

CHAPTER I

INTRODUCTION

1.1 Research Background

Small and Medium Enterprise (SMEs) nowadays have been growing not just nationally but also internationally (Child et al., 2017). According to World Bank, the formal SMEs have contributed 60% in the total employment and 40% in national income (GDP) in the emerging economies. With the impact of SME's on the emerging economies, governments needs to find ways to improve the ability of the SME's (Ndiaye, Abdul Razak, Nagayev, & Ng, 2018).

Lane and Williamson (2010) stated that SMEs can provide high numbers of employment, innovation, and entrepreneurial opportunities. It is important to know that SMEs has a very strong potential in building a Nation's economy. Instead SMEs tends to have limitation and acceptance barriers when it comes to adopting new technologies and new communication channels. But with the innovation of new ways to conduct marketing, there are plenty of opportunities that SMEs has to cover better ways of marketing and improve their marketing as a whole (Dahnil, Marzuki, Langgat, & Fabeil, 2014). But from the research conducted by Ioanid, Deselnicu, and Militaru (2018) with the availability of many optional ways of marketing, SMEs tends to keep doing the marketing privately.

The most common problem that SMEs facing is the access to the market. Therefore, the need for good marketing system is needed in the SMEs industry. One of the most important point that is very needed by the SMEs is the availability of market information. These information can be

considered as the products that have been produced, needs of the market, types of product, quality of the product, quantity needed, or specified category that customers are looking for (Chrismardani et al., 2014).

Many of the SMEs just started their business and many have been operating for quite some time. Therefore one of the recommended action for the SMEs are to conducting good marketing practice and ability of marketing as a whole. SMEs need to understand how to analyze the market opportunity, choosing the proper target market, and choosing the appropriate marketing practice for their type of business.

Company's marketing activities when done properly can give a good sales efforts for the company's present and future (Izvercian, Miclea, & Potra, 2016). From here, we can see that companies need to be concerned about their marketing activities in order to gain good possibilities in the increase sales for their business. By allocating financial resources correctly into maintaining the marketing activities, can give competitive advantage to the organization over their competitors.

By conducting good marketing, businesses can enhance their business performance (Wirtz, Tuzovic, & Kuppelwieser, 2014). In order for SMEs to have good marketing practice they need to have a positive attitudes towards the marketing.

This research will be using the term MSME instead of SME because some of the previous research references were conducted in a more developed country than Indonesia which make the term Small Medium Enterprise definition might differ from the definition in Indonesia.

The government of Indonesia tends to use the term MSME instead of SME and had made a specified definition for each of the specification of the businesses size such as the micro, small, and medium businesses. The term MSME and SME might differ in definition in different country.

The definition of small businesses in a developing country might be different than the definition of small business in developed country, whether it is the definition of the number of the assets of the business, number of employees, or numbers of annual sales of the business. This is the reason why this research will be using the term MSMEs in order to define the business correctly according to the condition where the research takes place.

Due to the high number of the micro businesses, makes the micro industry has their own specification. Indonesia specified their MSMEs regarding their total asset and annual revenue. From the Undang-Undang No. 20/2008 stated that micro sized businesses are classified to have maximum IDR 50 million of total assets and have maximum annual sales of IDR 300 million, for small business they need to have total assets from IDR 50 million up to IDR 500 million and annual sales of IDR 300 million up to IDR 2.5 billion, and for medium sized businesses they need to have requirement of minimum total assets of IDR 500 million and maximum total assets of IDR 10 billion while the annual sales needed to have minimum of IDR 2.5 billion and maximum annual sales of IDR 50 billion.

MSMEs has become one of the most factor that helps in the improvement of Indonesian economic and social condition (Hamdani & Wirawan, 2012). In Indonesia there are high number of micro businesses. These micro businesses are one of several parties who play the major role in developing the country's economy and are more populated than the small and medium enterprises. The development of the MSME's in Indonesia would provide the country stable and sustainable long-term economic growth (Hamdani & Wirawan, 2012) due to their ability to decrease the number of unemployment and increase the GDP of the country. Indonesia MSMEs also can use the help of Universities, local governments, and nonprofit research center to improve their knowledge on many aspects of business. But Indonesian MSMEs have limitations to information

that can help them in innovating new ideas. This is the major drawback why MSMEs in Indonesia cannot develop as much as other country's MSMEs, have low capacity to absorb new knowledge, lack of background education, and lack of market knowledge.

The aim of this paper is to gain a deeper understanding of how the concept of marketing is seen by MSMEs in Indonesia through their attitudes towards marketing and the variety of marketing practice in their business which could influence their marketing performance. It will be discussing on how the MSMEs sees the importance of marketing activities and how it could impact their marketing performance. The result will generate better understanding on how owners or manager of MSMEs sees marketing practices and influences it has on their marketing performance which could provide future improvements for the MSMEs especially in the Minangkabau food in West Sumatera.

1.2 Research Problems

1. How does attitudes towards marketing influence the marketing practice conducted in MSMEs in West Sumatra.
2. How does marketing practice influence marketing performance of MSMEs in West Sumatra.
3. How does attitudes towards marketing influence the marketing performance in MSMEs in West Sumatra.
4. How does attitudes towards marketing influence the marketing performance while mediated by marketing practice in MSMEs in West Sumatra.

