



Proposed Growth Strategy for Small Business Using the MSME Soundness Assessment Method (Cracktive Case Study)

Atikah Rizkiya¹, Isti Raafaldini Mirzanti²

^{1,2}Master of Business Administration, School of Business and Management, Bandung Institute of Technology

ABSTRACT: Micro, Small and Medium Enterprises (MSMEs) are the main drivers of the economy in Indonesia because they are able to play a role in the process of increasing people's income and succeed in encouraging economic growth. MSMEs have the ability to contribute to the local economy by creating new businesses that can increase employment opportunities. To assist MSMEs to grow, the government offers financial assistance. MSMEs need to know the health of their business and company. MSME Soundness Measurement provides a vision of business performance from a financial such as liquidity ratio, activity ratio, loan ratio, profitability ratio, and non-financial such as marketing, operations, good governance, and human resources. The assessment results were compared with the table AHP Calculations, the final score financial of 28,43% and non-financial aspect of 20,33%, the overall score of 48,76%. The results of measuring the level of Health obtained results in Cracktive companies, which are included in the Fair Soundness I" category with an "BBB" rating. Measurement of the Health Level of MSMEs is appropriate for Cracktive companies to determine the level of health and can be a tool for improvement.

KEYWORDS: AHP, MSME, MSME Soundness Assessment, Financial, Non-financial.

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are the main drivers of the economy in Indonesia because they are able to play a role in the process of increasing people's income and succeed in encouraging economic growth. The number of MSME actors is 65.47 million of the total number of business actors in Indonesia. MSMEs are a sector of the economy with significant business potential, and as they expand, so does the rate at which they absorb new workers (Bustam, 2016). MSMEs have the ability to contribute to the local economy by creating new businesses that can increase employment opportunities. MSMEs that have the ability to take on new employees can lower the current migration rates through entrepreneurship. MSMEs are very adaptive, which facilitates the growth of this business, particularly in the commercial sector. In supporting the problems faced by MSMEs, the government supports the strengthening and empowerment of MSMEs in various aspects to help real development. Government assistance programs for MSMEs highlighted in the regulation include financing and guaranteeing MSMEs. The Government and Local Governments provide funds for MSMEs; state-owned enterprises (BUMN) can provide financing from the share of annual profits allocated to MSMEs in the form of loans, guarantees, grants, and other funding; large national and foreign businesses can provide funding allocated to MSMEs in the form of loans, guarantees, grants, and other funding; The government, local governments, and the business world can provide grants, seek foreign assistance, and seek other sources of financing that are legal and non-binding for MSMEs; The government and local governments can provide incentives in the form of licensing requirements, tariffs for facilities and infrastructure, and other forms of incentives in accordance with the provisions of the law to business actors who provide financing for MSMEs. (Ishak & Sholehah, 2021).

Research Questions

1. How to measure the soundness of Cracktive business?
2. How can Cracktive improve its business by proposing its growth strategies?

Research Objectives

1. To understand the conditions and health situations of a business that can improve performance in Cracktive in running its business.
2. To find out whether the MSME method can be applied by Cracktive to overcome current business problems?
3. To find out the right steps to take by Cracktive after having a clear picture of business conditions.



LITERATURE REVIEW

Based UU Republic of Indonesia No.20 of 2008 on SMEs, that is, micro enterprises are productive enterprises owned by individuals and a single business unit that meet the standards of micro enterprises. A small business is a productive economic company that is independently operated by an individual or business unit that is not a subsidiary or branch of a small or medium-sized company that meets, manages, or is part of the standards of a small or medium-sized company. A medium-sized company is a productive entity that is directly or indirectly owned, managed, or operated independently by an individual or business unit that is not a subsidiary or branch of a company that has net assets or proceeds to become part of a small business. A commercial enterprise, a large enterprise is a productive economic entity carried out by a business unit of medium-sized enterprises or less with net assets or annual sales of more than Foreign companies.

