

# **THE RELATIONSHIP BETWEEN PT. BANK UMKM JAWA TIMUR BRANCH BATU CITY ON DEVELOPMENT SMALL BUSINESS IN BATU CITY**

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## **Abstract**

PT. Bank UMKM JawaTimur has a strategic correlation in overcoming the problems faced by small business actors in the city of Batu. This research aims to determine the magnitude of the correlation of PT. Bank UMKM JawaTimur branch of Batu City to the development of small business in the city of Batu and to know the implementation of strategies in achieving the development of small business in the city of Batu. The research method used is statistical method of correlation product moment, the result of statistical calculation of correlation product moment obtained by 0,86, this means if interpreted in correlation coefficient table shows strong correlation level, means that capital channeled to small entrepreneur can develop effort through increasing amount of production.

**Keywords: Correlation Product Moment, capital, development of small business**

## **INTRODUCTION**

PT. Bank UMKM JawaTimurBatu city has an important role as intermediation and government program support, PT. Bank UMKM JawaTimur gives credit to real sector such as micro, small and medium business in purpose to increase economic growth, reduces unemployment number, creates new job opening in Batu city. Micro, small and medium enterprises is a business activity that able to cultivate the job opportunities and providing the economical services widely for the society, as well as participating the equitable distribution and

increase the communities' income, supporting the economical growth and economical stability. Micro, small and medium enterprises is one of the pillar of economy that has to be supported, protected and developed as wide as possible as the actualization of the alignment on the democratic economy enterprises.

In order to increase the opportunity, ability and protection toward the micro, small and medium enterprises, various policies about budgeting and development have been fixed. Therefore, it requires the empowerment of micro, small and medium enterprises by cultivating the business atmosphere that supports the founding and development. As the way to improve the ability, the endeavoring has to be performed by the central government, local government, enterprises and the society holistically, synergistically and sustainably.

The micro, small and medium enterprises have basis such as kinship principle which is the base of the democratic economy by the togetherness principle, justice efficiency, sustainability, environmental concern, independency, and the balance of progress in the unity of national economy for the social welfare of all Indonesian people.

The principle of democratic economy is the empowerment of micro, small and medium enterprises that are performed as unity of national economy development for the welfare of people. The principle of togetherness has the meaning of principle that supports the participation of micro, small and medium enterprises in the world of business simultaneously in realizing the social welfare. The principle of justice efficiency is the principle that underlying the fair business atmosphere, conducive and competitive.

The principle of sustainability is the principle that programmed to support the development process of democratic economy continuously. The principle of environmentally conception is the principle that stick to concern in prioritizing the protection and maintenance of the living environment. The principle of independency is the principle of empowerment that prioritize the potential and belief of ability to manage the economy sourced from domestic raw materials. The principle of balance is the principle to keep the balance of economical progress among regions nationally. The principle of economical unity is the part of the unity of national economy development.

When economical crisis happens, many big industries are bankrupt, micro small and medium enterprises that use the sourced raw materials domestically; the utilization of labor with low wage is the factor that place the micro, small and medium enterprises able to be the competitive enterprises and dynamic to the economy in East Java, or even in Indonesia. Therefore, micro, small and medium enterprises can fulfill the market requirement in recovering heeconomical crisis.

Several problems experienced by entrepreneurs of micro, small and medium enterprises consist of financial capital, inadequate capital is not enough to meet the demand, difficulties in getting the credit from the bank as the banks are very careful in giving the credit, less capable in arranging a strategic plan, data entry

and incapability in making the balance / profit and loss statement, the mixing of enterprise money and family money, less capable in seeing the market opportunity in terms of product marketing, lack of market information access, limitedness of marketplace, weak negotiation skill, those factors then impact the capability in taking the opportunity.

Production problems, less capable in establishing the optimum production, lack of understanding about how to produce the effective product with high quality, the absence of technology transfer from his bigger enterprises, not doing the research and development, not understand about the importance of cooperation with supplier, the absence of sustainable maintenance. Low education background of human resources, low entrepreneurial spirit, limited skills, low workers' productivity, less capable in establishing the conducive work environment.

Lack of development from the funding institute in terms of financial management as well as the obstacle such as unfair competition among similar products. High production cost as the impact of high cost raw materials, lost the competition with foreign products, legalization aspect that seems like an obstacle instead, lack of production trainings, management, marketing and so forth, excessive import of similar product with reasonable price, weakness in managing the goods in the harbor is also considered as the problem due to the delays in import and export activities.

