

## Small Enterprises Fundamental Problems in Bali Province

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### Abstract

*The problems faced by small businesses are closely related to a companion or facilitator in assisting. The lack of guidance makes it difficult for small businesses to develop. Based on the results of coaching and monitoring of 30 profiles of small business groups in Bali Province, there are several types of obstacles or problems that are often complained of by small business actors in the industrial sector in Bali Province, namely the low quality of human resources and the lack of entrepreneurial knowledge and competence resulting in everyday business and labor productivity. This can also be seen in the inability of business actors in terms of business management, especially in terms of recording/bookkeeping procedures. Many business actors also do not have a transparent legal entity, lack product innovation. Small businesses are considered to lack still knowledge of technology, management, information, and markets. Observing the problems faced by small businesses in the future, it is necessary to create a conducive climate, among others, by seeking peace and security in business and simplifying business licensing procedures, tax breaks, and so on. Government capital assistance needs to expand special credit with conditions that are not burdensome for small businesses to help increase their capital through the formal financial services sector, the informal financial services sector, guarantee schemes, and leasing venture capital funds. The government needs to improve training for small business actors in entrepreneurship, management, administration, and knowledge and skills in business development. Besides that, it is also necessary to apply the training results in the field to practice theory through the development of pilot partnerships.*

### Keywords

small business; management;  
technology; marketing



## I. Introduction

Micro, small and medium enterprises (MSMEs) are the largest group of economic actors that can significantly contribute to the national economy and have been proven to be able to become a buffer in the economy. The government believes that success in fostering MSMEs will strengthen the people's economic foundation because what MSMEs have done so far is generally based on local resources, not relying on imports. Because it is based on local resources, the superior products of SMEs in the regions have a huge export opportunity because it has its uniqueness that characterizes these products. The development of the number of micros, small and medium enterprises that continues to increase will undoubtedly create significant job opportunities. The following is Table 1 regarding the outcome of MSMEs in Indonesia in 2018-2019.

**Table 1.** Development of MSMEs in Indonesia 2018-2019

NO	INDICATORS	2018		2019		DEVELOPMENT	
		TOTAL	SHARE (%)	TOTAL	SHARE (%)	TOTAL	(%)
1	<b>ENTERPRISES UNIT (A+B)</b>	<b>64.199.606</b>		<b>65.471.134</b>		<b>1.271.528</b>	<b>1,98</b>
	<b>A. Micro, Small and Medium Enterprises (A)</b>	<b>64.194.057</b>	<b>99,99</b>	<b>65.465.497</b>	<b>99,99</b>	<b>1.271.440</b>	<b>1,98</b>
	- Micro Enterprises	63.350.222	98,68	64.601.352	98,67	1.251.130	1,97
	- Small Enterprises	783.132	1,22	798.679	1,22	15.547	1,99
	- Medium Enterprises	60.702	0,09	65.465	0,10	4.763	7,85
	<b>B. Large Enterprises (B)</b>	<b>5.550</b>	<b>0,01</b>	<b>5.637</b>	<b>0,01</b>	<b>87</b>	<b>1,58</b>
2	<b>LABOR (A+B)</b>	<b>120.598.138</b>		<b>123.368.672</b>		<b>2.770.534</b>	<b>2,30</b>
	<b>A. Micro, Small and Medium Enterprises (A)</b>	<b>116.978.631</b>	<b>97,00</b>	<b>119.562.843</b>	<b>96,92</b>	<b>2.584.212</b>	<b>2,21</b>
	- Micro Enterprises	107.376.540	89,04	109.842.384	89,04	2.465.844	2,30
	- Small Enterprises	5.831.256	4,84	5.930.317	4,81	99.061	1,70
	- Medium Enterprises	3.770.835	3,13	3.790.142	3,07	19.307	0,51
	<b>B. Large Enterprises (B)</b>	<b>3.619.507</b>	<b>3,00</b>	<b>3.805.829</b>	<b>3,08</b>	<b>186.322</b>	<b>5,15</b>
3	<b>GDP AT APPLICABLE PRICES (A+B)</b>	<b>14.838.756,0</b>		<b>15.832.535,4</b>		<b>993.779,4</b>	<b>6,70</b>
	<b>A. Micro, Small and Medium Enterprises (A)</b>	<b>9.062.581,3</b>	<b>61,07</b>	<b>9.580.762,7</b>	<b>60,51</b>	<b>518.181,3</b>	<b>5,72</b>
	- Micro Enterprises	5.605.334,9	37,77	5.913.246,7	37,35	307.911,8	5,49
	- Small Enterprises	1.423.885,1	9,60	1.508.970,1	9,53	85.085,0	5,98
	- Medium Enterprises	2.033.361,3	13,70	2.158.545,8	13,63	125.184,5	6,16
	<b>B. Large Enterprises (B)</b>	<b>5.776.174,7</b>	<b>38,93</b>	<b>6.251.772,7</b>	<b>39,49</b>	<b>475.598,1</b>	<b>8,23</b>
4	<b>GDP ON CONSTANT PRICE 2000 BASIS (A+B)</b>	<b>9.995.305,9</b>		<b>12.309.904,8</b>		<b>2.314.598,9</b>	<b>23,16</b>
	<b>A. Micro, Small and Medium Enterprises (A)</b>	<b>5.721.148,1</b>	<b>57,24</b>	<b>7.034.146,7</b>	<b>57,14</b>	<b>1.312.998,6</b>	<b>22,95</b>
	- Micro Enterprises	2.927.890,5	29,29	3.701.368,0	30,07	773.477,5	26,42
	- Small Enterprises	1.355.705,7	13,56	1.536.961,1	12,49	181.255,3	13,37
	- Medium Enterprises	1.437.551,9	14,38	1.795.817,7	14,59	358.265,8	24,92
	<b>B. Large Enterprises (B)</b>	<b>4.274.157,9</b>	<b>42,76</b>	<b>5.275.758,1</b>	<b>42,86</b>	<b>1.001.600,2</b>	<b>23,43</b>

