMEs fortunes sooner than later in other to achieve efficient result. It is now time to do something surgical to the situation of the SMEs in other to achieve performance, given the aggravating level of poverty in Indonesia and the need to meet up with the MDGs.

One of the major drawbacks in Indonesia's quest for industrial growth and development over the past years has been the absence of a vibrant, strong and performing SMEs sector. Given a population of well over three hundred and seventy million people, rich variety of mineral deposits, vast productive and arable land, and also enormous human and other natural resources, Indonesia should have been a haven for SMEs with maximum returns, as it also has the location advantage as a marketing hub for Indonesia (Ummu Hani, 2014).

A number of facts have been adduced as to why the expectations of the performance of SMEs have not been meant. If anything, the performance of SMEs in Indonesia has been rather dismal. First and foremost, the little progress made by the courageous and entrepreneurial efforts of the first generation of indigenous industrialists were almost virtually wiped out by the massive devastation, dislocations and indeed traumatic devaluation, which resulted from the Structural Adjustment Programme (SAP) (Ummu Hani, 2014). Ummu Hani (2014) opined that the underlying policies and good intentions of SAP were based on the neo-classical theory of efficient, perfect and competitive markets whose assumptions were unfortunately not harmonized with the prevailing circumstances, constraints and operating environment of SMEs in a developing economy like Indonesia. The SAP era thus represented the anti-climax of the thriving, flourishing period for SMEs in Indonesia over the past decade, and the economy of the country has been on the decline with no appreciable real growth. People gradually moved out of the farms into urban areas due to lack of agricultural incentives, and also even in the towns and cities, infrastructure continued to deteriorate, roads were uncared, water supply was irregular, power outage was a regular phenomenon or issue, and even for people who could afford to make use of electricity-generating sets, petroleum products to power them might not be available as needed. Political instability negatively affected the performance of primary institutions responsible for policy enunciation, monitoring and implementation which result in distortions in the macroeconomic structure and its attendant of low productivity. These and other problems constitute drawbacks to the performance of SMEs, which to all intents and purposes provide the critical building blocks for sustainable industrialization and economic growth. This research focuses on the relationship between government support, training, financial capital, digital marketing and performance of SMEs in Indonesia.

Nowadays, globalisation era appear issue which could influence the accretion of Small and Medium Enterprise in the impendent, any of in positive or negative ways. Small and medium enterprise might construct through replace of know-how and transfer of technology or they might fall apart because of insistence from domestic and international market. It has been forecast that only a little part of the small and medium enterprise in developing countries which could survive in globalization era contrast with developed country.

Small and Medium Enterprises in Indonesia which govern in Indonesia Small and Medium Enterprises Law (Republic of Indonesia’s Law in Number 20 of 2008 of MSMEs) give big subscription to the economy in Indonesia else, especially while the crisis of financial in the range of year 2008-2009. During that dark year, Small and Medium Enterprises contributed to growth of employment and give steady decline in destitution rate. This demonstrated that the theory of Small and Medium Enterprises give big contribute to employment in lower-income than in upper-income countries (M. Ayyagari, A. Demirgüc-Kunt and V. Maksimovic, 2011). For the flashback of the dark year, actually Small and Medium Enterprises had been giving much more contribution to growth of economic compare than big enterprises due to its dependency toward formal market and credit so that they can response it quickly. It was so very contrast to the big enterprises (A.Berry, E. Rodriguez and H. Sandee, 2001).

Since the COVID-19 outbreak starting March 2020 has brought an economic crisis with a higher level of complexity to SMEs worldwide (Cowling et al., 2020). Reduced people activities and mobility due to fear of virus transmission and the social restrictions imposed by the government have hindered SMEs' offline activities (Reardon et al., 2020). Baldwin & Mauro (2020) argued that the pandemic affects both the demand (i.e., consumer's purchasing power) and supply sides (e.g., raw materials and labor mobility) of the market. Subsequently, the pandemic has severely affected SMEs' business, resulting in decreasing revenue or business closures.

By August 2020, the unemployment rate in Indonesia has reached 7.07% (BPS-Statistics Indonesia, 2020) and, by November 2020, the number of workers affected by layoffs already reached 9.77 million (detikNews, 2020). The layoffs consequently increased the number of people falling below the poverty line. It was estimated that should Indonesia's economy only grew by 1% in 2020, the poverty rate will rise to 12.4%, equivalent to an additional 8.5 million more people falling into poverty (Suryahadi et al., 2020).

Innovative marketing incorporates digital media or the Internet into commercial operations. The performance of SMEs may be affected by their usage of digital media (Horbal et al., 2017; Nuseir, 2018; Astuti et al., 2020). The Internet has a significant role in enhancing performance. In order to secure economic success, SMEs must integrate and unify their competencies by utilizing Internet technologies (Cenamor et al., 2019; Utomo et al., 2019). Digital technology is a tool that may effectively and efficiently promote a company and contribute to its long-term viability since it helps the firm to cover a larger market share in a rapid manner (Soegoto et al., 2018). During the covid-19 pandemic, the introduction of digital-based marketing becomes the ideal method for addressing the issue of face-to-face consumer restriction. Internet technology has enabled the company to communicate with customers regardless of distance or time constraints. The Covid-19 pandemic has restricted direct sales. Digital marketing that is responsive has allowed SMEs to adjust nimbly to client demand, including the promotion of their items online. It has been shown that responsive digital marketing is helpful for promoting SMEs items (Wardhana, 2015).

Government support is the major challenge for small and medium enterprises (such as access to finance is so very limited, complicated bureaucratic-procedures in establishment, badly infrastructure, lack of training and several scammers in digital marketing). There are a number of areas that need to be improved, including government lending programs for small and medium enterprises, as well as making the application process easier and more efficient for small and medium enterprises to get a loan from the government. Specifically, there needs to be a focus on solving collateral issues for small and medium enterprises. Second, support export activity since it may increase a country's revenue, for instance by promoting and relaxing export regulation. Thirdly, simplify the registration procedure by reducing its cost, duration, and criteria. Fourthly, conduct staff training, implement digital marketing, and enhance infrastructure, particularly in remote areas. In addition, the number of jobless individuals worsens the economy. This is one of the social and economic issues faced by Indonesian small and medium enterprises (Syaifoel Choeryanto, 2002).

Table 1.1 Absolute Units of Ventures by Size Class in Indonesia: 2014-2019 (Units)

Size	2014	2015	2016	2017	2018	2019
Small and Medium Enterprises	**57,895,721**	**59,262,772**	**61,651,177**	**62,922,617**	**64,289,668**	**65,561,108**
Big Enterprises	5,066	4,987	5,370	5,460	5,847	5,937
TOTAL	57,900,787	59,267,759	61,656,547	62,928,077	64,295,515	65,567,045

Source: Badan Pusat Statistik Indonesia (BPS), 2020

Uncertainty creates a situation known as risk. Small and medium enterprises (SMEs) face a lot of risk, so they'll have to think about how to manage it in order to reap the rewards in the future. Small and medium enterprises (SMEs) must first establish Hazards may be managed by the use of risk control. Controlling small and medium enterprises is a systematic and sustainable method that Hery (2015) claims was intended for SMEs to provide appropriate confidence in the degree of risk they are ready to accept so they can be confident that all possible hazards are managed.

In terms of both economic and commercial development, Indonesia's 2018 prognosis is positive. As of 2014, Indonesia's Gross Domestic Product (GDP) has increased by more than 4 percent, despite a slowdown in previous years. As of 2014, Indonesia's GDP has grown from $285.9 billion to $861.9 billion. World Bank forecasts yearly GDP growth in the range of 5.1–6.3 percent for Indonesia from 2019-2024 due of Indonesia's political and economic transformation. According to the World Bank, the GDP will rise by one or two percentage points if it is accompanied by major expenditures in physical infrastructure (GEM-Indonesia, 2018). Based on Statistic Indonesia Report (2017), Indonesia has high young population untill 2030, as around half of the total population is below the age of 30 years called “Millennial Generation”, and Indonesia currently contains a large labor force-one that will grow larger in the foreseeable future. Given that Indonesia has potentially large labor force but there are only low numbers of those people who have high skills and creativity, the challenge for Indonesia is to enhance their skills and creativity. Because of this, Indonesia must provide a wider range of professional opportunities for Indonesian individuals. The current macroeconomic growth has been successful in reducing Indonesia's unemployment rate over time. Nevertheless, more employment has to be produced by becoming entrepreneurs particularly in small and medium enterprises. Thus, entrepreneurship is becoming more and more crucial for Indonesian growth (GEM-Indonesia, 2018).

Minister of Cooperatives and SMEs AAGN Puspayoga revealed that the development program of Small and Medium Enterprises (SMEs), as well as Beginner Entrepreneurship (WP/Wirausaha Pemula) which was launched since the administration of President Jokowi has given significant results in increasing the ratio of entrepreneurs in Indonesia.

According to Puspayoga, (2018) the current ratio of entrepreneurs in Indonesia has increased to 7 (seven) percent more than the total population of Indonesia. In the previous year (2014), the ratio of entrepreneurs in the country only 1.55 percent, then increased to 1.65 percent in 2016, untill the end of 2017 has reached more than 3.1 percent. Even there were increased ratio of entrepreneurs in Indonesia, but it was still not good enough. There are so diversity sorts of company in Indonesia. Example: food and beverage company, Retail Business, and Service Business (Hasan A.F, 2013). (Hasan A.F, 2013). Especially in Medan, there were 14, 42 million people who lives in Medan, and there were about 396 thousand people jobless and make it into poverty (Statistic of Indonesia, 2018).

Table 1.2 Total Units of Small and Medium Enterprises in North Sumatera: 2014-2019 (Units)

Size	2014	2015	2016	2017	2018	2019
Small and Medium Enterprises	2,855,399	2,855,549	2,855,847	2,857,124	2,857,796	2,858,756

Source: Badan Pusat Statistik, Indonesia (BPS), 2020

CHAPTER 2

PROBLEM FACING BY ENTREPRENEURS IN INDONESIA

SMEs are very dynamic and acknowledged as factory of production, for economic growth, development and poverty alleviation in both developed and developing countries. This universal recognition of SMEs is justified by its potentials in the areas of job creation, ability to mobilize domestic savings for investment, introduction of business methods, capacity to reduce inequalities, products and services that help to restructure the weak agricultural sector or other uncompetitive transition economies, stability of economic balance through industrial dispersal, promotion or provision of efficient resource utilization, linking participants in supply chain among others (Hasan, 2013; Ummu Hani, 2014; Yunilla Nurhalim, 2015). Despite the significance of SMEs contribution to economic growth, government institutions and policies aimed at supporting and enhancing the capacity of SMEs in Indonesia still yet SMEs fall short of expectations.

Ummu Hani (2014) posits that the performance of SMEs in Indonesia has been slow in some cases even collapsed due to a number of challenges confronting this important sub-sector of the Indonesia economy. Some of the obstacles highlighted in the body of literature as being responsible for the problems which include: deplorable infrastructural facilities; inadequate managerial and entrepreneurial skills; financing challenges; limited demand for their products and services; limited capacity for research and development as well as innovation; insufficient technology system; burden of multiple taxes charge; lack of business plan or good business plan; recruitment of incompetent employees; absence of motivation to staff; choosing of wrong business location; lack of transparency arising from government regulations and regulatory bodies; as well as lack of interest and focus on the side of government in addressing the specific factors responsible for the abysmal performance of the sub-sector. On the other hand, Kuncoro (2018) argue that the issues faced by SMEs can never be overemphasized and it is as a result of poor access to funds, management practices, low equity participation from stakeholders, inadequate infrastructural facilities, societal and attitudinal problems, shortage of skilled manpower, lack of training for employee, multiplicity of regulating agencies, little access to markets and lack of access to information.

Edi Setiawan (2021) on his research argue that in the pandemic situation, digital marketing was the most effective way to increase the performance of SMEs but only several firms still operate mainly offline businesses. Meanwhile, Based on Research, development and innovation agency of Indonesia data (2019), Indonesia's small and medium enterprises (SMEs) have been underperformed. The covid-19 pandemic had impact on economic and social in Indonesia. The economic impact of the covid-19 pandemic has also been felt by SMEs in Indonesia. The impact caused by this pandemic includes 4 aspects, namely 1) sales aspects. The average decline in SMEs sales is 61%, 2) Aspects of operating profit. The average decrease in operating profit is 61%, 3) capital aspect. The number of SMEs experiencing capital problems increased to 71.4 %, and 4) aspects of the number of employees. In this aspect, SMEs reduced the number of employees by 22% (Balitbang, 2019).

Arief Rahmawan, et.al (2020) argues that the main problem facing SMEs in Indonesia is inadequate finance. According to him, the finance may be for the establishment of new business, innovate an existing one or to carry out expansion plans. The inability to attract financial credit has made the sub-sector backward. In his view, commercial banks that are expected to be the launch pad for SMEs development through the provision of loans. Stiff collateral security demands by the banks often mean that SMEs are unable to meet the requirements, consequently losing the chance of obtaining loans. In addition, high-interest rates charge on loans scare off potential entrepreneurs to access financial credits that make the performance of SMEs not to be achieved (Hafsah, 2013). Kuncoro (2018) posits that the most disturbing and the critical factor among challenges affecting the performance of SMEs is funding, but concedes that most SMEs are not attractive prospects for banks because there want to minimize their risk profile. SMEs in Indonesia are found to rely largely on their own personal savings or contributions, not only to grow and expand in operation and size but also to innovate, whereas enterprises often need real services support and formal financial assistance. These have put a lot of SMEs into a problem as a result of it; they found themselves in a stage of under-investment in the long term (Hasan and Iqbal, 2013).

Kuncoro (2018) argues that despite the incentives, programmes, policies and support aimed at revamping the SMEs, there have performed rather below expectation in Indonesia. Different people, organizations, and operators have advanced, and various reasons as to consider why SMEs have not been able or in the capacity to live up to their billing. While an average operators would always hinge their failure as lack of access to finance, some think otherwise arguing that difficulty in accessing global market, inappropriate management skills, lack of entrepreneurial skills and know-how, inadequate infrastructure, and the rest are mainly responsible. Financial capital is usually considered as the main obstacles of SMEs. While these may be true reliable, empirical evidences have shown that fund contributes only about twenty-five percent to the success of SMEs, which sound insignificant. Thus, the creation of other appropriate support system and enabling environment are indispensable for the success of SMEs in Indonesia (Kuncoro, 2018).