1.3 Research Objective

The research is intended to analyze whether all possible weaknesses faced by MSMEs in West Sumatera are relevant to the reality. Clearly, it is:

1. To analyze the influence of attitudes towards marketing on the marketing practice.
2. To analyze the influence of marketing practice on the marketing performance.
3. To analyze the influence of attitudes towards marketing on the marketing performance.
4. To analyze the influence of attitudes towards marketing on the marketing performance while mediated by marketing practice.

1.4 Significance of Research

This research hopefully will give a significant contribution to:

1. Theoretical advantages

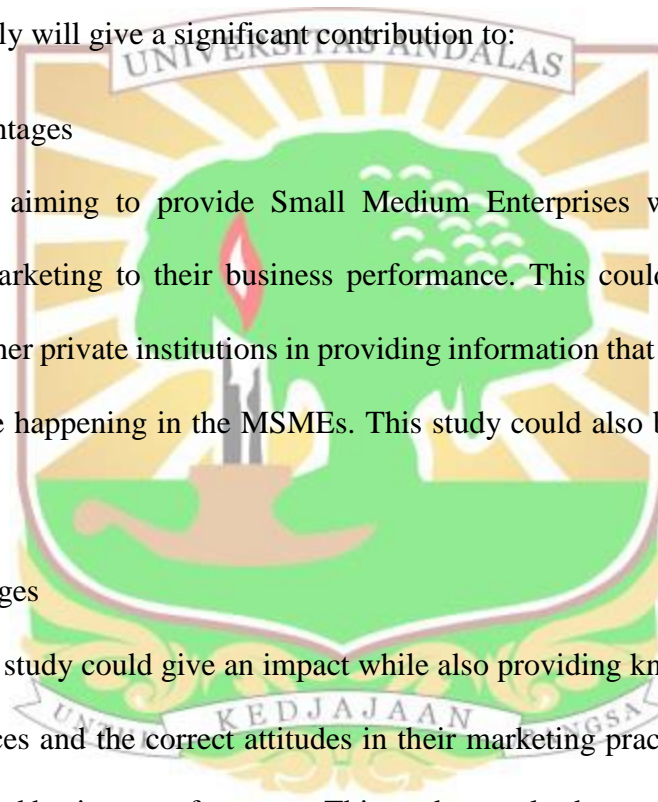
This research is aiming to provide Small Medium Enterprises with the information of importance of marketing to their business performance. This could also help government institution and other private institutions in providing information that is relevant to the current condition that are happening in the MSMEs. This study could also be undertaken for future research.

2. Practical advantages

The result of this study could give an impact while also providing knowledge concerning the marketing practices and the correct attitudes in their marketing practice in order to increase their marketing and business performance. This study can also be used by MSMEs to improve their marketing practices.

1.5 Research Scope

The scope of this research will be focusing on the three variables which are attitudes towards marketing, marketing practice, and marketing performance with respondents from Minangkabau food MSMEs in West Sumatra.



1.6 Research Organization

In order to analyze the problem stated above, it is very important to organize and divide the research into 5 chapters as follow:

Chapter 1 - Introduction

The first chapter of this study will illustrate the background of the problems, the problem statements, and the purpose of the study, the significance of the study, the research framework and the organization of the study.

Chapter II - Literature Review

The second chapter will support this study by using previous studies that are relevant to the topics raised in this study. The previous studies can also be used to support the hypothesis generation for this study.

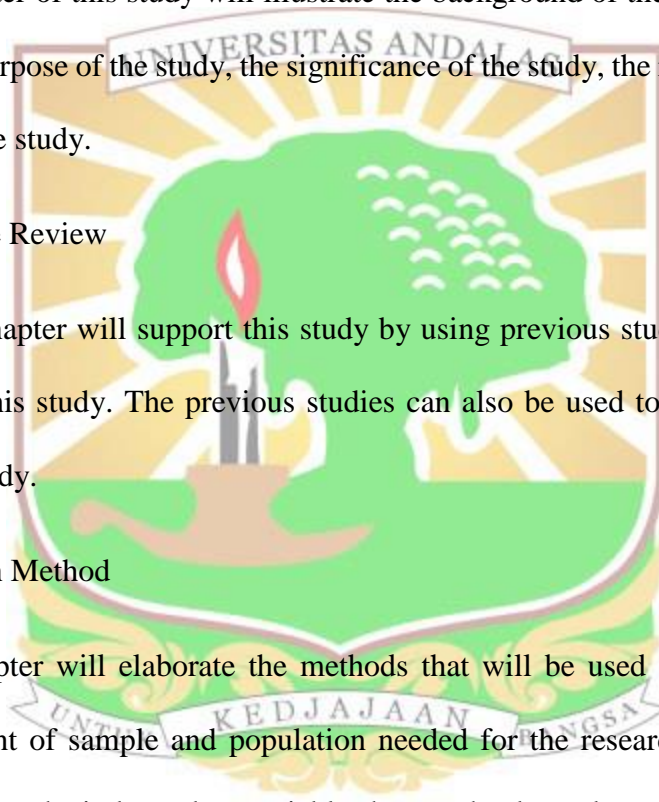
Chapter III - Research Method

The third chapter will elaborate the methods that will be used in the study while also identifying the amount of sample and population needed for the research which could help in generating the influence the independent variables has on the dependent variable.

Chapter IV - Analysis and Discussion

The fourth chapter contains the result of the analysis of the study, the characteristic of the respondent, and the descriptive analysis.

Chapter V - Conclusion and Suggestion



The fifth chapter will show the conclusion from the analysis and research that has already been conducted which could show the positive or negative influence between the variables. This chapter will also provide advices for future researches.