The absence of recent profile of micro, small and medium enterprises database that should provide information of the time to time development is also become the obstacle in developing the micro, small and medium enterprises, this factor causes the developmental program become not focused. One of the following factors is that many institutions are not doing the coordination in developing the enterprises, so the programs become overlapped and not effective. Therefore, it requires the division of the authority among institutions.

### **Population and Samples**

According to Sugiono (2014: 80), population is generalization region consisting of the objects or subjects that have certain characteristics defined by the researchers to be studied and then drawn the conclusion. Sample is part of the amount which has characteristics that is possessed by this population, if the population is large and researcher cannot learn all that consist in the population, then the researcher used samples taken from that population, what is learned from the sample. The conclusion will be applied to the population, for the samples taken from the population should be rigorously representative.

Based on the description above, the researcher determined that the population in this research was entrepreneurs of small enterprises in Batu City that has already sampled. Sampling is the technique of sampling itself that used to

determine the number of samples represented by the sample size. The number of samples expected 100% representative toward the population. The researcher used the table of selection number of samples from certain population developed by Isaac and Michael.

Table 3.1

Determination of the number of samples with standard error of 1%, 5%, 10%.

N	Sample		
	1%	5%	10%
25	24	23	23
30	29	28	27
35	33	32	31
40	38	36	35
45	42	40	39
50	47	44	42
55	51	48	46
60	55	51	50
65	59	55	53
70	63	58	56
75	67	62	59
80	71	65	62
85	75	68	65
90	79	72	68
95	83	75	71
100	87	78	73

### Type and Source of Research Data

- **Primary Data**

According to Indriantoro and Supomo (2009: 145), primary data is a source of research data obtained directly from the respondent. in this research, the primary data sourced from respondents through the distribution of research instrument (questionnaire) by using data analysis technique to analyze the hypothesis about the correlation between *PT. Bank UMKM Jawa Timur* branch of Batu City(variable X) and the development of small enterprises in Batu City (variable Y). The population in this research was entrepreneurs of small enterprises by the number of 60 people and then sampled by standard error of 10%, so the total of samples was 50 respondents.

- **Secondary Data**

According Indriantoro and Supomo (2009: 147) secondary data is a source of research data obtained by researchers indirectly through an intermediary media,

secondary data are generally obtained from books, records or historical reports that are arranged in the published or unpublished documents.

In this research, secondary data were obtained from books or documents that is related to the research which was owned by *PT. Bank UMKM Jawa Timur* branch of Batu City, as well as data obtained from the literatures.

### Data Collection Technique

According to Ridwan (2002: 24), data collection technique is the technique of data collection or ways that can be used by researcher to collect data through questionnaire, interview and observation. Researchers can use one of those technique or combination.

According to Sugiono (2014: 142), questionnaire is a research instrument used to collect data efficiently. Data collection begins by compiling research instruments, research instrument is tools of researchers in collecting the data.

Things that need to be understood in preparing the instrument is identifying variables, determining the indicators of each variable, and completing the instrument with the instruction. The research instrument using questionnaire is a technique of data collection that is done by giving a set of written questions for the respondent to answer.

### Variable Indicator and Measurement Scale

#### Variable Indicator

The indicators of variables are arranged in accordance to the objective of the research, as described in the table below:

Table 3.2			
Indicator of research variable			
The Relationship of <i>PT. Bank UMKM Jawa Timur</i> Branch of Batu City			
No.	Variable X	Indicator	Item
	The Relationship of <i>PT. Bank UMKM Jawa Timur</i> Branch of Batu City (Variable X)	Bank product services	a. Kinds of Product b. Implementation of online technology by the bank
		Transactional process	a. Working capital credit of UMK b. Loan repayment of UMK

		Customer service	a. Customer service of UMK saving b. Customer service of UMK credit
		Bank commitment	a. Commitment toward vision and mission of UMK b. Commitment toward vision and mission
		Bank marketing	To customer UMK

Table 3.3  
Indicator of Research variable  
Effectiveness of Small Enterprises in Batu City

No.	Variable Y	Indicator	Item
	Development of micro and small enterprises in Batu City	Facilities and Infrastructure of SMEs	a. Place of enterprises b. Tools of enterprises
		Services from the bank	a. Informaion service b. Credit services
		Human Resources	a. Character of human resources b. Skill of the employee
		Marketing	c. Demand for goods and services d. Marketing expeditious

### Measurement Scale

In quantitative research, researcher uses the instrument to obtain accurate data, the instrument is used to measure the variables, each instrument will

have the measurement scale, a scale of measurement is the set of rules that important to be quantified from the of a variable, a scale of measurement used in this research was the Likert scale.