The Indonesian small and medium enterprises facing several cases about risk. Indonesia which is a country located in South East Asia, lying between the Indian Ocean and the Pacific Ocean. It lies between the Asian and Australian continent. This archipelagic country is situated on the equator which tend to have tropical climate. Additionally, Indonesia considered has tectonic and volcanic activities, experience multiple hazards such as, volcano eruptions, earthquakes, floods, tsunamis, forest-fires, landslides and droughts (UNU-EHS, 2014). Meanwhile, the Covid-19 outbreak has affected most of nations including Indonesia which have impacting severe effects in many sectors. For instance, Covid-19 spreads a negative supply shock and economically reduced. SMEs plays an important role in Indonesian economy, but with their limitations, SMEs are very vulnerable to risks arising from disasters and also their business activities. There were several research about SMEs on the previous research study but lack of research about risk control in SMEs, researchers believe that determining the moderator impact of risk control between government support, training, digital marketing, financial capital, and performance of small and medium enterprises is both essential and vital. Indonesia must also prepare small and medium enterprises for globalization so that these enterprises may continue to thrive in the future, and Indonesian company owners must know how to manage business risk.

In conclusion, empirical and theoretical studies conducted by (Hasan and Iqbal, 2013; Hafsah, 2014; Ummu Hani, et.al, 2014; Yunilla Nurhalim, 2015; Kuncoro, 2018; Arief Rahmawan, et.al, 2020; and Edi Setiawan, 2021) have revealed the problems confronting the performance of SMEs, some of which have been addressed by previous researchers while others continue to affect the performance of SMEs in Indonesia. As a result, the gaps that have been identified as the major problems that continue to affect the sector are known as government support, training, digital marketing, financial capital, and risk control, to which adequate attention will be given, and there are the vacuum areas to be filled in order to add value to knowledge in this study.

Nowadays Indonesia is still categorized as a developing country. This is due to various problems in Indonesia. For example, there were many low population income, unemployment, and social-economic conditions are left behind compared to developed countries. Many things must be fixed by the Indonesian government to improve the prosperity and prosperity of Indonesian people.

The density of the population in big cities like Jakarta, Surabaya, Medan, Bandung and Yogyakarta, causes the narrowness of employment. Therefore, people who do not have a regular job and do not have the ability to entrepreneurship will have a low income and cannot meet the needs of their family. The number of poor people (population with per capita expenditure per month below the poverty line) in Indonesia reached 25.95 million people (9.61%), a decrease of 633.2 thousand people compared to the condition of 2017 which amounted to 26.58 million people (10.12%) (Statistics of Indonesia, 2018). Although the poverty level has decreased, Although the poverty level has decreased, but this condition is still considered quite high. If this condition cannot be resolved then the economic development in Indonesia will not increase and Indonesia cannot become a developed country. Therefore, the entrepreneurial spirit of the Indonesian population must be improved to help develop the economy of Indonesia.

Entrepreneurship is one of the factors that can drive the improvement of Indonesian economy because it has several reasons. Among them can increase the creativity and ability of the community in distributing ideas and creations, the community does not depend on the government such as civil servants (PNS), and also can attract foreign investors to invest in Indonesia if entrepreneurship goes well.

Recently, the term entrepreneurship has become more popular, especially in Indonesia. People believed that an increasing number of entrepreneurs could level down the number of unemployment and decrease the number of corruptions in this country. Many studies have been trying to classified different terms of entrepreneurs and its issues but few have studied on entrepreneurs in Indonesia and their motivations.

The Indonesian government has been trying to encourage entrepreneurship development by supporting the development of small and medium enterprises in the country, since these enterprises provide an avenue for the testing and development of entrepreneurial ability. SMESCO, which stands for "Small and Medium Enterprises and Cooperatives," is one of the many groups in Indonesia concerned with entrepreneurship today. Smesco Indonesia Company (SIC) was established in March 2007 with the aim of promoting Indonesian goods of superior quality worldwide. Everything they do is geared at reaching the objective, while offering superior professional services to domestic and international customers (Jaswadi, et.al, 2015).

According to Puspayoga, (2018), the current ratio of entrepreneurs in Indonesia has increased to 7 (seven) percent more than the total population of Indonesia. In the previous year (2014), the ratio of entrepreneurs in the country only 1.55 percent, then increased to 1.65 percent in 2016, until the end of 2017 has reached more than 3.1 percent. Whereas according to David Mclellan, (2006), to make the economy in a country become develop requires about 2% of the total population. This show that people’s interest in entrepreneurship in Indonesia is quite high but Indonesia is still far behind by neighboring countries that have a higher number of successful entrepreneurs and low poverty though the population of Singapore is far less than Indonesia. According to GEM-Indonesia, 2018, Singapore is the country with the highest number of successful entrepreneurs and low poverty in ASEAN. Concerned indeed, considering Indonesia has very abundant natural resources. This is due to the lack of innovation and creativity of the Indonesian people in utilizing these resources.

Entrepreneurship in Indonesia was based on twocondition. First, entrepreneurship from existence family business and the second is non family business. Collins and O'Regan (2010) assert that family businesses are more complicated than non-family businesses. In addition, they said that the complexity is mostly attributable to the effect of family dynamics on the decision-making process, and that maintaining a balance between the emotional, ownership, and commercial components of the family inside the organization may be an ongoing problem. Although Indonesia has a number of low family cultures, it is also a nation with an abundance of rich family cultures. Every facet of the family is cherished, resulting in a family culture unparalleled in any other nation. There are several ethnic groups in Indonesia, including Javanese (45%), Sundanese (14%), Madurese (7.5%), coastalMalay (7.5%), and other ethnic groups (7.5%). (26 percent). Due to the region's topography, the various socio economic and cultural groups are naturally segregated from one another. Indonesian culture is an amalgamation of influences from several civilizations, including Hinduismand Buddhism in the early first century, Arabic influence in the thirteenth century, Southeast Asian and Polynesian cultures, as well as effects from the influx of Chinese and Dutch immigrants (Tsamenyi, et.al., 2007).

If the number of small and medium enterprises in Indonesia could expand even further, the country's economy would be substantially strengthened. According to Minister for State

Owned Companies (SOEs) Dahlan Iskan (2018), the number of small and medium enterprises in Indonesia has reached 3.1% of the total population (AAGN Prayoga, 2018). It is anticipated that the number of small and medium firms in Indonesia would reach 62,922,617 in 2017. Numerous and highly contributive to the national economy, small and medium firms are seen as a market with enormous potential to stimulate the local economy (Herdiyan, 2012).

Small and Medium Enterprises in Indonesia governed by the Indonesia Small and Medium Enterprises Law (Republic of Indonesia's Law in Number 20 of 2008 of MSMEs) contribute significantly to the economy in Indonesia, particularly during the financial crisis of 2008-2009. Small and Medium-Sized Enterprises led to job growth and a steady drop in the unemployment rate throughout that dismal year. Due to their reliance on formal markets and financing, which enables them to respond rapidly, Small and Medium-Sized Enterprises contributed far more to economic growth during the dark year than large businesses.

Based on Indonesia rules No.20 (2008), small and medium enterprises is business which have annual sales range from more than three hundred million rupiahs (Rp.300,000,000) to fifty billion rupiahs (Rp.50,000,000,000). This supports to the fact that the majority of business entities in Indonesia is classified as small and medium enterprises. Central government through long-term plan phase II (2010-2014), explains explicitly that it is necessary to improve and promote small and medium enterprises by increasing access to capital' and 'implement policies to provide priorities for small and medium entrepreneurs'. Existence of the small and medium enterprises sector should be prioritized to ensure their competitiveness and sustainability. By this reason, development efforts to enhance the role of small and medium enterprises in the economy, such as guidelines for good corporate governance and accounting standards, urgently implemented.

The existence of small and medium enterprises as part of all national business entities is a tangible form of economic life in Indonesia. Therefore, the placement of the role of small and medium enterprises is one of the main pillars in developing the economic system, but until now its development is still far behind compared with other economic sectors. Small and medium enterprises should be one of the main strategies of national development whose implementation is realized in earnest with a strong joint commitment and supported by systematic and conceptual efforts consistently and continuously by involving all interested parties (government, private company and Indonesian people).

In economic development in Indonesia, small and medium enterprises are always described as a sector that has an important role, because most of the population is low educated and live in small business activities both traditional and modern sector. Small and medium enterprises development conducted by Kantor Menteri Negara Koperasi dan Usaha Kecil Menengah (KUKM) (Ministry of cooperation and small medium enterprise), Ministry of Industry and Trade, Ministry of Finance and Bank of Indonesia (Adiningsih, 2005). However, the development effort that has been implemented still not satisfies the result, because in fact the progress of small and medium enterprises is very small compared with the progress achieved by big enterprises. Implementation of small and medium enterprises policy by the government during the new order, only a little done, more just a slogan, so the result is not very satisfied. The government is more in favor of big enterprises in almost all sectors, including: trade, banking, forestry, agriculture and industry.

Facing of increasingly stiff competition, as the opening of the market in the country, it is a threat for small and medium enterprises with the increasing number of goods and services coming from outside the impact of globalization. Therefore, the development of small and medium enterprises today felt increasingly urgent and very strategic to increase the people's economy, and then the independence of small and medium enterprises can be achieved in the future. With the development of the people's economy is expected to increase people's income, open employment opportunities, and prosper the community as a whole.

Indonesian government uses business center and cluster to foster small and medium enterprises. Business center is activity center at certain location, where there are small and medium enterprises that are used similar raw material or facility, produce similar product and have prospect to develop as a cluster (SK Meneg KUKM no.32/Kep/M.KUKM/IV/2002).

There are four types of industrial cluster in Indonesia (Supratikno, 2004). Dormant cluster is a cluster that dominated by informal sectors. Active cluster is a cluster that able to improve their technology and also their production quality, but they only sold their product domestically. Dynamic cluster is a cluster that able to improve their technology and their production quality. They also start to build networks to sell their product in international markets. Modern or advanced cluster, is a cluster that has applied advanced technology to produce their qualified product and able to sell it in either local market or global market. Most of Indonesian’s cluster is a dormant cluster (Supratikno, 2004). So, our government tries to develop them into an advanced cluster. There are also some other characteristic of Indonesian’s small and medium enterprises center such as highest competition among industrial centre member, low quality, cost and price oriented, low bargaining power to local middleman, market, low technology, low networking, low need for achievement and development.

As one of the Asian nations, Indonesia also benefits from the growth of small and medium-sized businesses. According to the Minister of Cooperatives and Small, Medium Firms (Menkop, dan UKM), Anak Agung Gede Ngurah Prayoga (2016), small and medium enterprises are one of the factors contributing to Indonesia's economic development. The existence of small and medium-sized businesses as a vital component of national growth cannot be overlooked. Small and medium-sized businesses today account for more than 90 percent of Indonesia's business and 57 percent of the country's gross domestic product (GDP).

In Indonesia, the government has prioritized the growth of small and medium-sized businesses by including them into important government documents such as the five-year plans (Repelita), the broad outlines of government policy (GBHN), and other official pronouncements. This shows that Indonesia's economic growth is driven and dominated by the activity of small and medium enterprises. The business group also has demonstrated the resilience of their business to face the economic crisis because they have a strong market in the country and do not have a dependency on the financial services sector. Women entrepreneurs in Indonesia play an important role in running of small and medium enterprises. They have a large role as a driving force to the Indonesian economy in general and especially for improving the welfare of the family (Verni. Y. Ismail, 2014).

CHAPTER 3

CONCEPT OF SMALL AND MEDIUM ENTERPRISES

The issue of what constitutes Small and Medium Enterprises is a major concern in the literature. Various authors have spelled out different definitions to this category of business. Small and Medium-Sized Enterprises have not been spared the definitional difficulties associated with multi-component concepts. Researchers' definitions of Small and Medium-Sized Businesses vary. Some utilize turnover, skilled labor (training), or a capital asset to define small and medium-sized businesses. Others describe Small and Medium-Sized Businesses in terms of manufacturing process and legal status (Abor & Quartey, 2010). According to Ummu Hani (2012), Small and Medium Enterprises come in all shapes and sizes, and its classification is based on employment, assets, and income. She adds that the criteria of Small and Medium Enterprises shift or vary from organization/association to organization/association, nation to country, industry to industry, and financial institution to financial institution. Variations in the idea of Small and Medium Enterprises from nation to country, industry to industry, and everywhere else rely on the degree of development of the country, industry, and everywhere else in question, as well as its economic activity and industrial growth.

According to Indonesian rule no.20, (2008), Small and Medium Enterprises is business which have annual sales range from more than three hundred million rupiahs (Rp.300,000,000) to fifty billion rupiahs (Rp.50,000,000,000) and have employee range from five (5) to three hundred (300).

Nwakoye (1988) emphasized that SMEs are businesses with between five and one hundred employees and an annual revenue of over four hundred thousand naira. According to Okorie (1989), SSE is an indigenous-owned company with less than fifty full-time workers. Onugu (2005) emphasized that small and medium-sized firms (SME) are those with a total cost of between ten and one hundred million naira, excluding the cost of land, employing between eleven and seventy full-time people, and an annual revenue of less than ten million. While MSEs are enterprises with a total cost that includes working capital but excludes the cost of land that is greater than one hundred million naira but less than three hundred million naira, with between seventy-one and two hundred full-time employees, and an annual turnover that does not exceed twenty million naira.

SMIEIS (2006) claimed that SMEs are those enterprises which have a total capital employed not below one million five hundred thousand but not exceeding two hundred million including working capital but excluding cost of land, with an employee strength of not below ten and not above three hundred. SMEDAN (2005) defines SMEs based on the following criteria: small scale enterprises are businesses with ten to forty-nine people with an annual turnover of five to forty-nine million Naira while a medium scale enterprise that have fifty to one hundred and ninety-nine employees with a year turnover of fifty to four hundred and ninety-nine million Naira. In Nigeria, SMEs cover economic activities within all sectors. It is clear from the various definitions, showing that there is no single concept that constitutes SMEs; the definitions vary across industries and the globe. SMEs are very heterogeneous group, and SMEs owners may or may not be poor. Some are dynamic, growth-oriented, and innovative while others are not; there preferred to remain small and also to continue as usual. In some countries, SMEs owner and workers are (or are perceived to be) dominated by member of particular ethnic groups (Hallberg, 2000).

