

Increasing Family Revenue Based on Household Industry

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Article History

Received: 03.08.2018

Accepted: 13.08.2018

Published: 30.09.2018

DOI:

10.21276/sjbms.2018.3.9.10



Abstract: Nowadays, domestic business actors should be able to prepare themselves and have a good strategy in producing quality products and have a wide marketing network, so that the market or consumer can accept the products, so that small industry business can increase family income. Starting from the survey conducted by the researchers, there are several household industries, in Deli Serdang District, especially in Percut Sei Tuan District, where business actors manage their business with a simple, but the resulting product has a chance to be liked by the community. Therefore it is necessary that a good strategy for the perpetrators of home industry can survive and expand its industrial network. This study aims to make household industry business can compete and can increase family income, therefore need to do strategy. Looking at the problems faced by domestic business actors can do strategy. The problems in the household industry are raw materials, capital, human resources (labor) and marketing. The object of this research is a light snack business entrepreneur in District Percut Sei Tuan Deli Serdang Regency. To increase the family income, the domestic industry needs a better business management solution. So the second year research needs to be done: 1) better management of business model of home industry by adding supporting variable that is technology and partnership. 2) Compilation of model of business development of home industry, pilot development of business model of home industry, 3) socialization and implementation.

Keywords: household industry, family income.

INTRODUCTION

In general, the problems faced by small and medium enterprises (SMEs) associated with the inability to meet financial obligations that is the lack of capital, the availability and lack of skilled human resources, marketing management of less professional production of products that are less innovative and promotions made less attractive. This is because the knowledge of small and medium enterprises is very limited and limited.

Innovation cannot be released in business life because innovation is a spirit or soul in a company to grow. Today, innovation can flourish anywhere and be done by anyone. Large companies cannot only do innovation, but even small companies need to innovate for the sake of sustainability of their business. Therefore, innovation management is an important factor to determine the development of small and medium enterprises.

The Government of Indonesia through various economic policies has sought to develop and empower small and medium enterprises (SMEs) as a support for the national economy, both as a provider of employment, business, and foreign exchange earning. Small and medium enterprises have shown their role in

job creation and as an important source for Gross Domestic Product (GDP) growth.

In addition, from the BPS data in 2000 which states that the Sector of Cooperatives and SMEs able to absorb the national workforce of 99.47%. In the formation of Gross Domestic Product (GDP), the cooperative and SME sectors contribute 41.32% and 16.38%.

The problem faced by the snack food industry is the difficulty of getting quality raw materials but unreachable prices, the inability to fulfill the financial obligations of the lack of capital, the lack of skill and the lack of human resources availability, the management of the production of less professional products namely the resulting product is less innovative and the promotions made less interesting. This is because the knowledge of small and medium enterprises is very limited and limited. So the product is only known and known by the community around the industry-making environment only.

Therefore, researchers feel the need to do strategy and model development on the household industry in an effort to face competition and can increase family income.

LITERATURE REVIEW

Economic growth is a necessary condition for reducing poverty. But by spurring economic growth alone it is not sufficient condition to overcome the problem of poverty because it will lead to trade offs against evenly distributed equity. Economic growth will lose meaning for the poor if accompanied by an increase in inequality. Or in other words if the benefits of growth are more likely to lead to the rich and the poor do not improve or even tend to be worse.

Two economic streams can distinguish the concept of income distribution. First, the Classic School (Orthodox) that adheres to the concept of equitable allocation of resources and the concept of free markets. Differences between sectors will lead to efficient exchange and allocation of resources without government intervention (free market concept) until it reaches optimal pareto conditions. The exchange is essentially a development process. The development process begins with the development of production capacity through increased capital stock and specialization [1, 2]. Furthermore Lewis [3] discusses the income distribution aspect with an emphasis on the problem of production sharing between capital owners and landowners wherein income inequality will emerge initially and will disappear after the achievement of development results.