Source: Ministry of Cooperatives and SMEs of the Republic of Indonesia, 2019

Development of SMEs in Indonesia to absorb a large amount of labor which is expected to reduce unemployment. In addition, the number of MSMEs contributed significantly to GDP in 2018-2019. The problem lies in small businesses that absorb labor and have more numbers than medium and large businesses, but their contribution to GDP is less than medium and large businesses. The following Table 2 shows the number of SMEs in the province of Bali by district/city and business scale in 2019. Table 1 also shows the highest number of micro-enterprises compared to small, medium, and large enterprises.

**Table 2.** Number of SMEs in Bali Province by Regency/City and Scale Enterprises in 2019

Regency/City	Scale				
	Micro	Small	Medium	Large	Total
Jembrana	27.114	2.773	374	21	30.282
Tabanan	40.132	4.831	588	28	45.579

Badung	62.557	10.469	5.242	231	78.499
Gianyar	60.913	5.871	1.189	50	68.023
Klungkung	19.283	2.201	289	13	21.786
Bangli	23.702	2.556	193	3	26.454
Karangasem	49.773	3.174	419	10	53.376
Buleleng	55.622	4.678	633	26	60.959
Denpasar	80.895	12.114	4.268	249	97.526
<b>Bali</b>	<b>419.991</b>	<b>48.667</b>	<b>13.195</b>	<b>631</b>	<b>482.484</b>

Source: Bali Provincial Cooperatives and SMEs Office, 2020

The number of MSMEs in Bali Province in 2019, which reached 482.484 units, is expected to be a driving force for the Bali economy and a supporter of the Indonesian economy when experiencing the Covid-19 pandemic it is now. UMKM in Bali is currently dominated by the souvenir craft industry, various types of Balinese food, and clothing such as endek fabrics, batik, to kebaya fabrics. This has received attention from economic observers in Indonesia, and even the people's economy and government agencies, as well as all parties concerned for the continuity of the people's economy, after experiencing the failure of the conglomerate economic system during the monetary crisis in Indonesia. So that currently, the attention is more focused on small, medium, and cooperative entrepreneurs who can show their existence by staying afloat in the face of changes in the business world.

