PROCEEDING
ICEBA 2019
(Internasional Conference on Economic & Business 2019)

“DIGITAL TRANSFORMATION IN ECONOMIC BUSINESS AND MANAGEMENT TOWARDS INDUSTRY 4.0”

University of PGRI Adi Buana Surabaya, Indonesia

PROCEEDING

INTERNATIONAL CONFERENCE ON ECONOMIC & BUSINESS (ICEBA)

“DIGITAL TRANSFORMATION IN ECONOMICS, BUSINESS AND MANAGEMENT TOWARDS INDUSTRY 4.0”

SURABAYA, INDONESIA, 10TH AUGUST, 2019

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INTRODUCTION

Assalamu’alaikum Warahmatullahi Wabarakaatu

Semangat Pagi!!!

Praise and gratitude to Allah SWT's presence because of His grace and gift, the implementation of the International Conference on Economics and Business Adi Buana University Surabaya (ICEBA) in 2019 has run smoothly without any significant obstacles. We would also like to thank all those who have contributed to the success of the event, especially PPLP PT PGRI Surabaya, Rector of the PGRI Adi Buana University in Surabaya and their staff, and the entire academic community of PGRI University Adi Buana in Surabaya.

ICEBA 2019 is the first International Seminar held by the Faculty of Economics, UNIPA Surabaya. We have the courage to hold an event of this size in line with the large and rapid growth of our institution and the rapid growth of the business world today. The business world cannot stand alone without the support of other disciplines such as information technology, statistics, and many others. For this reason, ICEBA 2019 has the theme: "Digital Transformations in Economic Business and Management Towards Industry 4.0".

ICEBA 2019 also invited several experts to their own fields, including: (1) Prof. Dr. Ming-Lang Tseng, as a Chair Professor and Director of the Institute on Innovations and Circular Economy Asia, Thaicung University, Taiwan; (2) Dr. Bagus Sartono, as Lecturer of the Statistics Department of IPB University; (3) Dr. Zuraidah Zainol, as Senior Lecturer of the Faculty of Economics, Sultan Idris Education University, Malaysia; and (4) Seema Narayan P.hD, as Associated Professor of the School of Economics Finance and Marketing at RMIT University, Australia. The four experts have very good achievements in terms of academics so that their hopes in addition to channeling the latest scientific developments can also make all participants inspired and want to emulate the achievements of these experts.

Finally, we represent the entire committee and the Faculty of Economics PGRI University Adi Buana Surabaya as a host of this event apologizing if there are still many weaknesses in holding this international seminar. Hopefully the next ICEBA will be better and reflect positive changes for anyone.

Wassalamualaikum Warohmatullahi Wabarokaatu

Sutama Wisnu Dyatmika, S.E., M.M.
Chairman of the Organizing Committee
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GOR HASTA BRATA UNIVERSITY OF PGRI ADI BUANA SURABAYA, INDONESIA, 10th AUGUST, 2019

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August 10th - 11th, 2019, Gedung Reza Brawu, 2nd Campus Universitas PONI Adi Buana, Srandakan, Surabaya, Indonesia

"Digital Transformation in Economics, Business and Management Towards Industry 4.0"

KEYNOTE SPEAKER:

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Chair Professor and Director
Institute of Innovation & Circular Economy,
Asia University, Taichung, Taiwan

Dr. Bagas Sartono
Department of Statistics - IPB University

Dr. Zuraidah Zainol
Senior Lecturer at Faculty Economy
Universiti Pendidikan Sultan Idris, Malaysia

Seema Naravan, P.h.D.
Associate Professor
School of Economics, Finance and Marketing,
RMIT University Australia
INFORMAL MICRO FINANCE INSTITUTIONS (IMFIS) AND THE DEVELOPMENT OF TOURISM ENTREPRENEURSHIP IN INDONESIA: SMALL TOURISM FIRMS (STFS) IN THE KENJERAN BEACH AREA

