

ANALYSIS OF BUSINESS READINESS TO EXPORT FOR SMALL AND MEDIUM ENTERPRISE EMBROIDERY SECTOR IN KUDUS REGENCY

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ABSTRACT

Embroidery in Kudus has a potential to export. Based on these, the purpose of this study was to identify and analyze the readiness of SMEs Kudus embroidery to export their product. The methods of collecting the data were questionnaire, Documentation, and Library Studies. Questionnaires were distributed to 45 SMEs embroidery sector as respondents. The study method uses multiple linier regression analysis.

The multiple linier regression result shows that $Y = 0.456 + 0.315X_1 + 0.216 X_2 + 0.036X_3 + 0.904X_4 + 0.193X_5 + 0.082X_6$. It means that result of regression gives a positive influence on the export readiness. The coefficient of determination is 0.681 or 68.1%. It means that product, production, marketing, human resource, finance/export cost, and export procedure provide positive contribution to export readiness of 68.1% and 31.9% were influenced by others variables that were not examined in this study.

Keyword: SMEs, Embroidery, Export Readiness

INTRODUCTION

Background of Study

The export market has always been the goal and desire of all small and medium enterprises, certainly not only the domestic market, but also the enterprise will perform a variety of ways to be able to expand the marketing of their products. Kudus regency is known as the city of cigarette (kretek) producer, the largest in Central Java but actually there are also many other industries that stand in Kudus, one of them is in embroidery sector. Since early 1970s embroidery has been growing rapidly and becoming a prospective business, their major markets are upper middle class people. Kudus regency is a home for some well-known centers of embroidery crafts. Embroidery production in Kudus units are scattered in various districts, namely: Kecamatan Kota, Jati, Undaan, Kaliwungu, Bae, Mejobo, Jekulo, Dawe, and Gebog.

Moreover, as the technology characterized by the use of electric-powered embroidery machine develops, the number of embroidery styles increases. It has had a positive impact on the responses of the consumers, making the business more popular. The potential to develop this business is very large.

The Government encourages SMEs to grow sustainably so it can absorb the workforce. Based on data from the Department of Industry, Cooperatives and SMEs Kudus, it can be seen that business competition is increasing from year to year. In addition the company also must have sufficient resources. Both capital resources and human resources, these resources must be able to be managed well by the company effectively and efficiently to achieve company's objective.

One of the centers of embroidery in Kudus now also designated as a tourist embroidery village, Gebog.

Table 1
TOTAL SMALL INDUSTRY and HOMEMADE HANDICRAFT
in Gebog Sub-district 2010

No	Village	Small Industry		Home made Handicraft	
		Enterprise	Labor	Enterprise	Labor
1	Getassrabi	17	122	176	287
2	Klumpit	44	338	298	538
3	Gribig	23	134	78	132
4	Karangmalang	28	220	80	156
5	Padurenan	77	559	303	432
6	Besito	16	116	287	366
7	Jurang	19	137	154	210
8	Gondosari	23	168	283	368
9	Kedungsari	13	89	438	514
10	Menawan	31	234	256	328
11	Rahtawu	4	20	274	305
Total		295	2.177	2.627	3.636

Source: BPS Gebog Sub District in number 2011

Based on the Table 1, small industry and homemade handicraft Padurenan was widely available in the village. It has a total of 77 small industrial units that absorb of 599 people labor force. Under these conditions, so Padurenan village is suitable for investment. The existence of small embroidery and garment industry may help to reduce the number of unemployment in the village of Sub district Padurenan Gebog. It is because the labor demand is high. SMEs in Indonesia are very substantial for the country development. This sector has

contributed 57.12 % to the Gross Domestic Product (GDP). According to Ministry of Cooperatives and SMEs, the number of SMEs in Indonesia has reached 55.2 million units, or 99.98 % of the total Indonesian business unit (2015). In fact, this sector has absorbed 101.72 million workers or 97.3 percent of the total Indonesian workforce. The enterprises provide an important opportunity in order to escape from poverty and have a better life. One potential overseas market for export of embroidery is Canada.

