

## THE IMPACT SMEs ON THE FAMILY WELFARE OF LABORERS OF RED BRICK IN PADANG SIDIMPUAN, INDONESIA

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### ABSTRACT

*The study on family income gives us the social life of households in a city or region. A family income is the cash flow generated during the reporting period with the goal of increasing the assets or net equity. This paper focuses on the income of red brick industry workers of Small & Medium Enterprises (SMEs) in Padang Sidempuan city of North Sumatra. This research was carried out in two sub-districts of South Padang Sidempuan district, namely; Losung and Silandit. With a purposive sampling technique, it took 90 respondents. Data obtained showed that the monthly net income of brick production was IDR 4.250.000,-. This total of net income earned was higher than provincial minimum-wage which was IDR 1.650.000,-. The finding of the research proved the brick industry workers' incomes meet the standard salary of North Sumatera Province, Indonesia.*

**Keywords:** Family welfare, income, red brick, laborers, provincial minimum salary

### INTRODUCTION

The Indonesia needs to create more Small and Medium Enterprises (SMEs) to increase people incomes. There are four characteristics of micro business, they are; a) the capital is less than IDR 10 millions (it does not include land and building), b) there are only five workers, c) most workers are either family members or neighbors, and d) the owners use their intuition such as their personal experiences, background knowledges. In addition, micro business has been classified to Small & Medium Enterprise (SMEs) which focus on a group of people who commit to help each other in order to develop business productively, then, they expected to increase the prosperity of each member. Small & Medium Enterprises (SMEs) are also recognized as non-governmental group engaged in economy sector which established to help all businessmen having a sufficient knowledge and information about business. Thus, in this competitive age, most people are lack of knowledge, and lack of link to set up a business.

Moreover, Statistics Indonesia categorizes the Small & Medium Enterprises (SMEs) based on the total of workers. A business that owns 1-4 workers is grouped into micro enterprises, while a business that has 5-9 workers is grouped into small enterprises, and if there are 20-99 workers, it is grouped into small medium enterprises; a business which owns 100 workers is classified into macro business. Furthermore, paragraph 6 act (1) explained the standard of Small Medium Enterprises, namely; (1). The owner must have IDR 50.000.000, 00, it does not include lands and building where the business developed. (2). The business must reach IDR 30.000.000,00 as the annual profit.

Then, in paragraph 1 act (10) Law No. 20 Year 2008 concerning with the small, micro and small medium enterprises, it explains the development efforts, namely; comitted by government, regional government, business profesional, and community are undertaken through providing facilities, guidings, assistances, and helps in order to grow and to improve both capability and competitiveness in small, micro and small medium enterprises. The standards of micro business must meet the regulation available in laws. One of standards that must be submitted is the capital and income standard. It is found in paragraph 6 act (2). Then, Law No.20 Year 2008 which regulates the standard of capital and income for micro business; the owner must have capital from IDR 50.000.000,00 (five millions rupiah) to 500.000.000, 00 (five hundred millions rupiah) which does not include land and building, then the annual income must reach from IDR 300.000.000,00 (three hundred millions rupiah) to 2.500.000.000,00 (two billions five hundred millions rupiah)

Generally, there two kinds of community in micro business, namely; personal and group. Both personal and group are usually guided based on self-reliance. It is comitted to help them to develop their business through saving and loan activities, so they have their own funds that can be used by all members. In addition, the community have access to link them with funding institutions, such as; banks. Most beginner of business face the difficulties, such as the long term requirements and bureaucracy. Banks have some demanding regulations which hard to be fulfilled by the communities. In the reality, community somehow does not have all requirements needed. For instance, banks regulate the business; having a complicated legal letter of business which can be got throuh a long bureaucracy process.