The above theory is consistent with Kuznets' [4] concept of thought as set forth in the inverted U curve, ie as per capita income rises, inequality begins to emerge and reaches maximum when income is at the intermediate level and then declines when the same level of income has been achieved industrial countries. Increased growth is possible with the development of sector leaders (leading sector). The inequality of income will worsen in the early stages because labor costs are still relatively low. Thus growth does not provide much benefit to the poor or the workers. But with increasing per capita income, demand for public facilities (transport, communications, education etc.) also increases. This condition will lead to a trickle-down effect for the poor with an increase in wage labor through other sectors [2]. According to Hogendorn [5] Kuznets curve phenomenon can be seen in the community, where the equitable distribution of income was initially found in the agricultural sector. However, as some people move to industrial sectors that have higher wages, the inequality of people's incomes will soon emerge

Secondly, the Structural point of view views economic development as a transition characterized by a transformation that contains a fundamental change in the so-called structural change of economy. These structural changes are a time of imbalance that can lead to long adjustment gaps [2, 1]. Unlike Classical schools who believe that income distribution will occur on their

own with increasing per capita income, Structuralism thought that the problem of income distribution and equity must be done through government intervention. In this case there are two extreme approaches to achieving growth and equity, namely the Right (Radical) Flow Right or the growing stream of growths capitalists ("grow first, then redistribute") and the Left Extreme or Socialist, which focuses on the problem of equity ("redistribute first, then grow"). As an alternative to the two extremes, there is a moderate strategy for achieving growth and equity, the redistribution with growth (RWG), developed by the World Bank [6].

Economic development targets for the extreme right flows do not lead to greater equity through trickle-down mechanisms, but through the concentration of income in wealthy societies. Production is managed efficiently, and then redistributed to obtain the desired distribution of income through transfers or taxes that are believed to not distort the economy. But this stream has failed. An empirical example of this failure is the economic development policy in Brazil, where economic growth is increasing very rapidly but is accompanied by a very high level of inequality and the development of a very slow poverty reduction. Highly concentrated asset holdings, unequal access to education, industrial and agricultural development are prioritized on large-scale business and capital-intensive technologies.

Instead the Left Extreme flow has a policy of "redistribute first, then grow". The government takes over owners of capital and landowners by distributing their assets to small-scale producers, often through a system of co-ownership. The policy brings two impacts to the income distribution. First, the direct impact, i.e. the rate of evenness of income will soon increase significantly. Second is the impact in the long run. If small-scale enterprises and through joint ownership can generate large profits and be managed efficiently and productively, then the redistribution effect will increase. However, if not managed productively, the original owner will lose their assets and the new owner will not benefit proportionately. Countries included in this flow are the countries of the Soviet Union and PRC. The policy of industrial-based development undertaken by the Soviet Union is to take over the wealth that should be the right of society in general, especially the farmers and suppress the consumption of which the result is re-invested into the productive sector. With this policy, the inequality of people's income is shrinking because the government takes the revenue.

The strategy of achieving growth and even distribution of income today has a paradigm shift, since the two extreme streams described above are less favored. The concept developed by the World Bank, called redistribution with growth (RWG) [6] is considered more suitable in developing countries. Only

through increased GNP will there be anything meaningful to be distributed. Distribution cannot be expected as a by-product of growth but must be created from the policy element. The basic idea of RWG is that government policies should influence development patterns in such a way that low-income producers (which are mainly located mainly in the small-scale agricultural and rural industries) will see opportunities to increase revenues.

