

THE ROLE OF WORKING CAPITAL TO INCREASE SMALL BUSINESS ENTERPRISES

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ABSTRACT

The objective of the research is to find the role of working capital that is sourced from own capital and credit capital in order to increase the value and capacity of small business sector. The research was conducted by surveys, interviews, and documentation of Financial Statement records. The data used in this study is the primary data, based on the analysis of the business credit process. The loan application stage, the review stage, credit analysis, credit approval, credit agreement stage and credit disbursement stage. The results found that the progress of SMEs is determined by the availability of working capital divided on their own capital and loan credit capital. Own capital and capital credit provide a positive and significant impact on business volume on SMEs in Surabaya.

Keywords: capital, enterprises, business, credit

I. INTRODUCTION

The role of SMEs in improving the welfare of a country is very important. This

makes the SMEs must be calculated and should be increased by the government. The more SMEs that exist then the more income that will go into the state treasury. The progress of SMEs is determined by the availability of working capital divided by its own capital and loan credit capital. Thus the role of government and banking is needed in order to smoothly improve the existing SMEs in the country.

Working capital is the capital or fund needed to finance all activities, with the purpose of the business can run in accordance with the plans that have been made. In other words, capital is the fund needed to run all operations.

The focus of this research is to know how big influence of capital role to to SME income. This paper highlights a number of important factors for the formulation of the role of working capital:

- 1) Is there a formation of funds before credit application and use of credit in the use of funds to increase revenue..
- 2) Why credit loans have a more significant effect on SME revenue..

II. BACKGROUND

The welfare of the Indonesian population can be said to be still relatively

low. Indonesia's economic condition is still in the stage of growth to make the welfare of the Indonesian population is very necessary to be improved. People generally want to get a decent life every day. People always try to do work that can fulfill and fulfill their life. Employment opportunities for the population to improve the welfare have not been able to accommodate the entire workforce. Decent income is expected by the whole community, because with good income then every family needs can be fulfilled. Many micro and small businesses can be done to increase revenue such as; trade, farming, raising and others. In doing these efforts, not all communities have sufficient capital to do so. But the community desperately needs a source of capital to be able to work on such businesses or jobs. Credit institutions are clearly needed. (Issabella Pratiwi Saragih Analysis Influence Capital 394).

This study studied SMEs namely NIA. Which is a grocery store in Surabaya East Java Indonesia. The store was founded in 2001. During its early age, the turnover of this store is approximately. IDR 1 million / day.

To increase revenue, shopkeepers apply for loans to informal money lenders,

leading to higher debt, until by 2016, stores are finally able to restore their financial management and plan to increase their working capital through commercial / state banks.

The ever-increasing daily needs make it possible for SME NIA to open its business by providing various needs. Here a lot of macamp-sorts of goods sold such as staples, kitchen needs, cigarettes, beauty products, snacks and drinks, etc. In increasing its business, SME NIA not only uses its own capital but also utilizes loan capital loan provided by BANK to expand its business and increase its income. One of SME NIA's choice is to use BANK BRI Branch as the lender of its business capital.

Bank BRI is a state-owned bank that serves the people of Indonesia to be able to enjoy and use banking services easily, ranging from opening a savings account, making transactions using atm and applying for loans on easy terms. People's Business Loan (KUR) is a government program in the form of business capital loan with funds of 100% from KUR executing bank for productive and eligible but not bankable Indonesian people with a ceiling up to Rp. 500,000,000; (five hundred million rupiah) guaranteed by the Guarantor Company. Because of the funds from the implementing bank, the interest rate and the system are different.

Actually not only BANK BRI that provides KUR services, but in 2017 from the target of national KUR of Rp. 110 Trillion, Bank BRI get the trust by getting the portion of the distribution of Rp. 71.2 trillion or 65% of the total national KUR in 2017. Proven For almost 3 months, from the beginning of 2017 to mid-March 2017, Bank BRI managed to distribute KUR of Rp. 11.8 trillion to more than 646 thousand debtors. "This reinforces the position of Bank BRI as a bank that focuses on empowering SMEs in Indonesia,"

The role of banks in the economic development of a nation is very important. Both influence each other in the sense that banks can channel funds for economic activities so that a healthy bank will strengthen the economic activities of a nation. Conversely, unhealthy economic activity will greatly affect the health of the banking world. The Bank will develop the types of products in the form of various banking services. These products evolve according to the progress and development of information technology. However, the diversity will be limited by the type of bank itself, because each bank has certain characteristics, flexibility and certain limitations (Jamal Wiwoho, et al, 2008: 5).

II. METHODOLOGY

The research is a descriptive quantitative study. Descriptive research involves collecting data for hypothesis testing or answering questions about the final status of the study subjects.

