

# THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

## Effectiveness of Business Capital for Small Business People in Indonesia

**Dr. Hais Dama**

Lecturer, Department of Economics, Gorontalo University, Gorontalo, Indonesia

**Dr. Patta Rapanna**

Lecturer, High School of Economics of Makassar (STIEM) Bongaya, Makassar City, Indonesia

**Dr. Tafsir**

Lecturer, High School of Economics of Makassar (STIEM) Bongaya, Makassar City, Indonesia

### **Abstract:**

*The type of qualitative research through the phenomenological approach, the results showed that the aid of business capital is very important to build the economy of the people, many people conduct in abusing the assistance given Give an indication that the condition of our society that is not prosperous both in terms of income is not enough or the number of other needs, in the provision of business capital need to be accompanied by coaching and supervision, for the help of capital given can be used in accordance with the purpose, the number of business capital assistance given to the community of small businesses indicates that the government is responsible for the welfare of the community, especially the small business people.*

**Keywords:** Modal, usaha, kebijakan, bantuan, prilaku

### **1. Introduction**

As development advances in Indonesia, there are more and more human needs, ranging from the needs of clothing, food, and the board, it is undeniable that many of our society lives under the poverty line so that many of its Unable to survive in the midst of the economic oceans that from the day increasingly, poverty, unemployment spread in every area in Indonesia a little more open the natural horizon of our minds that there is still much to be addressed What is actually wrong in the context of development in Indonesia, the answer is in the middle of the condition of the country we need improvement in all areas of good social, cultural, economic dlll, all need attention and capital support in pushing Development sustainably, it needs to be built synergy of all elements namely government, private, community, community leaders, until now the policy of business capital assistance is widely used, its art when the aid of business capital was not used as it should.

#### *1.1. Problem Formulation*

How is the effectiveness of business capital to the independence of small business people in Indonesia?

### **2. Literature Review**

#### *2.1. Working Capital*

Bambang Riyanto (2007:20) stated that 'the understanding of working capital is intended as an overall amount of current assets.' This understanding is similar to the understanding of working capital expressed by Susan Irawati (2006:89) that 'working capital is an investment of the company in the form of current assets.'

Meanwhile, according to J. Fred Weston and Thomas E. Copeland – Working capital is the difference between the current assets and the current debt. Thus, working capital is an investment in cash, securities, receivables and supplies minus the current debt used to protect current assets

#### *2.2. Working Capital Concept*

Riyanto (2001:57-58) expressed the concept of working capital commonly used for analysis, namely:

- Quantitative working capital. This concept focuses on the quantity of funds that are embedded in the assets which are less than one year. Working capital According to this concept is the whole element of current assets. Because all elements of current assets are taken into account as working capital regardless of short-term obligations, the working capital is often called gross working capital.
- Qualitative working capital. In this concept, working capital is not all current assets but has considered the obligations to be paid immediately. Thus, the funds used are really specifically used to finance the operations of the company daily without worrying about being interrupted by the payments of debts that are immediately due.

- Functional working capital. This concept is more engaged in the function of funds in generating direct income or current income. And the understanding of working capital according to this concept is the funds used by the company to produce current income according to the purpose of establishment of the company in a given period.

### 2.3. Adequate Working Capital

Working capital should be available in sufficient quantities to allow the company to operate economically and not have financial difficulties. For example, it can cover losses and cope with crisis or emergency situations without compromising company finances.

According to MUNAWIR (2004:116) Another benefit of the availability of adequate working capital is as follows: Protecting the company from the bad consequences of falling asset value is smooth, as is the disadvantage because the debtor does not pay, the decrease in inventory value because the price plummets.

- Allow companies to pay off their short-term obligations on time.
- Allows the company to be able to buy goods with cash so that it can benefit in the form of discounted prices.
- Guarantee the company has a standing credit and can cope with unpredictable events such as fire, theft and so on.
- Allow to have adequate inventory to serve the demand of consumers.
- Allows the company can provide favorable credit terms to the customer.
- Allows the company can operate more efficiently because there is no difficulty in acquiring ordinary raw materials and supply required.
- Allows the company to survive in the position of recession or depression.

Beyond the above conditions, there is an excessive working capital and the shortage of working capital, both of which are unfavorable conditions for the company. Excessive working capital shows the management of ineffective funds in addition to causing such bad-evil, can lead to wastage, investments in unwanted branches and loss of interest due to Bank balance is not used

#### 2.3.1. Source of Working Capital

A permanent working capital should or should be financed by the company or its shareholders. The greater the amount of working capital financed or derived from the investment of the company owner will be better for the company because it will be more guarantee for short-term creditors.