CHAPTER IV

CHALLENGES OF SMALL AND MEDIUM ENTERPRISES

Small and Medium Enterprises have not had a significant influence on the Indonesian economy despite the government's efforts and assistance. This suggests that there are underlying concerns or problems that Small and Medium Enterprises face, which have not been adequately addressed to far. Small and Medium-Sized Enterprises cannot contribute to Indonesia's economy if they continue to operate at this level of performance (Ummu Hani, 2012). The following issues are hurting the performance of Indonesian SMEs:

1. Financial Problem

According to Abor and Quartey (2010), one of the most significant obstacles that Small and Medium Enterprises face is access to capital, and the development of Small and Medium Enterprises is constrained by the limited availability of financial resources to meet a variety of operations and investments needs. The function of finance is crucial to the growth and success of small and medium enterprises (Cook and Nixson, 2000). Inadequate financial services have been identified as the key obstacles to the growth and output of Small and Medium Enterprises in Nigeria (Olutunla, 2005). In addition to inadequate start-up money from personal savings and contributions from friends and family, there is limited access to institutional financing from the stock market and banks. Incorrect and unsatisfactory feasibility study, difficulty to obtain needed equity participation, failure to provide collateral security, and inadequate financial paperwork are the origins of the restriction or constraint (Ojo, 2006; Olutunla, 2005; Omoruyi and Okonofua, 2005). Eighty to eighty-five percent of small and medium enterprises are in a disastrous state owing to lack funding and other associated challenges (Fatai, 2011). A study conducted by Apo (2001), Sleuwaegen, and Goedhuys (2002) emphasized that inadequate financial sources is the primary constraint faced by SMEs and that entrepreneurs must use their personal resources to launch or launch their businesses and to expand their operations, despite the fact that the internal financial sources are typically inadequate. Nichter and Goldmark (2009) believe that there are policy biases favoring big firms versus SMEs since SMEs confront the challenge of insufficient access to capital, which hinders their growth. Due to inadequate collateral, excessive transaction costs, and an inability to navigate the complexities of formal financial institutions, it is difficult for SMEs to expand (Harvie, 2005; APO, 2001; Leopairote, 1997).

2. Infrastructures Problem

The performance of Small and Medium Enterprises has regressed in the sector as a result of deterioration, inadequate infrastructure facilities, or deplorable conditions of the available ones; this has posed a formidable obstacle to the performance of Small and Medium Enterprises, requiring immediate government intervention (Ojo, 2006). Inadequate facilities for power supply, communications, access to a proper road network, and water supply are the most significant obstacles that Indonesian SMEs confront. In a 2006 study, the World Bank determined that the cost of providing infrastructures to small and medium enterprises (SMEs) in the absence of these facilities would be between 15 and 20 percent of the cost of establishing manufacturing enterprises in Indonesia. More recent research has shown that the private provision of infrastructure facilities is much heavier on SMEs than on large-scale enterprises. According to Hasan (2013), the cost of launching a manufacturing business in Indonesia has risen to between 30 and 35 percent since 2013. The problem of power is a particularly difficult infrastructural barrier for small and medium-sized businesses. The power supply issue has negatively impacted the corporate climate. As a consequence of insufficient and unreliable energy supply in Indonesia, the majority of small and medium enterprises (SMEs) have shut down or ceased operations. The country's electricity situation is so tragic and embarrassing that significant companies and businesses are migrating to neighboring countries such as Singapore and the rest, whose infrastructure is superior than Indonesia's. The consequence of this shame has been the decline of manufacturing operations. The cost of machinery and equipment, as well as the cost of fuelling the generator, has resulted in a decrease in SME employee compensation and operating expenses. There is little question that this has led to the demise of the majority of Small and Medium Enterprises in Indonesia, since they are no longer able to compete on the market (Hasan, 2013). The majority of banks have capitalized for this reason and attributed their inability to finance SMEs on the poor state of infrastructures, the economic climate, and the poor performance of public utilities.

In reality, the position or condition of infrastructures in Indonesia, particularly in rural areas, is quite discouraging. The electricity supply is insufficient and unstable, which is extremely poor; the roads are dreadful; the water supply is likewise unreliable; and the telecommunications infrastructure, which is essential to the success of any company, is inefficient. Infrastructural facilities are neither insufficient nor present and functioning. As a consequence, the environment cannot encourage and ensure progress for Small and Medium Enterprises, resulting in poor and negative performance due to high risk and an uncertain investment climate. In Nigeria, the government has not provided an environment favorable to the effective operation of small and medium-sized businesses. Solid waste management is hampered by an insufficient transportation system, a lack of water supply, a poor communication system, and a lack of energy. This requires enterprises to invest in costly duplicate infrastructure. These factors have hindered the development of Small and Medium Enterprises in Indonesia (Hasan, 2013).

3. Management Problem

The performance of Small and Medium Enterprises in Indonesia is hindered by management issues, and it has become evident that the lack of management skills and lack of educated staff pose the greatest threats to the existence of SMEs. Poor management and ability are to blame for ninety percent of all company failures, say West and Wood (1972). Small and medium enterprises have historically been plagued by a lack of essential and required expertise in the production process, maintenance, technical problems/competence, procurement and marketing, and finances, as emphasized by Rogers (2002). This has resulted in money being misapplied and costly, incorrect decisions being made. Many founders and managers of Small and Medium Enterprises in Indonesia lack entrepreneurial abilities, a strategic plan, a business strategy, management skills, an effective organizational structure, a succession plan, and a transparent operational system, according to Ummu Hani (2012). Since many small and medium enterprises owners acquire outmoded and inefficient equipment, they set the scene from the beginning for poorer productivity and subpar products, which have a catastrophic impact on production, market acceptability and market penetration. Consequently.

Macpherson and Holt (2007) and Barratt-Pugh (2005) discovered that small and medium enterprises growth is dependent on managerial knowledge and skills. In comparison with LEs managers in SMEs are generally less trained (Tannock et al., 2002), consequently, there chose inferior production technology, do not use proper accounting systems and underestimate required funding (APO, 2001). Generally, SMEs spend less on formal training than LEs due to financial limitations and the fact that it can be difficult to take employees out of the production (Thassanabanjong et al. 2009; Tannock et al. 2002). Training is crucial for effective quality product delivering as well as it also influences and motivate employees effectively and efficiently (Thassanabanjong et al. 2009). Managers of small and medium enterprises are unwilling or unable to listen to their staff who have excellent ideas and a thorough understanding of the process and the product (Tannock et al. 2002). This is a challenge for Small and Medium Enterprises as a result of the large power gap in Indonesian culture, which influences a company climate in which managers have enormous authority and employees dread communicating with their supervisors (Hofstede & Hofstede, 2005).

The lack of managerial expertise indicated by Lind (2005) was also a problem in many developing nations, Indonesia in particular, because of language barriers between customers and suppliers. Lind (2005) emphasized the need of listening to and emphasizing client requirements in order to better understand the product's perceived advantage to the consumer. The ultimate benefit of the customer's notion is to understand how the products and services of small and medium-sized businesses may strengthen the customer's business with his client (Lind, 2005).

4. Digital Marketing Problem

Digital marketing, as referred to internet marketing or web-based Marketing, can be defined as the use of the internet and related digital technology to achieve marketing goals and to facilitate marketing practices such as supply chain management, customer relationships and delivery of quality services (Hasan & Siddiqi, 2016). Therefore, digital marketing is the use of electronic devices (computers) to communicate with customers, such as smartphones, cell phones, etc. In this way, digital marketing techniques have succeeded in eradicating classical marketing techniques and thus expanding marketing mixes. Therefore, because of the high levels of interconnectivity the internet has been compared to the wheel and the aircraft in terms of its ability to influence future business and economic development, the flexibility provided by technology has made digital marketing more important essentially in the entire industry (Liam James, 2020).

According to Brush et al. (2009), the digital marketing system is a new challenge that organizations must contend with as they strive to expand. Businesses confront difficulties in explaining product characteristics, marketing efforts, and using sales to gain and keep consumers, pricing goods and services in an appealing way and building an efficient distribution channel in order to maintain sales. Other factors include a lack of creativity, image, and distinctive branding skills, as well as inadequate assistance from marketing infrastructures such as digital marketing. Small and medium enterprises have a hard time expanding their operations since they lack expertise about other markets and can't offer their items to new groups of clients.

5. Technological Problem

Small and Medium Enterprises tend to have low productivity and are weak in terms of competition as a result of using advanced technology, not maximizing machinery utility, and not improving technology due to inadequate support in terms of funds. As a result, the sector experiences technological problems, and it is evident that almost all Small and Medium Enterprises are knowledge consumers rather than knowledge adaptors. Many entrepreneurs are not aware of applying the accurate technology to their business, and there can't choose appropriate technology for their company. It was accepted that small scale enterprises are in a contrary position if compared with large-scale enterprises in terms of access to technology. Access to technology and making improvements to current technology are not ends in themselves, but a means of achieving dynamic efficiency and innovativeness (Harvie & lee, 2005).

The World Bank (2009) opined that investment need to be done or be in place for technology to be in place too, which is highly significant for our SMEs, which are even required to improve the quality of production, and to build up the existing capacity which will generate higher value-added product that will automatically improve the competitiveness of enterprises. In addition, it is essential for SMEs to make the most strategic business choices; thus, government backing of technology projects and networks with research institutions should aid SMEs in technological development (Courseault Trumbach et al. 2006).

6. Corruption problem

Corruption is one of the most significant impediments to Indonesian small and medium enterprises (SMEs), since corruption is a crucial component in Indonesia's growth. Corruption, defined as the illicit acquisition of money or power for private/individual gain at the expense of the public, or the exploitation of public funds and resources for private gain, has been a persistent political and economic concern in Indonesia. Corruption consists of unlawful bribes, government officials extorting money from different enterprises, and the abuse of government monies that might have been used to promote other industries (Ummu Hani, 2012). According to Hasan (2013), corruption in Indonesia is "endemic." Corruption is almost a way of life for Indonesians, consisting of unlawful bribes, government officials extorting money from companies, etc. In Indonesia, it is permissible to extend one's hand for a bribe (Dika, 2005). Rina (2006) highlights Indonesia as a nation in which fraudulent practices such as Advance Fee Fraud have fostered a generation of techno-skeptical entrepreneurs, which has a detrimental impact for Small and Medium Enterprises in Indonesia. In Indonesia, corruption has been a severe issue for decades, and it has been pervasive, deeply ingrained, well-organized, and tolerated (Tri Utami, 2000).

Compromise is one of the issues that Ayudiah (2006) found to have hampered and misdirected Indonesia's growth. Indonesia's high degree of corruption impedes Small and Medium Enterprises' growth, preventing them from achieving their goals. As a result of their inability to address Indonesia's endemic corruption and bribery, many small and medium enterprises in the nation are forced to endure this. A wide range of variables were suspected of being a catalyst for an uptick in corruption in Indonesia. A lack of norms and ethics in Indonesia's political economy and a broken legal system are among the factors that contribute to the country's political instability (Dika, 2005). As a result, many Indonesians have come to tolerate bribery and corruption as an acceptable social norm (Dika, 2005).

7. Lack of Skilled Labor

Small and medium enterprises in developing nations, particularly in Indonesia, are hampered by a scarcity of qualified workers (Hasan, 2013). Companies of all kinds may expand and advance to the employment of graduate labor, but there is mistrust between the two sides, according to (Holden et al. 2007). (SMEs & Graduates). According to Apo (2001), one of the most troubling problems faced by Small and Medium Enterprises is a scarcity of qualified labor. Since large-scale organizations may give them substantial salaries, career opportunities, and job security, highly educated people choose to work for small and medium enterprises, making it difficult for them to keep them. The lack of financial resources to attract and retain qualified workers inherently restricts development and expansion. Unskilled workers are often employed by small and medium enterprises. Competition will be hampered by this, of course (Ogujiuba et al. 2004).

8. Government Unfavorable Fiscal Policy and Policy Inconsistence's

Small and medium enterprises are harmed by the government's incapacity to implement efficient and consistent fiscal and monetary policies. Improper budget execution, according to Ummu Hani (2012), has an impact on investment and trade decisions because of a lack of time. Legislative approval of the fiscal year's budget often takes longer than expected owing to a conflict between the executive branch and the legislature, and even after the budget is passed, it takes time to execute because of administrative bottlenecks. Such reasons have made it difficult for small and medium-sized businesses to make a choice on whether or not to invest in the United States, which has resulted in a delay in their decision-making process. Due to the lack of unified tax administration, Onugu (2005) argued that producers would be subject to acceptable and permitted charges of tax.

According to Ummu Hani (2012), Indonesia's SME sector has underperformed as a result of the government's inconsistency in implementing large-scale policies and the frequency with which those policies are altered. There is a deep-seated problem with Indonesia's public sector, which is characterized by inadequate corporate governance and unethical behavior. Additionally, the government's dominant control and administration of the majority of business-supporting buildings and infrastructure exacerbates the problem. There are several benefits to having government policies that encourage small and medium enterprises, such as enacting laws that aid their capacity to function effectively and enforcing standards that imply minimal administrative expenses (Harvie and Lee, 2005b). Despite an increase in government initiatives to promote and support small and medium enterprises in order to achieve economic development and eliminate poverty, there are currently no regulations, administrative processes, and access to government help (Harvie, 2005).

9. Research & Development – Innovation

Morrison (2006) concluded in a previous study that innovation is increasingly dependent on ties between scientific research and industry research and development (R&D), and that without an R&D emphasis, businesses risk falling behind rivals in developing inventive new goods. Raymond and St. Pierre (2004) emphasized how globalization has increased demand for small and medium enterprises. Small and Medium Enterprises in Indonesia, on the other hand, place minimal emphasis on innovation, and the government does little to encourage SMEs R&D participation. The government has a system for innovation, but collaboration between universities, government research organizations, and businesses is still inadequate. In addition, the government has a very limited budget for innovation; this has a negative impact on the operations of Small and Medium Enterprises, who have limited capacity to innovate and are hesitant to engage in R&D owing to budgetary constraints. In addition, there is a lack of knowledge and interest in innovation since many small and medium enterprises (SMEs) do not see any real advantages from innovating in terms of production, organization, and marketing, which hinders their performance.

10. Socio-Cultural Problems

There are some small company owners who have social-political objectives that lead to them diverting vital finances and energy from their businesses towards what is considered social waste. It is quite upsetting to see people's thoughts and biases towards Indonesia's products and services. He found that typical Indonesian entrepreneurs desire to invest now and enjoy the benefits of their hard work in the future. Entrepreneurs in Indonesia are making a lot of short-term investments, which isn't supposed to be the case. There is no longer a need for extensive gestation periods in agriculture or industries as a result of this. And Indonesian business people (Entrepreneurs) don't keep their earnings or don't have the investment habit or culture of reinvesting gains. Although Indonesia's population is expected to reach more than two hundred and seventy million in 2019, the market for domestically produced items is still in a terrible state, he said. As a result, Indonesians have evolved a culture in which they consider imported goods to be superior than domestically produced goods.

11. Strategic Planning Problem

This is just another issue that SMEs encounter that does not help the industry grow. Strategic planning in the operations of small and medium enterprises (SMEs) is rudimentary at best. Because properly active and good planning is essential for effective decision making for new ventures or current enterprises to thrive in terms of profit maximization, Ojiako (1987) concluded that SMEs need a strategic planning framework.