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ABSTRACT

Financial institutions have an important role in financing Micro, Small, and Medium Enterprises (MSMEs) in the tourism sector. The MSMEs of tourism industry or The Small Tourism Firms (STFs) were sharing the same meaning. Formal micro finance institutions and informal micro finance institutions have contributed to the sustainability of these STFs. In Indonesia, the existence of Informal Micro Finance Institutions is special because of the convenience offered compared to financing from formal micro finance institutions. This study aims to determine the role of Informal Micro Finance Institutions for Small Tourism Firms around the tourist attractions of Kenjeran Beach. Does it act as business financing or consumption financing. This research is descriptive research with qualitative approach. The data were collected with in-depth interview methods, participatory observation, and documentation. The data were analyzed with data reduction, data interpretation, data triangulation, and conclusion drawing. The results showed that Informal Micro Finance Institutions which were accessed by 6 units of Small Tourism Firms has a role as business financing. The STFs also have made a relatively good progress in their businesses, but takes a great discipline from them not to over accessing the financial support from IMFIs otherwise they got burdened with loans.

Keywords: informal micro finance institutions, tourism entrepreneurship, small tourism firms, business financing, MSMEs

BACKGROUND

The tourism sector which also includes the hospitality sector brings many benefits to the country (Karolia and Tsionou, 2013; Dincer et al., 2015). In the form of profit, tax, up to the absorption of labor and increasing the welfare of the community through the salary given to employees. Globally, the tourism industry has contributed 10.2% of the total GDP of all countries in 2016, and created 292 million jobs. This means that 1 in 10 jobs in the world are in this sector (World Economic Forum, 2017). As a potential industry, the World Economic Forum has issued indicators that can be useful to clarify the important parts of tourism that must be considered as the competitive value of each country.

A conducive business environment, of course, will greatly help the development of tourism in a country, especially in Indonesia. One of the most important business environments is access to finance.
According to data in 2018, MSMEs in Indonesia are still dominated by the agricultural sector as much as 49%, and the trade sector 29%. While the data regarding bank lending to MSMEs, until May 2018 only reached 20.69% (Yasmin, 2018). Nevertheless, MSMEs proven to have increasing the income of Indonesian households (Vial and Hanoteu, 2015).

The existence of financial institutions in financing Micro, Small and Medium Enterprises (MSMEs) in the field of tourism is considered important (Ma, et al, 2018). This is considering the capital factor of Micro, Small and Medium Enterprises, especially STFs in Indonesia, which are still not strong. Various financial institutions that can be accessed by STFs, both formal and informal, contribute to the sustainability of these STFs. However, the financing model that has been running so far with the People's Business Credit (KUR) is still needed to be renewed (Pratomo, 2017).

Kenjeran Beach as one of the maritime tourism icons in Surabaya, is one of the maritime tourist destinations that brings many tourists both from Indonesia and abroad. The existence of two tourist attractions along Kenjeran Beach, namely; Old Kenjeran Beach or Beach Entertainment Park (THP) Kenjeran, and New Kenjeran Beach or Kenjeran Park (KenPark) are the only access for Surabaya people to enjoy the beauty of Kenjeran Beach.

STFs around the Kenjeran Beach tourist destination are also included as an attraction for visitors who need the products and services offered by these STFs. Old Kenjeran Beach Manager held by the Existence of the Office Technical Implementation Unit (UPTD) Kenjeran THP which is under the Surabaya City Government (Pemkot) includes hundreds of SMEs in the Kenjeran THP complex. Meanwhile, Kenjeran Park Manager, who comes from a private investor, only involving a handful of STFs in the tourism complex.

However, as a business sector that has included many STFs, it should be underlined the resilience of MSMEs or Small Tourism Firms (STF) in perpetuating their businesses. According to Soedarmono, et al. (2016), Financial development of an institution can be obtained from 2 types of credit. Business loans and consumption loans. The thing that will significantly bring a positive effect on financial development in the economic growth of the institution is business credit.

This study seeks to find out:

What is the role of Informal Micro Finance Institutions (IMFI) for Small Tourism Firms around Kenjeran Beach tourism? Is it acting as business financing or consumption financing?