Furthermore, the micro business is now becoming popular because of economy crisis in which many people have lost their job from big corporations and they have not found new occupations. This kind of situation leads them to struggle for daily needs in order to survive for life through micro business. Micro business is such a new hope for most jobless to earn money for life and for economy development in Indonesia. According to Law No 20 of 2008, the objective of Micro Enterprise is to grow and to develop the business in order to build national economy based on economy democracy. Due to the high intensity of workers and low investation, micro enterprises has a great role in economy development, so micro enterprises is more flexible and adaptable with the market changes. It causes less external pressures because micro enterprises are able to reduce import. Therefore, the dvelopment of micro enterprises contributes to structural changes as long term economy development which is stable and sustainable. Beside, the job vacancy is more available in micro enterprises rather than in big company.

## **THEORETICAL REVIEWS: INCOME**

Income is kind of cash flow during a single phase which aims to increase either net assets or equity, and it is owner's higher contribution as well. while, according to Suluistiyono (2010:87) explained that income is earned through normal rush of the company, and it is different from sales, services, dividend interest, royalty, and rent. From the explanation above, income in Economics indicates the existence of cash flow which occurs from one party to another party. They are:

- a).Income in Economics is defined as the maximum result which is able to be used by someone in one single period. Each person hopes the stable condition in the end of period as well as in the beginning of period.
- b).Income in accounting is defined as the specific salary which is used to meet the primary needs.

According to Nafarin (2006:15), income is the asset cash flow of company which sells commodities and services during a single phase, and it causes higher capital which is not coming from investment contribution. Estimologically, the term “income” comes from “get” which means earn, for instance; he earns IDR 10.000 monthly, and it also means “salary”, for instance; his salary is not less than IDR 50.000 per month. So, income is salary which is earned by someone either monthly or daily. Graeme Macdonald (2002) notes that, “Income is an abstraction; it is not something given in nature which is observable. As such it does not have a singular meaning”. While according to Reich (1991) there are several definitions of income and its subcategory:

- i. Income is all distributive transactions received by a household.
- ii. Primary income is all income earned as a remuneration for productive activity.
- iii. National income is the sum of primary income.
- iv. Net income is the balance of income and all distributive transactions emanating from a household.

There are three factors affecting income, they are; (1) the availability of job vacancy; (2), the capability or skill; (3). The amount of capital used. From these factors, it can be inferred that each businessmen has different particular objectives which are not similar with others businessmen, yet all businessmen generally have same goals in doing a business. Their goals are getting profit as much as they can in order to have higher income.. Then, higher income can be earned if the business keep working constantly.

Theoritically, there are three ways to calculate income, namely:

**a. Production-approach**

In this approach, the amount of income is identified through data collection about final result of goods and services during a single period from a single production phase.

**b. Income-approach**

In this approach, income may be calculated by collecting the data related to income earned by someone in a single period.

**c. Outcome-approach**

In this approach, income is counted through the total of outcome undertaken by a economy unit.

**Measuring household income and consumption in National Accounts (Chiripanhura, 2010):**

In National Accounts, the three main measures of household income and consumption are:

- a. Household disposable income and adjusted disposable income.
- b. Household final consumption expenditure.
- c. Household actual consumption expenditure.

**Table 1. Household Disposal Income**

	<i>Total household income</i>
<i>less</i>	payments of income tax and other taxes, social contributions and other current transfers
<i>Equals</i>	Household disposable income

**Table 2. Household adjusted disposable income**

<i>Household disposable income</i>	
<i>Plus</i>	the value of the social transfers in kind receivable by households
<i>Less</i>	the value of the social transfers in kind payable by households
<i>Equals</i>	Household adjusted disposable income

**Household final consumption expenditure**

It consists of the expenditure, including imputed expenditure, incurred by resident households on individual consumption goods and services, including those sold at prices that are not economically significant.

**Household actual consumption expenditure**

The value of the consumption goods and services acquired by households, whether by purchase in general, or by transfer from government units or NPISH's, and used by them for the satisfaction of their needs and wants; it is derived from their final consumption expenditure by adding the value of social transfers in kind receivable.