MUNAWIR (2004:120) stated that generally the working capital of a company can be derived from:

- Company operation result is the amount of net income that appears in the statement of profit loss calculation coupled with depreciation and amortization. This amount represents the amount of working capital derived from the company's operations.
- Profit from sales of marketable securities (short term investments). The company's short-term marketable securities are one of the elements of a seamless asset that can immediately be sold and generate profits for the company. With the sale of these securities resulted in a change in the element of working capital that is from the form of securities into cash.
- Sales of assets not Lancer. Other sources that can increase working capital is the result of the sale of fixed assets. Long-term investments and other uncurrent assets are no longer required by the company. The change from this asset to cash or receivables resulted in increased working capital of the number of sales.
- Sale of shares or bonds. To add the necessary funds or working capital, the company may also conduct new stock emissions or ask the owners of the company to increase its capital, in addition to the companies can also issue bonds or a form of term debt to meet the needs of its working capital. The sale of these bonds has the consequences that the company must pay a fixed interest, therefore in issuing debt in the form of bonds should be tailored to the needs of the company.

#### 2.3.2. Determination of Working Capital Needs

Large small working capital depends on two factors:

- Turnover period or the current period of working capital

Is the whole or the sum of the period covering the period of giving buy credit, old storage of raw materials in the warehouse, Lamanya production process, length of goods in the warehouse, the period of acceptance of receivables.

- Average Cash withdrawal daily

It is the sum of the average cash expenditure per day for the purposes of raw materials, auxiliary materials, payment of labor wages, etc.

#### 2.3.3. Benefits of Working Capital Management

- Protecting the company against the working capital crisis due to the decline in the value of current assets.
- Allows to be able to pay all obligations in a timely manner.
- It guarantees that the company's standing credit is getting bigger and makes it possible for the company to be able to deal with the dangers or financial difficulties that may occur.
- Enables to have adequate quantities of supplies to serve the consumer.
- Allow companies to provide more profitable credit terms to their subscriptions.
- Allows the company to operate more efficiently as there is no difficulty getting the goods or services needed.
- Working capital report will be very useful for management to conduct supervision on working capital

#### 2.3.4. Working Capital Management

Working capital Management is influenced by elements in working capital including:

- Kas is the most liquid form of assets that can be used immediately to fulfill the company's financial obligations. In this case, the company can fulfill its financial obligations, but if the big cash is not in the balance with the increase in sales then the rotation rate will be low so that the use of cash becomes ineffective.
- Receivables is a credit sale that aims to increase or to prevent the loss of sales. Receivables that are too large result in the company will bear large capital burden.
- Supplies In this case, the company will bear the cost of storage, insurance costs and miscellaneous charges that all of which will minimize the level of profit.
- Current debt is a cash outflows consisting of short-term debts such as debt orders, business debts and debts to other banks less than 1 year old.

#### 2.3.5. Working Capital Policy

The working capital policy is associated with the loan term and interest rate, the longer the loan age the higher the interest rate. For long-term loans to working capital, the borrowing party must pay a larger interest rate than the short-term loan. Because the future is full of uncertainty so that the lender gives account for the risk of uncertainty. Working capital that is filled with long-term loans has a high liquidity rate, the risk of failure to meet small due obligations. Generally, the company uses long term loans to meet the needs of its working capital, and such companies are referred to as conservative work capital policies.

The other working capital policy is that working capital must be associated with the property. The current property should be financed with smooth debt, the permanent property is financed with long-term debt and its own capital. Companies that are able to carry out business activities with the working capital policy thus conducting an aggressive working capital policy; The risk is big because all liabilities are due to be fulfilled by the availability of the current property. Companies that perform this model policy more failures, because the structure of the seamless property there is a difficult to dilute cash, namely supplies, especially the supply of semi-finished goods or inventory of goods in the process.

### **3. Research Methods**

Types of qualitative research through the phenomenological approach

### **4. Discussion**

#### *4.1. Effectiveness of Working Capital for the Independence of Small Businesses*

Pioneering effort takes not only determination, but also other preparations and most importantly funds. Many SMES (micro small and medium enterprises) are still terjagal in obtaining fresh funds for the development of its own company. Indeed, in Indonesia itself is growing many SMES who need to get attention from the government. The trigger is quite simple. Because of the narrow field of work, then the young scholars or even the other community took an alternative to establishing an attempt. In fact, in Indonesia itself many ways to obtain a loan venture capital according to the law, which is classified as a micro enterprise is a businessman who has the total wealth of at least RP50 million. (The Total wealth does not include land and business premises.) It can also be categorized if the entrepreneur gets its business results as much as RP300 million annually. The criteria mentioned were classified as the first criteria.

The second criterion is the businessman who owns the total wealth at most Rp 50 million to RP500 million or has revenue yield of RP300 million to 2.5 billion. Medium Enterprises went into the third category. Entrepreneurs who have a total wealth of Rp 500 million to Rp 10 billion or have the proceeds of the sale of RP2, 5 billion to RP50 billion are included in this third criterion.

