

CHAPTER I

INTRODUCTION

1.1 Background

Micro, Small and Medium Enterprises (MSME) have an important role in the national economy and have an important and strategic role in economic growth both for the Indonesian people and in other countries. In addition Sunariani, et al (2017) revealed that MSME can overcome unemployment problems and improve people's welfare. The development and role of MSME needs to continue to be improved because of their resilience in dealing with various economic crises and opening up many jobs which will certainly reduce the unemployment rate (Gunartin 2017).

Alyas and M. Rakib (2017), stated that MSME in Indonesia still exist and develop despite the economic crisis. The existence of MSME cannot be eliminated or avoided from the nation's society today. Because its existence is very useful in terms of distribution of community income. In addition, it is also able to create creativity that is in line with efforts to maintain and develop businesses (Anggraeni, et al 2015). Therefore, MSME have a very vital and important role in overcoming the consequences and impacts of the economic crisis, especially the economic problems that occurred in 1997 in which many large companies went bankrupt, while MSMEs were able to survive the crisis. The MSME sector has high resilience so that it can survive the economic and monetary crisis. (Hamzah Lies Maria and Devi Agustien 2019).

According to Hartanto (2016), the growing number of MSME provides great opportunities for the development of the company. Data from the Ministry of Cooperatives and Micro, Small and Medium Enterprises states that the number of MSMEs in Indonesia has reached 51.2 million business units, this number is equivalent to more than 90% of the total business actors in the country. Consumer demand will continue to increase, so entrepreneurs must be able to reap higher incomes. Even though the scale of business is small, the Micro, Small and Medium

Enterprises (MSME) sector has proven to be the most immune to the crisis. When the large business sector and export-oriented industry slumped due to crisis shocks, MSME were still able to survive because the market was loyal.

Dumai City is one of the cities that is now developing quite rapidly. Micro enterprises in the city of Dumai have developed quite rapidly, in 2008 micro-enterprises in the city of Dumai reached 1366 businesses. In 2009 micro-enterprises in Dumai city increased by 156% from 2008 to 3080 businesses and in 2016 micro-enterprises in Dumai city reached 6701 businesses. (Data from the Department of SME Cooperatives and Community Empowerment of Dumai City).

One of the reasons for the increase in Micro, Small and Medium Enterprises (MSME) in Dumai City is the lack of adequate job opportunities. The MSME sector can be a solution to reduce the unemployment rate, especially in the Dumai City area. Small and medium enterprises can be a solution because the capital required is relatively small with the majority of the market being the local market.

According to Arlianto Tenny (2014), the success of the business itself can be marked by an increase in the number of sales, an increase in the amount of production, an increase in profits or profits and an ever-growing business. To achieve this success cannot be separated from the hard work of the individuals in it. Appropriate managerial policies and decisions are the key to the success of MSME.

Factors that influence business success is venture capital. Capital is an important part when setting up or running a business. Capital indicates the ability of business actors to finance the company's operational activities (Rumerung 2018). Business capital is a business factor that must be available before carrying out production activities. Business capital is wealth owned by a company that can generate profits in the future. The size of the capital will affect business development in achieving income (Apriliani and Widiyanto 2018). The existence of capital is indeed very necessary in establishing and running a business, but the phenomenon that often becomes a problem is how to manage capital optimally so that the business being run can be successful (Rumerung 2018). The size of the capital is a separate problem for MSME. Capital that is too large than what is needed

will increase the financing burden, especially if the capital is not own capital. Conversely, if the capital is too little, it will make it difficult for the business to be carried out. (Indriyatni 2013).

Another factor that influences business success is the choice of business location. Not all Micro and Small Business managers have carried out various economic and strategic considerations, let alone conducted a feasibility analysis. In fact, many businesses are established without proper location planning so that many of these businesses are potentially inefficient, as a result of which it is difficult for businesses to make profits and eventually close down altogether because they are always at a loss.

According to Rahmat and Maulidia (2012) marketing strategy is a form of a plan that is broken down in the field of marketing. To obtain optimal results, this marketing strategy has a broad scope in the field of marketing including strategies in facing competition, pricing strategies, product strategies, service strategies and so on.

The culinary business is the most popular business. Besides the capital is not too big, this business promises quite a large profit. If properly developed, this business will have the potential to contribute to the progress of the community's economy, become independent entrepreneurs and create new jobs and improve welfare. So that in the end it can improve the level of the national economy. The food and beverage (culinary) business is one of the businesses that is currently growing rapidly and has considerable potential for growth. There have been many business players who have made a profit from this culinary business. However, there are also many culinary business players who have gone bankrupt or bankrupt, due to limited capital, less strategic business location selection and inappropriate marketing strategies and sub-optimal service quality. Based on the above background, the authors are interested in conducting research with the title **"Observation Study Of Business Capital Factors, Business Locations, And Marketing Strategies On The Success Of Culinary Msme Business In Dumai City"**.

1.2 Formulation of the Problem

Based on the background above, the writer will identify the problems, namely Do business capital factors, business location and marketing strategies affect business success?

1.3 Purpose of the Study

Based on the formulation of the problem, the objectives of this study are as follows:

1. To find out the dominant factors of business capital that affect business success.
2. To find out the dominant factors of business location that affect business success.
3. To find out the dominant factors of marketing strategies that affect business success.
4. To determine the dominant factors of business success.

1.4 Significance of the Study

Each research is carried out to obtain useful benefits for all parties concerned. The benefits expected by the author in conducting this research include the following:

1. Benefits for Author

This researcher is expected to be able to train the author knowledge so that the author continues to explore information about things that the author does not know, both in theory to be studied and how to write well and through this research can also be a graduation requirement to graduate and get a degree at the author campus.

2. Benefits for International Business Administration Study Program

The research that the author has done is expected to be a useful bibliography in the study program which one day will be used for academic purposes.

3. Benefits for Business Owners

This research is expected to provide knowledge about business capital factors, business locations and marketing strategies for the success of MSME in Dumai City so that they can help achieve business success.

1.5 Scope and Limitation of the Problem

Based on the background that has been described previously, the author makes a problem definition so that the scope of this research is clear. The limitations of the problem made are: Given the many types of small and medium-sized businesses in the city of Dumai, the author limits the research to only focusing on culinary businesses in the city of Dumai.

1.6 Writing System

The writing of this report is composed of 5 chapters, where each chapter will be further divided into sub-chapters which will be discussed in detail. The following is the systematics of each chapter and a brief description:

CHAPTER I : INTRODUCTION

Chapter 1 explains the background of the problem, problem formulation, research objectives, research benefits, scope and limitations of the problem, and writing systematics.

CHAPTER II : LITERATURE REVIEW

Chapter 2 describes the previous research, the theoretical basis, the framework of thought that is used as a guide in the thesis.

CHAPTER III : RESEARCH METHODOLOGY

Chapter 3 describes the methods of conducting research, which consists of location, time and object of research, types and sources of data, population and samples, sampling techniques, data collection techniques, data processing techniques, scale measurement, validity and reliability testing, data Analysis

Method, type of research, definitions of concepts and operational variables as well as research schedules and budgets.

CHAPTER IV : RESULTS AND DISCUSSION

Chapter 4, describes the test results, discussion and limitations of the research results. The discussion of the results obtained is made in the form of a theoretical explanation of the bail qualitatively, quantitatively or statistically.

CHAPTER V : CONCLUSION AND SUGGESTION

In chapter 5, the author will describe the conclusions obtained from the discussion and suggestion that will be submitted by the author.

REFERENCES

APPENDICES

WRITER BIOGRAPHY