**Supporting Factors of Income**

Income must be getting higher in order to achieve the objective of business. There are three factors supporting income as elaborated as follows;

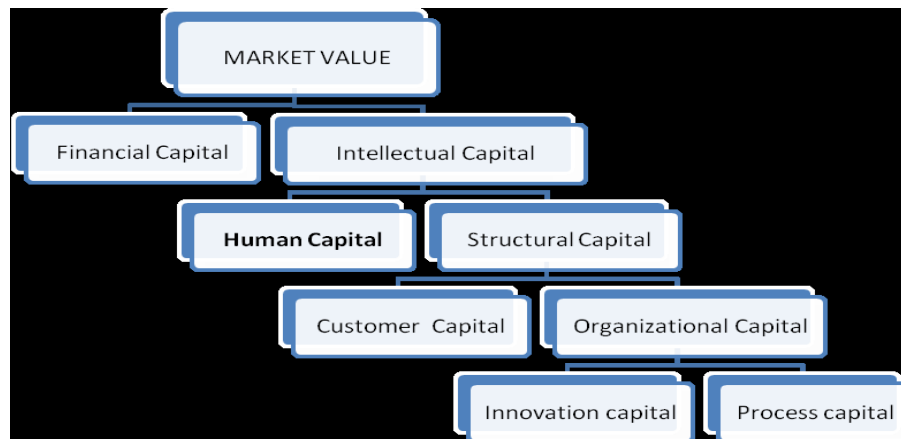
**a. Capital**

Capital is the amount funds which is used to be starting fund to establish a company. Company uses this capital to fulfil company needs to produce both stuffs and services. Capital is something that adds value to net worth, if you want to get a return; you need to make an investment (Hargreaves, 2013). It is showed that capital really play a great important role in new established company, and that company surely needs the capital to produce expecting goals. In order to get all business goals, the company must be aware of the development of ages, because it always changes fast. By following the changes, the company will be able to survive straight to the established goals. There are three concepts explaining the definition of capital;

1. Quantitative concept. In this concept, capital is based on the quantity of funds which is related to assets. The assets will be circled normally if the amount of assets will be as same as starting point in a short time. Thus, the quantitative concept is the total of current normal assets.
2. Qualitative concept. In this concept, the capital is based on two kinds of debts, they are; current debt, and paid debt. Then, a half of current assets must be used to pay compulsory financial that must be paid immediately. In order to maintain the liquidity, current assets should not be used to pay company's operation. Thus, the company will have current assets, if the company current and paid debt. In other words, this kind of concept is also known as non working capital.
3. Functional concept. In this concept, the capital is based on the function of funds used to get the income. It means that each fund must result income. In this case, incomes is current income which is earned during a single period, not future income. From this explanation, it is known that there are some funds that do not produce current income, or the productions do not meet company standard which knowns non working capital.

According to Scandia's model (in kucharčíková, 2011) the hidden factors of human and structural capitals comprise intellectual capital when added together:

1. *Intellectual capital* is the sum of human and structural capital. There are experience, organizational technology, customer relationships, and professional skills.
2. *Human capital* is combined knowledge, skill, innovativeness, and ability of the company's individual employees to meet the task at hand. Human capital cannot be owned by the company.
3. *Structural capital* is the hardware, software, databases, organizational structure, patents, trademarks, and everything else of organizational capability that supports those employees' productivity – in other words, everything that gets left behind at the office when employees go home. Structural capital also provides customer capital, the relationships developed with key customers.
4. *Organizational capital* is the institutionalized knowledge possessed by an organization, which is stored in databases, manuals. It is often called structural capital but the term "organizational capital" is preferred.