Quantitative research is a systematic scientific study of the parts and phenomena and their relationships. This research was conducted on an SME's namely NIA shop that received the Micro Business Credit (KUR) from BRI Bank since 2016.

Data collection method used is primary data. Primary data obtained through observation, direct interviews with shop owner and documentation of financial statements.

IV. FINDINGS

People's Business Credit (KUR) is one type of credit formed from the cooperation with the government. This credit is provided through the bank as a creditor or provider of funds for people who want to build their own business. Because it is part of the government's work program, the disbursement of funds is generally done by Bank Rakyat Indonesia (BRI) where Bank Rakyat Indonesia (BRI) belongs to the state. KUR is a credit intended for borrowers who want to start their own business but still with micro, small and medium scale. Bank Rakyat Indonesia itself is committed to help develop Micro Small and Medium Enterprises (MSMEs) and improve the welfare of the community. One form of commitment is the opening of Credit for Business Capital for

MSMEs and cooperatives called KUR. KUR is an alternative for Small, Micro and Cooperative Enterprises to obtain business capital. Constraints that are often faced by small entrepreneurs, Micro and Cooperative is the problem of capital in developing its business.

The following loan application loan (KUR) SME NIA:

a) Credit Application Process

Prior to applying for credit, SME NIA collects documents of requirements in BRI's BANK for the successful application of its credit.

Documents prepared are:

- 1) Photocopy of Family Card (KSK)
- 2) Photocopy of Marriage Certificate
- 3) RT / RW Certificate and Business License
- 4) Photocopy of Warranties such as, vehicle BPKP / Certificates are valuable
- 5) Photocopy of ID Card (Husband & Wife).

b) Credit Loan Stage

Here NIA SMEs make a submission to BANK BRI unit pembutan with documents that have been prepared as a consideration of the BANK, the

filing process runs almost 1-2 hours duration. After the documents are received and selected by the BANK, the BANK will conduct a credit analysis (Survey) to provide credit decisions to prospective borrowers (UKM NIA).

c) Credit analysis

Conduct a predetermined survey of the schedule by the BANK to ensure the correctness of submission documents submitted by prospective borrowers (UKM NIA).

d) Stages of Decision & Credit.

After All the credit process is completed then it will be done giving the decision to grant credit. And from the results of credit analysis conducted BANK to SME NIA, the submission of SME NIA for business development and increase its revenue is approved, i remember the data of SME NIA Complete and no history of bad credit from BANK or other loan.

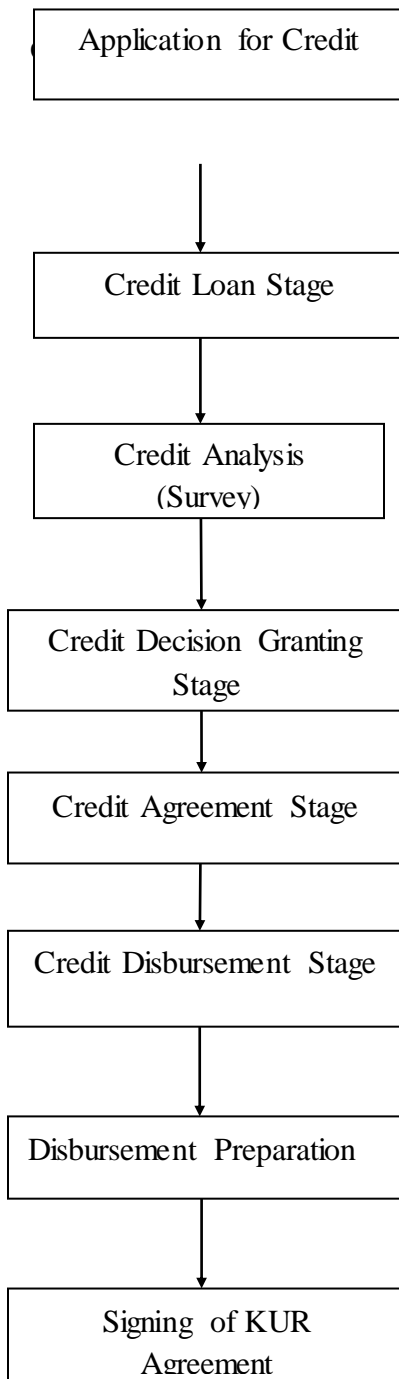
e) Liquidation Process and Credit agreement

The process of disbursing NIA SME funds takes 2-5 days from the decision of BANK BRI Unit

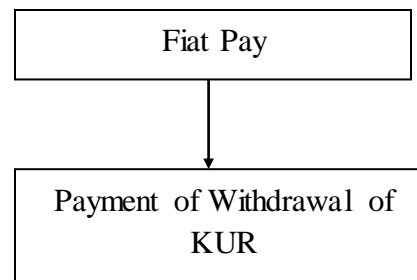
Bubutan. NIA SME Loan Fund of Rp. 10.000.000 with BPKB motor insurance. The explanation from the

BANK will credit agreement and the provisions in crediting.