Micro, small and medium enterprises (MSMEs) have a reasonably significant role in economic development. This can be seen from their contribution to the Gross Domestic Product (GDP) of Bali Province, which continues to increase every year. The following is Table 3 Gross Regional Domestic Product of Bali Province at Current Prices by Business Field for 2016-2020.

**Table 3.** Gross Regional Domestic Product at Current Market Prices Top Bali Province by Industrial Year 2016-2020

No	GRDP Business Sector (Series 2010)	Year				
		2016	2017	2018	2019	2020
1	Agriculture, Forestry, and Fisheries	28.143,79	29.782,34	32.126,08	33.901,69	33.830,01
2	Mining and Quarrying	2.095,83	2.108,91	2.207,44	2.199,87	2.124,28
3	Manufacturing Industry	12.410,97	12.901,70	14.039,37	15.244,73	14.452,96
4	Electricity and Gas Procurement	419,19	518,44	552,51	588,18	493,54
5	Water Supply, Waste Management, Waste and Recycling	358,11	386,52	399,12	426,62	428,45
6	Construction	17.218,56	19.047,14	21.845,11	24.114,83	23.754,47
7	Wholesale and Retail Trade: Car and Motorcycle Repair	16.096,14	17.986,76	19.809,71	21.624,47	20.332,76
8	Transportation and Warehousing	18.566,06	20.546,74	22.770,88	24.559,33	15.658,23
9	Provision of Accommodation and Food and Drink	44.384,59	50.040,10	54.614,36	58.664,58	41.190,89
10	Information and Communication	10.059,56	11.190,40	12.332,51	13.399,41	14.286,03
11	Financial and Insurance Services	8.053,44	8.590,05	9.070,92	10.041,63	9.535,29
12	Real Estate	7.865,46	8.499,72	9.073,16	9.788,45	9.938,40
13	Corporate Services	2.016,15	2.232,59	2.464,55	2.629,43	2.572,99
14	Government Administration, Defense, and Mandatory Social Security	9.566,84	10.493,06	11.554,48	12.409,41	12.735,27

15	Education Services	9.770,70	10.815,80	11.996,64	12.969,57	13.173,70
16	Health Services and Social Activities	4.088,78	4.561,05	5.076,07	5.498,74	5.821,18
17	Services others	2.975,41	3.334,54	3.703,85	4.077,95	3.885,66
	<b>GRDP</b>	<b>194.089,58</b>	<b>213.035,86</b>	<b>233.636,77</b>	<b>252.138,88</b>	<b>224.214,11</b>

Source: Central Bureau of Statistics of Bali Province, 2021

Increased contribution from the manufacturing industry from 2016-2019 can be seen in Table 3, which shows that the industrial sector has an essential role in its contribution to the Gross Regional Domestic Product of the Province of Bali. The gift of MSMEs to GRDP in Bali Province can be increased again, provided that micro, small and medium enterprises can overcome the problems they face. According to the Bali Province Trade and Industry Office, micro, small and medium enterprises face many challenges in developing their businesses, which will impact the sales of MSMEs. On the other hand, small businesses have problems that they must solve related to the number of units and labor absorption greater than medium and large businesses. Still, the contribution to GRDP is less than the two businesses.

## II. Review of Literature

The weaknesses faced by MSMEs in improving business capabilities are very complex. They include various indicators that are interrelated with one another, including lack of capital both in quantity and source, lack of managerial ability and operating skills in organizing, and limited marketing. In addition to these things, there is also unfair competition and economic pressure, resulting in a narrow and limited scope of business. This concern is based on the fact that Indonesia will face the MEA and the free market. When this is implemented, the demand is that MSMEs must be able to compete. However, it can resolve all of these problems with several policies that open up opportunities for MSMEs to access the banking industry easily. This is because credit growth disbursed by the banking sector is only 13.6%. This shows that it can quickly resolve problems originating from capital and impact management, and the resulting product will be more competitive. The AEC challenges that the government fears can be faced better (Suci, nd).