Table 1.1 MSMEs Classification based on Undang-Undang No.20 Tahun 2008

MSMEs Classification	Net Worth	Annual Sales	Workforce
Micro	< Rp 50,000,000	< Rp 300,000,000	< 5 people
Small	Rp 50,000,000-Rp 500,000,000	Rp 300,000,000-Rp 2,500,000,000	5-19 people
Medium	Rp500,000,000-Rp 10,000,000,000	> Rp 2,500,000,000	20-99 people

2.1 MSME Financial Assistance

Through many programs, we support government programs in the development of MSMEs. This is one of the government's commitments to driving economic growth. SMEs play an important role in GDP as their contributions reach 61% and can absorb up to 97% of total national employment intake. The government is preparing various programs to support enterprises, including interest rate subsidies and government funding withpartner commercial banks to support the expansion of labor capital credit of MSMEs. This provides micro enterprises with an easy financing option and is facilitated by the government, including new entrepreneurs. Includes good business / business health. This program aims to strengthen the capacity of corporate capital in the context of lending to MSMEs. The funds provided are in the form of working capital supplies and investments, which are distributed to individual MSMEs / individuals, but must already be healthy. KUR's goal is to improve and expand access to financing for productive enterprises, increase foreign power capacity for micro and MSMEs, and promote economic growth and employment. The funds provided are 100% of the government funds from the financial institutions that distribute KUR. The requirement for MSMEs to receive KUR funding is that they have been operating for at least 6 months, are not currently financed by banks, meet management requirements, and operate companies, including healthy companies.

2.2 MSME Soundness

Health assessment measurement methods, which are health assessments, are important in knowing how effective a company's performance is in achieving its vision and goals. For similar sectors, health level analysis can be divided into two aspects: financial and non-financial categories. There are two aspects to measuring the health of MSMEs: the financial side and the non-financial side. (Soekarno,et al,2020)

2.2.1 Financial Aspect

Financial Aspects is a tool for measuring performance in a business which is written in comparison data in financial statements, then assessed by calculating financial ratios. The assessment uses ratio measuring instruments to evaluate the development of financial performance such as cash ratio containing, liquidity ratio, activity ratio, debt ratio and profitability ratio to measure it.

- a. Liquidity Ratio



The liquidity ratio is the ratio measured by its ability to meet its short-term obligations when due. Liquidity can also be defined as the solvency of the company's overall financial position. In this method, the liquidity ratio consists of cash ratios and current ratios. (Gitman, 2012)

Table 2.1 Formula Ratio Liquidity

Ratio	Formula
Cash Ratio	$\frac{\text{cash}}{\text{Current liabilities}} \times 100\%$
Current Ratio	$\frac{\text{current asset}}{\text{Current liabilities}} \times 100\%$

b. Activity Ratio

Activity ratios are measuring devices for measuring the speed of various accounts converted into sales or cash inflows and outflows. This ratio also measures how efficient businesses are to operate in various dimensions of inventory management, expenditure, and collection. The activity ratio consists of inventory turnover and total asset turnover. Gitman (2012)

Table 2.2 Formula Ratio Activa

Ratio	Formula
Gross Profit Margin	$\frac{(\text{Sales} - \text{cost of sales})}{\text{Supply}} \times 100\%$
Total Asset Turnover	$\frac{\text{Sales}}{\text{Total Asset}} \times 100\%$

c. Loan Ratio

functions to measure the total assets financed by creditors from the business, the higher the ratio, the greater the number of creditors used to generate profits. (Gitman, 2012)

Table 2.3 Formula Loan Ratio

Ratio	Formula
Loan Ratio	$\frac{\text{Total Liability}}{\text{Total Asset}} \times 100\%$

d. Profitability ratio

This ratio is a ratio to assess the company's ability to seek profit. This ratio also provides a measure of the level of effectiveness of the management of an enterprise. The use of profitability ratios can be used using a comparison between the various components that are in the financial statements. Measurements can be made for several periods of operation.

