

## Understanding Capital Sources For MSMEs In Gresik

**Anita Handayani**

Universitas Negeri Malang, Indonesia

Corresponding author; anita.handayani.2204139@students.um.ac.id

### ABSTRACT

Apart from having an important role in the nation's economy, MSMEs also have classic problems, namely related to capital. The source of capital is always a problem because MSMEs have limitations in reaching access to capital, but without realizing that there is a meaning of capital that is not interpreted by these MSMEs so that this study aims to analyse the meaning of capital sources from MSMEs in Gresik with a qualitative approach. The results showed that in running their business, many MSMEs use their own capital. Own capital is chosen because it is easier and does not pose a risk in the future and avoids formal debt because they understand the risks with formal debt when income is down, but MSME players use debt in the form of raw materials that can be used first to run a business. The meaning of this debt is what MSMEs do not realize that basically they use debt as capital in running their business.

### Keywords:

Internal Source capital, External Sources Capital, Debt, MSMEs

### INTRODUCTION

MSMEs can be defined as a business managed by entrepreneurs on a small scale, as well as small capital, but has a large contribution as one of the pillars of the Indonesian economy. However, MSMEs also suffered a severe blow with the Covid-19 that had hit Indonesia from 2020. Which had a tremendous impact on Indonesia. Wren and Lewis (2020) found a trend that the Covid-19 pandemic is not only detrimental to the health side, this virus even affects the economies of countries around the world, including Indonesia. The COVID-19 pandemic can also be used as a correction so that investment can stabilize even though the global economy is under threat (Nasution et al., 2020).

In East Java alone, economic performance in 2020 contracted by 2.39 percent, this achievement was lower than in 2019 which amounted to 5.52 percent (<https://www.dpr.go.id/>). The Annual IMK Survey that has been conducted in 2021 records the number of IMK in East Java as 762,015 businesses. Meanwhile, Gresik Regency in 2021 the number of IMK businesses reached 14,913 businesses. The number of IMK businesses in Gresik Regency reaches around 2 percent of all IMK in East Java (BPS Gresik Regency, 2021). However, according to Nuari (2017), SMEs are a sector that was able to survive the economic crisis that occurred in 1998, while the larger sector was hit by the crisis.

From the number of MSMEs mentioned above, these MSMEs are spread into various types of MSMEs in Gresik. The MSME sectors that have been shaken during the Covid-19 pandemic, apart from food and beverages, are the creative and agricultural industries (Amri, 2020). In Gresik district, the impact of the COVID-19 pandemic is very clearly felt by MSMEs in the pilgrimage sites of the guardians in

Gresik, because many of the MSMEs depend on income from visitors to these tourist sites. The decrease in the number of visitors has an impact on the decrease in the amount of production of goods sold at these religious tourism sites. This decrease in the amount of production can be caused by a decrease in the amount of revenue so that it has an impact on reducing the capital of these MSMEs, where this business capital is used as working capital for MSMEs the next day. According to Cashmere (2019: 250) Working capital is related to the capital used to carry out the company's operating activities. Working capital here can be interpreted as a form of investment invested in current assets or short-term assets (eg cash, receivables, banks, securities, inventory).

It is common knowledge that MSMEs, apart from having an important role in the economy, also have classic problems, namely related to capital, where they have less literacy related to sources of capital that can be used, this can be caused by the relatively narrow market share of MSMEs themselves. This classic problem is still a problem that is always experienced by MSMEs. However, MSMEs can increase foreign exchange, because MSMEs not only market their products or services nationally but also internationally ([www.kompas.id](http://www.kompas.id)). There are actually things that have been done, for example, from the government itself providing the name KUR (Kredit Usaha Rakyat) to borrow capital with fairly light interest and various banks have competed to provide low interest programs. However, in terms of financial management, MSME actors record everything simply, only limited to income and expenses. MSMEs think that having debt is something that has a high risk, so MSME owners prefer to use the existing capital as much as possible rather than borrowing funds from banks or non-bank financial institutions. So from this it is necessary to explore in depth related to the meaning of the source of capital for MSMEs from the businesses they run.

According to Law No. 8/2008, Micro Businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Businesses as stipulated in this Law. The business criteria according to this law are as follows: Micro Enterprises with (assets) owned a maximum of fifty million rupiah and with a maximum turnover of three hundred million rupiah, Small Enterprises have assets of more than fifty to five hundred million rupiah, and with a turnover of more than three hundred million rupia up to two and a half billion rupiah, Medium Enterprises with assets of more than five hundred million rupiah up to ten billion rupiah, and with a turnover of more than two and a half billion up to fifty billion rupiah. Capital is a wealth owned by business owners both in the form of goods and money in order to obtain future profits. This capital is used by business owners to run their business so that their business can develop (Istinganah, 2019) (Nabawi, 2022). Capital is a business factor that must be available before carrying out activities. The size of the capital will affect business development in achieving revenue.