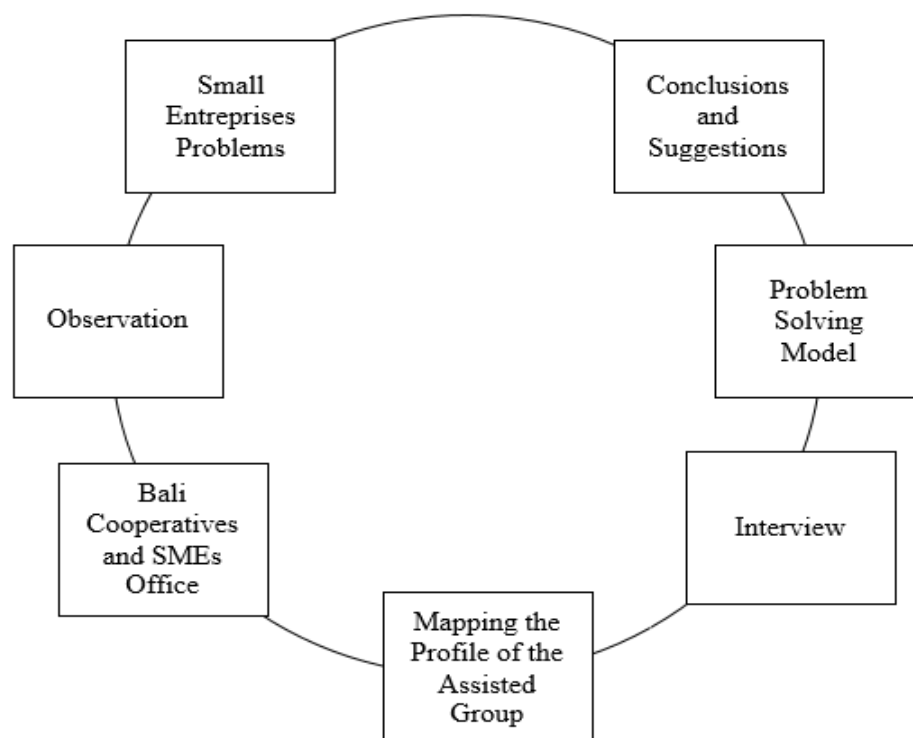
Khristianto (2012), in his research on the Use of Information Technology in Small and Medium Enterprises (Study on Small and Medium Enterprises in the Gedong Meneng Region), stated that the level of internet adoption among SMEs in the Gedong Meneng area is proven to be still very low. The data evidence this that of the 33 SMEs studied, and there are 24 SMEs that have not adopted the internet for various reasons, while only 9 SMEs have embraced the internet. Although internet adoption among SMEs is still low, these SMEs have realized the role and benefits of information technology to support their business or business. This can be seen from a large number of SMEs who are interested in adopting the internet. Of the 24 SMEs that have not adopted, there are 16 SMEs that plan to adopt the internet in the future. The main obstacle to the use of computer and internet technology is actually internal to SMEs, namely, SMEs still do not feel the need for computer and internet technology. A total of 6 SMEs stated that they did not need computer technology and as many as 18 SMEs did not need the internet, even though these two things have enormous potential to provide economic value for SMEs. The second obstacle is the high price of information technology devices such as computers and internet subscriptions. This is related to the limited funds owned by SMEs. The third obstacle is the lack of human resources in SMEs that can operate computers and the internet.

Human Resources (HR) is the most important component in a company or organization to run the business it does. Organization must have a goal to be achieved by the organizational members (Niati et al., 2021). Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired (Shah et al, 2020). The development of human resources is a process of changing the human resources who belong to an organization, from one situation to another, which is better to prepare a future responsibility in achieving organizational goals (Werdhiastutie et al, 2020).

Wahid and Iswari (2007) in a study entitled Adoption of Technology and Information by Small and Medium Enterprises in Indonesia stated that the low adoption of IT by SMEs in Indonesia is influenced by many factors. These factors are mostly internal. However, policy and program interventions can reduce this problem. The development of SMEs in centers that allow sharing of facilities, for example, will reduce the problem of limited financial support. Training programs for SMEs in using IT would also be very useful. However, above all, the first step that needs to be taken in order to increase IT adoption by SMEs is to provide awareness of the potential of IT in supporting business processes. With this awareness, the other activities above will be able to be carried out easily and successfully.