RESEARCH METHOD

This research was conducted in District Percut Sei Tuan Deli Serdang Regency of North Sumatra Province. In accordance with the objectives to be achieved, then in this study using Research and Development (R & D) method, starting from the preliminary survey activities, the model of business development of home industry, testing, socialization and implementation through the manual for household industry. Technique of collecting data in general using field study with spreading of questionnaires or research questionnaire to respondent that is effort of household industry in Sub District of Percut Sei Tuan Deli Serdang Regency. Further data taken in the study used as a support in the development of the model. The model in question aims to see how far the module of evaluation materials for the module development model of the household industry business and revise the end of the most ideal model of business development of home industry that can increase family income. In this final stage, it is expected that the module will guide the business model of the household industry to provide solutions for the household industry in an effort to increase the family income. Activities in this third phase will be carried out in four steps which include the following steps: first implementation of the household industry business development model; secondly, evaluation of the model of business development of home industry. The third step will be implemented model socialization, preparation and implementation of the model, with methods of action and assistance. After the model is applied, then will be implemented the fourth step of model verification and model refinement.

FINDINGS AND DISCUSSIONS

Analysis of Business Model of Household Industry in Increasing Family Income in Percut Sei Tuan Sub-district of Deli Serdang Regency

Raw material

From the results of the first year survey shows that the management of raw materials for the household industry in Percut Sei Tuan District Deli Serdang District is less good. So in the second year conducted the management strategy of raw materials of household industry business in order to increase family income. In managing the business of home industry needs to be done management of facilities and raw materials to produce production in accordance with the demand and consumer needs in this case is the community. Good

raw material management is expected in running the business does not lose. Therefore, in the household industry needs to have the management of raw materials for production in order to avoid a big loss. Raw material management is a very important activity to be considered in the household industry business, this is related to the smoothness and quality of products to be produced. Then the management of effective raw materials starting from:

Procurement of facilities and raw materials

Means is something that can be used as a tool in achieving goals, some means that can help business activities are:

- The ease that helps the workforce
- The ease of transporting business
- The existence of ease of electric power needs and communication tools
- Convenience in raw materials

Raw materials are materials used to produce products in which the material appears on the finished product. Noteworthy in the procurement of raw materials in the household industry are:

- Ingredients source
- Source of electricity and water
- Source of public facilities (transportation)

Conducting the preparation of raw materials

Preparation of facilities such as the preparation of production facilities such as machinery and equipment is one side of the production system then the preparation of production facilities also have an impact on the production of production in a business therefore need to do the arrangement of the layout of production tools to support the production process well, so that production activities can run smoothly.

To undertake the preparation of facilities on the activities of household industries need to do as follows:

- Monitoring
- Designing business activities
- Better guidance
- Make savings and maintenance

Conducting supervision of facilities and raw materials

Control of facilities is an important thing to do in a business. Supervision of facilities that can be done on businesses such as maintenance and maintenance of production machines because with the supervision of facilities will support the production process and the availability of adequate raw materials.

In addition to the management of facilities and raw materials, the household industry must be able to manage the inventory of goods to avoid business losses because each raw material inventory has a period of time in storage, meaning that if too long raw material is

stored then the raw material will be damaged and can not be used for production. Conversely, if the supply of raw materials runs out it will disrupt the production process. In this case the raw material is a matter to note, because the excess or lack of raw material inventory can hamper business activities.

Therefore, effective management of raw material inventory management is needed with the expectation of domestic industry to minimize losses in its business, so the way to manage the effective raw material inventory is as follows:

Do planning and projection of raw material inventory

To avoid excessive inventory or less, the domestic industry can do planning and projection in managing raw material inventory, reducing the risk of loss. In addition, inventory planning and projection can also assist the home industry business when going to order raw materials. With the planning and projection of raw material inventory, the household industry can estimate the minimum amount of stock in the warehouse as a benchmark when going to order raw materials.

Understanding the raw material inventory system

Raw material inventory system can be done with two systems that is perpetual system and periodic system. The perpetual system is a system in which every incoming and outgoing inventory is recorded in the books, whereas the periodic system is performed by calculating the inventory amount at the end of the period for accounting.

Create raw material inventory schedule

How to create a raw material inventory schedule is to determine the schedule of purchasing raw materials inventory and supply schedule of raw materials out of the warehouse. With the schedule for the inclusion of raw materials inventory, the home industry can easily reduce the risk of loss of business and avoid damaged or expired goods.

