

THE ROLE OF SME ON SANITAIR INDUSTRY IN REDUCING UNEMPLOYMENT IN REGIONAL AREA OF MALANG CITY

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Abstract

Small and medium enterprise that is well-known as SME has become the backbone of the economy since it has the power to generate more opportunities in today's economies that are faced with critical challenges in employment. In general, the development of SMEs cannot be separated from various obstacles and problems encountered, as well as faced by the craftsmen who are members of the Industrial Center Malang sanitary. The mixed research methods combine both quantitative and qualitative research techniques with related methods, approaches, languages or concepts in a single study. Sampling technique also used is purposive sampling technique. Furthermore, the data were analyzed using regression analysis with the help of E-views program version 4.1 using OLS (Ordinary Least Squares) method. The results showed that the variable amount of labor, wages, output value, number of business unit, investment value, and sales volume that has significant influence on the absorption of labor in Sukun sub district - Malang.

Keywords: Number of Labor, Wages, Output Value, Number of Business Unit, Investment Value, Sales Volume, SME

INTRODUCTION

Small and medium enterprise (SMEs) is the backbone of South Asian economies because they have the power to generate more opportunities today with the economy faced with critical challenges. Many researchers (Moktan, 2007, Agarwal, 2006; BalaSubramanya, 2005; Mintoo, 2004; Amaratunge, 2003; Gamage, 2003) have revealed that the future economic development of these developing countries depends primarily on improvements for their country's SME sector. Therefore, developing country governments in the South Asia region often provide more support in an effort to secure sustainable growth during the current era.

The numerous efforts to empower MSMEs from year to year are always monitored and evaluated in terms of their contribution to Gross Domestic Product (GDP), employment, investment growth, foreign exchange earnings through commodity and / or services exports. Evidence suggests that SMEs are critical to economic well-being in both high-income and low-income countries around the world.

According to Schreyer (1996), SMEs are important to almost all countries around the world, especially in developing countries and, more specifically, threatened employment and income distribution of key challenges. Viewed "static terms," SMEs contribute to the output and creation of "decent" jobs, while in "dynamic terms," they are nurseries for larger enterprises in the future, a direct and often significant

contribution to aggregate cost savings and investment, and engage in the development of appropriate technology.

SMEs are expected to help employment, given that most SMEs are labor intensive, so SME growth has a significant impact on employment, especially in densely populated areas such as East Java, which is the most populous province in Indonesia. Generally, the work force absorbed by SMEs is the workforce that is educated at senior high school level and lower education level. It is just possible that the business conditions handled by SMEs is not so encouraging because of the credit disbursement is still extra careful from the local banking.

Most small businesses and households from the same manufacturing sub-sector form networks and spatial clusters and are referred to as clusters or industrial districts (Babalola, 2014). According to Becattini, et al., (2014) defines industrial districts as a production cluster that is geographically specialized and represents the traditional industrial area commonly found in rural or company towns.

Camuffo, A. (2016) Dynamics in the world of commerce is now increasingly demanding the businessmen, especially Small and Medium Enterprises (SMEs) that is able to improve the quality and quantity of production, so as to maintain the existence of the business under its management. In general, the development of SMEs cannot be separated from various obstacles and problems encountered, as well as faced by the craftsmen who are members of the Industrial Center Malang sanitary.

Industrial centers in Malang Raya are scattered everywhere. Each urban village has a unique industry, different from one to another. The main feature of an industrial center is the emergence of clusters (groups) of people who massively produce in one of the same products. For example, tempeh chips industrial centers, fruit chips, processed apple products, sanitary, ceramics, pottery, tourist villages, and others.

In the city of Malang, sanitary center is located in Karangbesuki Sub District of District Sukun. More precisely after passing Jl. Raya Galunggung, then enter through Gang Raya Candi II, where sanitary center is located. Along the aisle, along one kilometer row of sanitary products laid out nicely, there are grave, gravestones, pillars, concrete sinks, flower pots, garden ornaments, reliefs, garden accessories and fountains.

The industrial cluster development model adopted the concept of diamond proposed by Michael Porter (1990,1998). This model provides an understanding of what is happening in the cluster as well as about the competition taking place in it. According to Porter, the factors driving innovation and cluster growth are: (1) Condition Factor: existing production factors / owned by an industrial cluster, such as human resources (qualification level, labor cost, commitment etc.), source material resources (natural resources, vegetation, etc.), knowledge resources, capital resources, and infrastructure relevant to competition in a particular industry; (2) Demand of the domestic sector or local customers. The more advanced a society and the stronger the domestic customers, the industry will always strive to improve product quality or innovate in order to meet the desire of high local customers. But with the globalization, demand conditions not only come from local but also abroad; (3) Supporting and related industries, will improve efficiency and synergy in the cluster. Synergy and efficiency can be created primarily in transaction costs, sharing of technology, information and certain capabilities that can be utilized by other industries or companies; (4) Strategy, structure, and competition, the level of competition among local industries that is more motivational than competition with foreign parties, and local "culture" that influence the behavior of each industry in conducting competition and innovation.