### III. Research Method

This research is a descriptive study using secondary data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia, the Office of Cooperatives and SMEs of the Province of Bali, and the Central Bureau of Statistics of the Province of Bali. The sample used is 30 group profiles resulting from the guidance and monitoring of small businesses in Bali Province. The data obtained were based on observations and interviews with small business actors so that the research design was obtained as shown in Figure 1 below.



**Figure 1.** Research Design for Small Enterprises Fundamental Problems in Bali Province

Based on the research design in Figure 1, it can be briefly described the process carried out in formulating a problem-solving model for SMEs in Bali Province, especially for small businesses. This research design then becomes a benchmark for how far the steps have been taken by researchers. This problem-solving model is expected to give birth to specific and innovative government policies in developing MSMEs in Bali Province.

#### IV. Results and Discussion

The problems faced by small businesses are closely related to the presence of a companion or facilitator in assisting small businesses. The lack of guidance makes it difficult for small businesses to develop because of the factors mentioned above. In other words, the progress of small businesses is largely determined by the size of the role of assistants in the field. Based on Table 4, there are several types of obstacles or problems that are often complained about by small business actors in the industrial sector in Bali Province, namely the low quality of human resources and the lack of entrepreneurial knowledge and competence resulting in low business and labor productivity. This can also be seen in the inability of business actors in terms of business management, especially in terms of recording/bookkeeping procedures. Many business actors also do not have a clear legal entity. The following is Table 4 profiles of groups resulting from the development and monitoring of small businesses in 2020.

**Table 4.** Profile of Small Enterprises Development and Monitoring Results Group in 2020

No	Name of Group	Type of Business	Problems Faced	Proposed Assistance
1	Surya Mekar	Coconut shell bowl craft	Lack of capital, competition continues to increase	Capital, sensor and hand grinding machines
2	Pondok Bambu Made Gede	Bamboo craft	Capital and marketing	Bamboo cutting machines and marketing access
3	Ayus	Tinsel painting	An increasing number of similar craftsmen, lack of access to marketing, difficulty in raw materials for velvet fabric due to limited availability in the market	Soldering machine, raw materials, and marketing
4	Sri Widhi	Traditional weaving	Sometimes there is a difference in color when the next order at the distributor, working hours change according to the busy weavers, lack of availability of silk thread, fabrics that do not sell due to rapid changes in trends, shortage of manpower	Capital
5	KWT Agro Abian Salak	Sweet potato and yam chips	Packaging, improved HR, marketing, administration, and production process	Equipment and machine

6	SPPE Dharpatni	VCO oil	Difficulty raw coconut, raw material prices grain is expensive, labor, most often off	Machine
7	Lontar Sejati	Weaving ingka lontar sticks	Raw materials are only available during lontar harvest, marketing	Raw materials
8	Karmajaya	Matahari snack (Kembang Goyang)	Inadequate workplace	Work equipment, production site
9	Dukuh Lestari	Salak wine	Marketing, capital, bottles, and quality	Stainless tank size 250l (5) bottle filling machine, capital
10	Dubali 1	Fragrant incense	The capacity is not too big, has never received assistance, does not have a packing machine, competition with Indian incense	Packing machine
11	Sekar Madu	Batik	Lack of labor, capital	Capital
12	Puspa Wangi	Processed nuts	Capital, difficulty in raw nuts when not in season harvest	Capital
13	Merta Sari	Snack	Lack of capital, lack of working equipment	Capital and equipment
14	Merta Nadi	Wood carving	Lack of equipment and production houses production	Machines and houses
15	Tumpang Sari	Palm-fiber broom	Raw materials are expensive, never received assistance	Capital
16	Menjahit Timbul	Garment	Sometimes personal money and group money are still mixed, payments are not smooth	Additional working capital, fingering machine
17	Sekar Wangi	Weaving guwungan	Difficulty obtaining raw materials overwhelmed in fulfilling orders, during the rainy season products easily moldy	Capital
18	Sarining Bambu	Sokasi	Capital assistance	Training design
19	Widi Sari	Snacks sponge, chips	Less training process of cake production, shortage machine	Mixing machine
20	Surya Mekar	Glass tray bowl, mosaic	Lack of capital for business development, limited stock of raw materials	Machines, capital



