MICRO, SMALL AND MEDIUM ENTERPRISES PERFORMANCE BEFORE AND AFTER RECEIVING CREDITS

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Abstract

Micro Small and Medium Enterprises (SMEs) is an private business that has an important role in the economic growth of rural people. As an economic stimulus, SMEs gives a high support to Indonesia's economic. All aspects of economic development that need special attention especially in the sector of SMEs, because SMEs can improve the economy and welfare, especially small communities whose economies are still weak. The problems and barriers of the SMEs development is the limitation of capital which used to manage its business. One effort that can be done by SMEs to overcome these problems is to obtain working capital credit loans from Lembaga Perkreditan Desa (LPD). This aim of this study is to determine whether there are differences performance of Small and Medium Enterprises (SMEs) before and after receiving working capital credit from Lembaga Perkreditan Desa (LPD) Pekraman Desa Batuyang. Sampling method in this research is using simple random sampling technique by using slovin formula which result 76 SMEs as the research sampling. Research data analyzed by wilcoxon signed rank test method. The results of this study indicate that there are differences in the performance of SMEs before and after receiving working capital credit measured from the level of sales turnover, profitability, liquidity and leverage. This results indicate that SMEs can utilize the capital which came from debt efficiently, so the SMEs performance will increased which shown by the increased of sales omzet and profitability.

Keywords

SMEs, Sales Turnover, Profitability, Liquidity, Leverage.

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1. Introduction

Micro, Small and Medium Enterprises (SMEs) have a very important role in development and economic growth in Indonesia. SMEs can be defined as a form of business that has a small capital, limited human resources and little knowledge about the economy. Capital ownership is still relatively low and very difficult to get capital from third parties makes the SMEs having a difficultity to develop their business. With the existence of capital problems faced by SMEs, it is necessary a financial institution that is able to collect and channeling funds from society to society to sustain the economy of rural communities. One of the rural financial institutions in Bali is the LPD. LPD is a rural institution that is able to support the capital of rural MSEs. One of LPD in Bali is LPD Pekraman Batuyang Village. Based on the description above background can be seen that LPD always facilitate the financing needed by SMEs in developing the business so that SMEs will be able to increase their business. Based on this situation, researchers are motivated to examine the progress of SMEs performance before and after the provision of working capital credit in terms of sales turnover, profitability, liquidity and leverage. Sales are measured by total sales, profitability with return on assets, liquidity with current asset and leverage with debt to equity ratio.

2. Material and methods

2.1. Micro small and Medium Enterprises

The definition of MSME in accordance with Law number 20 of 2008 as follows:
1. Micro Enterprise is productive business owned by individual and / or individual business entity fulfilling the criteria of Micro Enterprises as regulated in this Law. The micro business criteria are as follows:
   a) Have a net worth of at most Rp. 50,000,000.00 excluding land and building of business premises
   b) Have annual sales of at most Rp. 300,000,000.00
2. A small business is a stand-alone productive economic enterprise, carried out by an individual or a business entity which is neither a subsidiary nor a branch of a company owned, controlled or constituted either directly or indirectly by a Medium Enterprise or a Large Enterprise that meets the criteria Small business as referred to in this Law. The criteria for small business are as follows:
   a. Have a net worth of more than Rp. 50,000,000.00 (fifty million rupiah) up to a maximum of Rp. 500,000,000.00 excluding land and building of business premises.
   b. Has annual sales of more than Rp. 300,000,000.00 (tigas hundred million rupiah) up to a maximum of Rp. 2.500.000.000,00
3. Medium Enterprise is a productive economic enterprise, conducted by an individual or business entity which is not a subsidiary or a branch of a company owned, controlled or becomes part directly or indirectly with a Small or Large Business with

a net worth amount or annual sales proceeds as provided in this Law. Medium business criteria are as follows:

a) Have a net worth of more than Rp. 500,000,000.00 up to a maximum of Rp. 10,000,000,000.00 excluding land and building of business premises

b) Has annual sales of more than 2,500,000,000.00 up to a maximum of Rp. 50,000,000,000.00

2.2. Village Credit Institution (LPD)

Based on Regional Regulation No. 1 Bali No. 2 year 1998 states that "Lembaga Perkreditan Desa (LPD) is a financial institution that mediates in the process of collection and circulation of money, as well as sources of development finance in the area of traditional villages in Bali. As for the function of LPD in accordance with Perda on Level 1 Bali Number 2 Year 1988 mentions in article 3 that:

1. LPD is one of the village institutions which is an operational unit and function as a container of village wealth in the form of money or other securities.

