

Analysis of Dominant Factors Affecting the Performance of the Small IMMT Sector in Medan City

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Abstract: The economic trend in Medan (as measured by Gross Regional Domestic Product / GRDP per sector on the basis of constant 2000 prices) in the 2012-2016 period experienced a significant increase. However, the results were not fully enjoyed by all levels of society, because in that period the development of the Medan City Gini Ratio Index had increased (from 0.33 in 2012 to 0.37 in 2016). This means that there has been income inequality between household groups in the area. Several studies have been carried out in overcoming this problem. One of the results of research in North Sumatra has identified that the Small Food, Beverage and Tobacco Industry (IMMT) is the optimal alternative model of the IMMT sector economic development policy. The question needs further analysis to get more in-depth information about the development of the sector in the city of Medan. This study aims to analyze the dominant factors that influence the performance of optimal economic policies in the Small IMMT sector development. Based on the analysis of the Structural Equation Model (SEM) with a sample of 50 respondents obtained results, there are three dominant factors that influence the performance of the Small IMMT sector in Medan, and of the three factors the most dominant are managerial skill factors.

1 INTRODUCTION

Achieving high economic growth is the main target that will usually be pursued in an economy to create a just and prosperous society. The economic development of Medan, measured by Gross Regional Domestic Product (GRDP) on the basis of constant prices in 2000, from 2012 to 2016 experienced a significant increase. As shown in Figure 1.1, it can be seen that within 5 years the average growth rate of North Sumatra is 6.22%. This indicates that the welfare of the people of Medan city is increasing. As indicated by the condition of the number of poor people in this area in that period decreased from 11.31% (2012) to 10.39% (2016).

Although the number and percentage of poor people from time to time has decreased, but with the poverty rate in 2016 amounting to 206.87 thousand people or in the first place, the number of population in the city of Medan is considered too high, so that the right solution is needed. that is.

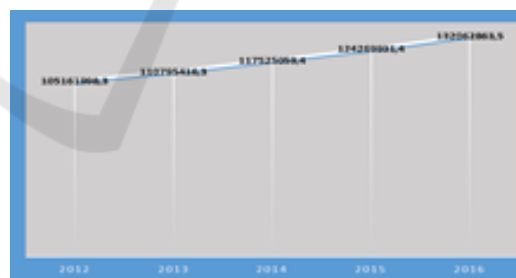


Figure 1: Medan City Gross Domestic Product (in Million Rupiah) Source: BPS, 2010-2014

One of the root causes of poverty in Indonesia, especially the city of Medan is the high disparity due to the uneven distribution of income among household groups, so that the gap between the rich households and poor households is widening. One measure in determining the inequality of household income is the Gini Ratio index. During the period of 2012-2016 the development of the Medan City Gini Ratio Index has increased (from 0.327 in 2012 to 0.374 in 2016) so that income inequality among

household groups in this area tends to increase. In addition, the magnitude of the Gini ratio shows that the condition of income inequality between households is relatively high. Thus the economic development of the city of Medan which is high and the tendency to increase is not fully enjoyed by all levels of society, thus leading to the creation of income gaps between household groups and poverty. Therefore the size of the results of economic development cannot only be reflected by the high economic growth and the size of regional income, but also includes the following in terms of human development (income inequality, the number of poor people and unemployed). Therefore, in designing an economic development strategy so that it is not only aimed at economic growth, it also needs to be followed by improvement in addition to the decline in the number of poor people and reducing unemployment as well as the distribution of income.

From previous research (Nugrahadi, 2013) it was known that the Food, Beverage and Tobacco Industry (IMMT) sector and especially the small IMMT (Nugrahadi, 201) were optimal alternative models of the IMMT sector economic development policy in North Sumatra. The question is, what are the dominant factors that influence the performance of the economic policies for the development of the Small IMMT sector in the city of Medan? Thus this study aims to analyze the dominant factors that influence the performance of optimal economic policies in the Small IMMT sector development.

2 THEORETICAL FRAMEWORK

As stated by Todaro (2013) that the development process must be able to bring humanity beyond the prioritization of material and financial aspects of their daily lives. This means that the size of the results of economic development is not only reflected by high economic growth, but also needs to be followed by improving income distribution, decreasing the number of poor people and reducing unemployment. Very diverse theoretical approaches that can be adopted by policy makers in the process of economic development. One of them is known as the concept of unbalanced growth put forward by A.O. Hirschman, has an understanding that in economic development is based on unbalanced growth. According to Hirschman, investments in strategic industries or sectors and related to one another through linkage will generate new investment opportunities and pave the way for further economic development (Jhingan, 2003).

In essence the concept of unbalanced growth is a strategy that develops sectors that have strong links. According to this linkage theory, it means backward

linkage and forward linkage. The proposal to develop the economic sector which has this connection applies not only to the industrial sector but also to the agricultural sector but the entire economic sector.