12. Multiple Taxation

Marlina (2009) determined, based on empirical research, that many and high taxes are believed to be key determinants in the failure of Indonesian SMEs. This is a significant challenge for tax experts and agents employed by governments at all levels. There is dishonesty in their operations, excess in their evaluations, and a broken connection with the industrial process. Even some state governments do not assist things; they add to the load; in such a case, SMBs are severely impacted. There is a tax on everything in an attempt to create money without taking into account the impact on SMBs, family incomes, and jobs (Osamwonyi&Tafamel, 2010). In a separate study, Onugu (2005) concluded that an abundance of regulatory bodies, taxes, and levies increases the cost of conducting business and discourages entrepreneurs from entering the marketplace. This is owing to the lack of a standardized and published tax framework, which would allow manufacturers to include recognized and authorized levies and taxes.

13. Location and Business Environment Problem:

These are very important and involve access to the shop. The market is controlled by absentee proprietors who set excessive prices or impose unreasonable rates. The majority of the shop's proprietors are politicians, heads of government agencies, and parastatals, and it is under their rigorous supervision. The hefty rates paid by the proprietors of an outstanding company site have forced small- and medium-sized producers to relocate to the streets or, at best, to inaccessible locations (Osamwonyi, 2005b).

According to empirical research conducted by Ayeyemi (2013), every enterprise, even SMEs, has its own operating environment. The business environment in which the organization works is crucial to its continued existence. The business and operational environment of SMEs is comprised of both the internal and external environments. Its internal environment includes circumstances inside the organization that pose a threat to its continued existence. These criteria include the managerial skill of the firm, the strength and intellectual capacity of the employees, the technique of production and the manufacturing process, among others. The business climate in which SMEs operate in Indonesia is one of the greatest obstacles to their survival. This is owing to the fact that the business environment is not favorable to company survival, as a consequence of a lack of essential infrastructure facilities, frequent changes in government policy, the absence of inexpensive sources of financing and other incentives such as tax relief, etc. This assertion is justified by the International Finance Corporation of the World Bank (IFC, World Bank, 2016) Among ASEAN countries, Indonesia is considered to be a country that has relative difficulty in doing business. In 2016 rating (based on the survey in 2015), although the overall rate for ease of doing business for Indonesia is improved (rank in 106 compared to 120 in 2015), Indonesia has lower rank in starting a business in 2018. In the criteria of starting a business, Indonesia ranks in 73 of 189, and it is ten-ranks lower than in 2015. It clearly indicates the substantial differences in ratings, especially when mapped against ASEAN countries. While Singapore is the easiest country in term of the ease of doing business, Indonesia is the 6th level of 11st overall ranks in the South East Asia. It means that government so very important to support the entrepreneurs in Indonesia. In addition to recommending a remedy, this research seeks to establish the degree to which some of the identified obstacles facing Indonesian small and medium-sized enterprises (SMEs) remain relevant today.

CHAPTER 5

GOVERNMENT SUPPORT

According to Prahald (2004), government participation is vital to the success of businesses. Which is dependent upon an essential variable. There are government capital assistance facilities, government IT tool availability facilities, government regulatory burden reduction for entrepreneurs, and government access networks. All of these elements are required for entrepreneurs to improve the performance of their small and medium enterprises.

National League of Cities (NLC), as cited by J. Katie McConnell et al. (2012), asserts that local government may make significant efforts to help local businesses achieve success. Local government must comprehend the phases of small company growth since it enables them to comprehend the obstacles entrepreneurs face and establish policies to assist them. To promote entrepreneurs and small enterprises, local government must first use its own capabilities, including leadership, communication, and regulation. Communication is required between the business and entrepreneurial sector and the local administration in order to enhance procedures and more effectively address demands. Local governments must prioritize concerns and show to the public that entrepreneurs and small enterprises are vital to the community. New and small businesses have a particularly difficult time with ambiguous rules and processes. Local government must give companies with an approachable interface for interacting with rules and permits.

For entrepreneurs, a supportive atmosphere is created through the government's entrepreneurial policy. In designing entrepreneurship policy, it might be difficult to apply the same policy to different places. As in Indonesia, the government's entrepreneurship strategy has yet to be explored. Until recently, no information has been made accessible about Indonesia's implementation of entrepreneurship policy, its workings, or any policy products associated with it. The Indonesian government's entrepreneurship programs (2005–2025) are recognized from the programs of connected ministries. Entrepreneurs in technology, information, and communication-based businesses are being nurtured through the programs. Training students to be self-employed or to work in association with industry to provide services, notably in the technology and communications industries. For the development of young entrepreneurs from different colleges, create 1000 ideas for future start-up firms. Instilling a sense of entrepreneurialism and encouraging young farmers to become entrepreneurs (IstiRaafaldiniMirzanti, et. al., 2014).

1. Concept of Government Support

Support from government is very important to develop SMEs in Indonesia. Based on previous master research study by researcher (Guci., D. A., 2018), where the study conducts in Batam, the result show that SME player in Batam was still not satisfied with the government support. In this study, researcher will divide the support from government into two part such as Infrastructure and Business regulation.

2. Infrastructure

For a community or business to function, it is vital to have a well-developed infrastructure (Oxford, 2009). In addition, a functioning economy depends on a wide range of services and amenities (Sullivan and Steven, 2003). In order to assess a country's progress around the development cycle, it is necessary to look at how well its infrastructure functions as a collection of interrelated pieces that issue or give a foundation that supports the overall system. Infrastructure is defined as the physical components of interconnected systems that offer goods and services vital to maintaining, enabling, or improving social living circumstances, such as water supply, power grids, bridges, highways, telephones, and sewage (Fulmer, 2009). Infrastructures support the manufacture and distribution of products and services, as well as the promotion of critical social services such as hospitals and schools; for example, highways permit the transportation of raw materials to a factory (American, 2009).

Physical infrastructure is the foundation upon which all other activities, including economic, social, and political are based (Ukpong&Iniodu, 1991). It is the absence of infrastructures that prevents basic, secondary, and tertiary production from taking place and resulting in low SME performance, according to Hirschman (1958). It was found that infrastructure, in general, is a collection of facilities through which goods and services are made available to the general public, and that infrastructure installation does not produce goods and services directly but rather provides inputs for all other kinds of economic, social, and political activity as a whole. On the basis of this common idea, Nkechi et al. (2012) said, SMEs' performance may be improved by infrastructure amenities in any setting while simultaneously enhancing their ability to function effectively and efficiently. Depending on the topic at hand, several sub-groups of infrastructure are created. Economic infrastructure comprises items like motorways, trains, ports, power plants, and telecommunications networks, whereas social infrastructure includes educational institutions, hospitals, judicial centers, and other community resources and facilities. (Shanks & Barnes, 2008).

Public investment is a necessary component of economic development, according to Kessides (1993), who said that infrastructure plays a role in boosting the efficiency of private capital by influencing demand and supply (SMEs function: purchasing and selling). Small and medium-sized businesses are significantly affected by infrastructure's impact on profitability, output, revenue, and employment as a result of lower costs of production. Competitiveness in export/import markets is also influenced by infrastructure, which has an effect on the prices and service quality in international commerce (trade logistic). It is through the facilitation of the emergence of alternative employment and consumption opportunities that infrastructure helps to diversify the economy in rural regions. In many industries, contemporary technology may be accessed via infrastructure (particularly telecommunications). Better transportation, which in turn reduces the amount of time people spend on non-productive tasks or improves their health (by providing easier access to safe drinking water and sanitary facilities), is a common occurrence in infrastructure development. Furthermore, the absence of inexpensive access to suitable infrastructure is an important component in defining poverty's character and persistence. It is also important to note that infrastructure has an influence on domestic transaction costs and market information, allowing the economy to benefit from market liberalization policies. In the same study conducted by Kessides (1993) opined that infrastructure contribute to raising the quality of life by creating amenities in the physical environment – such as clean water, land and air; and by providing spatial order to human settlements and public works of architecture appeal and civic pride. Improvements in infrastructure are central to the quality of life and enjoyment gained from both the natural and man-made (built) environment, especially in urban areas. Infrastructure provides outputs that are value in their right – such as transportation and communication services as consumption goods, and by contributing to improved personal health and natural integration. An efficient transport network enhances the growth potential of the country, and a reliable system of energy generation and distribution brings modern technologies and processes to SMEs. In addition, infrastructure could enable SMEs to work cooperatively and achieve economies of scale, and ensure price and non-price competitiveness. Provision and maintenance of adequate infrastructure facilities are positively necessary if rapid SMEs performance and economic growth are to be achieved and sustained (Rao and Srinivasu, 2013). From the above point raise on the relevant and contribution of infrastructure it's shows that for SMEs to flourish and for it's to achieve effective and efficient performance in Indonesia adequate infrastructure facilities have to be in place.

The necessary physical infrastructures required for SMEs performance and economic development, such as good roads, ample power supply, excellent rail and river transportation facilities, are in a very poor shape in most Asian countries Indonesia in particular. As a result of these deplorable rail lines, where transportation still exists, deteriorating road, unusable waterways, inadequate power supply have combined to make the SMEs activities to be a challenging one. For example, the damage to equipment because of the power surges and downtime due to unavailability of electric power supply during production hours are major obstacles for SMEs in some Asian countries Indonesia in particular (Ummu Hani, 2012). Onugu (2005) opined that inadequate, inefficient, and at times, non-functional infrastructural facilities, tend to escalate costs of activities as SMEs are forced to resort to private provision of utilities which include water, road, electricity, transportation, communication, and the rest. A study carried out by Obadan (2004) opined that inadequate infrastructure are among the major problem that faces almost all SMEs in the country, domestic and foreign-owned enterprises, alike. The infrastructure expenditure of SMEs in Indonesia accounts for 22% of variable cost, half of which is spent on energy. It is noteworthy that power failure, transport costs and another infrastructural problem among SMEs poses the greatest difficulties to continued business activity. Asia Pacific Foundation of Canada (2018) describes the challenges facing Indonesian SMEs as enormous and states that this includes inadequate and inefficient infrastructural facilities.

A study conducted Ummu Hani (2012) opined that a situation, where infrastructures lack in the country, small and medium enterprises performance and the growth of the economy, will be adversely affected. In Indonesia, even though The President of Republic of Indonesia have properly develop the infrastructure, but the situation of infrastructures has frustrated young people with bright ideas and opportunities to effect a change or something new in some areas of our national life and endeavor due to the geographic location of Indonesia as the biggest archipelago state in the world. For instance, the power sector has proven to be the greatest obstacles to any aspiring or existing entrepreneur in Indonesia. Power supply is inadequate and most times SMEs have to run on generators, and the cost of this alternative source of electricity often erodes whatever profit, or an entrepreneur has put aside for his enterprise. The worst of it all are the barbers, cybercafé, and dry cleaners' operators, and with this the small and medium enterprises performance or result will not be achieved. In terms of the energy crisis when shortage of fuel supply is experience in the rural area of Indonesia. SMEs almost grounded as a consequence of the unavailability of petrol or gas to power the generators. Due to this, investment in SMEs and entrepreneurial activities is made uninteresting.

Another factor dissuading young people from investing into SMEs is the bad state of the roads in rural area of Indonesia and inadequate and alternative means of transportation. Nowadays, air transport in Indonesia is expensive, and rail is still only available in Java and Sumatera Island, while at the east side of Indonesia almost non-existent. Since the road is the most affordable means, most people prefer to travel by road that is often a harrowing experience for many. On January 2020, Jakarta as the capital city of Indonesia has awarded as Honorable Mention in Transportation system (Detik News, 2020). Meanwhile in Medan transportation system is unorganized, and the roads is dilapidated connecting the states and intractable traffic snarls in the commercial cities are often a nightmare for businessmen and to SMEs; adding to the occasional armed robbery and motor accidents on the roads. Telecommunication before now has been a major obstacle to SMEs but with the liberalization of the sector in the past few years and the problems associated with this valuable factor in SMEs to some extent being solved. What most SMEs complain about is the enormous cost of the services rendered by the telecommunication companies which is seen as the costliest anywhere in the world. With this it's really a challenge that affect the performance of SMEs whereby most SMEs cannot realize positive outcome rather there will experience negative result due to the situation on ground (Dwi Nova Syafitri. 2017).

3. Business regulation

Business regulation support from government is very important to develop small and medium enterprises. According to ApungSumengkar (2014), to develop the small and medium enterprises, there are four things that government must focus in the small and medium enterprises such as small and medium enterprises asset, business service, business accelerate, and motivation.

According to the Ministry of Co-operative and Small and Medium Enterprises, Anak Agung GedeNgurahPuspayoga (2016) the business regulation or trade regulation in Indonesia have been been available on several Indonesian rules of law, such as Indonesian rules of law No.7 (2014) stated that business regulation are prepared based on the principle of national importance. In this case, the national importance is including economic growth, increased trade competitiveness, protecting domestic production and strengthening small and medium enterprises. Indonesian rules of law No.8 (2014) stated consumer protection is a legal instrument created to protect and fulfill consumer rights. For Example, sellers are required to show price signs as sign of notification to consumers.

CHAPTER 6

TRAINING

Training for successful entrepreneurs, according to Alois Wisnuhardana (2016), is based on the existing training of successful business players. In the past, this training was a consequence of a lack of balance between profit and loss in company. As a consequence, we can figure out what steps we need to do to start and run a profitable firm.

As Adi Wahyu Permana (2015) points out, Indonesia's current state is one of high unemployment and rising criminality. There's no doubt that our labor market isn't equipped to handle the current level of unemployment. As a result, entrepreneurship is the sole means of reducing unemployment. More employment may be created via entrepreneurship. Getting started in business isn't as simple as you would think. An entrepreneur's success is more than simply financial. You may, however, lose. As the corporate world becomes more and more competitive, entrepreneurs cannot afford to be without the requisite industry expertise and knowledge. In order to run a successful company, you must have a solid foundation of knowledge and experience (Adi Wahyu Permana, 2015). There are a variety of methods to get business expertise and know-how, like shadowing a successful entrepreneur or studying a book.

Several experts have stressed the connection between training programs and the overall success of small and medium businesses (Aragon, et al. 2003; Garcia, 2005). Human capital theory emphasized that the execution of training programs increases employee skills and competences, which in turn increases the productivity or performance of small and medium-sized firms, demonstrating a significant association between training and the performance of

SMEs (Snell & Dean, 1992; Lepak & Snell, 2002). It has been shown that the adoption of different training programs helps members or workers of a company learn and increase their overall competency, according to Baever and Hutchings (2005). SME performance may be improved even more by implementing training programs. Training programs may be considered as a strategic purpose that secures and promotes long-term competitiveness, according to well-known resources-based thinkers (Wernerfelt, 1989, Barney, 1991). If the training programs are compatible with the entire company plan, they will develop and motivate workers to reach strategic goals, resulting in higher performance among small and medium-sized businesses (Arthur, 1994; Garca, 2005).