To create new entrepreneurs, in developing small industries, there is the needs to do coaching through industry centers (Castells, 2014). The objective is to create broader employment opportunities for increased income and equitable distribution of industry and the achievement of industrial capacity enhancement in terms of supply of finished products, raw materials for domestic and export needs.

Maksimov, et al., (2017) SMEs will have a positive impact on increasing employment, reducing poverty, equity in income distribution, and rural economic development. In terms of policy, SMEs clearly need attention because not only provide income for most of Indonesia's workforce, but also spearheads in efforts to alleviate poverty. In rural areas, the important role SMEs provide additional income, as industrial development and as a complement to agricultural production for the poor.

Based on the background of the above discussion, this article seeks to examine the role of SMEs sanitary industry in reducing unemployment in the area of Malang City Region. So in the hope of writing this article can know what the role of SMEs sanitary industry in reducing unemployment in the area of Malang City.

LITERATURE REVIEW

Understanding of Industrial Centers

Djamhari, C. (2015). Industrial centers have a sense of an area where therein there are groupings of similar industries or have a close relationship among the industry. This industrial industry has an important role in economic development in Indonesia, because most of the population is low educated and live in small business activities both traditional and modern sector. With the development of people's economy is expected to increase the income of the community, open employment opportunities, prosper the community as a whole, and the achievement of industrial capability in the aspect of providing finished products, raw materials for domestic and export.

Definition of SMEs

SMEs do not have a standard definition. SMEs have been identified differently by different individuals and organizations, so companies considered small and medium in one country are viewed differently in another. Even within a country, the definition changes over time. Some common indicators used in various definitions include total assets, size of the workforce employed, and annual turnover and capital investment (Baenol, 1994). Furthermore, there is no single definition of SMEs among the multilateral development agency officials because each thinks within the context of the formal definition of the institution itself (Gibson et al., 2008), which is represented in Table 1

Table 1. Definition of SMEs Used by Multilateral Agencies

Union (Area or Country)	Max Employees	Omzet	MaxAsset
EU	10 – 250	40 Million Euro	
WB	300	15,000,000\$	
IMF-IADB	100	3,000,000\$	
African Development Bank	50		
Asian Development Bank	There is no official definition	Only use the definitions of various national governments.	
UNDP	200		
OECD	20 – 500		
Algeria	10 – 250	>20 million Euros	
China	> 2000 employees	300 million Yuan	

Based on Schreyer (1996), SMEs are important for almost all countries around the world, especially in developing countries and, more specifically, those facing employment and income distribution are major challenges. Viewed "static terms," SMEs contribute to the output and creation of "decent" jobs, while in "dynamic terms," they are nurseries for larger companies in the future, a direct and often significant contribution to aggregate savings and investments, and engage in the development of appropriate technology.

According to Harvie (2008), SMEs are important in East Asian economies, while the dynamic role that SMEs play varies between different countries. In Singapore, although SMEs are not significant in terms of numbers and jobs, they are important because they provide flexible, trained production bases that attract larger multinational companies (MNCs). In addition, the contribution of SMEs to exports also varies. SMEs are relatively more export-oriented in China, Korea, and Taiwan than they are in Japan, Indonesia, Thailand, Malaysia, and Singapore.

Understanding Employment

According to Hammer, et al., (2015), labor is a working-age population or the total population of a country in producing goods or services, a workforce in the working age of 15-64 years. Three groups who are called job seekers, go to school, and take care of the household even if they are not at work are considered physically or at any time able to work. Practitioners understanding of labor and not labor is limited only by age. Where each country gives different age limits.

Ehrenberg, R. G., & Smith, R. S. (2016) stated that employment creation is an appropriate step, given the higher labor supply of its demand. The surplus labor is higher than the demand. This labor surplus is usually an unskilled labor, so it is necessary to extend investment in labor-intensive projects, not to the development of the capitalist sector with a capital-intensive main characteristic as a result of a choice of development strategy that prioritizes high economic growth.

SME and work force

A development of empirical literature supports the fact that SMEs are an important contributor to total employment and job creation in developed and developing countries.