As explained earlier, the Small is a sector that has a large linkage in North Sumatra (Nugrahadi, 2015), so that this sector is recommended as the leading sector for the development of economic development in the city of Medan. However, before this policy is carried out it is necessary to analyze the dominant factors that affect the performance of this sector.

From the study of Nugrahadi (2013) factors that influence the performance of the Small IMMT sector shown by business people (entrepreneurs), namely competence and business feasibility. According to Suryana (2003) entrepreneurial competence is someone who has the knowledge, skills and qualities of individuals which includes attitudes, motivations, values and behaviors needed for entrepreneurship. Furthermore, it is said that the competencies include: (1) Managerial skills, (2) Conceptual skills, (3) Human skills, (4) Decision making skills, and (5) Time Managerial Skills.

While business feasibility or also called a feasibility study, is an activity to assess the extent to which benefits can be obtained in carrying out a business activity. The results of this analysis are used as material for consideration in making decisions, whether to accept or reject a business idea. Worthy understanding in this research is the possibility of the idea of a business that will be implemented can provide benefits in the sense of financial and social benefits. With this feasibility analysis it is expected that the risk of failure in marketing the product can be avoided.

Knowing whether a business is feasible or not, it must be analyzed for each aspect. According to Mudjiarto (2006) criteria that can be used as an assessment aspect in developing a business are: (1) analysis of marketing aspects, with indicators: consumer needs and desires, market segmentation, targets, value added, product life span, market structure, competitive strategy, market size, market growth, gross profit, and market share), (2) analysis of aspects of production, with indicators: operating location, operating volume, machinery and equipment, machinery and equipment, raw materials and auxiliary materials, labor, and lay out, (3) analysis of management aspects, with indicators: ownership, organization, management team, employees, and (4) analysis of financial aspects, with indicators: sources of funds, balance projections, projections of losses and profits, cash flow projections and calculation of investment criteria.

3 RESEARCH METHOD

The population in this study were all small entrepreneurs in the IMMT sector in Medan. The sample used in this study was 50 respondents independent entrepreneurs in the city of Medan were taken by random sampling. The source of data in this study uses primary data in the form of two variables, namely competency variables and entrepreneurial business feasibility analysis capabilities using the Likert scale with five choices of answers, namely, Strongly Agree (SS), Agree (S), Disagree (KS), Disagree (TS), and Strongly Disagree (STS).

To answer the problems in this study, an analysis based on Linear Structural Relationships (LISREL) or analysis of the structure of covariance. Analysis of the Structural Equation Model (SEM) is also called Linear Structural Relationships (LISREL) or analysis of covariance structures. This method is used to analyze the microeconomic aspects with the aim of finding out the dominant factors that influence the performance of the optimal economic policy in the IMMT sector development.

4 RESULTS AND DISCUSSION

4.1. Assumption Analysis Factor Test

Before testing the factor analysis first tested two assumptions related to factor analysis, namely the assumption of the normality of univariate variables (each variable) and the assumption of multicollinearity with the KMO and Barlett Test tests, and Anti Image Matrices Test.

1) Assumption of univariate normality

Normality testing was carried out with non-parametric Smmnrov Smirnov samples. Based on the results of the analysis it is known that overall the Sig. > 0.05, which means that all data are normally distributed.

2) Multicollinearity

a) Test KMO and Barlett's Test

The results of the multicollinerity test of KMO and Bartlett's Test show that: (1) the Adequancy KMO value is 0.715 > 0.5, which means that this factor analysis variable can be further processed, and (2) Bartlett's test value of 150.667 with a significance of 0.000 < 0.05, which means that there is a significant correlation between the overall factor analysis variables. Thus the overall variable analysis of this factor analysis can be tested by factor analysis. But to find out more about any variable in this factor analysis it is necessary to test the anti image matrices.

b) Anti Image Matrices-Measure of Sampling Adequacy (MSA) Test

The anti image matrices correlation test results show the coefficient of the MSA value > 0.5, which means that both the variables and the variables in this factor analysis meet the requirements and are worthy of further analysis.

4.2. Interpretation of Factor Analysis Results

1) Communalities

Analysis of communalities is basically the amount of variance in the form of a percentage of each initial variable that can be explained by existing factors. The results of the Communalities calculation show that the overall variance value of the variable is > 0.5, which means that the level of closeness is strong with the factors formed, so that factor analysis can be done without removing the variables in this study.

2) Total Variance Explained

This analysis is intended to determine how many factors might be formed. Components or factors to be chosen are factors with eigenvalue values greater than 1 (factors that are able to explain variables well). The results of the calculation of total variance explained show that out of 9 components only 3 factors are formed because the eigenvalue value is greater than 1. From the 3 factors formed, it will be able to explain the total variance of 68.74 percent of the variables.