##### 4.1.1. Credits Based on Usability

These credits are classified into two types. Can get working capital and investment credit. Working capital credit is usually obtained by employers to increase or make an initial capital in the business. To be aware, working capital credit has a period of one year, and can be extended as required. Currently, the bank in Indonesia has opened the door to the entrepreneurs who want to get working capital credit even though they started it at all.

Investment credits have a longer period of time, which is five years. This credit is intended for entrepreneurs who have been doing business for several years. They need an injection of funds to develop their business (innovation).

##### 4.1.2. Credits by Warranty

This type of credit also has two criteria: credit with collateral and credit without collateral. Each of these types has its advantages and disadvantages. Credit with the guarantee, as the name suggests, we can get capital but by to ensure something to the borrower's party. The excess is the interest rate that we pay can be greater. But, if the interest rate paid is small, the timeframe is longer and the nominal loan of the business capital that can be borrowed is usually quite large. The most common drawback is disbursement of funds that are relatively long. Why? Because the borrower's the like bank must conduct a detailed survey first. In essence, the borrower needs the certainty of repayment of borrowed funds by guaranteeing your property such as cars, homes, businesses or others. For you who need big funds, can try borrowing with credits based on loans.

#### 4.2. Ministry of SMES Program

The government has actually prepared a special program for SMES actors. Of course, the Government paid attention to SMES to avoid the business of the employers' debts. We already know that bank interest is high enough for those who just want to start their business.

#### 4.3. Example of Relief of Business Capital K 85 Construction Partners Thank Rp2, 27 M

The seriousness of Kaltim fertilizer on the development of small and medium-sized industries in East Kalimantan was again shown through disbursements of working capital loans for 85 Partners in Bontang, Kutai Timur and Kutai Kartanegara period from September – October 2018. This time the Kaltim fertilizer allocated a revolving fund loan worth Rp2, 27 M, marked the handover of the news of the capital loan from the Manager of CSR Kaltim Dwi Pudyasmoro Fertilizer to the representatives of the MBE partner. Witnessed commercial director of fertilizer Kaltim Gatoet Gembiro Noegroho and head of the Department of Small Business Cooperatives and trade (Diskop UKMP) Bontang Asdar Ibrahim, in the Meranti room of Pupuk Kaltim headquarters on 6 November 2018.

Through the help of working capital, Pupuk Kaltim encourages the development of SMES and other creative industries to be more advanced and competitive, and able to impact on the improvement of the welfare of small and medium enterprises in East Kalimantan. 'Several business sectors of the partner's target partners consist of agriculture, oil palm plantations, fisheries, trade and industry, Pupuk Kaltim not only disburses capital, but also various coaching and mentoring for business people who Incorporated into the target partners, so that every sector of business is able to grow and develop, thus achieving the expected target.

As well as related productivity, Pupuk Kaltim also conducts periodic evaluation every three months, by directly visiting each of the beneficiaries of business capital assistance partners, mainly see the productivity level of post-target partners receive capital assistance. 'Pupuk Kaltim wants the working capital that is given to encourage the development of the target partner business. Hence mentoring and coaching are also gradually given, ' . Working capital assistance for the target partners also forms the contribution of the Kaltim fertilizer to countries, regions and communities. Especially for SMES who have difficulty gaining access to capital, and have no guarantee in accordance with the requirements of financial and banking institutions. The help of working capital for SMES is able to encourage economic empowerment of the people through partnership that implemented consistently and continuously. Community empowerment for more advanced, so as to sustain the economy and welfare of the coaching that has been running.

#### 4.4. Love the Little Warung in the Roadside

Around we often found many small stalls scattered on the roadside or around the housing. Musually Small stalls sell a variety of daily necessities. From boiled noodles, coffee, milk, sweet tea, cigarettes, and other snacks. A grocery stall that is usually identical to this wagon is often a favorite hangout for students, Ojeg, and or Angkot drivers, that's why there are so many stalls like that open up to 24 hours, Like the sorrow of having stalls by the roadside (grocery)

##### 4.4.1. Favorite Place Ngutang

It is not only a bank that is used as a place of debt. Because almost all the coffee shops or grocery stalls on the roadside are often used as a place to favorite.

The most commonly-owed types of goods are usually cigarettes, coffee, or boiled noodles....

That's where it becomes a small business Warung trader. I have a capital Mending Kalo's pay smoothly. I often chat with the owners of coffee stalls and cigarettes. On average they complained about that. 'Yes, Kalo just owe Sih, Gak APA, but the pay also must be smooth dong let me capital' 'usually kalo billed instead of pay even owe again.... Even many are kalo owe cigarettes definitely to my warung. Buy instead to another Warung 'That's some phrases or commentary rants the owners of small stalls I have been chatting....