Table 2
CANADA'S MERCHANDISE TRADE WITH INDONESIA
In US Dollars (\$)

	2010	2011	2012	2013	2014
Exports	1,030,680	1,662,735	1,682,176	1,853,908	1,836,172
Imports	1,212,787	1,445,182	1,314,517	1,334,013	1,368,598
Trade Balance	-182,107	217,552	367,659	519,895	467,574

Source: Trade Data Online. Industry Canada. 30 August 2015.
<http://www.ic.gc.ca/eic/site/tdodcd.nsf/eng/Home>.

From the data (Table 2), it can be seen that there was an increase import volume from Canada. Although in 2012 import from Indonesia decrease amounting to 130,665 compared to 2011. On the other hand in base year of 2010, in 2012 the import shows on increased to 101,730. Thus from the table 2 there was an increase import sales from 2010 to 2014.

Opportunities and challenges in the embroidery business have to be explored by conducting a good business strategy in anticipating global competition due to the opening of the free market world.

\Based on the above facts, the author is interested in conducting research in Kudus with the title “**ANALYSIS OF BUSINESS READINESS TO EXPORT FOR SMALL AND MEDIUM ENTERPRISE EMBROIDERY SECTOR IN KUDUS REGENCY**”.

Objective of the study

The objectives to be accomplished are:

- a. To identify and analyze the readiness of Kudus embroidery small and medium enterprises to export products.
- b. To determine whether the independent variable simultaneously influence on the dependent variable.

LITERATURE REVIEW

The Definition of Small and Medium Enterprise

Based on Law No. 20 of 2008 about Micro, Small and Medium Enterprises. Here is an excerpt from the contents of Law 20/2008 “Small businesses are productive economic activities that stand alone, which is done by the individual or business entity that is not a subsidiary or branch of a company not owned, controlled, or be a part either directly or indirectly, of a medium or large businesses that meet the criteria of Business small as referred to in this Act.

Medium businesses are productive economic activities that stand alone, done by

the individual or business entity that is not a subsidiary or branch company owned, controlled, or be a part either directly or indirectly by the Small Business or large enterprise with total net assets or the annual sales revenue as stipulated in this Law.”

According to the Central Statistics Agency (BPS) provides a definition of SMEs “based on the quantity of labor, for small businesses have a workforce of five to 19 people, while medium-sized businesses have a workforce of 20 up to 99 people.”

On July 4, 2008 stipulated Law No. 20 of 2008 in Micro, Small and Medium Enterprises, the MSME definition given by the Law is also in contrast to the above definition. According to Law No. 20 of 2008, which is called Micro business is that has a net asset of at most Rp50.000.000,00 (fifty million rupiah) excluding land and buildings or having annual sales of Rp300.000.000,00 (three hundred million rupiah). Then the small business is an entity that has the following criteria:

- a. The net asset of more than Rp50.000.000,00 (fifty million rupiah) up to at most 500.000.000,00 (five hundred million rupiah) excluding land and buildings.
- b. It has an annual sales turnover of more than Rp300.000.000,00 (three hundred million rupiah) up to at most Rp2.500.000.000,00 (two billion, five hundred million rupiah).

Meanwhile, the Medium Enterprises is a business entity that has the following criteria:

- a. The net asset of more than Rp500.000.000,00 (five hundred million rupiah) up to at most Rp10,000,000,000.00 (ten billion rupiah) excluding land and buildings.
- b. It has an annual sales turnover of more than Rp2.500.000.000,00 (two billion five hundred million rupiah) up to at most Rp50.000.000.000,00 (fifty billion rupiah).

Advantages and Disadvantage of Export

Some of advantages which are owned by Small and Medium Enterprises (SMEs) compared with large businesses (Partomo and Rachman, 2002) include:

- a. Innovations in technology that can easily occur in product development.
- b. Familiar human relations.
- c. Flexibility and ability to adapt to changing market conditions faster than with large companies which are generally bureaucratic
- d. There is a dynamics managerial and entrepreneurial role.

According to Kuncoro (2005: 43), exports have disadvantages:

- a. Conducting exports may be more expensive than other methods in terms of fees, commission, export duties, taxes and transportation, and also because of mistakes made by beginners.
- b. Exporting less products can be used as a tool to optimized market penetration due to insufficient promotion worked properly.
- c. Additional market share may be lost when local competitors plagiarized products or services offered by exporters.