Birch (1979) provides preliminary evidence supporting the idea that SMEs are the main engines of job growth. His findings show that 81.5% of all clean new jobs in the United States during 1969-1976 were created by companies with 100 employees or less.

Kirchhoff and Phillips (1988) examined the contribution of small and large firms to US employment growth and find that firms with fewer than 100 employees are the main source of new net job creation. In contrast, companies with more than 1,000 employees provided only 13 percent of all new jobs despite having a 37% share of the workforce.

According to Berrios and Mark (2013), small and medium-sized businesses (five to 250 employees) produce a large share of employment in industrialized countries. In addition, this work with existing companies and with newly created companies, especially those who grew rapidly in the first years of operation.

Understanding Sales Volume

Sales volume is the end result achieved by the company from the sale of products produced by the company. Sales volume does not separate in cash or credit but is calculated as a whole from the total achieved. Should the sales volume increase and distribution costs decrease then the level of corporate profit achievement increases but vice versa if sales volume decreased then the achievement of corporate profits also decreased.

According to Kotler (2000) sales volume is goods sold in the form of money for a certain period and in it has a good service strategy. There are several attempts to increase sales volume, including:

- 1) Purchasing the product in such a way that the consumer sees it.
- 2) Placing and arranging regularly so that the product will attract the attention of consumers.
- 3) Conduct market analysis.
- 4) Determine potential buyers or potential customers.
- 5) Hold an exhibition

The Concept of Employment

According to Zealand, S. N. (2013) workforce is a working-age defender aged 15-64 years old or the total population in a country that can produce goods or services if there is demand for their labor and participate in activities or activities available. From some of the above understanding, it can be concluded that the workforce is a resident who is at the age limit of work and able to do work such as producing goods or services so as to get wages to meet their own needs and society.

Labor absorption is the acceptance of labor actors to perform the duties as appropriate or the existence of a situation that describes the availability of workers or employment to be filled by job seekers (Blattman, C., & Ralston, L. 2015).

The concept of productivity is simply the ratio of the number of real outputs to input factors. Then labor productivity is the ratio of the number of real outputs to the amount of labor used to produce the sum of the outputs.

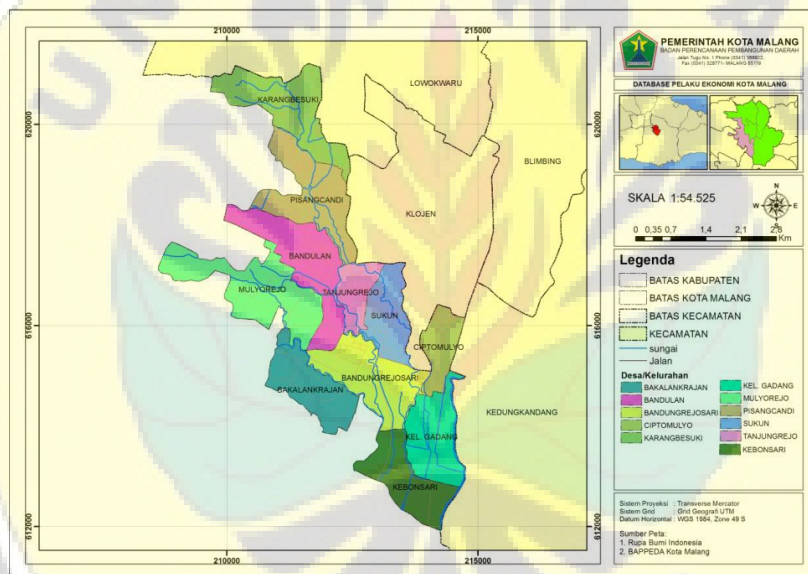
RESEARCH METHODS

The mixed research methods combine both quantitative and qualitative research techniques with related methods, approaches, languages or concepts in a single study (Creswell, Vicki, & Clark, 2007). Johnson,

Onwuegbuzie and Turner (2007) define mixed research methods as "intellectual and practical synthesis based on qualitative and quantitative research. Many authors (e.g., Johnson & Onwuegbuzie, 2004; Creswell, Vicki & Clark, 2007; Bryman & Bell, 2007) suggest that mixed methods approach, if not referred to as methodological triangulation (Denzin, 1978; Easterby-Smith, Thorpe, & Lowe, 1991), has increasingly become a preferred paradigm among contemporary social researchers. This is because researchers have an increasingly diverse world view to address complex issues that inevitably require a mix of different data collection methods. Furthermore, with this design, "words, images, and narratives (generally regarded as qualitative data) can be used to add meaning to numbers (quantitative data)" (Johnson & Onwuegbuzie 2004, p.21). Therefore, this research approach improves the accuracy of research results by collecting different types of data bearings on the same phenomenon (Nagy & Biber, 2010).