Tourism Entrepreneurship

Tourism Entrepreneurship in various countries has their own characteristics. In Greece, tourism entrepreneurship is dominated by mass tourist markets (Christos Akrivos, et al., 2014), which means that there are very few types of tourism offers such as educational tourism, religious tourism, and even health tourism. Whereas in Romania that stands out for its cultural heritage tourism (Surugiu and Surugiu, 2015), making entrepreneurs in the country must rely on innovation in the field of technology to introduce tourism to Romanian cultural heritage abroad. Various strategies that must be carried out by tourism businesses to maintain their business in order to remain lasting: competitor intelligence strategies (Stella Karoulia and Theodosia Tsionou,
2013); competitive advantage strategy from other competing businesses (Christos Akrivos et al., 2014); and strategies in the field of information and communication technology (Surugiu and Surugiu, 2015).

Small Tourism Firms versus Micro Small and Medium Enterprises

Naming the term Small Tourism Firms (STF) actually began in 1999 (Hussain, Hakimi, and Hairul, 2016). This term raises some confusion between the differences between Micro, Small and Medium Enterprises (MSMEs), and Small Tourism Firms (STF). These two terms are basically the same two things, namely small-sized business units seen from the number of workers in them, or turnover generated in a year, or even from assets that have been owned in a year (Hussain, Hakimi, and Hairul, 2016). The striking difference is in STF terms, more specifically for business units engaged in the tourism sector only. In this sector there are (a) Accommodation Services, (b) Food and Beverage Services, (c) Transportation Services, (d) Tourism Agencies, Tourism Operators, and Tour Guides, (e) culture, recreation and entertainment services, (f) other tourism services (self-care & spa, museums, theme parks) (Hussain, Hakimi, and Hairul, 2016).

Micro Finance

One of the challenges in developing the STFs business is in terms of financing (Huda, 2012; Baker, et al., 2017). Micro business financing in STFs can be obtained from various sources besides the commonly known bank funding sources. According to Prohorovs and Beizitere (2015), there are five sources of funding for micro-enterprises. (1) Bank Loans, (2) Non-Bank Credit Institutions and Venture Capital Funds, (3) Rental Leasing / Costs, (4) Factoring, (5) Public Financial Support Institutions for Small Businesses. Micro financing through banks, in Indonesia comes from 2 different types of banks; Conventional banks, as well as Islamic banks (Huda, 2012; Fianto et al., 2018). The microfinance has various conditions that must be met by STF, namely; (1) Duration, (2) Guarantee, (3) Interest Rate, and (4) Payment Method (Chin and Nor, 2016). These leads to small number of STFs can access the microfinance. The conditions are generally applied by formal microfinance institutions, so that poor rural communities are often hindered from obtaining funding from these formal institutions (Fianto, et al., 2018).

Differences in Formal Micro Finance Institutions and Informal Micro Finance Institutions

Microfinance institution is an institution that provides funding for MSMEs with relatively easier and faster terms. It is divided into two traits, between formal and non-formal. The difference between the two financing according to Germidis et al. (1991) in The Global Development Research Center (2019), mentions if Informal Financial Sector provides savings and credit facilities for small farmers in rural areas and for low-income households and MSMEs in urban areas. Whereas Formal Financial Sector ignores small farmers, low-income households, and small-scale companies compared to well-established, large-scale companies, as well as educated customers who can meet the stringent loan requirements set.
METHODOLOGY

This study uses qualitative research methods, with the technique of in-depth interviews. In-depth interviews according to Sutopo (2006) are the process of obtaining information for research purposes by way of question and answer while doing face to face interactions. The interviewer is faced with the informant or the person interviewed, with or without using an interview guide where the interviewer and the informant are involved in a relatively long social life.

This interview data analysis technique uses transcripts of interviews, data reduction, analysis, data interpretation and triangulation. From the results of this data analysis, conclusions can then be drawn.