2. The utilization of LPD is directed to efforts to improve the living standard of the village manners to support development.

Furthermore, in accordance with Perda No. 1 of Bali Number 2 Year 1988 mentioned in article 4 that the purpose of LPD established is:

1) Encouraging community economic development through targeted savings and effective working capital.

2) Eradicate ijon, dark pledge and others that can be equated with it, in the countryside.

3) Creating equity and employment opportunities for villagers and rural workers.

4) Increase purchasing power and cross payment, and money circulation in the village

2.3. SMEs Sales Turnover Before and After Receiving Working Capital Loan

Sales turnover is the amount of revenue earned from the sale of goods or services. According to Resqi (2014) sales turnover is the total amount of sales of goods / services within a certain period, which is calculated based on the amount of money earned. With the increase in working capital through credit receipts, the SMEs will be able to produce more goods and services that will increase the number of sales. Working capital obtained from the receipt of credit is one of the supporting factors in the increase of sales turnover. Research conducted by Resqi (2014), stated that there are differences of SMEs performance before and after getting credit from financial institution, in terms of the

sales , and research conducted by Sofwan (2012), stated that the People's Business Credit (KUR) sales turnover of Micro Small and Medium Enterprises (SMEs).

2.4. Profitability of SMEs Before and After Receiving Working Capital Loan

Profitability ratio is the ratio to assess the ability of firms in the search for profit. This ratio also provides a measure of the effectiveness of a company's management level (Cashmere, 2014: 210). This is seen from the profits generated from sales and investment income. The greater this ratio the better because the asset will turn faster and able to provide profit to company. A higher profit turnover will indicate that the company has a good performance, because profit is a measure of the performance of a company, the higher the profits achieved by the company, reflects the better the company's performance. With the increase in working capital from credit receipts, current assets in the form of cash increases, so that SMEs can maintain more operational activities to obtain higher profits. Good SMEs performance can be seen from the increase in profit or revenue from each period. Ariyati (2016) stated that there are differences of SMEs performance before and after receiving credit from LPD Munggu which is measured from Profitability level. Putri and Iman (2014), stated that SMEs which is financed by PT. Bank Rakyat Indonesia have a differences financial performance measured by current ratio, net profit margin, Debt to Equity Ratio and total assets turn over.

2.5. MSME Liquidity Before and After Receiving Credit Work Capital

Liquidity Ratio is a useful ratio to know the company's ability to finance and meet obligations / debts when its due (Cashmere, 2014: 145). This is shown by how much current assets are available to cover short-term liabilities that have a short due date. With the increase in working capital through credit receipts will add to current assets in the form of cash, so as to be able to cover or cover short term debts owned by SMEs. A company has a good liquidation if the company is able to meet its financial obligations which have a short due date. Ariyati (2016) states that there are differences in financial performance SMEs before and after receiving credit from LPD Munggu measured by the Liquidity ratio. Srilambang and Mas'ud (2014) states that there are differences in financial performance of SMEs before and after receiving credit facilities banking, which is measured by current ratio.

2.6. MSME Leverage Before and After Receiving Working Capital Loan

Solvency or leverage ratio is the ratio used to measure the extent of assets financed by debt. In other definition, the solvency ratio is used to measure the ability of the company to finance all its obligations, both short and long term if the company is compared (Cashmere, 2014: 165). High leverage value indicates the company has large debt so it requires large capital also to pay the debt. For the greater the ratio the company will get better. A company is said to be solvable if the company has enough assets or wealth to pay off all its debts. With the receipt of credit then the amount of liabilities will increase so that the amount of assets financed by debt increases. Ariyati (2016) states that there are differences in financial performance of SMEs before and after receiving credit from LPD Munggu measured by debt to equity ratio. Srilambang and Mas'ud (2014) states that there are differences in financial performance of SMEs before and after receiving credit , which is measured by debt to equity ratio.

