

## The Effect Partnership on Performance Small and Medium Enterprises based Law No.9 of 1995 in Tebing Tinggi City

Fonaha Hulu

Sekolah Tinggi Ilmu Ekonomi Bina Karya Tebing Tinggi, Indonesia

[ifan.hulu@yahoo.co.id](mailto:ifan.hulu@yahoo.co.id)

### Abstract

*This study examines the effect of partnership on the performance of small and medium businesses in Tebing Tinggi City. the research method description analysis using a qualitative research approach, data collection through interviews and literature. Based on law number 9 of 1995 article 1 paragraph 8 "Partnership is a business collaboration between small businesses and medium businesses or large businesses accompanied by coaching and development by medium businesses or large businesses by paying attention to the principles of mutual need, mutual need, mutual strengthening and mutual benefit". This economic group of small and medium businesses is one of the businesses that has proven to be surviving in the midst of the development of the terrible economic crisis that has hit the country. Partnerships are very important in developing small and medium businesses because the existence of small and medium business partnerships is facilitated to obtain capital and marketing systems. In an increasing competitive atmosphere, the existence of small and medium businesses is demanded to remain able to compete with other business actors, because this institution is considered to be quite representative in empowering the community's economy.*

### Keywords

performance small; partnership;  
performance; business



## I. Introduction

A national economy that is based on and people-oriented is a derivation of nationalism and populist understanding. The Indonesian people want the people-based economic sector to be the pillar of the national economy. Clearly, Article 33 of the 1945 Constitution explains in principle the structure of the national economy which is prepared by the economic power of the people. One form of populist-based economic business is small and medium enterprises, which are expressed in terms of Law of the Republic of Indonesia No. 9 of 1995. According to the Decree of the President of the Republic of Indonesia no. 99 of 1998 states that Small Business is a small-scale people's economic activity with business fields which are mostly small business activities and need to be protected to prevent unfair business competition. This group of small and medium business economic actors is one of the business actors who have proven to survive in the midst of the development of the terrible economic crisis that hit this country. This survival power is due to the fact that small businesses in Indonesia are not very related and have problems with bank credit, as is the case with large business groups.

Small and medium enterprises which are the largest part as well as the main supporting pillars of the national economy must be given greater opportunities and roles in order to become the backbone of the national economy. The basic problems in small and medium enterprises are the lack of management skills and professionalism as well as limited access to

capital, mastery of information technology and marketing networks (Adi Sasono 2011). This factor is sometimes an obstacle to the development of small and medium enterprises and is a logical reason for large entrepreneurs not to cooperate or partner with small and medium enterprises and cooperatives.

Various efforts have been made by various parties to create partnerships, among others, with the issuance of Law no. 9 of 1995 concerning small businesses which specifically regulates business partnerships and is stated in Government Regulation (PP) Number 44 of 1997. The government through the department is tasked with fostering and encouraging the implementation of business partnerships, as well as various community organizations engaged in partnerships. However, due to the complexity of the problems that arise and the uncoordinated parties who partner, the main target of efforts towards partnership. still needs to be proven, but it is undeniable that the echoes and political nuances are already quite jarring as the basic capital to roll the snowball of partnerships in the future. If it is studied more deeply about efforts to empower economic potential in the regions, then the policies and strategies for developing the economic sector can be through the development of the economic sector which is managed by the majority of the people in the region, to be directed to become a mainstay business sector. The economic sector, which is the mainstay of community activities and has prospects for development, will eventually become the leading sector in the region.

According to Sugjanto (2013:144) several regional economic sectors such as activities in the food crop agriculture sector, plantation sub-sector, small and medium-scale industry, and the service sector still have the potential to be developed in the region. The development of such economic sectors continuously needs to be developed in the regions, while still referring to the conditions and potentials of each region.

The development of regional economic activities in Tebing Tinggi City has been largely supported by activities originating from small and medium enterprises and cooperatives, including handicraft processing businesses, food processing businesses, small industrial businesses and service businesses. Based on the distribution of the Percentage of Gross Regional Domestic Product (GRDP) at constant prices in 2020, small and medium enterprises and cooperatives contribute to the regional economy, from the Food Processing sector by 59.48%, the small industry sector and household crafts by 5.85 %, from the trade sector by 6.38% and from the service sector by 16.47% (BPS Kotamadya Tebing Tinggi; 2020). The economic activity of the community is quite dominant, because the business sector can take advantage of the potential of local resources (raw materials).