According to Sugiono (2014: 93), Likert scale is used to measure the perception of a person or group of people. The answer of each item using Likert scale has a gradation from positive to negative. For analysis purpose, the respondents were given a scale as follows:

- a. Good                      given scale of 3
- b. Sufficient                given scale of 2
- c. Less                        given scale of 1

## RESEARCH METHOD

According to Sugiono (2014: 243), data analysis techniques in quantitative research is used to answer the research problems and test the hypotheses. Due to the quantitative data, the technique of data analysis used the analysis of correlation product moment to analyze the hypothesis and answer the research question about how significance is the influence of *PT. Bank UMKM Jawa Timur* Branch of Batu City toward the development of small enterprises in Batu City.

By using the score of respondents' answer that has already been tabulated, the total number of the influence of *PT. Bank UMKM Jawa Timur* Branch of Batu City (variable X) and the total score of small enterprises development in Batu City (variable Y) were calculated by the product moment correlation formula order to test the degree of correlation between the variables of the influence of *PT. Bank UMKM Jawa Timur* Branch of Batu City toward the effectiveness of small enterprises in Batu City. The calculation result then interpreted based on the guideline of product moment coefficient as listed in the table 3.4.

The formula of product moment correlation was used to determine the correlation level between the variables of *PT. Bank UMKM Jawa Timur* Branch of Batu City toward the development of small enterprises in Batu City:

The formula correlation product moment

$$r_{xy} = \frac{\sum xy}{\sqrt{(\sum x^2)(\sum y^2)}}$$

$r_{xy}$  : Correlation coefficient (showing the correlation level between the variable of x and y)

$\sum_{xy}$  : the total of tabulation result of variable  $x$  and multiplication

$\sum_{x^2}$  : the total of tabulation result of variable  $x$  squared

$\sum_{y^2}$  : the total of tabulation result of variable  $y$  squared

In order to give the interpretation about how significant the relationship between those two variables, then the researcher used the interpretation guideline as illustrated in table 3.4 below:

Table 3.4

The interpretation guideline of correlation coefficient

Correlation coefficient	Correlation Level
0.00–0.24	Low
0.25–0.49	Moderate
0.50–0.74	Strong
0.75–1.00	Very Strong

### 1.9 Statistical Analysis of Product Moment Correlation

The tabulation data is described in the table below:

Table 4.4

Tabulation of Respondents' answer toward variable the influence of PT. BPR UMKM East Java and the Variable of Small Enterprises Development in Batu City

No.	Variable X	Variable Y	(X- $\bar{X}$ ) ( x )	(Y- $\bar{Y}$ ) ( y )	( x <sup>2</sup> )	( y <sup>2</sup> )	( xy )
1	29	28	-0,3	-0,8	0,09	0,64	0,24
2	29	27	-0,3	-1,8	0,09	3,24	0,54
3	30	30	0,7	1,2	0,49	1,44	0,84
4	28	26	-1,3	-1,8	1,69	3,24	2,34
5	30	30	0,7	1,2	0,49	1,44	0,84
6	30	30	0,7	1,2	0,49	1,44	0,84
7	29	27	0,7	-1,8	0,09	3,24	0,54
8	30	29	0,7	0,2	0,49	0,04	0,14
9	30	30	0,7	1,2	0,49	1,44	0,84
10	28	30	-1,3	1,2	1,69	1,44	1,56
11	30	28	0,7	-0,8	0,49	0,64	0,56