21	Pondok Bambu Made Gede	Dodol Buleleng	Difficulty in the process of squeezing coconut milk, expensive raw material for corn husks, difficulty in labor when orders are large	Coconut milk squeezer machine
22	Ayus	Cake	Lack of machines so that difficulty fulfilling orders, lack of manpower, do not have a good production place	Machines, Capital
23	Sri Widhi	Ate	Lack of capital owned by group members, difficulty in getting raw materials, orders according to the season of the destination country	Capital, cheap and easy raw materials
24	KWT Agro Abian Salak	Puzzle craft	Marketing, capital	Marketing access to markets souvenirs, capital
25	SPPE Dharpatni	Brass craft	Lack of gold plate quality, machines are still very simple (traditional), unfair price competition	Gold plate training, more modern machines
26	Lontar Sejati	Woodcraft	Marketing	Access to marketing, machines
27	Karmajaya	Wood carving	Capital, labor	Capital, machine
28	Dukuh Lestari	Woodcraft	Lack of machinery for production	Machine
29	Dubali 1	Wood carving	Prices of raw materials, information technology is still lacking	Utilization of information technology, marketing
30	Sekar Madu	Blacksmith	Marketing, difficult raw materials, labor work	The assistance of raw materials, machines

Based on Table 4 it can be seen that there are various problems faced I small businesses in Bali Province. In general, the 30 group profiles also lacked knowledge about aspects of legality and licensing, including the requirements that must be met and the procedures followed in the management process. Lack of product innovation, small businesses are considered to still lack knowledge of technology, management, information, and markets. Meanwhile, to meet these needs, small businesses require relatively large costs, especially if they are managed independently. Small businesses also still face obstacles in terms of access to capital and funding. As a result, small businesses find it difficult to increase their business capacity or develop products that are able to compete. Most small businesses have not been sufficiently touched by the services of formal financial institutions (banks). So that not a few of the small businesses are forced to use the



