

EMPOWERMENT MODEL FOR SMALL AND MEDIUM HANDICRAFTS AND THEIR IMPLICATIONS ON THE PERFORMANCE TO PRESERVE LOCAL CULTURE IN SEMARANG CITY

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ABSTRACT

The handicraft of Semarang City is one of Indonesia's cultural heritages which must be preserved by the local culture of Semarang. Recently, the Government of Semarang City has begun to develop the handicraft culture of Semarang city as Semarang's regional identity through the preservation program of *Semarang* handicraft. The aims of the study were to identify and analyze the business performance of the craftsmen in Semarang City based on the studies on the aspects of production, distribution, market, and information technology. The problem was the reduced number of the craftsmen that fluctuated each year. When conducting the research, the number of craftsmen was 33 craftsmen in Semarang City. The business performance analysis of handicraft in Semarang used the approach of SCP (structure-conduct-performance) started from the analysis of market structure, conduct analysis and performance analysis. The analysis results of SCP (structure-conduct-performance) shows that the market structure of handicraft businesses in Semarang City is an oligopoly market. The conduct analysis included the conduct elements of product price, product and market. In the handicraft price, the conduct indicates that 71 percent of the prices were determined by the craftsmen. From the element of handicraft products, it shows that 74 percent of the respondents chose to diversify handicraft products. In other hand, the market element as shown by marketing distribution shows that 63 percent of the craftsmen sold directly to end consumers, especially when the handicraft fairs were held, while 25 percent of them, before reaching consumers, were distributed through buyers (order owner). Twelve percent were distributed through handicraft traders and export. The Performance Analysis was seen from the element of handicraft businesses profitability, through Return/Cash ratio (R/C ratio) and ROA (Return on Assets). In the small scale of business, the mean of R/C ratio is 1.85 and the mean of ROA is 0.58. This shows that the handicraft businesses in Semarang City are still profitable and have good prospects for development in preserving Semarang's local culture.

Keywords: Performance, handicraft, SCP (Structure-Conduct-Performance)

INTRODUCTION

Semarang is well-known for the processing of fish products and batik. Semarang city actually has the potential of superior products in the form of unique and attractive handicrafts. Unfortunately, this potential has not been optimally exploited because of the difficulty in market access. The Chairman of the Association of the Creation of Handicraft Businesses in Semarang (ASOCSIP), Rukman S, said that a number of Semarang's handicrafts have not widely been known by public, particularly by domestic buyers and foreign tourists. Meanwhile, a variety of the products produced by Semarang people is equal with the other products that had already penetrated export markets. Various strategies had been carried out by the Government of Semarang City, Dekranasda, and FEDEP both physical and non-physical. They were less successful in increasing the OVOP of handicrafts in Semarang and to train the craftsmen. The efforts to alleviate the OVOP of the handicraft in Semarang as the production center that has been performed since 2010 have not indicated a significant development. There has been the Decree of the Mayor of Semarang, Central Java Province, No. 530/780/2014 on the Establishment of Industrial Cluster in Semarang City that set up 10 industrial clusters in Semarang City with the Forum of Economic Development and Employment Promotion (FEDEP).

In the study of Dyah Nirmala Arum Janie (2014) on "the Modeling of ATAUT (Unified Theory of Acceptance and Use of Technology) on the MSME of handicraft assisted by Bank Jateng". The analysis result shows that the facilitating conditions did not have a significant effect on the interest in the use of technology/information systems and there was not enough evidence to be accepted. The attitudes towards technology did not have a significant effect on the interest in the use of technology/information systems, the interest in the use of information technology had positive significant effect on the use of technology/information systems, and it shows quite sufficient evidence. The purpose to activate the OVOP of Semarang's handicrafts does not only preserve the national heritage, but also to bring

back the glory, to preserve local cultures, and the popularity of the handicrafts in Semarang City by the power of high-quality craftsmen who are able to compete in the national and international levels. The performance of Semarang's handicrafts is highly required to be maintained and improved.