3) Component Matrix and Rotated Component Matrix

The results of calculation of component matrix in this study are as follows:

Table 1: Component Matrix

Component Matrix ^a			
	Component		
	1	2	3
Manajerial Skill	.753	-.105	-.034
Time Manajerial Skill	.694	.148	-.291
Marketing	.683	.311	.450
Conceptual Skill	.677	-.534	-.069
Decision Making Skill	.640	.306	-.374
Financial	.598	-.231	.313
Human Skill	.528	.420	-.526
Manajerial Skill	.570	-.694	-.018
Production	.537	.451	.571

Extraction Method: Principal Component Analysis.
a. 3 components extracted.
 Source: Research Results, 2018 (Data processed by SPSS)

Based on Table 1, it can be seen that the variable correlation value is still very evenly distributed, where the correlation of a variable in one factor component is still relatively the same as the variable correlation in the other factor components. For this reason rotation is carried out on the dimensions of the

factor, so that the rotated component matrix is obtained as shown in Table 2. Rotation is done by the varimax method. Determination of variables that enter into the new factor component based on correlation values greater than 0.5.

Table 2: *Rotated Component Matrix*

	Component		
	1	2	3
Manajerial Skill	.897	.044	-.023
Conceptual Skill	.836	.213	.063
Financial	.562	.044	.438
Manajemen	.548	.425	.314
Human Skill	-.019	.853	.060
Decision Making Skill	.145	.768	.181
Time Manajerial Skill	.305	.674	.202
Production	-.003	.139	.894
Marketing	.193	.245	.817

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 a. Rotation converged in 4 iterations.
 Source: Research Results, 2018 (Data processed by SPSS)

Based on Table 2. then grouped variables into newly formed factors as follows,

Factor1: Managerial Skill, Conceptual Skill, Financial and Management.

Factor 2: Human Skill, Decision Making Skill and Time Managerial Skill.

Factor 3: Production and Marketing.

4) Component Transformation Matrix

As the last step is to determine the accuracy of the factors formed from all factor analysis variables used

by using the Component Transformation Matrix. The calculation results show the overall component/factor has a correlation > 0.5, which means that the factor 1, factor 2, and factor 3 formed can be said to be appropriate to summarize 9 independent variables used in the factor analysis in this study.

4.3. Hypothesis testing

Hypothesis testing is done by sorting the score scores from the largest to the smallest. The way to find out the factor score is:

$$\text{Skor Faktor} = \frac{\text{Rotated Component Matrix} \times \text{Variance Factor}}{\text{Total Variance}}$$

The results of calculating factor scores are shown in Table 3. From Table 3, it can be seen that based on a factor score of > 0.75 there are three dominant factors in the Small IMMT sector business in Medan, namely: managerial skills, human skills and production.

From the three variables, it is seen that managerial skills are the most dominant indicator. This shows that managerial skills are a provision that must be possessed by the Small IMMT entrepreneur. In this case the entrepreneur must be able to carry out the functions of planning, organizing, mobilizing and controlling so that the business he runs can achieve the desired goals. In other words, technically he must have the ability to analyze and develop markets, the ability to manage human, material, money, facilities and all resources (Suryana, 2003).

Table 3: Dominant Indicators

No	Variabel	Component			Variance			Total Variance	Factor Skor
		1	2	3	Factor 1	Factor 2	Factor 3		
					3.633	1.423	1.133	6.189	
1	<i>Manajerial Skill</i>	0.897	0.044	-0.023	3.259	0.063	-0.026	3.295	0.887
2	<i>Conceptual Skill</i>	0.836	0.213	0.063	3.037	0.303	0.071	3.412	0.744
3	<i>Financial</i>	0.562	0.044	0.438	2.042	0.063	0.496	2.601	0.441
4	<i>Manajemen</i>	0.548	0.425	0.314	1.991	0.605	0.356	2.951	0.370
5	<i>Human Skill</i>	-0.019	0.853	0.06	-0.069	1.214	0.068	1.213	0.854
6	<i>Decision Making Skill</i>	0.145	0.768	0.181	0.527	1.093	0.205	1.825	0.460
7	<i>Time Manajerial Skill</i>	0.305	0.674	0.202	1.108	0.959	0.229	2.296	0.282
8	<i>Production</i>	-0.003	0.139	0.894	-0.011	0.198	1.013	1.200	0.755
9	<i>Marketing</i>	0.193	0.245	0.817	0.701	0.349	0.926	1.975	0.383

Source: Research Results, 2018 (Data processed by SPSS)

The results of the study are in line with the studies of Yuliana and Pujiastuti (2018), especially related to the components of market development as one of the managerial aspects of skills. According to him Market orientation (market development) is a measure of behavior and activity that reflects the implementation of the marketing concept. Market orientation as the most effective organizational culture in creating important behavior for the creation of superior value for buyers and performance in business. So that an increase in market orientation will improve business performance.

5 CONCLUSIONS

Based on the results of SEM, three dominant factors were found in the small food, beverage and tobacco industry sectors, namely managerial skills, human skills and production. Of the three factors, the most dominant is managerial skill.

Based on the findings of this study indicate that the small IMMT sector shows a large role in the city. Thus the sector is one of the leading sectors. This implies that in spurring economic growth accompanied by equal distribution of income in the city of Medan in the future it should be prioritized for the small IMMT sector.

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