RESULTS

This study is using the conceptual framework as shown in Figure 1. The following are the results of interviews conducted with 12 informants representing 6 business sectors in the Small Tourism Firms. In the Accommodation Services sector, it is represented by 2 informants who have a rooms-for-rent business (Masruroh, 2019; Wati, 2019).

The Food and Beverage Services sector is represented by 2 entrepreneurs, namely the owner of the Seafood Snack shop (Ardina, 2019) and Coconut Beverages Seller (Fitri, 2019). The Transportation Services sector is represented by Angkot owner (Napsin, 2019) and owner of boat rental (Warsito, 2019). Whereas from the Tourism Agent, Tourism Operator and Tour Guide sector, represented by informants who have Travel Agencies (Fauzi, 2019; Richie, 2019). Cultural, recreational and entertainment services sectors are represented by entrepreneurs; wedding organizers and bridal costume rentals (Rahmati, 2019), and Rabbit Train Rental entrepreneur (Romliyah, 2019). The last sector is the Other Tourism Services sector (self-care & spa, museum, theme park) represented by the owner of Beauty Salon (Lisa, 2019) and barber shop owner (Matsukur, 2019).
Figure 1. Conceptual Framework of Small Tourism Firms and Informal Micro Finance Institutions

Table 1. Business Financing for STFs in Kenjeran Area

<table>
<thead>
<tr>
<th></th>
<th>Name</th>
<th>Age</th>
<th>Occupation</th>
<th>Credit Source</th>
<th>ROSCA Funds</th>
<th>Business Purpose</th>
<th>Development Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mrs. Ardina</td>
<td>26 y.o.</td>
<td>Seafood Snack Shop Owner</td>
<td>Yes Bank</td>
<td>ROSCA</td>
<td>Business purpose</td>
<td>Quite Developed</td>
</tr>
<tr>
<td>2</td>
<td>Mrs. Fitri</td>
<td>46 y.o.</td>
<td>Coconut Beverages Seller</td>
<td>Yes Bank</td>
<td></td>
<td>Business purpose</td>
<td>Quite Developed</td>
</tr>
<tr>
<td>3</td>
<td>Mrs. Lisa</td>
<td>42 y.o.</td>
<td>Beauty Salon Owner</td>
<td>Yes Bank “Titil” &amp; ROSCA</td>
<td>Business purpose</td>
<td>Quite Developed</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Mrs. Masyuruh</td>
<td>47 y.o.</td>
<td>Room-for-rent Owner</td>
<td>Yes ROSCA</td>
<td>Emergency Fund</td>
<td>Ordinary</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Mrs. Rahmawati</td>
<td>38 y.o.</td>
<td>Wedding Organizer, Bride Costume Rental Owner</td>
<td>Yes ROSCA</td>
<td>Emergency Fund</td>
<td>Quite Developed</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Mrs. Romliyah</td>
<td>52 y.o.</td>
<td>“Rabbit Train” Rental Owner</td>
<td>Yes Bank ROSCA</td>
<td>Business purpose</td>
<td>Ordinary</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Mrs. Wati</td>
<td>35 y.o.</td>
<td>Room-for-rent Owner</td>
<td>Yes Bank ROSCA</td>
<td>Business purpose</td>
<td>Quite Developed</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Mr. Ahmad Nur Fauzi</td>
<td>36 y.o.</td>
<td>Post Office Agent, Car Rental, and Travel Owner</td>
<td>No</td>
<td></td>
<td>Extraordinarily Developed</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Mr. Matsukur</td>
<td>57 y.o.</td>
<td>Barber Shop Owner</td>
<td>Yes ROSCA</td>
<td>Business purpose</td>
<td>Slightly Developed</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Mr. Napsin</td>
<td>50 y.o.</td>
<td>Angkot Driver</td>
<td>Yes Bank ROSCA</td>
<td>Business purpose and Emergency Fund</td>
<td>Drop</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Mr. Richie</td>
<td>38 y.o.</td>
<td>Travel Agent</td>
<td>Yes Bank</td>
<td>Business purpose</td>
<td>Ordinary</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Mr. Warsito</td>
<td>52 y.o.</td>
<td>Boat Rental Entrepreneur</td>
<td>No</td>
<td>Extraordinarily Developed</td>
<td>Drop</td>
<td></td>
</tr>
</tbody>
</table>
DISCUSSION