Table 2.4 Formula Ratio Profitability

Ratio	Formula
Gross Profit Margin	$\frac{(\text{Sales} - \text{cost of sales})}{\text{Sales}}$
ROI	$\frac{\text{Net Profit}}{\text{Investment}} \times 100\%$

2.2.2 Non-Financial Aspects

The non-financial aspect has an equally important role as the financial aspect, the analysis of non-financial aspects is carried out to find out to what extent the business carried out by the Cracktive is feasible, when viewed from non-financial aspects. In this study, several non-financial aspects were studied including marketing aspects, operational aspects, human resources aspects and good governance aspects of the company.

a. Marketing aspects

The marketing aspect is an important way for the company to achieve company goals, including the system used to plan and determine prices to promote and distribute goods and services that can satisfy the needs of potential buyers. (Stanton, 2012)



b. Operational aspect

The operational aspect is the process of utilizing the resources owned to create goods that can later be enjoyed by consumers and is a series of activities that convert inputs into outputs. (Stevenson, 2015)

c. Human Resources Aspects

The Human Resources aspect is a useful aspect for managing employees so that the business gets better performance. The human resource aspect is also related to employee engagement, if the engagement rate is high, it will be more productive as well and easy to provide high and her quality work. The role of this aspect in business also provides a variety of knowledge and training for administrative processes that are important for the business.

d. Aspects of Good Governance Company

The Good Governance Company aspect is an aspect that serves to control the needs that come from various types of stakeholders. This aspect can also manage the company balance the needs of the business in order to achieve the intended business goals.

2.2.3 AHP And Scoring

Analytic hierarchy process (AHP) is a method of determining the weight of each aspect and indicator, and the result is a performance evaluation framework. According to Turban (2005, pp. 217–218), the Analytic Hierarchy Process (AHP) developed by Thomas L. Saaty helps in decision making. To make the best decision, compare the factors in the form of criteria. AHP allows decision makers to address real and unreal factors. The advantage of AHP over others is due to the existence of a hierarchical structure from the selected criteria to the most detailed sub-sub criteria. Validate the various criteria and alternative discrepancies selected by the decision maker to the permissible limit (Saaty, 1990). This research method uses AHP, a decision support system model implemented in Expert Choice software, to make decisions rational and optimal.

Table 2.5 Analytical Hierarchy Process

Industry Sector	Service	Manufacture	Trading
Liquidity Ratio	17.2%	25.6%	25.5%
Activity Ratio	13.2%	19.6%	17.3%
Debt Ratio	10.4%	8.5%	10.4%
Profitability Ratio	23.1%	24.4%	29%
Marketing	17.1%	9.1%	9.7%
Operational	5.8%	6.3%	4.0%
Human Resources	8.7%	4.2%	2.5%
Good Governance	4.4%	2.3%	1.7%
Total	100%	100%	100%

table 2.5 shows the AHP calculations performed by the Expert Choice software. The results of these AHPs are used to calculate the MSME. The sum of financial and non-financial value is the final result, which later shows the health of the company. Table 2.6 shows the results of adding the financial and non-financial aspects. Results of final health measurements.

Table 2.6 MSMEs Soundness Assessment Measurement Level and Rating

SCORE	SMEs Soundness Level	Rating
87-100	Great Soundness	AAA
72-86	Good Soundness I	AA
58-71	Good Soundness II	A



44-57	Fair Soundness I	BBB
30-43	Fair Soundness II	BB
15-29	Poor Soundness	CCC
0-14	Bad Soundness	CC

2.3 Research Methodology

The survey begins with a review of the literature from previous surveys on similar topics and methods, followed by a collection of attributes found in the literature review: financial, operational, marketing, and talent indicators related to health assessment. To be able to measure MSME health using the questionnaire tool filled out by MSMEs who need to know the value of their health, compare the results of the survey with the AHP assessment framework. The AHP method helps determine the weight of each aspect and indicator. The AHP process generates scoring criteria with the appropriate weights to perform a pairwise comparison, derives decisions from the criteria, and gets a score for each option. This will allow you to later determine the total score for each option and a ranking that indicates the health status of those companies.

3. FINDING AND ANALYSIS

3.1. FINANCIAL ASPECT ASSETS

The financial aspect is the aspect used to assess the company's overall finances. The financial aspect is one of the most important aspects of investigating the feasibility of finding estimated funding and cash flows for a company. There are four indicators that are effective for business operations: liquidity ratio, activity ratio, debt ratio, and profitability ratio. The results of this financial assessment are extracted from the financial statement data and matched against the Treasury Ratio Guidelines Scoresheet.