Economic growth is one of the debatable issue and the most important macroeconomic discussions among macro economists, policy-makers and monetary authorities in all countries. Particularly, whether inflation is necessary or harmful form economic growth constitutes the basis of the matter in question. (Wollie, G. 2018)

Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia. Economic growth must also be followed by positive changes in the context of improving the welfare and prosperity of the people who are mandated by the 1945 Constitution. Therefore, economic development is still the focus of development in Indonesia and is an indication of the success of development. Economic growth is a process of increasing the production capacity of an economy that is realized in the form of an increase in national and regional income. (Magdalena, S and Suhatman, R, 2020)

The conditions observed in small and medium enterprises and cooperatives in the City of Tebing Tinggi indicate that there are several determining factors in developing their business performance. Initial identification of these factors includes; the ability to develop a marketing network for production products, the ability to human resources, especially

regarding the skills and expertise of its workforce, the ability to provide business capital, especially regarding sources of business capital, as well as the ability of management to manage its business. In an effort to develop small and medium enterprises and cooperatives, these strategic factors can be pursued through collaboration with other business institutions in business partnerships.

## **II. Research Method**

This study uses a descriptive-analytic method with a qualitative approach. The qualitative approach emphasizes the accuracy of the data, with using an inductive approach, meaning that data will be collected, approached, and abstracted (Nazir, 2009). Furthermore, research with a descriptive approach examines the status of a group human, an object, condition, system, thought or something class of events in the present (Sugiyono, 2018).

This research took place in Tebing Tinggi City. Small and medium business actors as resource persons. The reason for choosing the City of Tebing Tinggi as the research location is because in the City of Tebing Tinggi the author identifies the effect of the Partnership on the performance of small and medium enterprises as a phenomenon that needs to be investigated. This research, data collection through interviews and literature.

## **III. Results and Discussion**

### **3.1 Business Partnership Concept**

According to Law No. 9 of 1995 Article 1 (8) "Partnership is a business cooperation between small and medium-sized enterprises or large enterprises accompanied by guidance and development by medium-sized enterprises or large enterprises by taking into account the principles of mutual need, mutual need, mutual strengthening and win-win solution".

According to Marbun (2012) suggests that the concept of partnership is a translation of togetherness (partnership) or part of the company's social responsibility to the environment in accordance with the concept of management based on goals or participatory. Because in accordance with the concept of participatory management, large companies must also be responsible for developing small businesses and their customer communities, because in the end only the concept of partnership can guarantee the existence of large companies, especially for the long term.

Burgess (2013) argues that a company is called socially responsible, when its management has a vision of operational performance that is not only about realizing profit, but also a necessity to improve people's welfare. So every party who has a business partner, both as a pioneer and as a partner, is not only carried out by the strong to the weak, but the partnership should have performance because of the business will coupled with a strong sense of social responsibility.

Pleffer and Salancik in Hetifah (2013) suggest that the concept of partnership is based on a complementary theoretical model that can explain business networks: First, according to the perspective of exchange (exchange perspective). Second, the resource dependence model, which has inspired many organizational and business studies. Then still Pleffer and Salancik in Hastu said that through the power or potential that is important and controlled by the parties who have collaborated (business partners), this is also an effort to form a business network and the fulfillment of the need for resources can be more guaranteed.

However, it must be admitted that these small and medium enterprises cannot be separated from challenges and obstacles both in terms of capital, human resources, management, lack of mastery of information technology, business climate, as well as in terms

of marketing distribution of the products produced. An alternative option for empowerment of small and medium enterprises and cooperatives is through the concept of a cooperation mechanism or linkage with large companies in the form of business partnerships. This concept has been offered in Indonesia since 1980 and was launched through the National Business Partnership Movement (GKUN) in 1996, this was done as an effort to narrow the gap between small and medium enterprises, which mostly cover the poor, with BUMN and the private sector (Depkop, 2007). 2012).

In an increasingly competitive atmosphere, the existence of small and medium enterprises is required to remain competitive with other business actors, because these institutions are considered quite representative in empowering the community's economy. In this context, the step of cooperation in the form of business partnerships is a strategy to be able to develop small and medium enterprises and cooperatives and morally this cooperation is very necessary for maximum support from the big entrepreneurs through coaching packages (Saly, 2001).

Thus, cooperation in the form of business partnerships between small and medium enterprises must be based on the principle of synergy, namely mutual need and mutual assistance. The principle of mutual need is intended, big businesses will always invite small and medium businesses and cooperatives as partners in progress. The existence of the principle of mutual need means that the collaborating parties (business partners) directly raise the principle of mutual assistance.