The empowerment of handicrafts in Semarang City has not been made effectively and efficiently in which the empowerment of handicraft MSME is still focused on finding problems through handicraft workshops and training for new craftsmen. Then, after the training has been done, no new craftsmen continued the handicraft business, resulting in low productivity in handicraft businesses. Besides, the craftsmen in Semarang still have limited access to market information, market, business networking, and strategic business location. Craftsmen market their products mostly throughout Semarang, in less strategic locations, and this causes people in Semarang not very familiar with the local culture of Semarang. In the perspective of capital, the majority of craftsmen in Semarang face the same problem faced by many other micro, small and medium businesses. Small and medium enterprises are still using their own capital, which are only in a small amount. The association between production and business performance of the craftsmen that have not been performed continuously can cause inefficiency in the production and poor distribution channels.

With these explanations, it is necessary to conduct the analysis study of handicraft particularly in the empowerment of handicraft small and medium enterprises and its implications on the performance to preserve the local culture of Semarang. Besides, it is also important to determine some kind of policy to improve the performance of craftsmen in Semarang city and the welfare of the craftsmen in Semarang City, and the handicrafts in Semarang City can be on the same level with other handicraft that have been popular in Indonesia.

MATERIAL AND METHOD

Handicraft derived from the word handy is the art activities that emphasize the craftsmanship and functionality to process raw materials which are often found in the environment into the objects which are not only worth a life, but also have aesthetic value. Handicraft can "borrow" a lot of knowledge in the pure art such as sculpting or carving to produce products, but still with less concentration on emotional satisfaction as common, for example in painting and sculpture. Handicraft also more likely follows traditions rather than the inventions which are often found individually by an artist. It can be in the form of works of soil, stone, fabric, metal or wood.

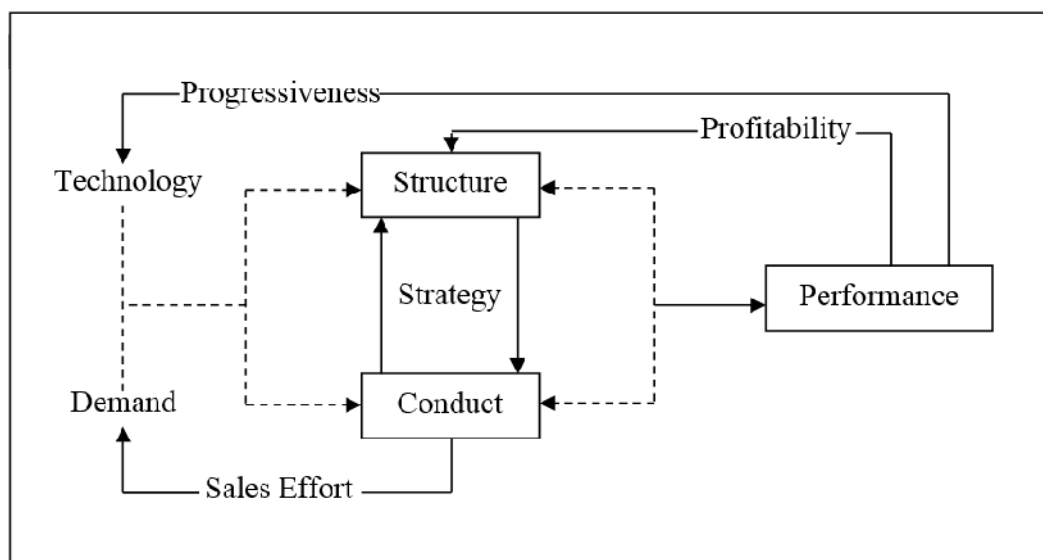
In Indonesia, most handicraft businesses consist of small and medium enterprises in which the existence of small and medium enterprises has become the support and hope of the majority of the people in Indonesia in combating and reducing poverty, unemployment, and inequality in income distribution. The SME problem is similar to that faced by the handicraft businesses in Semarang city. According to the Central Statistics Agency (BPS), the definition of Small and Medium Enterprises is based on the number of human labor. Small-scale business is a business entity that employs five to 19 workers, while medium-scale enterprise is an entity that employs 20 to 99 workers. The Ministry of Cooperatives and Small and Medium Enterprises of Indonesia states a different definition. The SME data is in accordance with Law no.20 of 2008. The criteria for SME in terms of assets and turnover are shown in Table 1.