Table 3.1 Non financial aspect score results

Financial aspect	Total score
Liquidity Ratio	10,24%
Activity Ratio	5,88%
Debt Ratio	2,55%
Profitability Ratio	9,76%

3.2 Non-financial

Evaluate non-financial aspects such as marketing, talent, operations and good corporate governance. With 17 questions, the catalog of questions about this aspect is rated based on the following ratings: "Yes", "Most", and "No". Scores from non-financial aspects (marketing, Human resources, operations, and good governance) are calculated using another variable, the value of AHP, and the results are in the form of percentages. The final scores for the non-financial sector are listed in the table below.

Table 3.2 Non financial aspect score results

Non financial aspect	Total score
Marketing	9,1%



Operational	5,83%
Human Resources	2,62%
Good Governance	2,78%

3.3 Analysis of SME Soundness Assessment

The proportion of financial and non-financial figures is determined by the AHP number which is an aspect assessment based on the order of importance. The proportion obtained by Cracktive companies in the fashion industry is 28,43 % in financial and 20,33% this percentage is a contribution of interest in every aspect to determine the soundness level of Cracktive. Table 3.3 score results from financial analysis and non-financial analysis, the results of which are based on the measurement of the Cracktive soundness level.

Table 3.3 Total financial and non-financial score results

Aspect	Percentage
Financial	28,43%
Non-Financial	20,33%
Total	48,76%

The overall financial and non-financial valuations are the final valuations, which later show the soundness of the Cracktive company. The result of adding the financial and non-financial aspects is 48,76%, and the results are shown in Table 2.6. Measurement results of Cractive Health Level rank BBB with categories “ Fair Soundness I“

3.3 CONCLUTION

The conclusion in the study is a brief statement regarding to the results of the description analysis and discussion of the result of hypothesis testing that has been carried out in the previous chapter. The conclusion contains the answer to the statement posed in the research question:

1. How to measure the soundness of Cracktive business?

Through a comprehensive assessment and corresponding analysis, will get the following results:

Measuring the level of business soundness Cracktive using the MSME Soundness Assessment Method, carried out through the AHP process, which produces a table for comparison. The process using AHP is repeated to produce results for each aspect to represent aspects that are more important to the others. AHP involves Expert Choice software that generates percentage. This percentage will be the basis for calculating the health level of MSMEs. In this MSME assessment, there are two aspects, namely financial aspects and non-financial aspects. These two aspects have several different indicators. Liquidity ratios include profitability ratios, activity ratios, and debt ratios as indicators.

Meanwhile, non-financial aspects include marketing, operations, human resources, and good governance as indicators. (Soekarno et al., 2020). The proportion of financial and non-financial results in a value that is essential to determining the level of health. The scores are then totaled to get the final score will determine the rank and status of health. The measurement results were obtained from ranking indicators of the health level of Cracktive companies with a total score of 48.76 %. From these results, it can be seen that the health level achieved by Cracktive is a BBB rating of "Fair Soundness I."

2. How can Cracktive improve its business by proposing its growth strategies?

Based on the analysis results obtained from Cracktive's performance, several aspects were not implemented properly because the company did not initially realize the importance of these aspects. Therefore, the company needs to improve its inventory budget.



This should be initiated to support the implementation of objectives and strategies. Based on the marketing aspects analyzed, it was found that it was necessary to update and improve strategies such as hiring a marketing team and updating OKR to meet opportunities in the company's conditions. Acquiring various skills and updating employees' implementation skills is required. Performance analysis provides opportunities to improve company performance by understanding the health and state of the company.