Here's a credit flow



Items	Share Of Micro Credit Used	Total Income Before Micro Credit	Total Income After Micro Credit	Percentage Of SME' s Revenue Total (In%)
Rice, Oil, Sugar, Flour,	3,500,000	4,500,000	5,850,000	30%
Cigarets	2,500,000	3,500,000	4,200,000	20%
Beauty Product	2,500,000	3,400,000	4.250,000	25%
Other Food & Beverage	1,500,000	2,000,000	2,500,000	25%
Total	10,000,000	13,400,000	16,800,000	100%



This is NIA shop Financial Statement Period of 2016-2017 (with IDR 10 million Micro Business Credit from BRI Bank) :

>> From the table, it can be seen that clearly micro business credit from BRI Bank has escalate total revenue of NIA Shop since it enlarge its business scale and distribution.

>> The obstacles in SMEs NIA revenue are:

1. Own capital before crediting should earn almost the same profit when doing credit, but since the income of SMEs NIA 50% is used for consumer needs then the income received becomes less and ineffective so it needs to make loans to increase their capital and increase profits again.
2. Ignorance of SMEs NIA will loan in BANK, making SME NIA increase its business capital from other parties whose interest system reaches 30% of capital loan. With such interest plus the consumptive need of NIA SMEs 50%, it will be risky ktidakmampuan pay in credit repayment.

Micro credit from commercial bank has more significant benefit or influence an SME' s campared to informal money leaders because the interest rate is lower clear system, higher plafond responsibilities. Included in the credit which makes the SME' s pot more focus on paying the debt

to assure the growth to secure their bussiness operation.

Capital that should be used only for business, they also use for things outside the business run. In fact, it is only from those businesses that they are accustomed to earning income, but they typically have not been able to precisely separate business capital with daily life financing, so that it can know the weak capital of small traders in relation to their economic situation, especially with the amount of income paspasan. (Source: Erni Yulianti: 2011)

V. CONCLUSION

The role of working capital for SMEs is very important. This is because from the level of working capital itself is very instrumental in all business activities that are late to earn a profit and increase his opinion. Working capital is divided into 2 namely: working capital itself and working capital from other parties (BANK) in the form of credit. Limited business capital in SMEs resulted in few people to become entrepreneurs / entrepreneurs, they are dominant to choose to work with get wages / salary with the work rather than having to start a business with a capital that is not small. That tendency does not happen to people who want to open a business only, but also to people who have opened a business but not able to manage their capital

properly, so it appears intent to indebted. Initially the debt of a person assumes it can suffice his business, but because of indebted debt with a high interest rate of 30% then the results of business or income tends to pay the debt. Thus knowledge of the role of BANK is also important in the community, now SMEs are increasing with the role of the Government in cooperation with BANK to channel credit for the development of SME business capital. One of them is BANK BRI that has exceeded the government's target in channeling credit funds for SMEs business capital in Indonesia. The role of the Government and Bank has a positive impact on society and the State, because banks can channel funds for economic activities so that a healthy bank will strengthen the economic activities of a nation. So that more and more existing SMEs then the more income will go into the State treasury.

From the results of the above study, with a case study of NIA SMEs it can be concluded that the role of working capital is very positive and significant impact on business development and income levels of SMEs, this is evident with the financial statements of SMEs NIA in 2016-2017 which indicates that, significant to income with the addition of working capital from outsiders (BANK) in the form of credit.

However SME' s has to be able to manage their capital professionally, no to mix it with their house hold expenses, or else the credit given will not impact to raise their business.

Thus the increase in business volume is based on the availability of working capital. Working capital is important because in a small scale industry the business focus is on the production of production goods where the purchase of raw materials is in cash and impossible on credit.

Suggestion

The role of government and banking is very important in order to realize improving SMEs in Indonesia.

The suggestions for the Government and SMEs are:

- 1). The government always encourages banks to continue to be able to channel funds to the community in order to realize one of the government programs to increase the State's revenue with many actors SMEs.
- 2). Banking in the flow of credit funds for SMEs should be more comprehensive and evenly distributed in the credit info service to start business and business development for the perpetrators of SMEs. The interest offered by the BANK should not burden the perpetrators of SMEs, so the interest of business actors can increase.

3). For the perpetrators of SMEs, it is advisable to be more careful in the debt and use the funds properly. Due to the unhealthy use of funds it will be at risk of bankruptcy in the business. Own capital ideally 60%, and funds from outsiders 40%, this should be really controlled by the perpetrators of SMEs. The risks that will arise in the use of funds that are not good, such as using the funds that should be for business but also used to meet the basic needs will result in ketidakmapuannya in paying the debt, and his business will also go bankrupt.

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