Table 1. The Criteria of UMKM Based on Assets and Turnover

| No | Enterprise | According to Ministry of Cooperatives and Small and Medium Enterprise | | According to Law No 20 of 2008 | |
|----|-------------------|---|-------------|--------------------------------|---------------------------|
| | | Asset | Omzet | Asset | Omzet |
| 1 | Small Enterprise | < 200 Million | < 1 Billion | 50 Million – 500 Million | 300 Million – 2,5 Billion |
| 2 | Medium Enterprise | 200 Million – 10 Billion | | 500 Million – 10 Billion | 2,5 Billion – 50 Billion |

Source : Ministry of Cooperatives and Small and Medium Enterprise, Law no. 20 of 2008

The theory used in this research was the theory of Stephen Martin's Industrial Organization (1994) as a Grand Theory, which focuses on the relationship of SCP (Structure-Conduct-Performance). This theory was used because the theory is simple enough in assessing market relationship. It can explain that the phenomena occurred in the Handicraft SME in Semarang city is viewed from the theory of SCP (structure- conduct - performance) as shown in Figure 1.

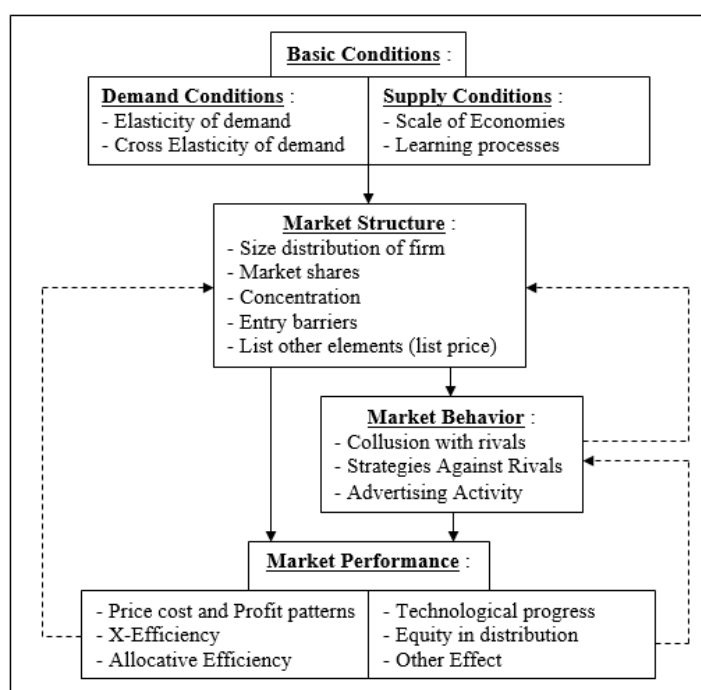


Source: Martin, 1994

Figure 1. The Interaction of Structure-Conduct-Performance in Market Framework

Figure 1 shows that market structure and conduct are affected by consumer/market demand and current technology conditions. Structure also has the effect on conduct, but conduct (especially the strategic one) also has the effect on market structure. This means that market structure and conduct interact together in determining the performance of craftsmenin Semarang. Furthermore, in an effort to boost sales as one element of market conduct, it provides the feedback and effect on market demand. Performance can give feedback to market structure and recent technology. Increased sales and internal advancement are the driving factor in technological innovation used, while the level of profitability/ profit determines the attractiveness of producers from entering the market and has a dynamic effect on market structure. It can be seen in Grand Martin's theory as a complementary and Sepherd's argument used as shown in Figure 2.

Figure 2 Industrial Organization: Performance Approach of Structure-Conduct-Market



Sumber : William G. Shepherd (1990)

Figure 2 shows that market structure can affect the performance of market effect. Good market effect performances include low price, efficiency, innovation, and justice. Basic market conditions represented by the elasticity of consumer demand can observe market structure; making elasticity is greater than demand and market structure has a tendency to be concentrated. More concentrated market structure can lead to a tendency of price stickiness, so it can have the impact on market behavior.