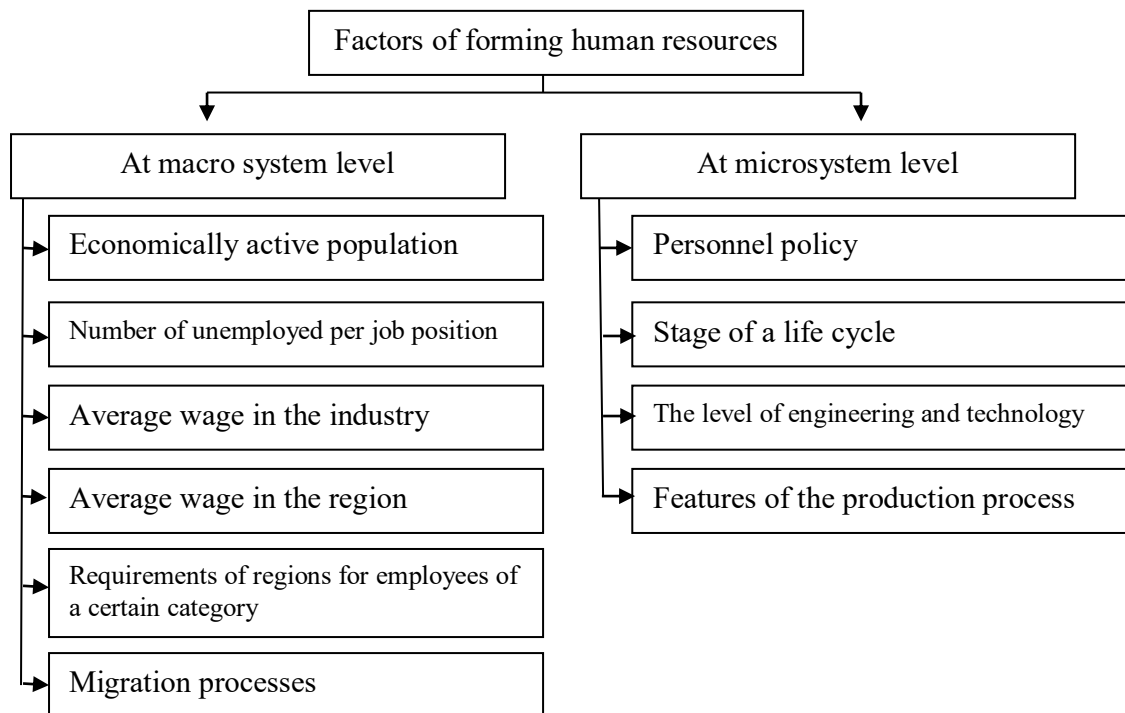
**Figure 1. Process of Creating a Market Value of the Company** (in kucharčíková, 2011)

#### **b. Human Resources (HR)**

In the production phase of company, human resource is the important factor in achieving company's goals. The quality of human resource in a company will affect to another input factors. In other words, there will not be production activity in a single company, if there is any human resource available. The productive human resource significantly affects to the increasing of production, and the income will be higher if the production is getting productive. The HR department as playing a major role in staffing, training and helping to manage people so that people and the organization are performing at maximum capability in a highly fulfilling manner (McNamara in Burma, 2014).

The formation of human resources of the companies is influenced by the factors at the state, region, industry level, and directly at the enterprise level. The main factors influencing the formation of human resources at the macro level are the number of economically active population and the working-age population as they provide labor supply and production of goods and services. At the level of microsystem the major factor that affects the formation of labor force is the personnel policy of the company. The main components of which are: the mechanism of attracting skilled personnel, availability of

training, the development of an effective system of remuneration, creating an organizational culture and maintaining a positive climate in the organization (Hunko, 2013).



**Figure 2. Factors shaping labor activities (Hunko, 2013)**

### c. The effect of capital toward income

Capital is factor affecting the production of company. The maintenance of production will be supported by the effecient of machines used. Thus, it automatically leads to the higher income.

### Factors Influencing Small Micro Enterprises (SMEs)

According to Beck and Cull (in Heslina *etal*, 2016)), the majority of businesses around the world are included in the category of micro, small or medium-sized enterprises (SMEs). The European Commission (in Isaac, 2011) defined a small enterprise as a firm with 10-50 employees and a micro enterprise is defined as one with less than 10 employees. Based on previous studies, Small Micro Enterprises (SMEs) face many challenges and obstacles in developing the business. there are two factors influencing; internal and external factors.

#### A. Internal Factor

There are three internal factors which influences the development of Small Micro Enterprises (SMEs), namely;

##### 1. Insufficient capital

Capital is a main factor needed by businessmen in building the business. usually, small enterprises is owned by individual who has a very low budget. Then, business owners have difficulties to loan money from Bank that can be used to be their funds. It is usually caused by complicated demands regulated by Bank.