Calculating inventory budget

The way that can be done to calculate the cost of raw materials is to calculate how much the cost is exhausted after that makes a record of all cost of goods sold and selling price. In this way it can help the home industry business to find out how much revenue is expected if the goods are sold in the market. With good raw material inventory management, home industry business cannot only reduce the risk of loss but also can help in managing cash flow of business.

Capital

Based on the results of the first year survey shows that the source of household business capital in Percut Sei Tuan District Deli Serdang Regency is not

good, because the business capital owned is not sufficient for both business activities and the absence of a good financial administration system that regulates income and business expenses. So in the second year, the capital market management strategy of household industries is done to increase family income.

Household industry business experienced several capital constraints due to business criteria that are not in accordance with the existing financing institutions and the limitations of the household industry business. This is the biggest obstacle to the domestic industry; therefore a financing institution that is appropriate to the characteristics of the business is needed because small enterprises are the main drivers in employment providers that ultimately reduce poverty in Indonesia.

The capital solution for the domestic industry is to establish a credit guarantee institution for small businesses supported by an adequate financial system so that there is no gap between the financial system and the small business, which will affect the increasingly unfavorable products of the home industry. Based on the survey results, the household industry business obtains funds through formal financial institutions (banks) as well as non-formal financial institutions (loan sharks) with a convoluted process and considerable interest, so it is feared if the small business can not pay the loan and interest then will experience distress (bankruptcy).

It is necessary to establish an independent financial institution dedicated specifically to small businesses with the role of government as an institution that protects the equity participation without the existence of a system of convoluted and high interest. The given capital is not a credit, but a proof of asset ownership of the business that received the funds. With the capital invested, the investor has the same responsibility for business development. This will help small businesses overcome these capital problems.

Human Resources

The results of the first year survey showed that human resources in the household industry in Percut Sei Tuan Subdistrict Deli Serdang Regency is not good, this is due to lack of education and training and guidance for the perpetrators of the home industry business. Human resources are part of the household industry business that is difficult to manage therefore the human resources in the household industry must be really directed to be a force that can generate profits and more productive for the business.

Household industry business in Percut Sei Tuan District Deli Serdang Regency that has employees but does not have the ability to work in accordance with their work. Therefore, the need of human resource

management strategy in household industry to increase family income.

The human resource management strategy that can be done is as follows:

- Selection: The selection process must be in accordance with the needs of the existing business by taking into account the character of each prospective employee by selecting employees who have the ability and desire to work.
- Provide training: Employees need to be trained with the aim of providing better knowledge to employees.
- Set rules, policies: Setting the rules on employees is very important as the time of implementation of operational activities and regulations that must be obeyed by every employee. In addition, the domestic industry should create policies that benefit employees, such as the provision of health facilities and incentives for employees who perform well.
- Provide compensation: Compensation is a way to maintain the loyalty of each employee with appropriate compensation expected employees can be responsible for their respective jobs and can meet the needs of employees.
- Evaluate the work: Evaluation of employee performance should be done on the household industry business in the hope of knowing their work in doing the work that has been given. After evaluating business actors, the home industry gives awards to employees who excel and vice versa for employees who do not perform well given guidance.

With a good human resource management strategy it is expected that loyalty and employee commitment will be maintained and help the household industry in improving family opinion.

Marketing

From the results of the first year survey shows that the marketing conducted in the household industry in Percut Sei Tuan District Deli Serdang District is not good. The problems faced by the home industry are the lack of a wide range of marketing areas, unable to read market tastes, no recognition of competitors' weaknesses and weak market penetration. In order for a home industry business to have competitiveness is to implement a targeted marketing strategy. Marketing is an effort to set the strategies and ways that consumers want to buy the products produced. An effective marketing strategy is:

Market segmentation (segmenting)

It is the process of evaluating and selecting each segment to be served by the business. Enterprises may set one, a few, or a few of the market segments that have been done.