Although many studies have indicated that there is a positive relationship between training implementation and SMEs performance (DE Kok, 2002; Ng & Siu, 2004; Garci'a, 2005 & Mako, 2005). It has been discovered that some studies are unable to demonstrate that training lead to an improvement in terms of performance of SMEs (Westheld&Storey 1996; Cosh, et al., 2000). However, it is possible that the relationship between training and performance of SMEs was moderated by some unconsidered variables (Patton et al., 2000), and also according to the strategic training perspective indicate that training programs should be consistent with organizational training needs (Tannebaum, 1998; Noe, 2002), and if training implementation fails to match small and medium enterprises training needs, training may consist of wrong methods and content, that is, there incorrectly applied or use the solution to some of the performance challenges. In some case, training was not efficient and does not deliver the expected financial result (Noe, 2005). However, the relationship between training implementation and successful SMEs performance depends on the alignment between training needs and implementation. It can be seen here that there are many literatures that have analyzed the relationship between training and performance of SMEs. The studies show that there is a strong relationship between the two factors, whereby performance of SMEs cannot be achieved without good training in place.

Every day brings fresh hope, new opportunities, new energy, and new inspiration. Bryan (2006) discovered that training had a considerable impact on the performance of small and medium-sized businesses. To start a firm, entrepreneurs must be trained and educated by business experts who have achieved success. Several strategies to start a company include mental preparation for failure; failing is essential. Failure will teach us how to construct a successful firm for the following phase.

1. Concept of Training

It has been shown that training with the goal of improving capacity, productivity, capability, and performance results in the development of skills, knowledge, and competencies known as "vocational" or "practical" knowledge. Industrial Training Fund (ITF) data shows (2006), employees or workers' knowledge, abilities, and skills may be improved via training. Thaker (2008) conducted an empirical research and concluded that training is an organized phase through which individuals gain information and abilities for a specific goal. It was also found by Zigon (2002) that the process by which an individual's behavior is modified to fit into a pre-defined and concrete pattern is known as training, and training is also defined as an organized activity aimed at disseminating information that will help workers or recipients improve their performance and gain the necessary abilities.

A study carried out by Becker (1964) in his book titled “Human Capital” views human capital as similar to physical means of production such as factories and machines. Human capital is explained as a means of production through which additional investment develop or yield additional output. According to Bruderl et al. (1992), a study on the entrepreneurial application of human capital theory, the general focus is on employees. The same logic holds true for entrepreneurs: individuals with greater levels of general and specific human capital are anticipated to perform better than their less well-off counterparts, therefore there is no reason why this rule shouldn't apply to them as well. Small and medium-sized businesses (SMEs) who participated in training programs had better income, profitability, employee relations, product and service quality, and economic viability and outlook than those that did not participate (Betcherman et al. 1997).

Training is critical to the development of small and medium-sized businesses; it is referred to as the "vehicle" that gets them to their goal of attaining success in a timely manner. It is impossible to overstate the significance of training for the survival of today's businesses. SME's must train and retrain their personnel (human resources) to keep up with the ever-changing business environment in order to compete in today's competitive business world. Small and medium-sized enterprises (SMEs) can increase their productivity by training their workers or employees, and this training can also help employees achieve personal goals while working toward organizational goals. It is important to note that the technological growth of any country depends on the bulk of trained employees (human resources), and this training can help SMEs achieve their goals (Oforegbunam&Okorafor, 2010).

Although the elements that determine the success of small and medium-sized enterprises (SMEs) are not the same across geographic regions or locations, Magableh and Almahroug (2006) claimed this. External and internal variables are widely accepted to be the two types of elements that contribute to success or performance. The examples of external influences include things like the social and political climate, laws and regulations, the availability of funding, and the like. As an illustration of internal factors, think of things like education, experience, and training. In reality, the company places a high priority on staff development, entrepreneurship, and managerial skills training. Adaptation to changing work and environmental conditions also necessitates consideration of other criteria related to applicable experience and education (Bryan, 2006). Training has long been overlooked and undervalued as a means of assisting small and medium-sized businesses (SMEs) to grow and generate value, as well as to effectively meet environmental and competitive issues. It's been said that this perspective and perception has changed with time.

It is argued that companies which employ innovative training practices or systems outperform their rivals who do not use these practices or systems. Additionally, training helps small businesses adapt to new accounting systems, management principles, manufacturing methods, and information technologies (Jones, 2004). The next logical question is: How effective is the training, in terms of making a difference to SMEs? Many scholars have explored the significance or influence of training on the success of small and medium-sized enterprises (SMEs) (Bryan, 2006; Jones, 2004; Cosh et al. 1998; Barry and Milner, 2002; Huang, 2001; Smith & Whittaker, 1998; Betcherman et al. 1997; Marshall et al. 1993).

Inadequate training system is an internal factor that affect the success of SMEs because in Indonesia SMEs entrepreneurs fail and fell reluctant to engage them self in training and also to train their employees for them to acquire the skill and to be competent on the job so there can expose and deliver with new method and well strategic way of operation, which is among the challenges which hinder the performance of SMEs in Indonesia. In Indonesia, a lack of skills and training may also be cited as a deterrent to the adoption of small and medium-sized enterprises. Small and medium-sized businesses (SMEs) are suffering from a shortage of personnel with both technical and managerial qualities (Ummu Hani, 2012). Indonesian small and medium-sized enterprises (SMEs) are not developing training programs that may assist their workers learn the skills they need to succeed in the workplace. Because of this, SMEs have often struggled to prosper in the commercial and business sector because of their lack of technical expertise. There is a widespread fear among Indonesian business owners and managers that workers who have had formal education and training may seek jobs with larger corporations because of higher pay packages. The majority of Indonesian small and medium-sized enterprises (SMEs) owners and managers are hesitant to engage in training because of the related costs. (Ummu Hani, 2012).

Onugu (2005) opined in his study that Lack of suitable training, in spite of the fact that training institutions abound in Nigeria, they rarely address the relevant needs of SMEs especially in the areas of Accounting, Marketing, Information Technology, Technological processes and development, International trade, Administration and management of SMEs. Mostly, SMEs are left most often on their own to eke out success amidst the avalanche of operational difficulties inherent in the Nigerian environment as well as the operational shortcomings, which characterize institutions set up to facilitate SMEs businesses. In common, one general conclusion is that several researchers have proved that training promote productivity and competitive advantage, SMEs expansion, and enhances profitability. There are also other studies conducted to investigate the obstacles affecting or influencing SMEs involvement in training markets (Westhead, 1998; Kitching & Blackburn, 2002). On their finding their discovered that the high cost of training, under-estimation of training outcomes, lack of time, high turnover rate and part-time workers are among the major obstacles that do affect SMEs involvement in training market.

Lim (2004) carried out a study to investigate the Impact of Employee's Training Program on the Performance of Small and Medium Enterprises in Northern Malaysia". SMEs investment in employees training program, SMEs application of information technology (IT) in employees training program, and SMEs human resources (HR) development function in employees training program are the factors that influence or impacted on SMEs performance. The population of the study was the manufacturing SMEs in Northern Malaysia listed in the Federation of Malaysia Manufacturing Directory in Malaysia Industries, 2003. And a set of questionnaires was designed and mailed to the selected SMEs, and multiple regression analysis was used to test the hypotheses under study. The finding of the study indicates that there is positive relationship between SMEs investment in employees training program and SMEs performance, and the result indicate that there is no relationship between SMEs application of IT in employees training program and SMEs performance and between SMEs HR development functions in employees training program and SMEs performance. The researcher did not make use of supporting theory to the study that could have added value to the study.

2. Training Techniques

According to Sisson (2001) stressed that the means through which one intends to communicate ideas, information, attitudes, skills, and feelings of beginners or learners is what is known as training techniques, and this training techniques are very essential element for training success. Training techniques are categorized into two forms which include on-the-job and off-the-job training. On-the-job training is the kind of training which is carried out by training unskilled and semi-skilled employees, and it also gives the trainees the opportunity to learn about the actual and present equipment, and also at the environment of the job. The training techniques have gained acceptance and recognition during the Second World War, where thousand and millions of unskilled people from Asian were trained to perform thousand of different works in different war plants. On-The-Job training programs for employees may be by ways of induction training, apprenticeship training, and supervisory training as reported by (David, et. al. 2006). On the other hand, training is mostly done in the training school, where lectures, panel discussion, information, computer-assisted instruction, and conferences which are imparted to the skilled trainees are called off-the-job training techniques.

CHAPTER 7

DIGITAL MARKETING

Digital Marketing is promotional activities for a brand or product using electronic media (digital). Decades ago, digital marketing media was very limited, such as television or radio which can only convey information in one direction (Dwi N.S, 2017). Nowadays, with the development of digital technology that is very fast and wide acceptance from almost all business players and costumers, this trend makes a digital marketing model is one of the main channels. By using digital marketing, business players know how long the advertisement video was watch by customers.

According to I.W Dipta, Deputy of Ministry of Production and Marketing Cooperatives and Small and Medium Enterprises, government of The Republic of Indonesia properly support the small and medium enterprises go International. One of the effectiveways for small and medium enterprises by digital marketing (FitriRachmawati, 2018).

Concept of Digital Marketing

Digital Marketing (E-Marketing) is marketing that has a broader scope due to it refers to digital media such as the web, e-mail and wireless media, but also includes managing digital customer data, and how the internet can be used together with traditional media to acquire and provide services to customers (Chaffey & Mayer, 2009). Meanwhile, according to Ridwan. S and Joshua. T, (2009), Digital marketing is a marketing activity including branding that uses various media such as blog, website, e-mail, AdWords and social media.

During pandemic of covid-19, there were restrictions on overall movement space, making many companies change their marketing systems from conventional to digital marketing systems. Several advantages of digital marketing compared to conventional marketing are (i) deployment speed, (ii) ease of evaluation, (iii) wider range, (iv) cheap and effective and (v) build brand (Riadhus. S, 2019).

According to Riadhus. S (2019), several types of Digital Marketing as below:

1. Search Engine Marketing (SEM)

   Search Engine Marketing (SEM) is a type of digital marketing that focuses on promoting products through search engines such as Google, Bing, Yahoo, and etc. This digital marketing strategy is carried out through website creation, landing pages (special promotional websites), installing Ads, and etc.

2. Social Media Marketing

   Social Media Marketing take advantage of various social media, such as YouTube, TikTok, Instagram, Twitter, Facebook, and other media according to your target consumers.

3. Email Marketing

   Email Marketing is marketing by electronic mail (e-mail). This digital marketing strategy is most suitable to be applied by businesses with a business-to-business (B2B) model.

4. Digital Advertising

   Digital advertising (digital ads) is a type of digital marketing in the form of placing advertisements on various online channels, from websites to social media. Some of the most popular digital ads channels are Google Ads, FB/IG Ads, YouTube Ads, and TikTok Ads.

5. Content Marketing

   Content marketing is a type of digital marketing with facilities in the form of content, whether in the form of writing, audio, images, or video. The content marketing process is usually done in tandem with social media marketing, email marketing, or digital ads.

6. Customer Service Automation

   The existence of automation allows companies to get information about potential customers since they interact with the product/company for the first time. After that, the information can be directly forwarded to the CS or sales force for the closing process (the occurrence of sales).

7. Affiliate/Drop shipping When implementing an affiliate digital marketing strategy, customers can profit from online middlemen (drop shippers) while helping customers find profits for themselves.

In a study conducted by Mohammed T. Nuseir and Ahmad Aljumah (2020) posits that technological advancements, such as the utilization of digital applications, enable firms to communicate with customers, while being responsive towards competitors with minimal resources. The ability of customers to seek information from SMEs products or services must be provided easy, timely and correctly through various digital technologies.

Current technology advancements that have led to the virtual world have made digital marketing more widely recognized and established its own market share, says Dwi Nova Syafitri (2017). The use of digital marketing in company is now on the rise, and this trend is expected to continue for the foreseeable future. As a result, digital marketing is preferred over traditional marketing by company owners. In today's fast-paced digital world, it is easier than ever to get your message in front of the right people at the right time thanks to digital marketing.

Indonesian internet service provider association (2018) said that there were 3,9 billion people in the world actively used internet while in Indonesia, there were 171.17 million Indonesian internet users and the majority of internet users are dominated by young people or millennials generation and the number of internet users will increasing every year. The rapid growth of internet users provides enormous opportunities in the digital marketing business. In addition to a very broad scope, online marketing also tends to be less costly than conventional marketing. This helps business players to expand the market cheaper and easily.

Management of client loyalty is an essential component of company. The Covid-19 epidemic has caused a drop in company sales. Therefore, providing superior customer service and fostering long-term relationships with clients are the keys to preserving sales transactions. Enhancing client relationships might aid SMEs in maintaining their performance (Indah & Devie, 2013; Mozaheb et al., 2015; Hoque et al., 2017). Customer-relationship-focused sales need sellers to acquire customer data, undertake segmentation, generate value via difference, and provide value with an eye toward profitability (Reijonen & Laukkanen, 2010). Another essential issue that must be considered during a covid-19 epidemic is the resource use efficiency. The relationship between resource efficiency and working capital management is tight. Working capital serves three functions: as the lifeblood of the firm, as a component of corporate sustainability, and as an element of financial management (Sadiq, 2017). The firm with the most effective working capital management would be less susceptible to liquidity issues (Prasad et al., 2019). A good performance depends on working capital management that prioritizes effectiveness (Jamil et al., 2015; Utomo et al., 2018; Mabandla and Makoni, 2019).

CHAPTER 8

FINANCIAL CAPITAL

Eilsenhardt and Martin (2000) undertake empirical research using the resource-based theory to illustrate the influence of financial capital on the performance of Small and Medium-Sized Businesses. Access to financing or cash for the acquisition of fixed and current assets is necessary for an organization to maintain its competitive edge. To take advantage of business opportunities, Wiklund and Shephered (2005) hypothesized that small and medium-sized businesses need financial capital to acquire physical resources, and that this lack of physical resources is an important failure factor for small and medium-sized businesses, indicating a clear relationship between the two variables in their study. In a previous study conducted by Gabriel, K. K., (2011) reviewed that the performance of Small and Medium Enterprises is strongly influenced by access to finance. Therefore, small and medium enterprises, that have access to funding, will definitely perform better than those without access to finance, and the study further states that there is a strong relationship between finance and the performance of Small and Medium Enterprises. Bolingtoft et al. (2003) stressed that to establish and sustain Small and Medium Enterprises, entrepreneur's needs to have access to different types of resources ranging from (i) physical capital; (II) human capital; and (III) financial capital, all playing different, but equally important roles in the life cycle of a new and existing Small and Medium Enterprises. Bolingtoft et al. (2003) further stressed that there are so many explanations offered for the failure of new SMEs. One of the most stated reasons is resource poverty. Garcial-Teruel and Martinez- Solano (2007) point out that non-availability of working capital is a major constraint to the growth and survival of new SMEs.