## 2. Incapable Human resources

Generally, small enterprises is recognized as traditional business which is established by group of family members. Actually, most family members do not qualified enough for business, and it surely influences to the business circles, such as; managements, maintenance, and etc. So, the business will be going stuck.

## 3. Links

Since small enterprises is controlled by family members, there is no link that connect them with other business community in particular market so the production can not be sold widely.

## B. External Factor

There is only one external factor influencing small enterprises, namely;

### 1. Unconducive Business Climate

A conducive business climate will make all businessmen to undertake an investation through low cost and less risk, yet, it results much long-term benefits.

## Red Brick Industry

Brick is an essential building materials that can be used for walls, fences, and soem other elements of building. The brick was historically manufactured by an ancient method dating back to 6000 B.C called the soft mud process in which relatively moist clay is pressed into simple rectangular moulds by hands (Shakir and Ali, 2013). Absolutely, there many factories which produce brick. Because of brik is a basic materials for buidling, it is easily found everywhere; city, town, and sub-urb. So, brick is also well-known as non-structural and structural materials for building construction.

The process of brick making is done manually through some steps followed; first, it is started from removing soil by digling u to 2 metres. Second, felling the soil with a hoe. Third, making a dough by stepping. Fourt, shaping the brick by using moldings. Fifth, both sides of brick are dried. Sixth, the brick are burned in two days and two nights. Last, it is sorted and it is ready to be marketed.

## The Impact of Brick Industry

Brick industry has both positive and negative impact againts economy development;

### 1. Positive impact

The manual process of brick making leads to provide job vacancy for community. Surely it may increase income for fulfilling daily necessary. The society have much opportunity to earn money from working for brick industry. Certainly, economy development is going up as well.

### 2. Negative impacts

Brick industry in Padang Sidempuan, North Sumatera causes the disadvantages for environment, such as;

- a. Irrigation is being damage
- b. Top soil is lost, so the fertlity of soil is reduced as well.
- c. Rice field becomes unproductive.

## The Prosperity of Society

The prosperity of society shows the achievement of society development which consist of three elements. Firstly, the development and the distribution of daily needs such as; foods,

regency, health and protection. Secondly, the development of life, such as; income, education, attention toward culture and humanity values. Thirdly, expanding the economy scale, and providing available social options.

Absolutely, society will have a better life and may achieve both prosperity and wealth if all elements above can be fulfilled as well as it does, so both physical and spiritual needs are reached. There are three concepts of prosperity, namely:

1. Being prosperous means all needs; physical and ritual are completed.
2. Institution, arena and area involving social welfare and service.
3. Well-organized activity.

Furthermore, the Board of Family Planning Coordinating applies the prosperity of family as welfare standard. There are five steps grouped the prosperity of family, namely;

- a. Prosperous family
- b. Prosperous family step I
- c. Prosperous family step II
- d. Prosperous family step III
- e. Prosperous family step III plus

In addition, the category of prosperity divided into three categories, namely:

1. Solving the social problems
2. Fulfilling the essential necessary
3. Achieving the life standard

## RESEARCH DESIGN

This research used a survey design in the fieldwork. It was only focused on the micro enterprises of brick industry and the family welfare of laborers. The study had been conducted in Padang Sidempuan, North Sumatra Province started from March to June 2015. Population Sugiyono, (2011:80) included laborers of SMEs of two sub-districts of South Padang Sidempuan district, namely; Losung, and Silandit, taken by purposive sampling technique. These two sub-districts have the total of workers who work for brick factory. The following table visually shows the workers of brick factory;

**Table .1 The Total of Workers of Brick Factory**

No.	Sub-districts	The Total of Workers
1	Losung sub-district	75
2	Silandit sub-district	20
<b>Total</b>		<b>95</b>

(Source: The Office of Losung and Silandit sub-districts)