12	28	27	-1,3	-1,8	1,69	3,24	2,34
13	29	30	-0,3	1,2	0,09	1,44	0,36
14	30	26	0,7	-2,8	0,49	7,84	1,96
15	30	29	0,7	-0,2	0,49	0,04	0,49
16	30	28	0,7	-0,8	0,49	0,64	0,56
17	30	30	0,7	1,2	0,49	1,44	0,84
18	29	30	-0,3	1,2	0,09	1,44	0,36
19	28	30	-1,3	1,2	1,69	1,44	1,56
20	29	27	-0,3	-1,8	0,09	3,24	0,54
21	30	29	0,7	0,2	0,49	0,04	0,14
22	30	30	0,7	1,2	0,49	1,44	0,84
23	29	28	-0,3	-0,8	0,09	0,64	0,24
24	30	29	0,7	0,2	0,49	0,04	0,14
25	30	30	0,7	1,2	0,49	1,44	0,84
26	28	26	-1,3	-2,8	1,69	7,84	3,64
27	30	27	0,7	-1,8	0,49	3,24	1,26
28	29	28	-0,3	-0,8	0,09	0,64	0,24
29	30	30	0,7	1,2	0,49	1,44	0,84
30	30	29	0,7	0,2	0,49	0,04	0,14
31	28	30	-1,3	1,2	1,69	1,44	1,56
32	29	30	-0,3	1,2	0,09	1,44	0,36
33	29	30	-0,3	1,2	0,09	1,44	0,36
34	30	28	0,7	-0,8	0,49	0,64	0,56
35	30	27	0,7	-1,8	0,49	3,24	1,26
36	29	27	-0,3	-1,8	0,09	3,24	0,54
37	29	30	-0,3	1,2	0,09	1,44	0,36
38	30	30	0,7	1,2	0,49	1,44	0,84
39	28	30	-1,3	1,2	1,69	1,44	1,56
40	29	29	-0,3	0,2	0,09	0,44	0,06
41	28	27	-1,3	-1,8	1,69	3,24	2,34
42	28	27	-1,3	-1,8	1,69	3,24	2,34
43	30	28	0,7	-0,8	0,49	0,64	0,56
44	30	29	0,7	0,2	0,49	0,04	0,14
45	29	29	-0,3	0,2	0,09	0,04	0,06
46	30	30	0,7	1,2	0,49	1,44	0,84
47	28	30	-1,3	1,2	1,69	1,44	1,56
48	30	30	0,7	1,2	0,49	1,44	0,84
49	29	30	-0,3	1,2	0,09	1,44	0,36
50	30	29	0,7	0,2	0,49	0,04	0,14
<b>Total</b>	1.465	1438	0	9,2	30,5	85	43,96

The average number of variables X and Y score:

$$\bar{X} = \frac{1.465}{50} = 29,3 \quad Y = \frac{1438}{50} = 28,8$$

The formula of Product Moment Correlation to determine the influence level of the variable X toward variable Y:

$$r_{xy} = \frac{\sum_{xy}}{\sqrt{(\sum x^2)(\sum y^2)}}$$

Equation based on the table is  $\sum x^2 = 30,5$ ,  $\sum y^2 = 85$ ,  $\sum_{xy} = 43,5$  and then proceed into the formula as follows:

$$r_{xy} = \frac{43,96}{\sqrt{(30,5)(85)}} = \frac{43,96}{50,9} = 0,86$$

The result of statistical analysis shows that there was a positive correlation, noted by the value of 0.86. Based on the correlation interpretation guideline, it is revealed that there is a strong influence between *PT. Bank UMKM Jawa Timur* branch of Batu City toward the development of small enterprises in Batu City.

## CONCLUSION

Based on the results of product moment correlation analysis and discussion of this study, it is concluded that:

1. Statistical analysis showed that coefficient interval of product moment was 0.86, indicating that there was a very strong correlation based on the correlation interpretation guideline. Therefore, *PT. Bank UMKM Jawa Timur* branch of Batu City had a very strong influence toward small enterprises

- in Batu City. That influence was included capital giving for enterprises, small enterprises skills development and information services on banking services.
2. The first strategy of small enterprises development in Batu City conducted by the Department of Cooperatives, Micro, Small and Medium Enterprises, and Industry and Trading of Batu City, such as socialization about the Act of Republic of Indonesia Number 20 year 2008 on Micro, Small and Medium Enterprises and socialization conducted by *PT. Bank UMKM Jawa Timur* branch of Batu City about the requirements and procedures for filing the micro and small enterprises and small enterprises finance management. The second strategy was to expand the network in an effort to obtain the capital in accordance with the vision and mission of *PT. Bank UMKM Jawa Timur* to provide opportunities of capital enterprises channeled for small enterprises in order to empower the marketing network. The third strategy was partnership expansion with medium enterprises through coaching and empowering as well as observing the principle of mutual need, strengthening and mutually beneficial principle.

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