This research was conducted in 76 SMEs in Batuyang Village. Batuyang Village is one of the villages where most of the community works as craftsmen and traders. The population in this study is the perpetrators of SMEs in Batuyang Village which is 321 people who get working capital credit. By using slovin formula hence obtained amount of sample as 76 by using simple random sampling.

3.   Results and Discussion

Table 1. Characteristics of Respondents

Gender			
No	Information	amount	Percentage
1	Male	24	32%
2	Female	52	68%
	amount	76	100%
Bidang Usaha			
No	Information	amount	Percentage
1	Merchants	42	55%
2	Craftsmen	16	21%
3	Services	18	24%
	amount	76	100%

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		N	Mean Rank	Sum of Rank
Sales after-Sales before	Negative Ranks	0[a]	.00	.00
	Positive Ranks	228[b]	114.500	26106.00
	Ties	0[c]		
	Total	228		
ROA after - ROA before	Negative Ranks	18[d]	41.31.00	743.50
	Positive Ranks	210[e]	120.771	25362.50
	Ties	0[f]		
	Total	228		
CR after -CR before	Negative Ranks	14[g]	14.21	199.00
	Positive Ranks	213[h]	120.56.00	25679.00
	Ties	1[i]		
	Total	228		
Leverage after-Leverage before	Negative Ranks	12[j]	39.33.00	472.00
	Positive Ranks	216[k]	118.68	25634.00
	Ties	0[l]		
	Total	228		

Table 2. Wilcoxon Signed Ranks Test

	Sales after – Sales before	ROA after - ROA before	CR after - CR before	Leverage after - Leverage before
Z	-13.093[a]	-12.345[a]	-12.861[a]	-12.681[a]
Asymp. Sig. (2-tailed)	.000	.000	.000	.000

a. Based on negative ranks
b. Wilcoxon Signed Ranks Test

3.1. *SMEs Sales Turnover Before and After Receiving Working Capital Credit from LPD Desa Pakraman Batuyang*

From the Wilcoxon Signed Renk Test test results showed the value of z arithmetic of 13,093, with significant value of sales turnover before and after 0.000 <0.05. This means that there are differences in sales turnover of SMEs before and after receiving working capital credit. The first hypothesis states that there is a difference of sales turnover of SMEs before and after receiving working capital credit is accepted. Sales turnover represents revenue from sales of goods or services from a company, an increase in sales from SMEs after receiving working capital credit indicates that the credit received can be

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managed efficiently so that SMEs is able to increase the amount of sales turnover. The results of this study are in line with research conducted by Resqi (2014) and Sofwan (2012) stating that there are differences in the number of sales turnover of SMEs before and after receiving credit.

3.2. *SMEs Profitability Before and After Receiving Working Capital Loan*

From Wilcoxon Signed Renk Test test result shows z value counted 12,345, with significant value of ROA before and after 0.000 <0,05. This means that there is a difference of SMEs profitability before and after receiving working capital credit as measured by ROA. The second hypothesis that there is difference in profitability of SMEs before and after receiving working capital credit is accepted. Return On Asset is used to measure the ability of a company to generate profits through all the SMEs can be managed effectively, therefore the ability of SMEs to generate profits after receiving credit will increase. The results of this study are in line with the results of research conducted by Ariyati (2016), Srilambang and Mas'ud (2014) stating that there are differences in profitability of SMEs before and after receiving credit measured using ROA.