REFERENCES

1. Ayodya, W. (2020). "UMKM 4.0". Jakarta: PT Elex Media Komputindo, 2020.
2. Bragg, Steven M. and E. James Burton, (2006). "Accounting and Finance for Your Small Business Second Edition". New Jersey: John Wiley & Sons, Inc.
3. Creswell, J. W., & Poth, C. N. (2018). *Qualitative Inquiry and Research Design Choosing Among Five Approaches (4th Edition ed.)*. California: Sage Publishing.
4. Fatris, E.K. and Soekarno, S. (2015) 'The implementation analysis of SME soundness measurement for service industry in Bandung, Indonesia', *Journal of Business and Management*, Vol. 4, No. 3, pp.339–351.
5. Gitman, Lawrence J. and Chad J. Zutter, (2012). "Principles of Managerial Finance Thirteenth Edition". USA: Prentice Hall.
6. Ishak, P., & Sholehah, N. (2021). *Implementasi Model Pentahelix Dalam Pengembangan UMKM Dimasa Pandemi Covid-19*, 4.
7. Indriyanti, A. (2022). THE EFFECT OF ENTREPRENEURS SCALE, LONG ENTREPRENEURSHIP ON THE EXISTENCE OF MSMEs DURING PANDEMIC. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, 6.
8. Kasmir. 2017. Analisis Laporan Keuangan. Jakarta: Rajawali Pers
9. Kemenkopukm. (2019). DATA UMKM. Dipetik Mei 2021, dari Kemenkopukm.go.id
10. Kominfo. (2019). Kuliner, Kriya dan Fashion, Penyumbang Terbesar Ekonomi Kreatif. Kominfo.go.id. https://kominfo.go.id/content/detail/11034/kuliner-kriya-dan-fashion-penyumbang-terbesar-ekonomi-kreatif/0/berita_satker (
11. Moh Nurhadi Cahyono, Fadjar Judisiawan (2011), "Menilik Alat Ukur Penilaian Kinerja BUMN", Riset Kementerian BUMN, Vol. 2
12. Partomo, Tiktik Sartika dan Rachman Soejoedono, 2004. *Ekonomi Skala Kecil / Menengah & Koperasi*. 2004 : Jakarta : Ghalia Indonesia
13. Peraturan Bank Indonesia Nomor:5/18/PBI, (2003). "Pemberian Bantuan Teknis dalam Rangka Pengembangan Usaha Mikro dan Kecil". Retrieved from
14. Peraturan Menteri Keuangan Nomor 22/PMK.05/2017, tentang Pembiayaan Ultra Mikro.
15. Peraturan Menteri Keuangan Republik Indonesia. (2018). No.95.
16. PPBK DPR-RI, .. (2022). *Dukungan memperkuat UMKM*. Puslit BK
17. Saaty, T.L. (1977) 'A scaling method for priorities in hierarchical structures', *Journal of Mathematical Psychology*, Vol. 15, No. 3, pp.234–281.
18. Saaty, T.L. and Katz, J.M. (1990) 'How to make a decision: the analytic hierarchy process', *North-Holland: European Journal of Operational Research*, Vol. 48, No. 1, pp.9–26.
19. Soekarno, S., Magetsari, R.R.M.A., Mirzanti, I.R. and Lantu, D.C. (2020) 'Performance assessment framework for small and medium enterprise', *Int. J. Business and Globalisation*, Vol. 26, Nos. 1/2, pp.57–70
20. Stanton, William J. (2012). *Prinsip pemasaran*, alih bahasa : Yohanes Lamarto Penerbit Erlangga, Jakarta.
21. Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung : Alfabeta, CV.
22. Sugiyono. (2018). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Alfabeta. Bandung.
23. (Kerangka Konseptual)
24. Syarif, Teuku & Etty Budhiningsih. (2009). "Kajian Kontribusi Kredit Bantuan Perkuatan dalam Mendukung Permodalan UMKM". *Jurnal Pengkajian Koperasi dan UKM*, Vol. 4: 62-87.



25. Shalmon, J., Darmawan, i., & Dominica, D. (2021). *ASPEK HUKUM BANTUAN BAGI PELAKU USAHA MIKRO (BPUM) DI MASA PANDEMI COVID-19*, 10.
26. Undang-Undang No 20 Tahun 2008 Tentang Usaha Mikro, Kecil dan Menengah (UMKM).
27. Wijono, Wiloejo. 2005. *Pemberdayaan Lembaga Keuangan Mikro Sebagai Salah Satu Pilar Sistem Keuangan Nasional : Upaya Konkrit Memutus Rantai Kemiskinan*. Kajian Ekonomi dan Keuangan Edisi Khusus.
28. William J. Stevenson. (2015). *Operations Management : Twelfth Edition*. NewYork : McGraw-Hill Education.

Cite this Article: Atikah Rizkiya, Isti Raafaldini Mirzanti (2022). Proposed Growth Strategy for Small Business Using the MSME Soundness Assessment Method (Cractive Case Study). International Journal of Current Science Research and Review, 5(8), 3012-3019