According to interviews conducted in the field, the majority of informants indicated the importance of external funding. As stated by Ardina (2019), "The first time I started my business, I have no money. Then my relatives lend me 10 million rupiahs, and after that my father also lend me money 5 million rupiahs. After awhile, we proposed loan to the bank for another addition."

However, there are businesses that can run without financial aid (Fauzi, 2019; Warsito, 2019). Fauzi (2019) stated, "The way I managed it, I used the capital as good as I could. So I don't push it too much. When I got 10 million rupiahs in capital, I would use only that money. And so forth. From that 10 million, then it got developed."

Some other STFs also get financial assistance from their families or acquaintances (Wati, 2019; Matsukur, 2019).

This micro financing is expected by the STFs in Kenjeran Area to be able to develop their businesses in order to bring greater profits.

Challenges of the New Era

Amidst the 21st century, conducting business on all sector will experiencing big surprises. This is because the technology advancement, changing tastes in society, needs that are no longer the same along with the modernity wave.

The globalization has helped increasing the demand for several types of businesses, one of which is boat rentals in the Kenjeran area (Warsito, 2019).

In addition there are also customers’ demand that tend to decline. This is due to the needs of the community which began to be met by online media. So that the STFs in the Kenjeran Area are forced to be able to keep up with this technology, in order to survive with their businesses (Rahmati, 2019; Napsin, 2019; and Richie, 2019).

The Existence of Financing Institutions for STFs in The Kenjeran Area

Formal micro finance institutions known by STFs in the Kenjeran area consist of banks (Ardina, 2019; Fitri, 2019; Romliah, 2019; Wati, 2019; Napsin, 2019; and Richie, 2019) with more conventional banks than Islamic banks (Fauzi, 2019).

While for non-formal micro finance institutions that are often accessed by STFs in Kenjeran area are in the form of arisan / Rotating Savings and Credit Association (ROSCAs) (Ardina, 2019; Lisa, 2019; Masruroh, 2019; Rahmati, 2019; Romliah, 2019; Wati, 2019; Matsukur, 2019; and Napsin, 2019).

In addition to ROSCAs, there are also "titil" banks. These "titil" banks can be under individual or institutions. The requirements imposed do not burden the borrowers, but the returns are relatively higher and require weekly installments (Lisa, 2019).

The results of this study also reveal the presence of government grants that make STFs business financing easier to be developed (Warsito, 2019).

These types of financing sources are certainly still limited and cannot reflect the existence of financing institutions in this industrial era of 4.0. The presence of Peer-to-Peer Lending (Ding, et al., 2018), FinTech Crowdfunding (Wonglimpiyarat, 2018), as an option in financing STFs businesses in the future will certainly be very possible.

In addition, the financing function carried out by the IMFIs turns out not only as
business financing and consumption financing alone (Soedarmono, et al., 2016). It turned out that in this study it was found that STFs in the Kenjeran area used funding from the IMFIs as their emergency fund. Emergency funds are of course different from the allocation with consumption financing.

CONCLUSIONS

The role of IMFIs accessed by STFs in the Kenjeran area is profound. Funds obtained from this institution are used by the majority as STFs business financing and a small portion as an emergency fund for STFs entrepreneurs’ personal finances. The current business situation of the STFs in the Kenjeran area is relatively in a fairly developed level. However, it takes the strength of determination from STFs entrepreneurs to stay focused on their business and not recklessly take external financing that they cannot fulfill the payments.

The suggestion for further research is to continue this research by adding aspects of technological development in the business financing for STFs. So that factors such as creativity and innovation contained in technology can be maximized for the development of the STFs business in the field of Tourism Entrepreneurship.

REFERENCES