Export Standard

According to Arianto (2007; 66) a number of criteria that should be the standard of the business service are:

- a. Products Quality
- b. Uniqueness of design
- c. The quantity and continuity
- d. Accuracy

Stages for Export

According Sutedi (2014; 87) Preparation needs to be done in general can be divided into four groups:

- a. Preparation of Administration, it is the availability of office equipment that allows them to do a better communication, especially

correspondence with suppliers and prospective buyers in foreign country.

- b. Preparation of Legal aspects is defined as a preparation in terms of the completeness of a business license in accordance with government regulations that must be met to allow exporters strive lawfully / legally. Which are included in this preparation are:

- 1) Trading License
- 2) TIN (Taxpayer Identification Number) it can be obtained from your local tax services office where the company is domiciled.
- 3) Special permits exporters and importers listed company conducting export and import of goods or commodities.

- c. Physical Preparation namely goods guaranteed supply of commodities to be prepared for the export market. Physical preparation, among other things:

- 1) Contracts with manufacturers in export-import trade.
- 2) Opening the brochure of any commodity export markets generally preceded by promotional activities aimed at attracting buyers to the commodities to be exported.
- 3) Price List.
- 4) Goods sample brochure is intended to provide an overview of the commodity supplied.

- d. Preparation of operations is a basic knowledge of export-import business that will allow to act in the field of export-import operations. Basic knowledge is meant, among others:

- 1) Export Process
- 2) Export Strategy
- 3) Export Regulations
- 4) Export-Import Procedures

Meanwhile, according to Arianto (2007;70) there are a few ways to penetrate export markets, among others:

- a. Understanding the export procedure
- b. Choosing products
- c. Determine the target market
- d. To anticipate export standards
- e. Set the export costs
- f. Prepare a promotional tool
- g. The strategy follows the exhibition
- h. Optimizing the benefits of the Internet

RESEARCH METHODS

This study is aimed to explore all the information related to SMEs especially in embroidery sector in order to provide recommendations for its development policy making.

Population and sample

In this study population was all the owner of small and medium enterprise sector producing embroidery. Kecamatan kota, Jati, Undaan, Kaliwungu, Bae, Mejobo,

Jekulo, Dawe, and Gebog, of Kudus regency. There are 144 small medium enterprise of Kudus registered in the Ministry of industry and trade of province of Central Java as population of this research. The sample were taken 30 % from 144 SMEs, there are 43,2 sampels are rounded to 45 sampels. Techniques used to collect data in this study are questionnaires based on Likert scale, documentation, and literature studies.

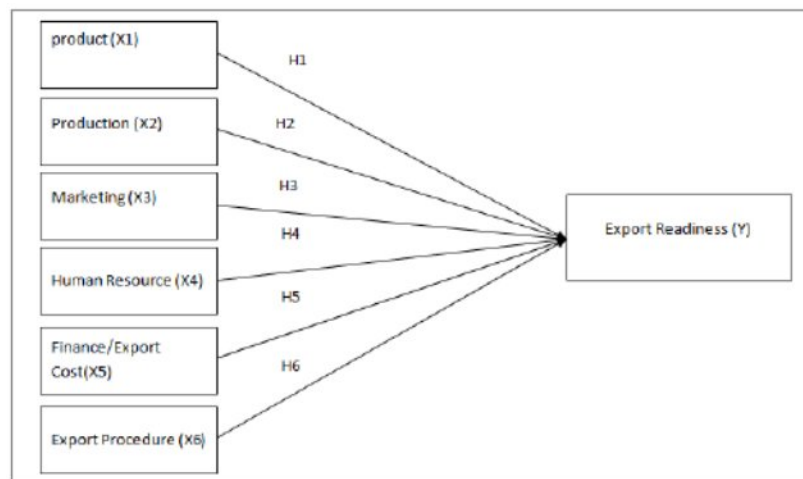
Source of Data

Data were collected by providing a questioner to the owner of Embroidery’s SMEs in Kudus regency.