Figure 2. Industrial Organization: Performance Approach of Structure-Conduct-Market

The performance paradigm of structure-conduct-market depends on the behaviors of the buyer/consumer and the seller/craftsmen in Semarang (demand and supply). The behavior depends on the market structure influenced by the basic condition currently in which the basic conditions are those that will affect the performance of structure-conduct-market of those by getting it through the existing stages. The established market structure and market behavior will be affected much by market initial conditions in present. Market structure will affect the behaviors of consumers and producers, and conduct will also affect market structure. Market structure and market behavior collectively will affect market performance.

Furthermore, established market performance will affect market conditions. Then, market performance will affect external and internal market structure and conditions. Industrial performance can be measured by its market share or the amount of income/profit gained by a company in an industry. The elements of performance, according to Heither (2002), are: (1) profitability/profit, (2) the level of efficiency, (3) economic growth, (4) full employment, and (5) of equity/ own capital

This research was conducted in the handicraft SME in Semarang City located in several areas, such as South Semarang, East Semarang, Candisari, Ngaliyan, Pedurungan, North Semarang, Kalipancur, Tembalang, Gajah Mungkur and Banyumanik. The research samples in this study were 33 respondents from the handicrafts in Semarang City.

The methods and data used were based on the results of questionnaires and interviews to the informants and respondents of craftsmen. The questionnaires were used to collect the data on the description of the respondents and the respondents' performance that includes respondents' socio-economic aspects to get the data from the aspects of production, distribution and market demand. The aspects of production and distribution include market structure, market behavior, and market performance

Analysis of Performance and Its Implication on the Handicraft SME in Semarang

The data from the survey results were then collected by the researchers using questionnaires as the data collection tool and the craftsmen in Semarang City as the respondents. This analysis was used to analyze the performance of handicraft SMEs in Semarang City and the implications for preserving the local cultures of Semarang. The performance analysis of the handicraft SMEs in Semarang was explained by the relationship between the market structure, market behavior, and performance of the SMEs. This analysis started from the market structure of handicraft SMEs in Semarang in which the market structure consists of monopoly, oligopoly, monopolistic competition, or perfect competition. The market structure will affect the behavior of craftsmen in Semarang city so that it can affect the overall performance of handicraft industry.

RESULT AND DISCUSSION

The analysis of handicraft business performance in Semarang City and its implications in this study discussed the aspects of production business, distribution, and market absorption/demand. Using the approach of the SCP theory (Structure-Conduct-Performance), in which this analysis had the order of: (1) analyzing the market structure through the quantity of distribution supply chain; (2) analyzing the conduct through the conduct components of price and production strategy, and (3) measuring the performance through industrial profitability/profit.

STRUCTURE

Industrial structure is a reflection of the market structure within an industry. The market structure of handicraft reflects the level of competition in the handicraft industries in Semarang. Industrial market structure can be seen from the number of sellers/craftsmen. The size of company/craftsmen can be seen from the SME's total sales, total assets, or total employment compared to total handicraft industries, and it is called the concentration of handicraft market. Using the concentration ratio of N-firm, the market concentration of handicraft in Semarang shows the ratio (CR4) of 78%. This indicates an oligopoly market structure. Oligopoly market structure indicates a high level of concentration and low

number of production ratio. It is supported by the calculation of the Herfindahl Hirschman Index 2113. The value of Herfindahl Hirschman Index between 1000-2500 is considered as an oligopoly market (Hasibuan, 1993).

One of the obstacles in entering the market is the existence of large companies in the market. In looking at the number of entry barriers to an industry, the economies of scale is used. According Lipezynski (2005), economies of scale play a role in entry barriers, with a Minimum Efficient Scale (MES) which is relatively larger than the total industry or when companies in an industry operate at an average rate, the corporate expenses are lower than MES. Concerning the calculation of MES value, the handicraft industry in Semarang city is quite high at 45% in which the high value of the Minimum Efficient Scale (MES) ($> 10\%$) would be a barrier to new handicraft competitors from entering the handicraft market in Semarang.