- Creating market segmentation using demand variables, such as consumer needs, consumer desires, benefits that consumers seek, solutions to problems, usage situations, and so on.
- Develop market segmentation and identify variables that can benefit the company.

Determination of target market (targeting)

It is the process of evaluating and selecting each segment to be served by the business. Enterprises may set one, a few, or a few of the market segments that have been done.

- Evaluate the attractiveness of each segment by using variables that can identify possible requests from each existing segment.
- Select one or more target segments served by the ability of the company.

Positioning

Is a combination of marketing activities undertaken by management to meet the needs and wants of each target market? This strategy consists of product components and support services, distribution, pricing, and promotion.

- Identify the concept of positioning for an attractive company product or service for targeted customers.
- Develop and communicate the chosen positioning concept.

From the above strategy, the marketing that must be done for the household industry is:

- Creating creative products that are unique and have advantages over other similar products.
- Establish good relationships with customers and try to get new customers by giving testimonials to consumers as well as looking for customer information
- Promoting the resulting product
- Do marketing through internet
- Compose an interesting motto in promoting the product

With the marketing strategy, the domestic business actor in Percut Sei Tuan Subdistrict of Deli Serdang Regency is expected to increase household income.

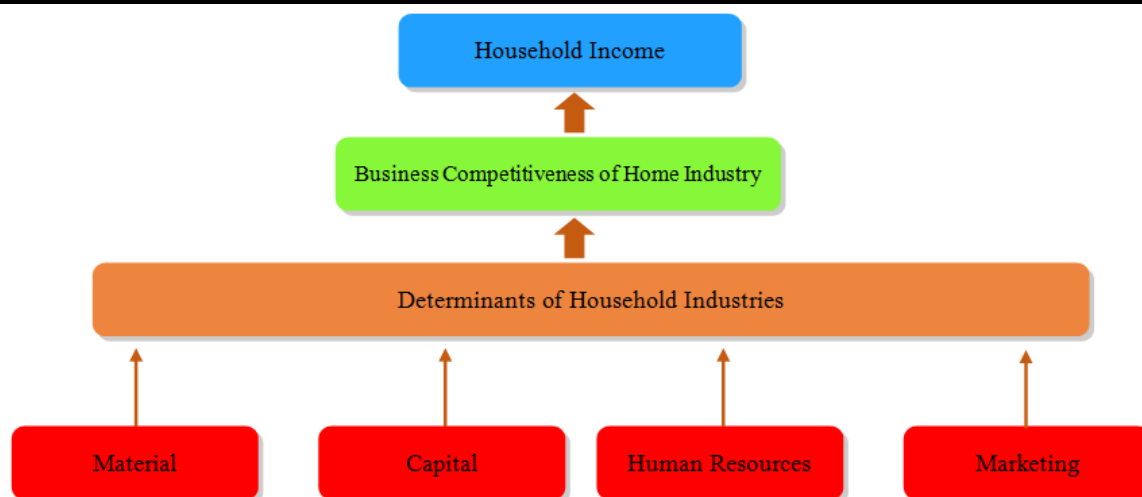


Fig-1: Business Model of Household Industry

Model of Household Industry Business Development in Increasing Family Income in Percut Sei Tuan Sub district of Deli Serdang Regency

From the results of the first year of research the household industry business has 4 indicators to increase family income, 4 indicators are raw materials, capital, human resources and marketing, then the results of questionnaires that have been processed in the first year researchers add 2 other indicators to increase revenue family in Percut Sei Tuan District Deli Serdang Regency. The two indicators are:

Technology

Based on the survey results in the first year it appears that the technology used by the perpetrators of home industry in Percut Sei Tuan District Deli Serdang District is less good. The common problem faced by domestic business actors is the lack of utilization of technology due to lack of understanding of the use of such technology. Household industry enterprises should be able to adapt technology-based services so that businesses can create new, profitable opportunities.