Strong determination is needed from all parties, big entrepreneurs have a clear vision in partnering, and small entrepreneurs have good business prospects, Astono (2013) argues that: The partnership pattern through sub-contracting is the most effective effort to build a small industry that is independent. In this pattern they can obtain market certainty, certainty in the supply of raw materials and how to implement a good management system. This is in line with Kristiyanti, (2012) who found that partnerships in the form of sub-contracts can benefit both parties who partner because of technical linkages and risk sharing and in this case there is no superiority and inferiority; there is only a mutual relationship, helping each other because of a mutually beneficial production process.

Frida Rustiani and Maspiyati (2013) suggest that the partnership pattern (adopted children) or linkages according to the government's version can be classified into two, namely: First, direct economic linkages where sub-contracts fall into this group. Second, Indirect Economic Linkages, in this connection large industries help small industries whose products are outside the line of business of the large industry. Included in this group are the pattern of trade relations, where large companies act as marketers of small industrial products and handicrafts; the pattern of procurement of operational needs (vendor) relationships where small industrial products are used as a complement to the operations of the adoptive father, but are not part of the resulting product;

The existence of linkages between small and medium enterprises and cooperatives with large enterprises is very diverse in terms of aspects of capital, development, management as well as providing benefits to access for partners. As stated Grace, (2010) that partnerships contain several elements including providing human resource training opportunities, there is a redistribution of productive assets from the strong to the weak, there is access to funding sources, there is access to information and technology, and there is access to markets. Cooperation developed through partnerships will provide benefits for both small and medium enterprises and cooperatives as well as for large businesses in establishing business networks and product marketing distribution networks.

As stated by Kwik Kian Gie (2012) said that partnership can be interpreted as a trade relationship, so if it is said to be a partnership between large and small businesses, the concrete form is small businesses that supply goods to large businesses as inputs for further production. The linkages in the form of cooperation and partnerships that exist between partners do not occur in a one-way position, but instead interact positively.

Sudibyo (2012) said that to increase the progress of small businesses, especially to reduce the gap between small and medium enterprises and large businesses, all parties must participate, there must be participation of large entrepreneurs, as well as small entrepreneurs. Armizal and Taufiqurrahman(2014) explained that the foster father program is also recommended to be carried out by the private sector in the form of direct linkages with the business chain. The pattern of relationships that may be created is the purchase of small business products as input for large businesses (partners) or to be marketed by large businesses equipped with the provision of various kinds of guidance and/or capital provision. What is desired from the existence of this linkage system is the creation of a stable and dynamic business structure that has sustainable opportunities and prospects, especially small and medium enterprises and cooperatives while still getting the opportunity to market the products produced by big entrepreneurs. The existence of a partnership package for the empowerment of small and medium enterprises and cooperatives has created a new dynamic for access to small and medium enterprises and cooperatives. For this reason, it is necessary to have a pattern of cooperative relationships with large businesses. However, to ensure the continuity (continuity) of the mechanism, several things are needed that form the basis for a business engagement.

As stated by Marzuki (2012) that in order for partnerships between large businesses and small businesses to take place naturally and lastingly, establishing business relationships is based on the following business principles: (1). Mutual benefit, and mutual need, (2). Oriented to increase competitiveness, (3). Meet the aspects: a. Competitive prices compared to prices offered by other parties, b. Good quality or quality in accordance with the agreement, c. Quantity, which can meet the specified amount, d. Delivery, namely the fulfillment of the delivery of goods/services on time as agreed. (4). There is a willingness on the part of large businesses to provide guidance to small businesses as business partners. Partnership between SOEs,

Cooperation or business partnership is intended so that there is a synergistic relationship, not one party is sacrificed because of the interests of the other party. The relationship in the form of business partnerships (business cooperation) between large entrepreneurs such as BUMN, private companies and other economic institutions with small and medium entrepreneurs and cooperatives, as explained in Law Number 5 of 1984 concerning Small Industry Article 11, must be based on: 1). They need each other, the measures are: partnership relationship motivation, types of related products, partnership relationship management system, 2). The principle of mutually reinforcing, the measures are: the type and conditions of assistance, the impact of assistance, 3). The principle of mutual benefit, the measures are: the development of economic and welfare aspects, the development of cultural aspects.