In a study conducted by Pretorius and Shaw (2004) posits that financial capital can be internal or external. Majority of SMEs depend on internal finance, internal finance is often inadequate for SMEs to survive and grow. Carpenter and Petersen (2002) find that growth of SMEs is constrained as a result of dependence on internal finance. Fierce competition in the light of globalization trends, rapid technological development, shorter product cycles, and innovation requirements has put pressure on SMEs to increase and speed up their development investments. It is, however, increasingly difficult to keep the costs within the constraints of self-financing. Therefore, SMEs need capital from external sources.

1. Concept of Financial Capital

Financial capital is a field and idea that deals with assets and obligations throughout time under certain and unpredictable situations. Financial capital also used economic ideas on some degree or occasion. Financial capital may alternatively be described as the science of managing money (capital). The most important aspect of financial capital is the time value of money (capital), which asserts that the purchase power of one unit of currency may alter or fluctuate over a specific time period. Financial capital seeks to value assets in accordance with their risk level and projected rate of return (Agnew, 2003). According to Boateng (2004), financial capital is a resource used to launch, create, and grow a firm in order to achieve success. Capital is essential to the development of the organization since it serves as its basis. According to Agnew (2003), no small or medium-sized business can exist or function effectively without money (capital) to recruit workers, produce goods, build markets, and attract consumers. Winton and Yerramilli (2008) highlight that after the market opportunity and the strategy for grabbing the opportunity are well-defined, small and medium-sized businesses may begin to assess the financial requirements in terms of asset requirements and operational requirements. Small- and medium-sized enterprises (SMEs) rely on financial resources to function (Boatang, 2004).

According to Garcia and Martinez (2007) discovered in his study that the non-availability of working capital is a major bottleneck in the survival, growth and performance of SMEs in Nigeria. In another related study carried out by Fatai (2011) posits that SMEs are faced with many challenges in Nigeria, one of the top challenges, that is usually faced by SMEs, is that of capital to finance their business operation. A study carried out by Tung and Aycan (2008) argue that insufficient access to financial resources is a significant barrier to the performance and growth of SMEs. This is an important challenge that have accounted for the non-performance and high rates of failure among SMEs in the country. The government has made so many efforts to increase accessibility to financial capital, but the targeted programs recorded limited success because of low awareness of the programs (Ogunjuiba, et al., 2004). Etim (2010) states that high-interest rate is another issue that creates constraint to SMEs performance and growth. Interest rates that are between 20% and 25% need to be well addressed and adjusted. This is because the spreading between lending and borrowing rates is high in Nigeria, and the banks prefer to give lower rates to large scale enterprises than small and medium enterprises. This calls for more subtlety in handling the differentiation so that optimal results can be achieved by a spread from all sectors of the economy (Eniola, 2014).

Study conducted by Levitsky (1996) opined that inadequate access to financial capital has been one of the most pervasive obstacles faced by SMEs in both developed and developing countries. It represent a major challenges which can significantly affect the ability of small and medium enterprises to grow, upgrade its technology, expand its market, promote its management skills, increase productivity simply to grow and survival in the business environment. Inadequate financial capital to SMEs attributed to capital market imperfections which have resulted in financial needs of SMEs (Hawtrey, 1996). Banks generally have difficulty in assessing loan to SMEs because of inaccurate and unreliable information on their financial condition and performance, and also unconvincing and weak business plans, all of which imply higher transaction cost in the processing of such loans. As a result, SMEs find themselves faced with higher interest rates for any loans they can secure as well as more stringent requirement for collateral (Lattimore el al. 1998).

A study conducted by Adebisi and Gbegi (2013) opined that the major difficulty or obstacle faced by SMEs is that of lack or inadequate access to short and long-term capital, and he further point out that collateral based financing has become highly difficult for SMEs, whether as existing businesses in their expansion stage or as start-up businesses, hence more SMEs are resorting to viability lending in such case their gain access to loans based on the sustainability of the enterprise and health of cash flow, Banks are find it difficult and are very reluctant to lend to SMEs and this is because of problems such as the SMEs' inability to meet the bank's lending requirements, promoters low education, poor management and entrepreneurial skills and unreliable financial records which makes financial review difficult (Aderemi, 2003). Study conducted by Cook and Nixson (2000) argue that SMEs development and performance is always constrained by limited availability of financial resources to meet a variety of operations and investment needs.

A World Bank study found that about ninety percent of SMEs surveyed indicated that the credit was a major constraint to new investment (Parker et al. 1995). Brain (1993) also stressed that there is limited access to financial resources available to small enterprises compared to large enterprises and the consequences for their growth and development. A large portion of the SMEs sector find it difficult to gain access to adequate forms of credit and equity, or indeed to financial services more (Parker et al. 1995). World Bank report showed that thirty-nine percent of small-scale enterprises and thirty-seven percent of medium scale enterprises in Nigeria were financially constrained. And many SMEs in Nigeria lack the capital to continue their business, and they’re forced to close shop because they’re unable to access the required funds (World Bank report, 2001).

CHAPTER 9

RISK CONTROL

Despite the variety of definitions of entrepreneurship, a recurring topic in the literature on entrepreneurship is on variations in risk-control propensities across entrepreneurs. Risk-control tendencies vary from company to business and from person to individual, but it is evident that without risk management, entrepreneurship would not be as fascinating as it is today. Risk-control propensity may be understood as a person's disposition toward taking risks in every decision-making situation. A business's entire risk management might be seen from a variety of viewpoints, including strategic-risk, tactical-risk, and operational-risk management. The strategic plan focuses on risks stemming from the enterprise's strategic objectives, which may include new categories of hazards (launching a new product on a new market, new innovations, etc.). The objective of the tactical risk management is to manage the business's tactical choices, as well as the risks linked with the annual planning. The operational risk management pertains to the everyday company activities (Wendestam, 2008).

Langlois and Cosgel (1993) distinguish between risk and uncertainty, with uncertainty being an uncontrolled component and risk being totally calculable. He says that the task of an entrepreneur is to manage this incalculable component of uncertainty. This demands a person who takes responsibility for choices, which means accepting the repercussions of the unpredictability inherent to the given scenario. In every business, there are hazards. These risks are managed in many ways, but ultimately, one or a few individuals assume the largest risk for the business's survival: the entrepreneur. This task needs a person who is not risk-averse, which is one of the most prevalent characteristics used to define an entrepreneur. McGrath et al. (1992) supported this theory based on their survey of 3000 entrepreneurs and business managers from 13 nations. They used Geert Hofstede's (2005) ideas, which comprised the four cultural aspects. They discovered, amongst other findings, that entrepreneurship is connected with a low degree of uncertainty avoidance, which indicates a high risk inclination across a variety of countries. In their investigation of entrepreneurs, Amit, Glosten, and Muller (1993) showed that entrepreneurs as a group exhibit an above-average tendency for taking risks.

Small company owner-managers are more likely to take risks than corporate managers, according to a new study. Business ownership has an inherent level of risk that is not always present in the management job (Stewart et. al. 1999). Norton and Moore (2006) found no difference in risk taking tendency between entrepreneurs and non-entrepreneurs, but they did discover evidence that entrepreneurs tend to view risk more positively than non-entrepreneurs. Entrepreneurs, according to Palich and Bagby (1995), are more optimistic than managers about the same company scenario. Entrepreneurs, on the other hand, are more likely to see the identical scenario as having more good features and more possible positive outcomes than managers, according to this theory. When it comes to particular situations, these people may believe the risk factor to be lower than managers would.

Risk management entails eliminating the risk totally or moderating it by reducing the likelihood and severity of losses. There are several hazards that cannot be avoided, but virtually all risks can be managed via loss control. However, even losses from risks that have been reduced may be costly, therefore individuals and corporations often shift a portion of this risk to third parties. Risk management focuses on techniques for compensating for losses, since not all losses can be averted. Risk management is achieved by keeping the risk, and for some risks, transferring some or the majority of the cost of future losses to third parties, often insurance firms. Although insurance is a significant way of reducing the cost of losses, all individuals and organizations retain some risk, even for covered losses, since the majority of insurance policies have deductibles and some include copayments. Risk control is the last step that an entrepreneur or company must do after they know the risks they will face and analyze those risks. Risk Control are included of four part of risks; risk retention, risk transfer, risk reduction and risk avoidance (Sanabila, 2015).

According to Sanabila, (2015), Risk retention is an entrepreneur’s or a company's decision to take responsibility for a particular risk it faces, as opposed to transferring the risk over to an insurance company. Companies often retain risks when they believe that the cost of doing so is less then the cost of fully or partially insuring against it. By doing retention to anticipate possible losses fully or partially, risk retention is usually done to anticipate risk that have a level of loss that is not too large. Risk retention also handling the unavoidable or avoided risk internally, either because insurance cannot be purchased or it is too expensive for the risk, or because it is much more cost-effective to handle the risk internally. Usually, retained risks occur with greater frequency, but have a lower severity. An insurance deductible is a common example of risk retention to save money, since a deductible is a limited risk that can save money on insurance premiums for larger risks. Businesses actively retain many risks, what is commonly called self-insurance because of the cost or unavailability of commercial insurance (Sanabila, 2015).

Risk also can be managed by transfers of risk. The three (3) major form of risk transfer is by contract, hedging and insurance (Sanabila, 2015). A common way to transfer risk by contract is by purchasing the warranty extension that many retailers sell for the items that they sell. The warranty itself transfers the risk of manufacturing defects from the buyer to the manufacturer. Transfers of risk through contract is often accomplished or prevented by a hold-harmless clause, which may limit liability for the party to which the clause applies. Hedging is a method of reducing portfolio risk or some business risks involving future transactions. Thus, the possible decline of a stock price can be hedged by buying a put for the stock.

A business can hedge a foreign exchange transaction by purchasing a forward contract that guarantees the exchange rate for a future date. Insurance is another major method that most people, businesses, and other organizations can use to transfer pure risks, by paying a premium to an insurance company in exchange for a payment of a possible large loss. By using the law of large numbers, an insurance company can estimate fairly reliably the amount of loss for a given number of customers within a specific time. An insurance company can pay for losses because it pools and invests the premiums of many subscribers to pay the few who will have significant losses. Not every pure risk is insurable by private insurance companies. Events which are unpredictable and that could cause extensive damage, such as earthquakes, are not insured by private insurers, although reinsurers may cover these types of risks by relying on statistical models to estimate the probabilities of disaster.

loss prevention or loss reduction may be used to decrease the likelihood of an occurrence leading to a negative outcome. It is necessary to find out what makes a loss more likely, then eliminate or minimize such causes, according to Sanabila, (2015). Speeding and driving while intoxicated, for example, are two of the most common causes of car accidents. The risk of an accident is reduced by not driving after consuming alcohol as a strategy of loss prevention. A good example of both loss prevention and loss reduction is slowing down while driving. This lowers the risk of an accident and, in the case of an accident, minimizes the amount of damage that is done. Damages may be minimized by salvage efforts.

For most firms, controlling losses is a cost-efficient method of preventing accidental or property damage losses, and it typically grows more effective the more time a company is in operation. Businesses may manage losses by either a behavioral or an engineering strategy. The corporate environment and processes are put up using an engineering approach to reduce the likelihood of losses. There are several examples of how deploying robots to undertake risky tasks reduces the danger of human error. In the behavioral approach, employees are taught to follow processes that reduce the likelihood of losses or the severity of losses since many losses are the result of human mistake or a lack of training. Keeping tabs on the employees' safety practices is another excellent way of preventing losses (Sanabila, 2015).

Businesses and entrepreneurs may avoid the risk of a stock market loss by not purchasing or shorting stocks, the danger of divorce by not marrying, and the risk of automotive problems by not owning a vehicle, according to Sanabila (2015). For many businesses, avoiding legal liability means not producing certain items. Eliminating risk is the goal of risk avoidance. Of fact, no danger can be completely eliminated. The possibility of death stands out among the dangers in this category. Although it may be possible to prevent it in certain cases, it's frequently not advisable. You may be missing out on many of life's joys or the possible gains that come from taking chances if you avoid taking risks. Without accepting some risk, a firm would be unable to function. Taking a risk is a part of almost every activity. When losses are substantial and returns are modest, it is best to stay away from taking risks. Avoidance is the preferred option, although it may not always be practical or desired.

CHAPTER 10

PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

Small and Medium Enterprises' activity contributes not only to microeconomic results, but also to their performance, which has enticed a large number of researchers to examine this phenomenon in depth. Small and medium-sized businesses' key objective is performance enhancement, as it indicates the degree of success of their commercial operations (Murphy, Trailer and Hill, 1996).

According to Machirori (2012), a Small and Medium Enterprises' success indicator is company performance. There are a number of variables that impact the success of small and medium-sized businesses, including revenue growth, profitability growth, staff growth, and customer satisfaction growth (Machirori, 2012).

Rather of relying just on the widely criticized financial metric of profits to assess an organization's overall success, a more holistic view of an organization's performance takes into account a number of other factors (Daft, 1998). Earnings per share, return on investment, or net income are all ways to gauge profitability. Employee morale, market share, and social legitimacy (see the section on institutional theory) may all be considered essential components of overall success in a highly competitive business environment. (Rauf, 2007). The notion of organization performance may be expressed by readily accessible questions utilizing easy metrics and definitions with little acquisition (Kirby, 2005).

In company or organization management, performance is one of the methodologies and measures used to determine how efficiently or effectively a process accomplishes its objective. Small and medium enterprises or organization performance, according to Moullin (2003), can be defined as "the meaning of what the organization delivers to customers and other stakeholders" and "the extent to which the organization is managed well"; however, performance is related to achieving stakeholder/investor interests. Small and medium enterprise performance may be defined as small and medium enterprise success in the market with a variety of outcomes, and performance of small and medium firms is both a learning business phenomena and a multidimensional and complex phenomenon. Additionally, performance may be seen as an organization's capacity to provide acceptable behaviors and results (Pfeffer &Salancik, 1978: 11, 34). Sandberg et al. (2002) emphasized that the performance of small and medium-sized firms is the capacity and willingness to contribute to wealth and employment creation via the establishment, expansion, and survival of businesses. Performance is a metric for measuring the extent to which small and medium-sized businesses can utilise their resources from their main or initial mode of operation to create income effectively (Investopedia, 2011). In contrast, performance is one of the objectives of the activities or investments of small and medium-sized businesses during a certain time period. (2011) Investor words. According to Hornby (2000), performance is an accomplishment and activity that is consistent with how successful businesses operate. According to Hornby's (2000) definition of performance, success is identical with performance in all fields of effort. According to GEM (2004), performance is the act of doing something well; performing well; using information as opposed to just knowing it.