3.3. SMEs *Liquidity Before and After Receiving Working Capital Loan*

From Wilcoxon Signed Renk Test result shows z value counted 12,861, with significant value of Current Asset before and after 0.000 <0,05. This means that there is a difference of SMEs liquidity before and after receiving working capital credit measured using current assets. The third hypothesis states that there is a difference of SMEs liquidity before and after receiving working capital credit is accepted. The increase in the value of the ratio that occurs due to the increase in current assets due to cash receipt from the credit received. With the increase in current assets in the form of cash, SMEs can finance more in increasing their business so that the credit received can provide more benefits in developing the business of SMEs. The results of this study are in line with the results of research conducted by Ariyati (2016), Srilambang and Mas'ud (2014) stating that there is a difference of MSME liquidity before and after receiving credit as measured by current asset ratio.

3.4. *SMEs Leverage Before and After Receiving Working Capital Loan*

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From Wilcoxon Signed Renk Test test results show the value of z arithmetic of 12,681, with significant value before and after Leverage of 0.000 <0.05. This means that there are differences in MSME leverage before and after receiving working capital credit as measured by debt to equity ratio. Fourth hypothesis that there is difference of leverage of SMEs before and after receiving working capital credit is accepted. With the high debt to equity ratio shows SMEs has large debts that require large capital also to cover the debt. If SMEs have a high debt but in the other hand SMEs have a enough wealth to repay the debt, then it indicate SMEs is still in good performance. A company is solvable if the company has sufficient wealth to cover all company debt. The results of this study are in line with the results of research conducted by Ariyati (2016), Srilambang and Mas'ud (2014) which stated that there are differences in SMEs Leverage before and after receiving credit as measured by debt to equity ratio.

4. Conclusion

This study aims to test and obtain evidence empirically whether there are differences in performance of SMEs before and after receiving working capital credit from LPD Pekraman Batuyang. Based on descriptive analysis and hypothesis testing using Wilcoxon Signed Renk Test using four indicators to measure the performance of SMEs ie sales turnover, ROA, Current Asset and Debt to Equity Ratio that have been tested and obtained the following conclusions:

1). Sales turnover has averagely increased after receiving working capital credit from LPD Pekraman Batuyang Village. This means that SMEs are able to utilize the capital which efficiently, so that the performance of SMEs has increased visible from the increase in sales turnover. From the different test results it can be seen that there are differences in the performance of MSME before and after receiving working capital credit from LPD Pekraman Batuyang Village seen from the increase of sales turnover, therefore it can be concluded that the first hypothesis (H1) which states that there is difference of sales turnover of SMEs before and after receiving working capital loans is accepted.

2). Return On Asset SMEs experienced an averagely increase after receiving working capital credit from LPD Desa Pekraman Batuyang. This shows that SMEs are able to manage credit efficiently, so the profit generated by SMEs has increased. From the different test results it can be seen that there are differences in the performance of MSME before and after receiving working capital credit from LPD Pekraman Batu Village seen from profitability ratios as measured by ROA, therefore it can be concluded that the second

hypothesis (H2) which state there is a difference of profitability SMEs before and after receiving working capital loans is accepted.

3). Current Asset has averagely increase after receiving working capital credit. This is due to the increase in current assets due to cash receipt from the credit received. With the increase in current assets in the form of cash, SMEs are able to finance more in increasing their business so that the credit received can provide more benefits in developing the business of SMEs. From the different test results it can be seen that there are differences in the performance of SMEs before and after receiving working capital credit from LPD Pekraman Batu Village which seen from the liquidity ratio measured by current asset value, therefore it can be concluded that the third hypothesis (H3) which state that there is difference in SMEs Liquidity before and after receiving credit from LPD Batuyang is accepted

4). Leverage experiences an increase in average after receiving working capital credit. This is because SMEs have large debts that also require large capital to cover the debt. A company is solvable if the company has sufficient wealth to cover all debts. From the test results can be seen that there are differences in the performance of SMEs before and after receiving working capital credit from LPD Pekraman Batu Village seen from the leverage ratio measured by the value of debt to equity ratio, therefore it can be concluded that the fourth hypothesis (H4) the difference of MSME leverage before and after receiving working capital credit is accepted

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