The use of technology in the home industry is also a hope of the government to be able to face the free market. Nevertheless, government intervention has not been done to overshadow the digital industry in the middle class. The field of use of technology is quite varied, such as the use of Internet technology. The benefits of using technology to support the business process of home industry business are as follows:

- Saves marketing costs: The use of technology can save marketing expenses that usually spend considerable funds for household industries. If you do not have enough funds to use paid digital marketing, then you can use a cheaper strategy that is by using social media. So this will make the household industry easier to market their products.
- Accelerate business activities: The use of technology can speed up the business processes undertaken by home industry enterprises, because

the technology is able to overcome the problem of distance and time required.

- Ease of accessing information: Utilizing technology to get information can help the home industry business make faster and better business decisions. Getting information can be done through social media or join a particular forum. Household industry can use technology for research in order to know how far superiority of its product compared to other similar products. It can also be used to find new formulas to strengthen the quality of business products. Research is also to know the strategy of competitors with similar products.
- Broadly linked: Technology makes it easy for home industry businesses to connect with the business world more easily. Technology can be used as a medium of communication with various parties such as raw material suppliers and consumers.
- From the above discussion, the benefits of technology for the home industry business is certainly not limited to only four, because the technology continues to grow. So it is very important for the household industry to keep abreast of technological developments and apply it with the hope of the household industry in Percut Sei Tuan District Deli Serdang District can increase family income.

Partnership

The results of the survey in the first year showed that the partnership done by household industry in Percut Sei Tuan Subdistrict of Deli Serdang Regency is still not good. The problems faced by home industry businesses generally still have a very small capital and business network that trigger the failure of the home industry business to grow the business.

Then a partnership is needed to support business development. According to Government Regulation No. 44/1997 on Partnership, the partnership

is a business partnership between Micro, Small and Medium Enterprises (MSMEs) and or with Large Enterprises with the guidance and development of medium and / or large enterprises by taking into account the principle of mutual need, mutual strengthening and mutual profitable.

Partnership is a strategic step for small business development; this can be seen from the many government programs and partnership patterns created for small businesses. Small business is the economic power of the people who can help improve the national economy more efficiently. Nevertheless, the problems faced by the household industry in running the partnership ie business partners such as large businesses are less or even nonexistent. Because large companies generally do not need small businesses for their production but small businesses require large businesses to increase the amount of production produced.

So the government made a regulation of partnership patterns that can be run small business or home industry business to increase the production produced and can increase business income. The partnership pattern is mentioned in Law no. 9 of 1995 on Small Business and Government Regulation No. 44 of 1997, among others:

- The first pattern, the plasma core is a partnership relationship between small and large enterprises as the core of fostering and developing small businesses that become plasmanya in providing land, the provision of production facilities, the provision of technical guidance on business management and production, acquisition, mastery and technological improvement necessary for increased efficiency and business productivity.
- The second pattern, which is subcontract is a partnership of small-scale enterprises and large enterprises, in which small-scale enterprises produce the components required by large enterprises as part of their production. In this pattern large businesses provide assistance in the form of opportunities for raw material acquisition, guidance and technical capabilities of production, technological mastery, and financing.

- The third pattern, which is general trading, is a partnership of small-scale enterprises and large businesses, in which small businesses market their products or supply the necessary needs of large businesses as partners. In this pattern large businesses market products or receive supplies from small businesses to meet the needs required by large businesses.
- The fourth pattern, namely agency is a partnership relationship between small and big business, in which small business is given special right to market goods and services of big business as its partner. Agent pattern is a partnership relationship, in which the principal produces or has something, while the other party (agent) acts as the party who runs the business and connects the product in question directly with third parties.
- The fifth pattern, the franchise is a partnership, in which the franchisor grants the right to use its licenses, trademarks and distribution channels to the franchisee with the assistance of management guidance.

With the partnership, it is expected that small-scale business or home industry can increase productivity, efficiency, quality assurance, quantity, and continuity, reduce the risk of loss, provide high social benefits, and increase national economic resilience. Particularly the partnership is expected to be able to increase the income of family of home industry business actor in Percut Sei Tuan Subdistrict of Deli Serdang Regency.