According to this theory, one's level of performance is based on one's ability to cross-compare various strategies. The definition and structure of small and medium business management are rarely explicitly and justifiable in research, and instead of the properness of the small and medium enterprises, in what form the small and medium enterprises are no matter, is highly unquestionable and significantly assumption (March and Sutton, 1997). (March and Sutton, 1997) 14 When it comes to the performance of organizations, Richard et al. (2009) point out that there are three distinct areas of outcomes to consider: financial performance and shareholder return (economic value added to shareholders, total shareholder return, and so on). Market performance (sales, share of the market, and so on) (sales, market share, and the rest). Even if it has been shown in other works that companies with higher levels of human and social capital outperform their peers in terms of organizational performance (Youndt et al., 2004). Effective Competitive advantage can only be achieved via efficient and effective utilization of resources inside a firm. To achieve overall performance goals, this strategy integrates elements of business planning aimed at increasing the effectiveness of the company as a whole and its competitive advantage. In order to analyze organizational performance, it is difficult to determine the right performance indicator since it is linked to a wide range of organizational outcomes.

As stated by Komppula (2004), numerous variables impact or hinder Small and Medium Enterprises' success, but for the purposes of this research, four indicators were chosen as the most demanding ones: government assistance; training; digital marketing; and financial capital. However, according to Watson (2012), the concept of small and medium businesses performance cannot be separated from the definition of business failure, and it may be concluded that small and medium firms that have not failed (poor performance) are beautiful (highly-performance). The collapse of a company may also be a consequence of insufficient funding, a lack of suitable infrastructure or a lack of adequate training, and the collapse performance may be molded to failure in order to limit future losses (Ihua, 2009). This definition of a performance weakness is similar to that of Olawale and Garwe (2010) who describe a business interruption due to any reason as a sort of performance weakness.

It has been established and clarified that the meanings of small and medium business performance, performance, and poor performance vary by organization or dimension and the rest. Having reviewed the failure of the performance of small and medium-sized businesses, it is now crucial for small and medium-sized businesses to concentrate on the different performance metrics. There are several distinct performance metrics that will be addressed presently. This chapter provides a detailed explanation of organizational performance in light of theoretical literature.

Performance is the attainment of goals and objectives in any aspect of human existence. Although, in business, the notion of performance primarily relates to the financial success of small and medium-sized businesses, it has been interpreted in a variety of ways (Foley and Green, 1989). Some writers characterized performance from concrete (objective) perspectives, such as revenue or the development of small and medium-sized businesses, personal wealth creation, profitability, and sales volume (Perren, 2000; Amrit et al 2000). Other research (Watson et al., 1998; Taormina and Lao, 2007) have linked entrepreneurial effectiveness with at least three years of continuous firm operations. Other studies have evaluated performance from an intangible perspective, where intangible assets (such as the goodwill of small and medium-sized businesses) are connected to critical success determinants. Despite the fact that success has been extensively examined in the area of entrepreneurship, there is no agreement in the literature about what constitutes the success of small and medium-sized businesses (Perez and Caninno, 2009). Our view is that subjective impressions of the entrepreneur's success affect success to a considerable extent (Ibrahim and Goodwin, 1986). This research aims to determine the link between entrepreneurs' perceptions of success and major demographic and environmental factors.

Entrepreneurship is suggested to be an environmental phenomena (McDowell, 1997; Prahald, 2004; Quddus and Rashid) (2000). Indarti, N., and Langenberg, M. (2005) also observed that the external environment and demographic variables influence the performance of micro businesses. Environmental restrictions may affect the ability to make entrepreneurial decisions. This lends credence to the claim that environmental limits impede a company's capacity to increase its performance. Age, gender, education, and job experience have been shown to influence entrepreneurial success. Educated individuals are creative and imaginative, and they are continuously searching for something original to satisfy a need or need (Ndubisi et al, 2003). Women with education and experience are more interested in becoming entrepreneurs than women without education and experience (Kavita, Anantharaman, and Jayasingam, 2008). Individuals aged 25 to 44 are most likely to engage in entrepreneurial activities (Reynolds et.al, 2000).

CHAPTER 11

PERFORMANCE MEASUREMENT OF SMES

Performance assessment is a hot topic in both academics and the commercial world (Wegelius-Lehtonen, 2001). Various research have been conducted on the topic of performance measurement, but the concept and characteristics of performance measurement continue to be contested. Neely (1998) states, "Performance Measurement is the process of assessing the effectiveness of previous deeds and acts by collecting, collating, sorting, analyzing, interpreting, and disseminating suitable data." Moullin (2003) believed that although Neely's description explains the process, it "does not provide companies with any insight on what it is really all about." He proposes an alternative definition: "performance measurement involves assessing how effectively enterprises are managed, governed, and how much value they produce to consumers and other stakeholders" (Moullin, 2003). Moullin (2003) asserted that his definition elucidates the goal of performance measurement and highlights the evaluation of both the value an organization provides to its many stakeholders and its management. Nanni et al. (1990) described performance measurement as a method of monitoring and sustaining an organization's control system and action, which is the process of ensuring that the organization follows strategies that lead to the optimal achievement of its overall goals and objectives. Amaratunga and Baldry (2002) provided a more accurate definition of performance measurement: "Measurement provides the basis for an organization to assess how well it is progressing toward its predetermined goals and objectives, helps to identify areas of strengths and weaknesses, and determines future initiatives with the intention of enhancing organizational performance." This definition clarifies the function and method of performance assessment from several perspectives. As shown by the aforementioned definitions, performance measurement is an organized system and process for collecting, monitoring, and evaluating information about an organization's actions in order to fulfill its predetermined goals and objectives. In this research, the purpose and goals pertain to the strategic objectives of an organization, the purpose and objectives of a business unit, and a personal business commission.

However, putting the idea of evaluating performance into practice may be tricky (Lu & Beamish, 2006). Management and other sectors of endeavor have not come to an agreement or conclusion on how to assess performance. Reliability and comparability issues have hampered efforts to uncover or discover the factors related with organizational performance and what should be done in order to achieve the outcomes (Geringer & Hebert 1991). The key characteristics that affect the performance of small and medium-sized businesses have yet to be well explained, nor have a network of hypotheses for forecasting and explaining organizational performance been developed (Osland&Cavusgil, 1996).

Measuring organizational performance is a hotly debated topic. Traditional economic/financial measures, such as return on investment, profit, growth, and returns on sales (Smith et al. 1987), are at the heart of this issue (Chong 2008). Small and medium-sized businesses' quality may not be accurately reflected by conventional economic or financial performance indicators, such as profit and sales, as Buckling and Sengupta (1993) demonstrate in this context. On the other handOsland and Cavusgil (1996) noted that in terms of the financial advantage of SMEs, which is not directly comparable to different industries and phases in the life-cycle of the small businesses. As an objective measure, financial metrics may be easily comprehended and calculated, but in most situations, they suffer from a lack of historical context and are unavailable in the public domain (Chong, 2008). For example, Sampienza and co-authors believe that the financial data are frequently not accessible and publicized, and even if such data is made public it is only integrated into assessments of economic success if the facts are available. Financial or economic metrics are unlikely to represent the success of small and medium sized businesses.

This allegedly led managers to act on their subjective or non-economic assessments of small and medium firms' performance (typically in reference to the performance of competitors), and the alternative is to use subjective non-economic measurements as supplements to economic measures (Covin & Slevin 1989, Begley & Boyd 1988, Sandberg & Hofer, 1987). In order to properly evaluate performance, Chong (2008) suggests that it should be done in conjunction with other subjective or non-economic measures, such as revenue per employee (Johannisson, 1993), the number of employees (Rabinson& Sexton, 1994), the number of staff (Mohr &Spekman, 1994), and revenue over time (Davidsson, 1991; Orser et al., 2000). (Miller, et al., 1988), growth in (Leseure et al. 2001). There are a number of qualitative variables (factors) that need to be examined and verified in studies such as those in the management sector and any other field of activity, such as satisfaction (Bucklin & Sengupta, 1993). An organization's performance may be evaluated using this kind of non-economic assessment (Smith & Barclay 1997). Because traditional economic and financial metrics of achievement have flaws, some authors have suggested (e.g. Osland&Cavusgil, 1996; Leseure et al., 2001) have relied on a generic measure of satisfaction to assess performance in SMEs.

It is this kind of measure's ability to provide insight into the amount to which business owners achieve their overall aims or goals that makes it so valuable. It is not only the safe and efficient economic performance of a SME that is important, but also the way entrepreneurs and workers carry out their operations or work together to achieve their goals in a coordinated manner. Business owners wield the development lever that determines whether initiatives thrive or fail, as suggested by Roper (1998)

According to many studies on how to evaluate performance and what the best and proper indicators are for assessing SMEs' performance, management research has developed several indicators that contain both economic (objective) and non-economic (subjective) measures. Financial and non-financial KPIs (Key Success Indicators) are used to assess the performance of a business, according to a research by Zahra (1993). Financial and non-financial metrics are used by Velimirovic et al. (2011) to determine if a company has achieved its long-term goals or objectives, according to their findings.

The KPI is an acronym for key performance indicators, which stands for key pieces of information that may be compared to one another. It's a great approach to detach one's emotions from the company's goals while re-centering one's attention on what matters most: making money. For the owners or managers of small and medium-sized enterprises, the combination of economic and non-economic metrics will help them better understand their entrepreneurial performance, particularly in terms of how effectively and efficiently they use their resources to compete in the face of external pressures, such as globalization (Chong, 2008). Multiple measurements, such as financial and non-financial ones, should be used to capture various elements of small and medium-sized business performance (Knight, 2000; Wiklund & Shepherd, 2005).

Currently, researchers use both factual and subjective indicators to evaluate the success of SMEs. This research will not be an exception. Both financial and non-financial measures for assessing the performance of SMEs are explained here.

1. Financial (Objective) Measures

Financial performance indicators are comparable to the monetary outcomes of small and medium-sized businesses' activities. According to Kellen (2003), financial performance measurements are obtained from the accounts of small and medium-sized businesses or may be found in their profit-and-loss statement or balance sheet. Measuring objectively has the benefit of avoiding common technique bias. However, it is often difficult to achieve (Stam & Elfring, 2008). Subjective measuring is an option, which might be simpler. In addition, financial measurements are often known as objective or economic measures, and the following are the indicators of financial measurement:

Return On Assets (ROA)

According to Cooke and Uchida (2004), the ROA is a crucial metric of financial success. ROA gives information on the average earnings earned by each asset unit of small and medium-sized businesses (Petersen & Schoeman, 2008). Another return-on-investment ratio used to gauge financial performance, according to Ellinger et al. (2002), is ROA. It represents the potential return to shareholders on the total amount of capital invested in the company, including both owner and creditor contributions. Similar to ROE, ROA measures how a company's financial performance compares to that of other firms in its industry over time. ROA may also be calculated using the formula ROA = Net Profit after Tax/Total Equity, according to Petersen and Schoeman (2008). These suggest that ROA is an indicator of how efficiently small and medium enterprises are being operated with the assets available to the small and medium enterprises.

Return On Equity (ROE)

According to Watson (2007), the return on equity should be the starting point for any systematic review of the performance of small and medium-sized businesses. ROE refers to the profits remaining after debt servicing expenses have been deducted from the equity invested in small and medium-sized businesses (Damoradan, 2007). Any publicly traded company should seek to enhance shareholder value (see, for example, Brigham, 1995; Jones, 1992; Peterson, 1994). ROE is a financial metric that assesses firm performance in this context. The ROE ratio, which measures a company's return on equity investment, is calculated by dividing net income by the market value of stock. Them and prospective investors utilize ROE as the most significant conventional accounting metric because it enables them to compare comparable companies and gives shareholders an estimate of their firm's return. A company's return on equity (ROE) is commonly used as a performance indicator since it enables investors to compare comparable companies and gives shareholders a sense of their own firm's success. (Ellinger et al. 2002).

Sales (turnover) Growth

Sale is the culmination of selling products and services for money (capital) or other recompense, as well as the act of concluding economic activity and fulfilling commitments. A company's ability to increase sales is measured in this way. Over a certain period of time, Investowords (2014) defines "sales growth" as an increase in sales, often but not necessarily annually. From year to year or stage to stage, a small or medium-sized business's overall average sales volume has grown on average by the sum of all of its items and services sold (Business Dictionary, 2014). Small and medium-sized companies (SMBs) with little or no profit history utilize the annualized growth rate of revenue expressed as a percentage to gauge their performance (Business Dictionary, 2014). Small and medium-sized firms' annual and quarterly revenue growth is sales growth, according to investors (2014). (sales).

A measure of growth and success provided that it is matched by an equally robust rate of profits per share growth. For instance, if a small and medium-sized business earns $1,000 in revenue in 2007, it would earn $1,500 in 2008, and its sales growth would be fifty percent (50 percent) ($1,500-$1,000)/$1,000). Sales growth is an important indicator or factor of a small and medium-sized business's health and ability to sustain its business well. However, sales growth may not be indicative of the true productivity of a small or medium-sized business, and sales growth may be attributable to the opening of additional stores. Due to this, Comparable Store Sales, which is often used as an indicator of a small or medium-sized business's genuine financial or performance, has decreased (Wikinvest, 2014). Delmar et al. (2003) studied performance metrics and suggested that if just one indicator is selected as the measure of success for small and medium-sized businesses, sales should be the most desired measure of growth. Sales numbers are very simple to get, and they represent both short- and long-term developments in small and medium-sized businesses.

Profitability Growth

According to Fitzsimmons, et al. (2005), chief executive officers (CEOs) often use the word profit growth when assessing or discussing their company's or business's strategic objectives. Profitability growth is the convergence of economic or financial profitability and free cash flow growth. Profitability growth seeks to entice the financial or economic community, and it arose in the early 1980s, during the era when the development of shareholder value was the major objective of small and medium-sized businesses or organizations. Profitable growth emphasizes that profitability and growth must be accomplished simultaneously or concurrently, and also serves as a departure from past small and medium firm or organizational development models that encouraged expansion first to generate economies of scale and subsequently profitability.

Profitability is an essential performance indicator; it must be evaluated since it is improbable that organization development can be achieved without the availability of profit for reinvestment in small and medium-sized businesses. This component or dimension's growth may be measured by return on assets or net profit margin. The economic benefit may be seen as the wealth remaining after subtracting the cost of capital from the operational profit of the firm. The formula is Net Operating Profit after Tax (NOPAT) minus Cost of Capital Employed (CCE) (Fitzsimmons, et al. 2005).

