

CHAPTER I

INTRODUCTION

1.1 Background

Social principle role is individual behavior that performs a certain position. in a role related to his work, a person is expected to carry out obligations related to the role held, while innovation according to Hardvards Theodore Levit in Suryana (2014: 43) suggests the definition of innovation is the ability to apply creative solutions to existing problems and opportunities to better prosper people's lives or can be said to do something new.

The social principle role and innovation are very important in the sustainability of the business, because the social role includes corporate social responsibility (Corporate Social Responsibility or CSR), namely the company's efforts to make a positive contribution to the surrounding community and environment. By carrying out CSR, companies can enhance their positive image in the eyes of society, as well as strengthen relationships with consumers and other related parties. CSR can be carried out through programs such as making donations to social activities, reducing environmental impacts, and helping the surrounding community to improve their welfare. Whereas innovation itself is the process or result of developing the utilization and mobilization of knowledge, skills and experience to create or improve new products, processes or systems, which provide significant value.

In micro, small and medium enterprises (MSMEs), of course, social roles and innovation are needed, because social roles in MSMEs include the ability to understand the needs and expectations of society, and contribute to solving existing social problems. MSMEs that are able to meet community needs with innovative and high-quality products and services will be more easily accepted and recognized by the community. Innovation is also the key to the success of MSMEs, because MSMEs that are able to innovate can produce products or services that are better and different from their competitors, so that they can

attract consumers' interest. Innovation can also help MSMEs in improving production processes, increasing efficiency, and reducing production costs. Moreover, MSMEs are an important sector in a country's economy, because MSMEs can make a major contribution to job creation, economic growth, and poverty reduction. However, to survive and develop, MSMEs need to have a social role and innovation.

On Bengkalis Island itself, lately many new businesses have sprung up, especially micro and small businesses. Most of them do business carelessly, without much consideration and planning. There are various problems faced, both from outside and from within, which greatly affect the development of micro, small and medium enterprises. The problems of MSMEs in general lie in human resources, capital, and mastery of modern technology. Seen from time to time, place to place has not indicated much hope for the business group to support the growth of the local community's economic system. Every year the population on Bengkalis Island is increasing, with an increase in population there will be an increase in the need for food, shelter, education and employment that must be met. According to economists, a rich area will not necessarily become great if its human resources are not creative.

With the existence of a creative spirit in a business actor, he can change something that someone already has to become more attractive, both in terms of shape and in terms of beauty. The trust of business actors is also built in a relationship of mutual trust, business actors fully trust someone who has been formed or trusted in any way, up to the profit sharing system. This certainly requires the value of honesty so that trust increases. The social networks owned by business actors also make it easier for business actors to obtain information about marketing places. Through the network owned by business actors, they can communicate in setting prices for the same goods so that fair competition occurs and does not turn off market prices. Good relations between business actors based on strong trust enable them to carry out these activities. It is the elements contained in the social role that have the potential to become a strategy for MSME

actors in running and maintaining a business and it will be clear how this social role plays a role in the development of MSMEs in Bengkalis.

In accordance with this background, the following is a table of initial data on the number of MSMEs in Bengkalis from several sectors.

Table 1 List of MSMEs Business Sector of Bengkalis District in 2014-2018

Name	Year					Amount	Information
	2014	2015	2016	2017	2018		
A. Number of MSMEs in the Culinary Sector							
1. Number of Micro Enterprises	197	197	197	197	50	838	Business
2. Number of Small Enterprises	10	10	10	10	5	45	Business
3. Number of Medium Enterprises	3	3	3	3	0	12	Business
B. Number of SMEs in the field of fashio, weaving							
1. Number of Micro Enterprises	188	188	188	188	25	777	Business
2. Number of Small Enterprises	8	8	8	8	3	35	Business
3. Number of Medium Enterprises	1	1	1	1	0	4	Business
C. Number of SMEs in the automotive sector, lattice welding							
1. Number of Micro Enterprises	33	33	33	33	5	137	Business
2. Number of Small Enterprises	71	71	71	71	0	284	Business
3. Number of Medium Enterprises	0	0	0	0	0	0	Business
D. Number of MSMEs in the Mubeler and Woven, Stone Making Fields							
1. Number of Micro Enterprises	153	153	153	0	0	459	Business
2. Number of Small Enterprises	29	29	29	0	0	459	Business
3. Number of Medium Enterprises	0	0	0	0	0	0	Business
E. Number of MSMEs in the Trade Sector							
1. Number of Micro Enterprises	2	2	2	0	5	11	Business
2. Number of Small Enterprises	10	10	10	0	0	30	Business
3. Number of Medium Enterprises	0	0	0	0	0	0	Business
Amount	705	705	705	511	93	2719	Business

Source: Bengkalis Regency MSMEs Cooperative Service 2018

Based on Table 1 there was a significant decrease in 2017 and 2018 from the number entrepreneurs who were officially registered in the Bengkalis District, this was proven by entrepreneurs in obtaining business licenses. From the phenomenon above, the researcher is interested in further researching “**Analysis on the Success of Micro Small and Medium Enterprises Through Social Principle Role and Innovation Aspect Approach: Case Study of Micro Small and Medium Enterprises In Bengkalis**”

1.2 Formulation of the Problem

To explain the problem to be studied, the problem is formulated as follows: How can social Principle role and innovation affect the success of MSMEs?

1.3 Purpose of the Study

From the background and formulation of the problem above, the researcher can describe the research objectives as follow:

1. Identify social principle role and innovation aspect approach foward MSMEs, such as local community support, and relationships between MSMEs owners.

1.4 Significant of the Study

The results of this study will provide benefits to the community, institutions, related agencies that need the role of social principle in the development of MSMEs in the present.

1. Theoretically

It is hoped that it can become information material for readers and can add to knowledge in the context of developing knowledge in society, and it is also hoped that it can become information material for the public about the theory of social principle role and innovation in the development of MSMEs.

2. Practically

For writers, it can increase knowledge and understanding that is related to the field of study of social principle roles, and is expected to be a contribution of thought to be used as a direction for further research in the future.

3. For MSMEs Business Actors and the Community

To be able to increase knowledge to maintain the role of social principle and innovation in the development of MSMEs.

1.5 Scope and Limitation of the Problem

This research only focuses on MSMEs in Bengkalis from the social principle roles and innovations that have been carried out by these MSMEs. This research will not discuss other aspects related to MSMEs such as management or marketing. And also this research only involves MSMEs owners in social principle roles and innovation.

1.6 Writing System

The writing systematic is made to facilitate the preparation of this thesis.

The writing systematics are as follows:

CHAPTER I:

INTRODUCTION

In this chapter, the authors describe the background, formulation of the problem, objective of the study, benefit of the study, scope and limitation of the study and writing systematics of the study.

CHAPTER II:

LITERATURE REVIEWS

This chapter will describe previous research and theories relevant to the subject matter of the study, and then to find new inspiration for further research. In addition, previous studies help research to position research and direct the originality of research.

CHAPTER III:

RESEARCH METHODOLOGY

This chapter will specifically describe the procedures for writing research. Be it in time, research objects, types and sources of data, data collection techniques, analysis methods and types of research.

CHAPTER IV:

RESULTS AND DISCUSSION

This chapter contains result and discussion. The research results contain the influence of social roles and innovation on the success of MSMEs.

CHAPTER V:

CONCLUSION AND SUGGESTIONS

This chapter is the last chapter in this thesis, in this chapter will be presented conclusions from the results of the research conducted. Then it also contains suggestions from the author that may be useful.