The next partnership concept is clearer as stated in Law no. 9 of 1995 on article 26 as follows: 1). Small businesses and large businesses carry out partnership relationships with small businesses, 2). The implementation of the partnership relationship as referred to in paragraph 1 is sought towards the realization of business linkages. 3). The partnership is carried out accompanied by guidance and development in one or more fields of production and processing, marketing, capital, human resources, technology. 4). In carrying out the relationship, both parties have an equal legal position. Behind the strength and support for

small and medium enterprises and cooperatives, according to Mirawan, (2013), that in fact small and medium enterprises and cooperatives themselves face various problems and obstacles, namely: 1). Weak business management skills, 2). Do not have records or business administration, 3). The management of company assets is inseparable from the economic life of the household, business needs and household needs are still one and the burden of business expenses, 4). Does not meet all business licensing requirements, 5). The scale of business capital and credit needs is too small, so it is not efficiently served by the Bank, and 6). Inability to meet formal requirements to obtain credit from banks.

### **3.2 The influence of business partnerships in the aspect of Marketing Access**

The results of the analysis indicate that marketing access from the business partnership program has a real role in improving business performance in small and medium enterprises and cooperatives in Tebing Tinggi City. The positive value of the path analysis means that the easier it is for small and medium enterprises to access the market, the more they will be able to improve their business performance. From the results of an interview with Mohammad (May 27, 2020) and supported by Kaplan and Norton in Yuanita (2013) who stated that to measure the performance of a company there are several aspects that become a measure, one aspect is the company's ability to obtain customers (customers) which are seen market control. In share control,

According to Yuanita (2013), the efforts made to build market access in business partnerships are: 1) International market development through promotion, lobbying, information dissemination, participating in expos, including establishing business partnership relationships with international distributor companies. 2) Development of the domestic market through coordination meetings, business meetings, promotions and others. 3) Development of product information, a prospective commodity database and market network through the distribution of brochures, developing a commodity database that can be accessed by agribusiness actors throughout Indonesia and internationally.

### **3.3 The Influence of Business Partnerships in the aspects of Human Resources Development and Development on SME Performance**

The results of the interview with Anton (29 May 2020), stated that business partnerships in the aspect of fostering and developing human resources provide a real role in improving business performance in small and medium enterprises and cooperatives in Tebing Tinggi City. This means that the better the guidance and development of human resources in small and medium enterprises and cooperatives, the more positive the business performance for small and medium enterprises and cooperatives, or vice versa, the less guidance and development of human resources carried out through business partnerships, the lower the business performance for the small and medium enterprises. small and medium enterprises and cooperatives in the City of Tebing Tinggi.

This shows that improving business performance for small and medium enterprises is closely related to the quality of its human resources. One of the efforts made to improve the quality of its human resources is through education and training in partnership with partner companies (large companies). These findings are in line with La Ode (2013) which states that business development or the performance of a business cannot be separated from the development of the quality of its human resources. Companies that want to improve their performance must have a commitment to the development of the quality of human resources. This means that investment in human resources through training must get a high priority in the company/organization so that knowledge,



The results of the interview with Ida (June 1, 2020), said that the success and failure of the implementation of the partnership was largely determined by the ability of its human resources, especially in implementing the established business strategy. In other words, the success of the partnership will be largely determined by the quality of human resources as the main actors of the partnership. The ability to master technology, management, market information and so on is closely related to the human factor. The choice of strategy to improve the capacity of human resources for small and medium enterprises is the best alternative in reducing the failure of implementing partnerships. Success in implementing this strategy will have a direct impact on improving performance for small and medium enterprises.

### **3.4 Effect of business partnerships in the aspect of access to capital on SME performance**

The results of an interview with Fadli (2 June 2020) that business partnerships in the aspect of access to capital provide a real role in improving business performance in small and medium enterprises and cooperatives in Tebing Tinggi City. This means that the easier it is for small and medium enterprises and cooperatives to access sources of capital through business partnerships, the more likely it is to improve their business performance. On the other hand, the less access to capital sources, the lower the business performance of small and medium enterprises in Tebing Tinggi City.

Furthermore, he stated that one of the performance measures for small and medium enterprises and cooperatives is seen from the level of capital independence they have. Similarly, stated bySaparuddin & Basri, (2011) from the results of his research which suggests that one of the efforts to be able to maintain business performance for small and medium enterprises (SMEs) is to maintain its existence in an effort to obtain financing sources (business capital). Thus, these efforts can only be carried out if small and medium enterprises and cooperatives have extensive networks and information on sources of financing (business capital).

## **IV. Conclusion**

Business partnership between small and medium enterprises in Tebing Tinggi City which includes access to marketing, human resource development and development, access to capital and linkages between business management and organization. Partnership is access to marketing, human resource development and development, access to capital as well as business and organizational management linkages, each of which has a significant effect on the performance of small and medium enterprises and the development of human resources is the aspect that contributes the most to the performance of small businesses middle class in Tebing Tinggi City.

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