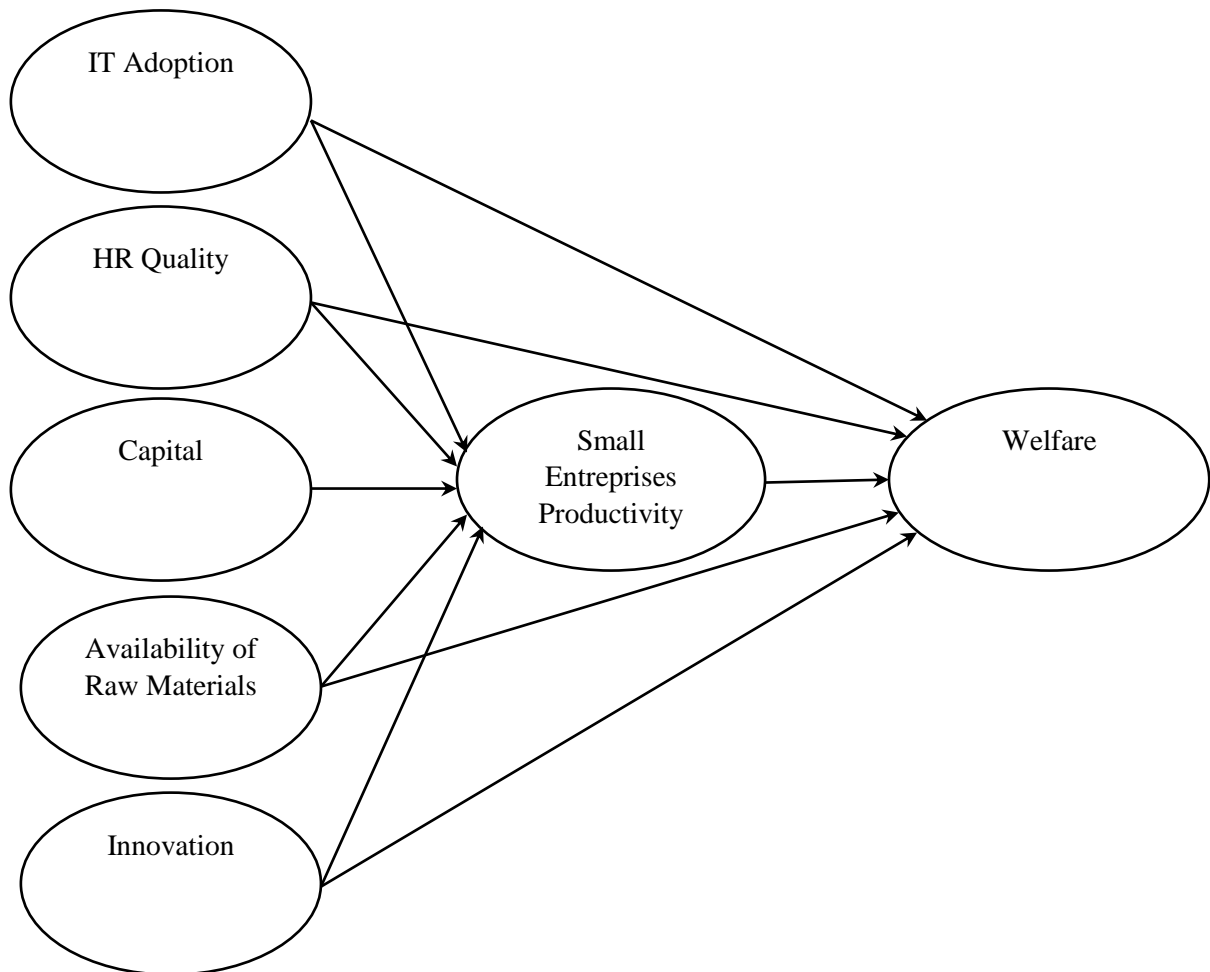
services of traditional microfinance institutions even though the burdens and risks are quite burdensome in order to maintain the viability of their business. The lack of assistance in the field has caused many small businesses to be left untouched by consulting and mentoring services. Thus, the presence of a business development agency is urgently needed to facilitate small business actors and provide services according to their needs.

Research by Wiyani, Fitri, and Prabowo, NA (2013) with research entitled *Improving Business Competitiveness "Batik Kahuripan" through based Sales System E-Commerce* also states that the adoption of information technology (*E-Commerce*) entrepreneurs is at a moderate level of low variation. The driver of information technology adoption is the means to find new customers and increase revenue. The inhibiting factor is not having human resources who understand the technology and are skilled as well as limited costs for its provision. This is also supported by the research of Mujiyana, et al. (2012) with a study entitled *The Effect of Application of Advertising on the Internet and Marketing through E-Mail Products of SMEs in the Depok Region* showed that advertising programs on the internet and marketing through e-mail together significantly had a positive effect on information processing. This indicates that promotional activities for a product will have more optimal results if the advertising program carried out on internet media is also balanced with high marketing through e-mail, then the information processing by consumers will be better. The results of this study also prove that advertising programs have a greater influence than marketing activities via e-mail on information processing variables. Based on this, it can be concluded that e-mail marketing has a significant positive effect on purchasing decisions.

Efforts to develop small businesses are essentially a shared responsibility between the government and the community. By observing the problems faced by small businesses, in the future it is necessary to strive for the following things to create a conducive business climate, the government needs to strive for the creation of a conducive climate, among others, by seeking peace and security in business as well as simplifying business licensing procedures, tax breaks and so on. Government capital assistance needs to expand special credit with conditions that are not burdensome for small businesses, to help increase their capital, be it through the formal financial services sector, the informal financial services sector, guarantee schemes, leasing venture capital funds. Financing for small businesses should use existing Microfinance Institutions (MFIs), as well as non-banks. For this reason, it is necessary to encourage the development of MFIs, what must be done now is how to encourage the development of these MFIs to run well, because so far, non-cooperative MFIs have had difficulties in their operational legitimacy.