2. non-Financial (subjective) Measures

Nonfinancial measurements are those that have nothing to do with the income statement or balance sheet of small and medium-sized businesses (Kellen, 2003). Non-financial performance measurements are also known as subjective performance measures. Using subjective performance measurements, Likert Scale questions are also used to assess the performance of small and medium-sized businesses from the viewpoint of the senior management (Selvarajan, et al. 2007). The use of non-financial measures of performance complements accounting measurements and provides information on progress compared to rivals' or customers' needs and other non-financial goals that may be important and relevant to attaining profitability. In addition, non-financial measurements may give indirect, quantifiable indications of the success-driving intangible assets of small and medium-sized businesses, such as intellectual capital and customer satisfaction and loyalty (Ittner & Larcker, 2003). Runyan, Droge, and Swinney (2008) argued that subjective measures are preferable to objective ones. In subjective or self-report assessments, particularly for non-financial variables, more respondents are anticipated to answer the questions than in objective measurements. Dess, Lumpkin, and Covin (1997) endorsed the use of subjective measurements since prior research (e.g. Venkataraman and Ramanujam 1986) shown that pecuniary measures of performance are typically compatible with objective measures, which enables effective results to be attained. In addition, non-financial measurements are sometimes known as subjective or non-economic measures, and the following are indications of non-financial measurement.

Employee Growth

An increase in the number of employees or workers employed by small and medium-sized firms (SMEs) serves as a non-financial metric of success. Small and medium-sized businesses' performance grows when they have more workers, whereas their performance falls when they have fewer employees (lttner & larcker, 2003).

Customer Satisfaction

For most customers, the term "satisfaction" is used to describe how they feel about a product or service's performance in comparison to their own expectations (Kotler & Keller, 2006). As pleased consumers are more likely to return for repeat purchases and promote good and grateful word of mouth advertising, customer satisfaction is an essential non-financial success metric. Customer satisfaction, according to Juhl Kristensen and Stergaard (2002), leads to a good net operating margin as well as customer referrals, which increases market share for small and medium-sized businesses.

Additionally, "customer satisfaction" is a contemporary marketing word that also refers to how well small and medium-sized businesses' goods and services fulfill the needs of their consumers. The proportion of total customers or the total number of customers who stated that their experience with a small or medium business and its goods or services (rating) exceeded predefined levels of customer satisfaction may be used to define and explain customer satisfaction. Nearly one-seventeenth of the nearly two hundred senior marketing managers who took part in the poll said that measuring customer satisfaction is helpful for their small and medium-sized organizations (Farris et al. 2010).

It is common practice to include customer satisfaction in a company's balanced scorecard since it is a key performance indicator. A vital differentiator in a highly competitive market where small and medium-sized businesses fight against one other, customer satisfaction has increasingly become an essential part of corporate strategy (Gitman, et al. 2005). Customer satisfaction scores may have political ramifications inside a business. Organizations place a high value on the ability of their employees to meet the needs of their clientele. Nonetheless, when these rating systems fall, they serve as a warning of potential problems that might impact sales and profitability. Word of mouth is a free and highly effective marketing strategy when a brand or present brand has a large following of loyal customers or buyers (Farris, et al. 2010). To be able to achieve customer happiness, small and medium-sized businesses (SMEs) and organizations alike need a representative and accurate measure of customer satisfaction. As part of the research process, organizations often ask customers whether their goods and services meet or exceed their needs. As a result, expectations play a key role in any sense of well-being. Dissatisfied customers are more likely to rate their experience poorly or less than satisfying if they have high expectations and the reality does not meet or exceed those expectations. Even though its services and facilities are rated higher and better in absolute terms, a luxury resort may nonetheless have a lower satisfaction rating than a budget hotel because of this fact or reason (Farris et al. 2010).

When a small or medium-sized business increases its negotiating power, the strategic relevance of customer happiness decreases or drops. Cell phone providers like AT&T and Verizon are involved in an oligopoly business, where there is only one or a few providers of particular products and services. Due to the poor customer satisfaction and the ease with which customers may switch to a better contract offer if there were 100 mobile phone plan providers, many contract deals feature a lot of small print with limitations or criteria that they would never be able to get away from.

Satisfaction With Performance Compared To Competitors

Satisfaction with the performance of the small and medium-sized firms relative to rivals is another another non-financial performance indicator that may be used to assess SME success. Due to the reluctance of most small and medium-sized enterprises (SMEs) to provide sales or profit numbers, a composite measure of success is comparing total customer satisfaction to that of rivals.

Overall Satisfaction

Additionally, the general satisfaction with the performance of the SMEs is an important non-financial performance indicator. Small and medium firm owners that are content with the overall performance of their businesses do better than those who are unsatisfied. Overall satisfaction is a non-financial performance metric. To achieve an accurate measurement of the performance of a small or medium-sized business, it is not sufficient to rely on a single performance metric; rather, a combination of measures is required. Non-financial performance metrics like as sales growth and employment growth are used as performance assessments by Marimuthu et al. (2007). A high degree of profitability and employment are also considered performance markers by Rauf (2007). Dzansi (2004) and Schayek (2011) employ a five-point Likert scale to measure satisfaction with sales growth and profitability growth as the major measures of financial success. Non-financial performance is measured by satisfaction with overall performance and satisfaction with performance relative to rivals, according to Fatoki (2011).

According to Schayek (2011), SMEs' response rates increase when sales growth, profitability, and general satisfaction are measured indirectly via a variety of questions. It also makes it possible to objectively assess the performance of small and medium-sized businesses. Research and measurement of SME performance may be complicated since, according to Lechner et al. (2006), there are no widely agreed performance criteria for small and medium-sized enterprises. Additionally, many small business owners and managers are wary of disclosing their financial information because of the sensitive nature of earnings data (Watson, 2007). This complicates research on the performance of small and medium-sized enterprises (SMEs). Studies by Fatoki (2011) and Thrikawala (2011) have shown that performance may be monitored indirectly via the use of both financial and non-financial metrics. As a result, statements based on a Likert scale are used to assess how satisfied or dissatisfied small and medium-sized businesses (SMEs) are with various financial and non-financial indicators. Questions such as “You are satisfied with the level of sales growth of your small and medium enterprise?”; “You are satisfied with the level of profitability in the last three years?” were used as measures of financial performance.

On the other hand, questions such as “You are satisfied with the level of the performance of your small and medium enterprise compared to your competitors?” and “You are satisfied with the overall performance or achievement of your small and medium enterprise?” were used as non-financial measures of performance.

Due to the reluctance of SMEs owners or managers in Indonesia to provide their financial report or statement for the purposes of this research, indirect questions using interval rating scale questions such as: “You are satisfied with the level of sales growth of your small and medium enterprise?”; “You are satisfied with the level of profitability in the last four years of your small and medium enterprise?" to measures objective (financial) performance of SMEs. And at the same time the study also make use of interval rating scale questions such as "You are satisfied with employee's growth (numbers of employees) in your business operations?", You are satisfied with customer satisfaction in your business operation?", "You are satisfied with the level or stage of performance of your small and medium enterprise compared to your competitors?" and "You are satisfied with the overall performance of your small and medium enterprise?" were used to measure subjective (Non-financial) performance of SMEs directly because it is not restricted to the SMEs owner or manager to issue out information or data.

As a way of assessing the performance of SMEs, component constructs consisting of financial and non-financial indicators as well as latent constructs are established. This research utilizes important performance indicators such as financial and non-financial variables to evaluate the performance of small and medium-sized enterprises (SMEs).

CHAPTER 12

FUNCTIONS OF PERFORMANCE MEASUREMENT

The role of performance assessment may be broken down into four distinct categories (Neely, 1998):

1. Checking Position: Establishment of the present state and the monitoring of the progress over time and against benchmarks.
2. Communicating Position: Communicate with shareholders, consumers, or workers through providing yearly reports, etc.
3. Confirm Priorities: Performance statistics also give insights into what is vital to the company, thereby highlighting inadequacies that help firms to determine priorities.
4. Compel Progress: The measurements may allow companies to concentrate on particular problems and inspire workers to explore for methods to enhance performance, and also the metrics express the priorities and can form the foundation for reward.

The above summary suggests a clear flow map for performance measurement, for example (1) → (2) → (3) → (4). Indeed, many SMEs apply PM for quality management. It is observed that the above four points cover the roles of PM from the perspective of quality management (Oakland 2004):

1. Tracking the progress against organizational goals (represented in the above point (1).
2. Identifying opportunities for improvement (represented by the above points (3) and (4).
3. Comparing the performance against internal standards (described in the above points (1) and (2).

Looking at the presentation against outer norms [spoke to by the above focuses (1) and (2)].

Uses of Performance Measurement

A in-depth illustration of the above functions (3) and (4) of performance measurement is made in (Godener&Soderquist, 2004), which summarized the use of performance into four groups, based on Kerssens Van &Bilderbeek's (1999) study of 19 methods of performance on four different organizational levels as follows:

1. Use of performance measurement results for personnel evaluation, incentives and promotion (salary, project participation, promotion prospects, and bonuses).
2. Use of performance measurement results for resource allocation (forming/dissolving teams, project participation, assignment of new projects and resources).
3. Use of performance measurement results for control/correction (control, correction, reorganization).
4. Use of performance measurement results for learning/continuous improvement.

Note the usage of performance measurement results for resource allocation is highlighted in Godener&Soderquist (2004)'s summary. This is important for SMEs, whose development is usually limited by resource.

CHAPTER 13

ENTREPRENEURSHIP THEORY

Shane's Entrepreneurship Theory (2003) comprises of opportunity identification, opportunity appraisal, and opportunity exploitation choice. Also included in the idea are self-employment, company operations, and performance. The thesis emphasized four operational performance criteria, including survival, growth, profitability/income, and initial public offering. Survival is the continuance of entrepreneurial activity, while development is the expansion of a business's revenues and workforce. Profitability refers to a fresh income excess over expenses, while initial public offering refers to the selling of shares to the general public (Shane, 2003).

For those entrepreneurs who can recognize them, the institutional or external environment creates opportunities for them to start or develop firms and therefore, their well-being (North, 1990; Shane, 2003). Such possibilities may be identified and tapped by entrepreneurs in many ways. A person's risk-taking attitude is influenced by a variety of factors, including their capacity to obtain and use information (Shane, 2003). Entrepreneurial potential may be discovered based on a variety of personal characteristics. Motivations, risk attitudes, educational and training backgrounds, work experience as well as age and social class all play a role.

Opportunity discovery is also affected by changes in the corporate environment such as changes in the economic, financial, political and legal contexts. It is possible that several factors such as the entrepreneur's financial situation and their desire for greater social standing might influence their finding of entrepreneurial opportunity. Opportunity discovery is also influenced by the kind of industry. Entrepreneurs are more interested in industrial areas including distribution, manufacturing, agriculture, catering, and business services (Brana, 2008; Carter & Shaw, 2006; Gatewood et al., 2004; Riding, 2006; Shane, 2003; Stohmeyer, 2007).

Entrepreneurial opportunities may also be influenced by the concentration of industries in a specific place (Shane, 2003). Another step in the entrepreneurial process is the evaluation of the recognized opportunity, and proper decisions made at this stage lead to the choice to exploit the opportunity (Shane, 2003). The entrepreneur's purpose determines whether or not he or she will take advantage of the opportunity, and this is the best way to assess entrepreneurial decision-making (Shane, 2003). Opportunities may be used to varying degrees depending on the entrepreneur's education, skills or expertise gained via job experience, social networks, credit, and cost-benefit analysis of their company (Shane, 2003).

Decision to take advantage of the opportunity results in the search for microfinance, which is the purchase of resources. Entrepreneurial activity, such as starting a new company or expanding an existing one, may arise as a result of resource acquisition. Profitability may be achieved if the acquired resources are used properly in terms of company strategy and organizational architecture (Brana, 2008; Koontz &Weihrich, 2006; Salman, 2009; Shane, 2003). Individual characteristics are important, but the environment has a bigger impact on opportunity exploitation (Kuzilwa, 2005). For Indonesian entrepreneurs, Shane's (2003) philosophy of entrepreneurship is ideal.

CHAPTER 14

RISK MANAGEMENT THEORY

Richard Branson (2017) defined the entrepreneur as a risk-taker, among other characteristics. Entrepreneurs assume a great deal of calculated risk, but they ensure that no one risk will bring down the enterprise. Protecting against losses is crucial.

The notion that risks is a key element of entrepreneurship is seen throughout the entrepreneurial literature (e.g. Ahmed, 1985; Caliendo, Fossen, & Kritikos, 2010; Koh, 1996; Long, 1983). Richard Branson (2017), asserted that risk taking is advantageous in creating new businesses and suggested that the ability and willingness to bear and overcome risk is fundamental when engaging in entrepreneurial activity.

Risk management and risk attitudes may extend an entrepreneur's existence. Richard Branson (2017) discovered research indicating that risk tolerance makes individuals more receptive to entrepreneurship training. The popular belief that entrepreneurs have an average risk tolerance has, however, garnered conflicting evidence.

Risk control moderate the relationship between government support, financial capital, digital marketing and SME performance. The effect of government support, financial capital and digital marketing on SME performance would depend on the level of Risk-Control.

INDEX

Unpripress 2024

RISK CONTROL: A MODERATION EFFECT ON PERFORMANCE OF SMES

The performance of Small and Medium Enterprises (SMEs) is considered as one of the driving forces for developing countries like Indonesia, where the economy has benefitted greatly from the contribution of SMEs. Several of the key success factors are government support, training, financial capital and digital marketing. The global economic crisis and the trade tension between China and the United States of America (USA), and currently COVID-19 pandemic affect many companies to be shut down and eventually leads to higher unemployment. Opportunity discovery is also affected by changes in the corporate environment such as changes in the economic, financial, political and legal contexts. It is possible that several factors such as the entrepreneur's financial situation and their desire for greater social standing might influence their finding of entrepreneurial opportunity. Opportunity discovery is also influenced by the kind of industry. Entrepreneurs are more interested in industrial areas including distribution, manufacturing, agriculture, catering, and business services. Small and Medium Enterprises (SMEs) play significant roles in providing employment opportunities, alleviating poverty, empowering communities, provision of goods and services, contributing toward the GDP, and achieving sustainable growth and development of the Indonesian economy. On the uncertain situation, SME players must reduce the risk in business by controlling the business risk. This book will describe how risk control moderate the effect of SMEs Success. This book is design to provide an introduction to small and medium enterprises in Medan and the risk control moderate the performance of SMEs. However, Digital marketing is very important on doing business today. Mostly SMEs in Indonesia have been market their product by using digital marketing.

Dede Ansyari Guci, S.E., M.Sc., Ph.D., is a researcher and lecturer at Universitas Prima Indonesia (UNPRI) Medan. His core academic teaching and research area are including entrepreneurship, marketing, business management, financial management, risk management and digital marketing

Khomeiny Yunior, S.E., M.Si,. is a Chief Medical Recorder at Royal Prima Medan Hospital. He also a researcher and lecturer at Universitas Prima Indonesia (UNPRI). HRM Academic Specialization, International Business and Management Feasibility Study. And now he is continuing the Management Doctoral Program at UNPRI

ISBN 978-623-8299-20-1 (PDF)

9 786238 299201