Capital sources can be obtained from internal capital sources and external capital. Internal capital can be called own capital, own capital is capital that can be obtained from within the company, usually this own capital comes from the profits earned from the business being carried out. As for external capital is capital obtained from outside the company, capital that can be categorized as external capital is capital obtained from other parties, for example, it can be obtained from banks or the like. Capital in the sustainability of a business is not only related to economic capital (funds or money) but also from other capital, such as cultural capital, social capital, economic

capital, and symbolic capital according to Pierre Bourdieu's perspective. For MSMEs, the capital obtained in the stage of starting and developing a business will be expanded to reach the next capital that can be used to maintain their business. However, in the minds of MSMEs, capital is only capital in the form of funds or money, because the literacy they have is inadequate. With additional capital, it is hoped that a business can increase its capacity and quality, but if it uses debt, there will be obligations that must be incurred as a consequence of using the debt. Debt can be obtained from informal and formal sources, if formal is usually from the banking world, while informal debt is usually from institutions that lack credibility for their quality, but with easy requirements or even no requirements, if using formal sources, there are many requirements that must be met and sometimes MSMEs themselves are reluctant to use funding sources in the form of formal debt. This is because the resources owned by MSMEs are also very limited, because usually these MSMEs are still small in scale.

### METHOD

The type of research used in this study is qualitative research. Qualitative research relates to a type of research that produces findings that cannot be achieved (obtained) using statistical procedures or other ways through the measurement process (Moleong, 2021). This type of research approach is used is the experience of researchers where this method can be used to find and understand something hidden behind phenomena which are sometimes difficult to understand satisfactorily (Barlian, 2018). This research uses informants of MSME actors in religious tourism locations in Gresik, using snowball sampling techniques. Snowball sampling is a technique for sampling data sources, which at first the number is small and gradually becomes large. by using interviews to obtain information. Interviews were conducted with MSME actors, but the informants were not willing to be named so they used initials in this study (Sugiyono, 2016: 270). The analysis technique used uses an interactive model proposed by Miles and Huberman (1984), including: Data collection, data reduction, data display, conclusion or verification, then for data validity using membercheck (Sugiyono, 2016: 467). The meaning of membercheck is a process of checking the data obtained by the researcher to the data provider to find out how far the data obtained is in accordance with what the data provider provides.

### RESULTS AND DISCUSSION

The informants used in this study used 4 sources who are owners of MSMEs in religious tourism locations in Gresik, but in this study the names of the informants were disguised because to maintain the data of the informants, the informants included BMR (owner and seller of snack MSMEs), BSM (owner and seller of food MSMEs), BFZ (owner and seller of snack MSMEs), BAC (owner and seller of snack MSMEs). Based on the results of interviews with the sources mentioned, most of the capital used comes from their own capital. In theory, the source of capital that comes from own capital must be very limited. This is also in accordance with Pecking Order Theory that the order of use of funds is to use funds originating from own capital.

The results of the interview related to the question about the source of capital, the answer is "business capital yes use your own money". These informants capitalize on their business with their capital and then produce a product, but for the sale of products, some are sold directly and some are sold to other traders, but the traders are not paid in full immediately, usually only paid half first, the rest waiting if the goods

are sold for a certain duration of time. From this, it can be seen that the capital used cannot be fully returned, so this is what makes the working capital turnover somewhat disrupted when entering the next production. If it is related to the above problems, MSMEs can use external funds, namely using debt to cover existing capital shortages.

The results of interviews related to debt as a source of capital were "I am afraid of debt, afraid that I cannot pay because of uncertain sales". However, based on the results of interviews with MSMEs above, MSME owners are reluctant to use external sources of capital in the form of debt, where this debt can be obtained from banks, BPRs or cooperatives, this is due to the consequences of debt, namely fixed obligations that must be paid while the income obtained is uncertain or can be said to have a small income so that this is feared to make it difficult for MSMEs to fulfill these obligations, so that MSMEs stick to using their own capital. In addition, using formal external funding requires requirements that are not owned by MSMEs, for example related to financial reports, financial reports are very complicated to provide because MSMEs themselves sometimes do not keep records related to their finances. When MSMEs need funds, they prefer to borrow funds from their closest family or sell goods that have value and can be converted into money to increase the capital they can use to continue their business. However, this does not need to happen if the products brought by other traders (which can be called receivables) can be returned in a short time, so it will not interfere with the funding activities of MSMEs, and can maintain business sustainability.

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In addition, these MSMEs themselves also get convenience in terms of raw materials, namely MSMEs can buy raw materials first without using money, and can be paid at a later date. So actually the meaning of debt here is not interpreted as debt

like formal debt in banks, but rather debt for raw materials that they can use first to run their business. So basically it can be interpreted that these MSMEs also use debt.

## CONCLUSION

Based on the results of the research that has been done, several things can be raised, namely the relationship between debt and capital, receivables and capital, and receivables and cash. Debt and capital are interrelated because debt is one source of capital that can be used to run a business, although the meaning of debt here is not always related to formal debt. The relationship between receivables and capital is that when receivables can be returned in a short time it can help the turnover of business capital to be able to continue business continuity. The last relationship between receivables and cash, the longer the receivables have not returned, the longer the cash will be received, the cash received can be used to run the business.

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