CONDUCT

Market conduct is the presence of response and adjustment of industrial patterns in the market in order to achieve its objectives (Hasibuan, 1993). The indicators used in the study of empowerment model were price, market conduct and production strategy of the craftsmen.

At the conduct indicator of market prices, it shows that within the determinant of handicraft price, most respondents stated that the price of handicraft was 71% by the producer/craftsmen. This means that the craftsmen have the influence in determining the price of handicraft because of the conduct in determining the price of handicraft according to the pattern. The handicraft products made are the artistic products which are unique compared to other similar products. The more complex and beautiful designs in handicraft, the higher the price; especially the written handicraft which are the consumers' favorite with their level of uniqueness that has not been held in other places.

In the strategy indicator of Semarang's handicraft products, the research showed that the craftsmen in Semarang City had diversified their business by 74% (26 respondents). The diversification was performed on the grounds that such diversification can expand and develop handicraft businesses. The number of variations on the handicraft products means greater market so that each new product can provide better opportunities for handicraft market and expand the handicraft market. Diversification strategy can be more alternative products for the customers of handicrafts in order to compete with other competitors.

In the supply chain, the results show that 63% of handicraft manufacturers in Semarang sold their products directly to customers, especially in handicraft exhibitions. Meanwhile, 25% of them, before the products are received by end-users, were first distributed by handicraft wholesalers, and the other 12% was distributed to handicraft sellers.

It was concluded that the supply/distribution chain used by the manufacturers of handicraft in Semarang was mostly direct distribution. Most Semarang's craftsmen relied on exhibitions organized in regional, national or international in which 64% of the respondents frequently promoted Semarang handicraft through the exhibitions organized by the government agencies such as the Department of Industry and Trade of Semarang City, the Department of Cooperatives and MSME, the Government of Semarang, and Deskransda Semarang.

PERFORMANCE

The performance of craftsmen can be measured by the craftsmen's level of profitability/profit. The level of profitability/profit is the ability of a company or industry in making profit through capital utilization both from domestic and foreign capitals. The profitability level of handicraft industry is in accordance with the industrial scale in the sectors of processing and trade. This study used two approaches to analyze the level of profitability: Return/Cash ratio (R/C) and Return on Assets (ROA).

The ratio of R/C is a ratio of the total revenue/sales with the total burden of craftsmen. The greater the ratio of R/C, the more profitable the craftsmen. ROA is the level of profitability of craftsmen's asset/wealth. The mean of the ratio of R/C is 1.85 and the mean of ROA is 0.58. The results of ROA and R/C ratios indicate that the handicraft businesses in Semarang City are still profitable to develop.

CONCLUSIONS

1. The market structure of the handicraft market in Semarang showed an oligopoly market structure, indicated by the CR4 of 78% and MES of 45% which exceeds the MES of 10%. The handicraft market structure shows the existence of barriers to enter the handicraft market in Semarang City.
2. At the market conduct, the prices were largely determined by the manufacturer/craftsmen in Semarang because the handicraft products of Semarang have distinguishing uniqueness compared to the handicraft products of other regions. The handicraft price depends on the design and utilization of the handicrafts.
3. In terms of the industrial finance, the handicraft performance in Semarang showed that the handicraft businesses were still highly profitable. It can be seen from the ROA value of 0.50 and R/C of 1.72, which are still high.

RECOMMENDATIONS

1. The craftsmen of Semarang need to develop their products so that theirhandicraftproducts can compete with other types of products out ofhandicraft from the aspects of product price and quality. The purpose and aimwere to make the handicrafts of Semarangdifferent or the same as the handicrafts from other regions .
2. The Governments of Semarang and Central Java Province play a very important role in the efforts to improve the performance of the craftcraftsmen in Semarang, so that small-scale craftsmen are capable of producing more and continuously in order to compete with large-scale handicraftbusinesses regionally, nationally and internationally and alter the market structure into a monopoly market structure.