Theoretical Framework

This study deploy theoretical framework as Picture 1.

Picture 1.
Theoretical Framework



Source : Arianto (2007); Jaharnsyah, Muhammad. dkk (2013)

FINDING AND DISCUSSION

This research setting classic assumption test, namely : normality test, heteroskidastity test, multicollinearity test, autocorrelation test. Also setting Muiltiple regression analysis, individual parameter significance test (t statistic test), simultaneous significance test

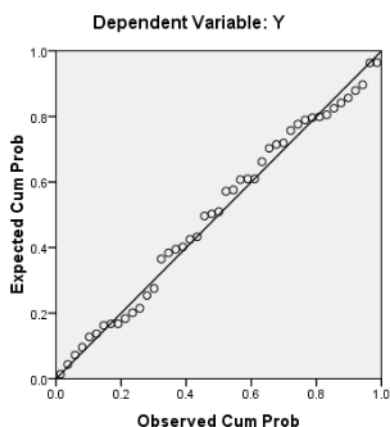
(F test statistic), and the coefficient of determination (R^2).

Normality Test

Testing criteria can be seen from Table Normal P-Plot of Regression Standardized Residual.

Picture 2
THE RESULT of NORMALITY TEST

Normal P-P Plot of Regression Standardized Residual



Source: Primary data that have been processed, 2015

It can be seen in the Picture 2, that there are points in a straight line / track means that the data are normally distributed.

Heteroskedasticity Test

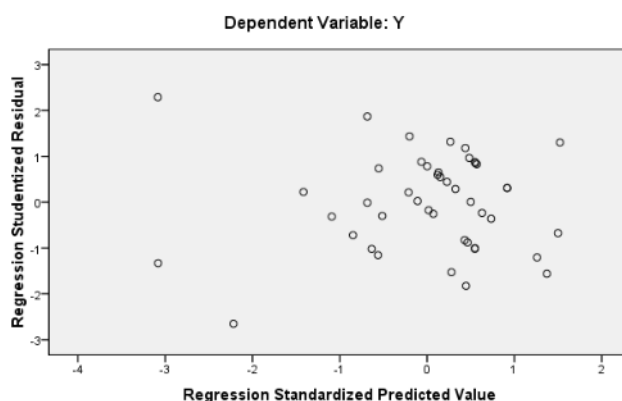
Scatterplot is used to test the heteroscedasticity. If the dots randomly spread, both at the top of zero or below zero

on the vertical or horizontal axis, it can be concluded that no heteroskedasticity.

From the scatterplot Picture 3, there were no systematic patterns. It can be seen that the dots disseminated randomly on the above and below of zero number in the vertical zone. Thus, it can be concluded that there is no heteroscedasticity indication in the model.

Picture 3
HETEROSKIDASTITY TEST

Scatterplot



Source: Primary data that have been processed, 2015

Multicollinearity Test

The result of multicollinearity test is as Table 3.

Table 3
MULTICOLLINEARITY TEST

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
X1	.396	2.527
X2	.278	3.594
X3	.466	2.146
X4	.495	2.021
X5	.478	2.090
X6	.692	1.446

Source: Primary data that have been processed, 2015

The VIF of independents variable in the research were 2,527; 3594; 2,146; 2,021; 2,090; 1,446. Based on the result, it can be said that there was no multicollinearity between independent variable in the model. It was because the $VIF < 10$.

Autocorrelation Test

In the model the Durbin – Watson test is used to test the autocorrelation.

Tabel 4
AUTOCORELLATION TEST

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.851 ^a	.725	.681	1.110	1.940

Source: Primary data that have been processed, 2015

Based on the calculation of the equation is known that:

$$k = 6; n = 45$$

$$dU = 1,835; dL = 1.238; 4 - dU = 2,165$$

$$dU < DW < 4 - dU$$

$$1,835 < 1,940 < 2,165$$

It can be concluded that there is no autocorrelation in the equation.

Multiple Regression Analysis

In this study, if there are dependent variable that influence the independent variable, thus is used Multiple regression analysis. This is used to determine the effect of the product (X1), production (X2), marketing (X3), human resources (X4), financial / export costs (X5), export procedures (X6) to the export readiness of Kudus Embroidery (Y).