Sample is the object chosen represents all the population. In this research, sample of the research was workers of brick factory who lived in Losung and Silandit sub-districts of South Padang Sidempuan districts. To determine the sample of the research, Taro Yamane Slovin technique was used as the following formula:

$$n = \frac{N}{N \cdot d^2 + 1}$$

Where :

n = The total of sample

N = The total of population

d<sup>2</sup> = Precession (10%)

$$n = \frac{95}{\{95, (0,1^2)\} + 1}$$

$$n = \frac{95}{\{95, (0,01)\} + 1}$$

$$n = \frac{95}{\{0,95 + 1\}}$$

$$n = \frac{95}{1,95} = 48,71$$

### The method of income analysis

In this analysis, the income earned by businessmen was analyzed by using the following pattern:

$$Pd = TR - TC$$

Notes:

Pd = Income

TR = Total Revenue

TC = Total Cost

Then, all income from brick industry was compared with UMP (the provincial minimum salary) which was valid when this research was being conducted.

#### a. R/C Analysis

R/C stands for Return Cost Ratio which is known as comparison between revenue and cost. It was analyzed by using the following format;

$$R/C \text{ ratio} = \frac{\text{Revenue}}{\text{total production}}$$

Notes :

R = Revenue (Rp)

C = Cost (Rp)

With two standards:

R/C < 1 : accepted business

R/C . 1 : unaccepted business

Based on R/C analysis, it could be inferred that business was accepted if R/C > 1 (Soerkawi, 1995). To calculate, the accepted business could be analyzed through the following calculation:

$$\text{BEP Production} = \frac{\text{Total Capital}}{\text{Purchase}}$$

$$\text{BEP Cost} = \frac{\text{Total Capital}}{\text{Total Production}}$$

### Statistics Analysis

Statistic analysis was used to test hypothesis through the correlation pf product moment pearson. This was used to prove wether hyphotesis was accepted or not.

### FINDING AND DISCUSSION

South Padang Sidempuan was located in western of Padang Sidempuan city with 1<sup>0</sup>18'41,5" North Latitude and 99°20'59,9" East Longitude. It only takes an hour from the city center. Then, it is also contiguous with three different districts, namely; South Padang Sidempuan, North Padang Sidempuan, and Padang Sidempuan Batunadua Districts, and South Angkola in South Tapanuli regency.

South Padang Sidempuan district population heavily with children 0-4 and 5-9 years old. The development of population in South Padang Sidempuan district definetely will be dominated by growing teenagers who need job vacancy in next ten years. The government should pay a close attention to the increasing of younger population through providing job opportunity in order to avoid the unemployment. Unfortunately, the increasing of population in South Padang Sidempuan district was not going in the larger rural area. It could be seen, there were 65.307 people in South Padang Sidempuan district of 4.131people/km<sup>2</sup>. While, in 2015 the population was almost 66.345 people of 4.196people/km<sup>2</sup>. It clearly shows that the population of South Padang Sidempuan district is getting larger.

The representative respondents of the research were brick laborers taken from Losung and Silandit sub-districts. They have various characteristics which identified from some aspects, such as; age, education background, family members, and etc. These characteristics certainly led to the great impact to the way of thinking, work performance, and eagerness. Then, there are three elements affected by their characteristics, namely;

#### a. Business Experience

Experience mean the length of being brick businessmen. The longer they work for brick industry, the more qualified they are in maintanining the business.

#### b. Side job Oppurtunity

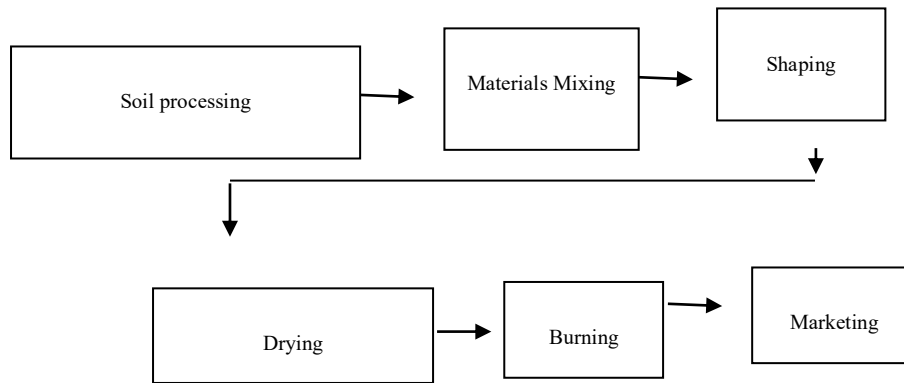
Side job is a secondary job which impact to the prosperity of family because there will additional salary earned except brick industry. There are possible side jobs, namely; seller, farmer and labor