The variables used in this study are independent variables using variable wages (x1), Output Value (x2), Number of Business Units (x3), Investment Value (x4), Sales Volume (x5), and Number of Labor (x6). Meanwhile, the dependent variable is labor absorption (Y). The population in this study are all small and medium enterprises in Sukun Malang. The sampled business is a business that has a workforce of more than ten people. Furthermore, the sampling technique that is also used is purposive sampling technique that is deliberate sampling. That is, researchers determine their own samples taken because there are certain considerations. (Sugiyono, 2009). The number of SMEs in District Sukun Malang is 106 business units.

Data collection is done by documentation method from report of related institution, literature study and internet service data processing. Furthermore, the data were analyzed using regression analysis with the help of E-views program version 4.1 using OLS (Ordinary Least Squares) method.



RESEARCH FINDINGS AND DISCUSSION

Sukun is part of Sukun Sub-district of Malang City, with total area of 137,006 Hectares, Longitude Coordinate: 112.631004, Latitude Coordinate: -7.990798, Altitude Above Sea Surface: 100 Meters and population of 18,742 inhabitants comprising 9,037 men and 9,705 women with number of heads of households 4,419. The livelihood of the population is very diverse, among others, civil servants, military / police, traders, industrial workers / companies, craftsmen etc.

Table 2 Type of Occupation

NO	WORK TYPE	L	P	TOTAL
1	NO FIXED JOB	95	0	95
2	RETIREMENT	102	209	311
3	FARMER	27	0	27
4	CARPENTER	35	0	35
5	BRICKLAYER	12	0	12

6 ARMY	53	12	65
7 CIVIL SERVANT	99	76	175
8 MIGRANT WORKER	96	0	96
9 INDUSTRIAL EMPLOYEE	471	944	1415

Source: <http://prodeskel.binapemdes.kemendagri.go.id/mdesa/>

The result of multiple regression analysis in table 3 is used to know the effect of free variable which consist of variable amount of Labor, Wages, Value of Output, Number of Business Unit, Investment Value, and Sales Volume as independent variable to labor absorption as dependent variable. From the results of multiple regression analysis can be seen the equation of multiple regression OLS.

The research finding shows that there is a significant influence of the variable of Labor, Wages, Value of Output, Number of Business Unit, Investment Value, and Sales Volume of labor absorption proven from result of t test which has price significance smaller than real level 0, 05 or jointly as evidenced by the F test obtaining the price of significance less than the real level of 0.05. For more details see table 3 below:

Table 3
The Result of Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Employee's number	0.004115	0.055816	0.073720	0.0413
Wage	0.603660	0.050467	11.96138	0.0000
Output Value	0.095413	0.053725	1.775946	0.0473
Number of Business	0.067613	0.039930	1.693281	0.0320
Investment Value	0.186749	0.051548	3.622841	0.0004
Sales Volume	0.072794	0.034561	2.106260	0.0365
R-squared	0.780598	Mean dependent variable		3.695000
Adjusted R-squared	0.774943	S.D. dependent variable		1.003499
S.E. of regression	0.476062	Sum squared residue		43.96712
Durbin-Watson stat	2.063982	Second-Stage SSR		43.96712
J-statistic	194.0000	Instrument rank		8
Prob(J-statistic)	0.000000			

DISCUSSIONS

Regression analysis results show that Wages (X1) have a significant and positive effect on the absorption of labor with a significance value of 0.0000. This shows that there is a direct relationship between wage and labor absorption, that is, if wage variable increase then labor absorption also increase. This is strengthened From Ehrenberg (1998) states if there is an increase in the average wage rate, it will be followed by the decline in the amount of labor demanded, means that unemployment will occur. Or if reversed, with the decline in the average wage rate will be followed by increased employment, so it can be said that employment opportunities have an inverse relationship with the wage rate. A similar opinion is also expressed by Haryo Kuncoro (2001), in which the quantity of labor demanded will decrease as a result of wage increases. If the wage rate rises while the other input prices are fixed, then the price of labor is relatively more expensive than other inputs. This situation encourages employers to reduce the use of relatively expensive labor with other inputs that are cheaper in order to maintain maximum profit. Dustmann, et al., (2016) stated that younger indigenous peoples experience greater wage effects, specific workplace responses. This pattern is inconsistent

with the standard model of immigration but can be accounted for by allowing models for greater labor elasticity or higher levels of wage stiffness for older workers than for new workers.