Based on the results of the first year of research, the business model of home industry consists of raw materials, capital, human resources and marketing in Percut Sei Tuan Sub-district Deli Serdang Regency categorized less well, meaning that raw materials are difficult to obtain, lack of capital or difficulty to get business capital, unproductive and poor marketing strategies. In addition to assisting domestic business actors in the District Percut Sei Tuan Deli Serdang district then researchers do the development of models for household industries to be more productive and increase family income.

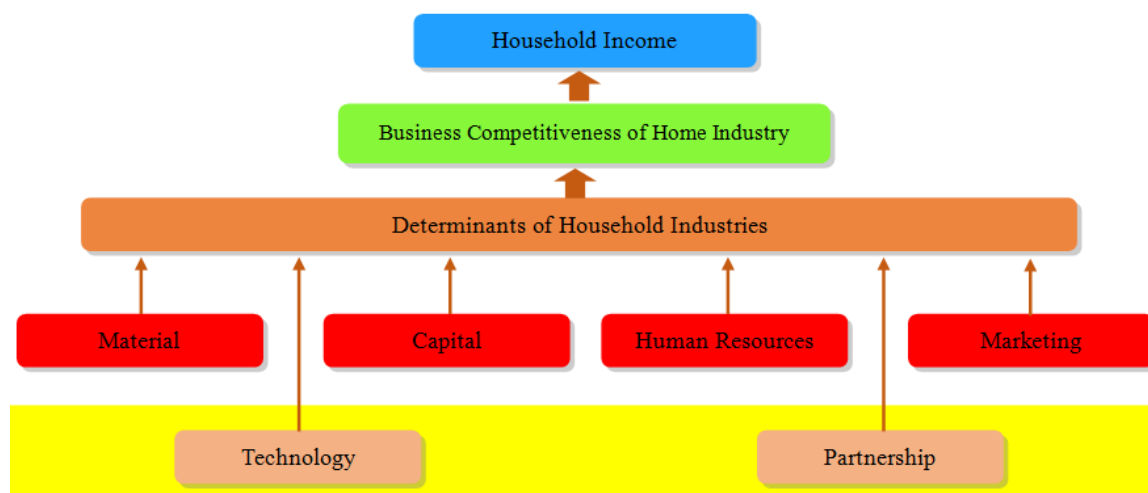


Fig-2: Model of Business Development of Household Industry

CONCLUSIONS AND RECOMMENDATIONS

Household industry business model consisting of raw material, capital, human resources, and marketing variables has not been well implemented by the domestic business actor in Percut Sei Tuan Sub district of Deli Serdang Regency. To help the household industry in Percut Sei Tuan Sub district of Deli Serdang Regency, the business model of household industry is developed by adding two other variables, namely technology and partnership. With the existence of these two variables can increase the production yields produced by domestic business actors in an effort to increase family income. The business model of home industry in Percut Sei Tuan Sub district of Deli Serdang Regency consisting of variable of raw material of household industry actors pay attention to the procurement of facilities, preparation, and supervision of raw materials. For capital, business entities should seek loan guarantee institution without interest. In the variable of human resources that must be done by the household industry is looking for a workforce that has a good work quality while the marketing variables that must be done by the domestic business actors is to apply the strategy of marketing through market segmentation, the determination of target market and market position. The development of business model of home industry in Percut Sei Tuan Sub district of Deli Serdang Regency consisting of technological variables that must be considered by business actor is to provide production support machine and utilize computer technology and internet in hopes to accelerate business activities, ease of accessing information so that the product produced is known to the public large. While the partnership variable that should be done by the household industry in Percut Sei Tuan Sub district of Deli Serdang Regency is to establish relationships with local cooperatives and large businesses in the hope of increasing productivity, efficiency, quality assurance, quantity and continuity, lowering the risk of loss.

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