Bank Indonesia (2005) with the research title *The Role of Financial Institutions in Financing Selected Commodities Micro, Small, and Medium Enterprises from the Three Largest Contributing Sectors to GRDP in Central Java* found that MSMEs in the industrial sector are the sectors that use bank loans the most, followed by MSMEs in the PHR sector. which is slightly smaller. Meanwhile, non-bank financial institutions (LKBB) and institutions have a role as an important source of financing for MSMEs in the agricultural sector. In commodities, the largest portion of loans in the PHR sector originating from banks is in the lodging business, followed by food stalls, grocery stalls, and UD apparel businesses, respectively. In the industrial sector, loans in the form of money to bank sources were higher for textile, convection, and furniture commodities. In the industrial sector, there are interesting findings for processed marine fish and metal crafts, where both of these commodities rely on loans in the form of money, but the main loan source is not banks but informal and institutional sources. For the agricultural sector, loans to bank sources are larger for livestock and fishery sub-sectors (dairy cattle and anchovies), while

for food crops sub-sector commodities tend to be smaller. Based on some of the problems faced by the 30 profiles of small business groups in Table 4, a problem-solving model can be made in Figure 2 below.



Source: Research Results, 2021

**Figure 2.** *Small Enterprises Problem Solving Model in Bali Province*

Protection of certain types of businesses, especially traditional types of businesses which are businesses of weak economic groups, must receive protection from the government, either through laws or government regulations that lead to mutual benefit. The development of partnerships needs to be developed, partnerships that help each other between business actors, or between small business actors and large entrepreneurs at home and abroad, to avoid monopolies in business. In addition, it also expand market share and more efficient business management. Thus, small businesses will have the strength to compete with other business actors, both from within and outside the country. Dewi, RS (2013) with research on the Effect of Psychological Capital Factors, Entrepreneurial Characteristics, Innovation, Human Resource Management, and SME Characteristics on the Business Development of Traders in Traditional Markets concluded that the variables of psychological capital, entrepreneurial characteristics, innovation, human resource management and characteristics SMEs have an influence on business development in the Peterongan Traditional Market either partially or simultaneously. The variable that has the greatest influence on the business development of the Peterongan Traditional Market traders is psychological capital. This can be seen from the optimistic attitude of traders

who have foresight and are willing to work hard and dare to take risks in order to develop the business that has been undertaken.

The government needs to improve training for small business actors in terms of entrepreneurship, management, administration, and knowledge and skills in business development. Besides that, it is also necessary to be given the opportunity to apply the results of the training in the field to practice theory through the development of pilot partnerships. Establishing a special institution, it is necessary to build an institution that is specifically responsible for coordinating all activities related to efforts to grow and develop small businesses and also functions to find solutions in order to overcome both internal and external problems faced by business actors. This is supported by research Ardiana, et al. (2010) with a research entitled *SME HR Competence and Its Influence on SME Performance in Surabaya* stated that the results of correlation analysis showed that SME HR competence had a significant relationship to SME performance. The influence of the knowledge variable was not significant on the performance of SMEs because the value was negative and very small, but two other variables, namely skills and abilities, had a significant influence so that these two variables needed to be considered in developing to improve the performance of SMEs. However, if tested further together these three variables have a significant influence on the performance of SMEs in the city of Surabaya. Of the three competency variables consisting of knowledge, skills, and abilities, it turns out that the ability variable has the most dominant influence on the performance of SMEs in the city of Surabaya.

## V. Conclusion

The problems faced by small business actors in the industrial sector in Bali Province in general are related to the low adoption of information technology, making it difficult in terms of marketing, inadequate quality of human resources, capital difficulties, difficulties in obtaining raw materials when not in season, and innovation low product. Increasing the productivity of small businesses in the industrial sector in Bali Province is related to solving problems faced, in other words, the adoption of information technology, improving the quality of human resources, adequate capital, access to easily accessible raw materials, and creativity in product innovation can increase business productivity small so that it affects the welfare of business actors.

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