#### c. Time Management

All workers need to maange the production phases very well in order to produce brick in particular time. Everyone has their own time management starategy when the brick production is started and when it is ready to be marketed. The production of brick making in Losung and Silandit sub-districts was made in a week.

### DISCUSSION

Brick industry in Losung and Silandit sub-districts of South Padang Sidempuan districts follows steps fixed in order to produce a high quality brick. The six steps are clearly seen in figure 3:



**Figure 3. The steps of brick making process**

The figure above visually shows that there are five steps following brick making process, namely: 1) materials providing, in this step all materials needed are prepared so the next step will be undertaken. 2) soil processing, in step 2, the soil are mixed with other materials so it is ready to move to step 3. 3) brick shaping, it is kind of designing process in which the materials will be shape by using mold so the bricks have the same sizes, and 4) drying, after shaping process, the brick are dried until it was doughy. 5) burning. All the brick are burned by the fire, so the brick will be stronger and 6) marketing. In this last step, all bricks are ready to be carried out to the market.

### **Total of Brick Sold in a Month**

The average of production sold by all brick businessmen is the total of production sold in Losung and Silangit sub-district as seen as follows;

$$\begin{aligned}
 \text{Average Sales} &= \frac{\text{Total Sales}}{\text{the number of entrepreneur}} \\
 &= \frac{1.225.000}{49} \\
 &= 35.000 \text{ units}
 \end{aligned}$$

The calculation above showed that the total of bricks sold in a month was 35.000 units. It can be inferred that the brick industry in Losung and Silangit sub-district was quite productive factories.

### **The Cost of Brick Industry**

There are three major costs considered in the beginning of production phase, namely; cost of materials, cost of workers, and cost of rental burning properties. It was admitted monthly for 23.000 units.

### **Income Statement of Brick Industry**

After the process of brick was perfectly carried out, the marketing would be the final step in which it costs 450,-/ units, thus : IDR. 450, x 25.000 units = 11.250.000. Moreover, net income of brick industry was calculated by using following formula;

$$\begin{aligned}
 Pd &= TR - TC \\
 &= \text{Rp.}11.250.000 - \text{Rp.} 7.000.000 = \text{Rp.} 4.250.000,-
 \end{aligned}$$

It clearly showed that the monthly net income of brick production was IDR 4.250.000,-. This total of net income earned was higher than provincial minimum-wage which was IDR 1.650.000,-. The finding of the research has proved the hypothesis in which brick industry workers' income meet the standard salary of North Sumatera.

## **CONCLUSION**

Based on the finding of the research, it can be concluded that the Small and Medium Enterprises (SMEs) of Red Brick Industry contribute much on the laborers incomes in Padang Sidempuan city, North Sumatra Province of Indonesia. Their monthly incomes average is IDR 4.250.000,-in 2015. In addition, based on R/C analysis, it could be inferred that the SMEs increases the laborers incomes is accepted if  $R/C > 1$ . The data also showed that the laborers incomes of red brick industry are higher than provincial minimum wage (IDR 1.650.000,00,-).

## **SUGGESTIONS**

In related to the conclusion, the suggestions are offered:

1. Both government and non-governmental institution are expected to pay a close attention to Small Medium Enterprises (SMEs) through giving debt capital, technology providing so the businessmen are able to establish the business.
2. The businessmen of brick industry are suggested to create a community to help them help each other in many aspects, such as; debt capital, marketing and sharing knowledge and information.
3. Government policy should meet the necessary of society, particularly in the research's location. Special program are urgently needed to increase people's awareness toward high quality education that will grant a better life.

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