Table 5
REGRESSION ESTIMATE RESULT

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.456	2.446		1.413	.166		
	X1	.315	.150	.285	2.105	.042	.396	2.527
	X2	.216	.133	.262	1.623	.013	.278	3.594
	X3	.036	.073	.062	.495	.623	.466	2.146
	X4	.904	.139	.664	6.487	.000	.692	1.446
	X5	.193	.110	.215	1.750	.048	.478	2.090
	X6	.082	.190	.052	.432	.668	.495	2.021

a. Dependent Variable: Y

Source: Primary data that have been processed, 2015

It can be seen from the Table 5 multiple regression equation as follows

$$Y = 0.456 + 0.315X_1 + 0.216 X_2 + 0.036X_3 + 0.904X_4 + 0.193X_5 + 0.082X_6$$

Unstandardized regression equation used because until now there has been no standard for measuring the level of export performance.

Individual Parameter Significance Test (t Statistic Test)

t statistical test is deployed to identify the magnitude of the effect of partial influence between variables X1 (Products), X2 (production), X3 (marketing), X4 (human resources), X5 (financial / export costs), X6 (export procedures) to Y (export readiness).

Tabel 6
t STATISTIC TEST

Variable	t count	t table	Sign	Note
Product	2.105	1,686	0.042	Sig
Production	1.823	1,686	0.013	Sig
Marketing	0.495	1,686	0.623	Not sig
Human Resources	6.487	1,686	0.000	Sig
The financial / Export Costs	1.750	1,686	0.038	Sig
Export procedures	0.432	1,686	0.068	Not sig

Source: Primary data that have been processed, 2015

Hypothesis Testing Products (X₁) of the Export Readiness (Y)

It shown from the Table 6, t test of Products and Export Readiness showed that the t value for the product is 2.105, while the

value of t table of 1.686, the value t count (2.105) > t table (1.686), therefore it can be concluded that Ho is rejected and Ha is accepted. Thus, the hypothesis of influence

the readiness of the export product is accepted.

Hypothesis Testing Production (X2) of the Export Readiness (Y)

Based on the table, t test of production and export readiness showed that the value of t for production was 1.823, while the value t table of 1.686, then the value of the t count (1.823) > t table (1.686), therefore it can be concluded that Ho is rejected and Ha is accepted. Thus, the statement of the hypothesis that stated there is an influence the production of export readiness is accepted.

Hypothesis Test Marketing (X3) of the Export Readiness (Y)

It can be seen from the table, t test of Marketing and Export Readiness showed that the t value for marketing is 0.495, while the value of t table 1.686, then the value of t count (0.495) < t table (1.686), therefore it can be concluded that Ho is accepted and Ha is rejected. Thus, the hypothesis that stated there is no affect of the marketing of export readiness is accepted.

Hypothesis Testing Human Resources (X4) of the Export Readiness (Y)

It shown from the table, t test Human Resources (HR) and Export Readiness

showed that the value of t for Human Resources is 6.487, while the value of t table of 1.686. Therefore it can be concluded that Ho is rejected and Ha is accepted. Thus, hypothesis stated that human resources (HR) effect on export readiness is accepted.

Hypothesis Testing Finance / Export Cost (X5) of the Export Readiness (Y)

It can be seen from the table, t test of Finance / Cost Export and export readiness showed that the t value for financial / Export cost is 1.750, while the value of t table of 1.686, then the value of the t count (1, 750) > t table (1.686). therefore it can be concluded that Ho is rejected and Ha is accepted. Thus, hypothesis of Finance / Export Cost influence on the export readiness is accepted.

Hypothesis Testing Procedure Exports (X6) of the Export Readiness (Y)

Based on the table, test t of export procedures and export readiness showed that the t value for the quality of services is 0.432, while the value of t table of 1.686. Therefore it can be concluded that Ho is accepted and Ha is rejected. Thus, the statement of the hypothesis stated that the export procedure does not have any affect the export readiness is accepted.