While for Output Value variable based on regression analysis showed that Output Value (X2) has a significant and positive effect on labor absorption with significance value of 0.0473. This shows that there is a direct relationship between Output Value and employment absorption, that is, if Output Value increases then employment will increase. The value of output is the level of production or the total amount of goods that is the end result of the production process in a business unit which will then be sold to the hands of consumers. The ups and downs of market demand for the production of the company will affect if the demand of the company's production from the industry increases, the producer tends to increase its production capacity. For that purpose manufacturers will increase the use of labor (Budiawan, 2013).

While for the variable Number of Business Units based on regression analysis shows that the value of Number of Business Unit (X3) has a significant and positive effect on the absorption of labor with a significance value of 0.0320. This shows there is a direct relationship between the Number of Business Unit with the absorption of manpower, i.e. if the Number of Business Unit has increased then the absorption of labor will experience improvement. Rainnie, A. (2016). The number of industrial sectors affecting the labor absorption is a natural thing, because the number of business units is one determinant of the increase in the number of workers absorbed in an industrial sector. It can be said that the number of business units in the industrial sector affects the entrepreneur to determine the amount of labor used in implementing the production process (Atkinson, et al., 2016).

For investment value variable based on the regression analysis shows that the investment value (X4) has a significant and positive effect on the absorption of labor with a significance value of 0.0004. This shows that there is a direct relationship between investment value and employment absorption, that is, if variable of investment value increase hence labor absorption also increase. The absorption rate of labor that is not influenced by investment supported by previous research conducted by Hikmawan AdiAs'har (2015) Based on the results of the study shows that direct investment negatively -0.641 and not significant to the absorption of labor in Indonesia. This means that the hypothesis that investment variables have a direct positive effect on the absorption of labor is not proven.

For Sales volume variables based on regression analysis shows that sales volume (X5) has a significant and positive effect on employment absorption with a significance value of 0.0365. This shows that there is a direct relationship between sales volume and employment absorption, that is, if the sales volume variables increase then employment is also increased. This is very reasonable because the number of business units is one determinant of the increase in the number of workers absorbed in an industry sector (Dustmann, C., & Glitz, A. 2015). It can be said that the number of business units in the industrial sector affects the entrepreneur to determine how much labor is used in carrying out the production process. Mital, et al., (2014) High sales volume indicates that the products offered by the company are well received by consumers, so as to meet the increasing production needs as indicated by the increasing volume of sales, it is necessary to absorb the new workforce offsetting the addition of production.

While for the Number of Labor variable based on the regression analysis shows that the Number of Labor (X6) has a significant and positive effect on the absorption of labor with a significance value of 0.0413. This shows there is a direct relationship between the Number of Labor with the absorption of labor, that is, if the variable Amount of Labor has increased hence the absorption of labor also increase. Portes, A., & Benton, L. (1984) discusses the various theoretical positions taken on industrial employment in the Third World and presents data from Latin America that challenge the direct neoclassical assumption of labor transfer for the accompanying modern sector of development. Alternative interpretations of the latest trends in labor mobility and absorption in this region are proposed which view the informal sector as an instrument to handle variable labor demand.

CONCLUSION

Based on the results of analysis and discussion concluded that:

1. The results of regression analysis showed that wages have a significant and positive effect on the absorption of labor. This shows that there is a direct relationship between wage and labor absorption, that is, if wage variable increase then labor absorption also increase.
2. Meanwhile, Output Value variable has a significant and positive effect on labor absorption. This shows that there is a direct relationship between Output Value and employment absorption, that is, if Output Value increases then employment will increase.
3. As for the Number of Business Unit variable has a significant and positive effect on the absorption of manpower. This shows there is a direct relationship between the Number of Business Unit with the absorption of manpower, i.e. if the Number of Business Unit has increased then the absorption of labor will experience improvement.
4. For investment value variable has a significant and positive effect on employment. This shows that there is a direct relationship between investment value and employment absorption, that is, if variable of investment value increase hence labor absorption also increase.
5. For sales volume variables have a significant and positive impact on employment. This shows that there is a direct relationship between sales volume and employment absorption, that is, if the sales volume variables increase then employment is also increased.
6. Meanwhile, for amount of Labor variable have significant and positive effect to the absorption of labor. This shows there is a direct relationship between the Number of Labor with the absorption of labor, that is, if the variable Amount of Labor has increased hence the absorption of labor also increase.

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