#### 4.5. One-Stop Arranging Prices

Many grocery stall owners or roadside coffee shops are sometimes still confused in determining how much the sale price is fitting. This is due in addition to many competitors but should also always voyeur prices of stalls next door. It sometimes likes to be all wrong. Kalo sold the omit customer's fear on the blur. Kalo is sold generosity.... The consumer behaviour in our country is sometimes still a lot of matter in the 500 to 1000 rupiah selish. Example: Warung A sells cigarettes Nganu brand for twenty-three thousand, while the stall next to twenty-three thousand five hundred rupiah. Well, usually people will choose the Warung B although the distance is a bit far from home. But that price difference in my opinion is something reasonable.

#### 4.6. Fear of Being Displaced

It feels like almost all the small stalls on the roadside consider the Kalo pp Satpol is 'enemies' together that should be crossed it happens more to the problem of order. It's about the sidewalk that is used for sales to stalls that sometimes sell liquor....

Every day they are afraid if suddenly there is a flight to the displacement done by the Satpol PP

#### 4.7. Response to Business Capital Assistance

For small traders business capital assistance is very important, this is due to the business capital of small traders will be able to increase their business capital so that they will have the stock of goods to be sold back, so they can get profit, but In reality a lot of small traders when obtaining work capital assistance is not used to increase its business

capital, but used for the needs such as home improvement costs, education costs for their children, medical expenses, etc. The result of such behaviour is a lot of assistance for business capital is not on target because its use in one use,

According to the researchers should the assistance provided needs to be packaged and managed proportionally, meaning that the Government in providing assistance should sanction the trader who abuses the aid, say the merchant who Not to use such assistance shall return all the value of such assistance to the Government, so as to provide a deterrent effect to the perpetrator, other than that the assistance provided is to be followed and monitored the aspect of the user, Mentoring and coaching sustainably.

In general, the activities of various communities such as in the city of Makassar, many people have a basic work also has a side job, among them there are professionals, lecturers, government employees, office employees, they also have Sampngan business such as opening a shop that sells basic necessities, although the benefits are not large but a little more increase in public income, while also strengthening the Pereconomian family, on the other hand there are certain people who do not have a side business, so that all household needs are very dependent on the main work in the embankment, the government in this case can choose and sort out who will be assisted, in the context of the community in Indonesia is still Our communities who are pleased to get assistance from both government and private parties.

## 5. Conclusion

Assistance of working capital given by the Government has not been able to change our community self-reliance pattern, this is due to the supervision aspect has not been optimally run, besides the assistance given to be accompanied by coaching and direction other than That assistance needs to be accounted for by beneficiaries so that the purpose of working capital can be used accordingly.

## 6. References

- i. Ardianto, Tejo, Barnabas. 2014,. Source of funding in Smes in the village Parakan Wetan Temanggung, thesis Program S1 Economics Faculty of Satya Wacana Christian University (revered)
- ii. Rianto. 1995. Corporate Learning Fundamentals. Yoyakarta: Foundation of the agency of Gadjah Mada
- iii. Dahlan is a siamat. 2004. Financial Institution management. Institute of Economics Faculty publisher University of Indonesia
- iv. Departemen Koperasi dan UMKM Indonesia [www.depkop.go.id](http://www.depkop.go.id)
- v. Firdaus, Rahmat, 2004. Manajemen Perkreditan Bank Umum. Bandung: Alfabeta. Kamus Besar Bahasa Indonesia. [Online]. Tersedia di: <http://kbbi.web.id/>. Diakses 5 Oktober 2016.
- vi. James, DKK (2009) Introduction to Indonesia's adaptation accounting. Salemba Empat, Jakarta
- vii. Keown, DKK (2008). Financial management. Tenth edition. Indices, Indonesia
- viii. Madjoko, 2015, SME House – House of SME, Semarang-Kadin Central Java
- ix. Manullang. 2005. Pengantar Menejemen Keuangan. Jokjakarta: Andi
- x. Munizu, Musran. 2010. Journal of Management and Kewirausahaan. [www.Idci.dikti.go.id](http://www.Idci.dikti.go.id) Purwaningsih, Ratna and Kusuma, Damar, Pajar, 2015, analysis of factors affecting the performance of small and medium enterprises with Metode Structural Equation Modeling, Journal of Industrial Engineering Faculty, university Diponegoro
- xi. Riyanto, Bambang. 2010. Company spending Basics, ed. 4, BPFYOGYAKARTA.
- xii. Satori Djam'an, Komariah Aan. 2013. Qualitative research methods. Bandung: Alfabet
- xiii. Syamsuddin, Lukman. 2007. Corporate Finance Management. Jakarta: PT Raja Grafindo