Simultaneous Significance Test (F Test Statistic)

Table 7
SIMULTANEOUS TEST (F Test)

ANOVA^b

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	123.123	6	20.521	16.666	.000 ^a
Residual	46.788	38	1.231		
Total	169.911	44			

a. Predictors: (Constant), X6, X5, X4, X1, X3, X2

b. Dependent Variable: Y

Source: Primary data that have been processed, 2015

It can be seen from Table 7 the F value is 16.666 with a probability value (sig) = 0.000. The value of F table at a significance level of 5% and the value of F table 2,35. F count (16666) > F table (2.35), then the decision is Ho rejected and Ha accepted.

Thus the statement of the hypothesis of products, production, marketing, human resources, financial / cost of exports, export procedures are simultaneously influence the export readiness of Kudus embroidery.

The Coefficient of Determination (R²)

Table 8
THE COEFFICIENT of DETERMINATION

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.851 ^a	.725	.681	1.110	1.940

a. Predictors: (Constant), X6, X5, X4, X1, X3, X2

b. Dependent Variable: Y

Source: Primary data that have been processed, 2015

From Table 8 it can be seen determinant R square coefficient or

$$R^2 = 0,681 = 68,1\% \text{ and the influence of other variables namely, } \rho_{Y \epsilon_1} = 1 - 0,681 = 0,319 = 31,9\%$$

Adjusted R Square based on the Table 8 was 0.681 or 68.1%. It means that product, production, marketing, human resource, finance/export cost, and export procedure provide contribution to export readiness of 68.1% and 31.9% were influenced by other variables that were not described in this study.

CONCLUSION

Based on the research that has been conducted in small medium enterprise embroidery sector in Kudus Regency, there are some points that can be concluded.

1. The readiness of Kudus embroidery enterprise to export, based on the analysis there are 2 variable which negatively influence on export readiness namely marketing and export procedure and there are 4 variable namely product, production, human resource, and

finance/export cost which have positive influence.

Based on the t test (partial test) of product showed that $t_{count} > t_{table}$ (2.105 > 1.686) with significance of 0.042. Therefore, it can be concluded that product significantly and positively influence on export readiness. About production showed that $t_{count} > t_{table}$ (1.823 > 1.686) with significance of 0.013. Therefore, it can be concluded that production significantly and positively influence on export readiness. About marketing showed that $t_{count} < t_{table}$ (0.495 < 1.686) with significance of 0.623. Therefore, it can be concluded that marketing significantly and negatively influence on export readiness. About Human Resources (HR) showed that $t_{count} > t_{table}$ (6.487 > 1.686) with significance of 0.000. Therefore, it can be concluded that Human Resources (HR) significantly and positively influence on export readiness. About financial / Export Costs showed that $t_{count} > t_{table}$ (1.750 > 1.686) with significance of 0.038. Therefore, it can be concluded that the financial /

Export Costs significantly and positively influence on export readiness. And about Export procedures showed that $t_{\text{count}} < t_{\text{table}}$ ($0.432 > 1.686$) with significance of 0.068. Therefore, it can be concluded that Export procedures significantly and negatively influence on export readiness.

2. The value of F table at a significance level of 5% and the value of F table 2,35. F count ($16666 > 2.35$) and the level of significant sig ($0.000 < 0.05$). Therefore, the decision is H_0 rejected and H_a accepted. Thus the hypothesis of products, production, marketing, human resources, financial / cost of exports, export procedures simultaneously influences the export readiness of Kudus embroidery.

RECOMMENDATION

Based on the results of the research analysis, the following are suggestions that can be given.

1. Result of the questionnaire that was distributed to SMEs embroidery sector in Kudus regency, it can be said that embroidery producers have opportunities to export their product. its just need a few things that must be improved. Among others are digital marketing using the Internet network, product creativity to compete with the embroidery in the global market. Training for increasing skill of human resource, promotional embroidery products by performing exhibition in domestic market and in overseas market. The government should give support to SMEs of Kudus embroidery to overcome the limitations of capital, improve the quality and product feature. By giving easier capital loan and regular training were expected to make embroidery product more innovative.
2. Kudus Embroidery SME owners should be able to know and understand about export procedures. So that prices can be offered much more competitive and the

export process could be dealt with directly.

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