

The Effect of Product Turnover on Company Performance of SMEs

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Abstract

Research related to the effect of product turnover on the performance of companies in the industrial sector is still needed to do research and study in depth. This is needed because the developed sector, especially related to product rotation, has an important role in advancing the sustainability of the company. The research methodology in this research is descriptive quantitative using simple linear regression analysis and using SPSS v 23 and Amos v 23 software as a calculation tool through a measurement model using simple Linear Regression at 87 MSMEs in Sukabumi City. The results of this study indicate a positive effect of product turnover on the performance of Small and Medium Enterprises.

Keywords

Product Turnover, Company Performance, Industrial MSMEs, Sukabumi.

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are currently one of the business sectors that support the Indonesian economy. MSMEs proved to be able to withstand the economic crisis that occurred several years ago. MSMEs in developing countries, such as Indonesia are often associated with economic and social problems such as high levels of poverty, large numbers of jobless people, and uneven development processes between urban and rural areas (Riswanto, 2021). The development of MSMEs is expected to provide a significant positive contribution to

efforts to overcome these problems and the development of MSMEs is also expected to reduce the number of unemployed people in Indonesia by creating new jobs.

The development of MSMEs in Indonesia from year to year continues to increase, according to the Central Statistics Agency (BPS) the number of MSMEs in 2012 was as much as 56,534,592 units, up to 2.4% from 2011, which amounted to 55,206,444 units. According to the Minister of Cooperatives and SMEs quoted from Antara News Saturday, February 1, 2014, the number of MSMEs currently reaches 56.5 million units, and 98.9 percent are micro-enterprises, while the number of cooperatives in Indonesia reaches 200,808 units.

The number of MSMEs in Sukabumi according to the results of preliminary observation data from the Department of Cooperatives, SMEs, Trade, and Industry in Sukabumi City said that the number of SMEs in Sukabumi City reached 18,310 units. The details are 2.425 SMEs engaged in industry, 6,835 formal trades, 3,570 non-formal trade for street vendors, and 5,458 other service businesses. (Office of Cooperatives, SMEs, Trade and Industry of the City of Sukabumi, 2018). Training related to E-Commerce or online sales as well as training related to financial rules of a business has been carried out if the Sukabumi City Government through related agencies. This will affect employers in making financial decisions and the company's capital structure which will ultimately affect the company's performance (Akingunola et al., 2018).

2. Methods

In this study, the method used is descriptive and associative research methods (Bungin & Sos, 2005; Silalahi & Atif, 2015). Descriptive research is a type of research that aims to describe or describe and analyze the reality that exists in the object under study. This descriptive study was conducted to describe product turnover and performance in 87 MSMEs in the industrial sector in Sukabumi. associatory research is research that aims to determine the influence or relationship between two or more variables. Associative research was used to determine the effect of product turnover on business performance in MSMEs in the industrial sector in Sukabumi. The data collection is done by direct interview using a questionnaire as a tool of research instruments.

3. Results

The results of the analysis of this study showed that the value of Estimate, Standardized Regression Weights, S.E. and C.R. of 0.7080, 0.8127, 0.0547 and 12.9354, respectively (Table 1). Table 2 showed the variances of variables with the values of Estimate, S.E., and C.R. of 14.4471, 2.2032 and 6.5574, respectively with p-value of 0.00 of X variable.

Table 1. Regression Weights

		Estimate	Standardized Regression Weights	S.E.	C.R.	P	Label
Y	<--- X	0.7080	0.8127	0.0547	12.9354	***	

Table 2. Variances

	Estimate	S.E.	C.R.	P	Label
X	14.4471	2.2032	6.5574	***	

z1	3.7219	0.5676	6.5574	***
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The results indicate the Sukabumi City Government in encouraging SMEs to market their products online (Mohamad Muraz, Mayor of Sukabumi, 2018). Later, he continued, the products made by the home industry could be expanded into marketing. From the results of monitoring by the Office, many SMEs and the creative economy are involved in e-commerce. This step is clear he will increase sales turnover from SMEs. The Sukabumi City Government has trained several SMEs to market their products through e-commerce. He said this training was part of a movement towards 100 smart cities organized by the Ministry of Communication and Information.

The Director of Informatics Empowerment, Ministry of Communication and Information has collaborated with Sukabumi City Government in training SMEs to be able to market their products through e-commerce. SMEs can produce up to ten times as much income if they go online. Because, marketing SMEs with go-online can increase sales. The marketing process he said through the existing marketplace. The hope is that he said Sukabumi SME product marketing could penetrate the national and foreign markets.

The existence of training that is guided directly by the Government of the City of Sukabumi, then this will create a good corporate management system and will ultimately improve the performance of the company. This means that with the involvement of the Government, which often conducts site visits of government officials as a measure of political relations and checks how political connections affect company performance (Wang & Kang, 2018) and will give birth to group affiliations between business units (Shin et al., 2018).

The results also showed the values of covariances and correlations with the findings presented in Table 3 and Table 4. The findings showed the correlations of 0.8127 between product turnover and company performance. Lastly, the full model was shown in Figure 1.

Table 3. Implied Covariances

	X	Y
X	14.4471	
Y	10.2283	10.9634

Table 4. Implied (for all variables) Correlations

	X	Y
X	1.0000	
Y	.8127	1.0000

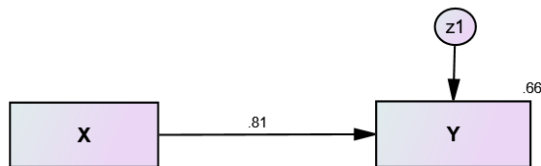


Figure 1. Research paradigm of company performance

From the results of the analysis above, it shows that product turnover has an influence of 81% on company performance. The rest is influenced by other factors. In addition, the relationship between product turnover and company performance in the medium category is 0.66 or 66%. The several studies related to the company's performance of the product, and its turnover are as follows: The relationship between product turnover and the company's long increase (Gemser & Leenders, 2001; James, 1988); the relationship between company products and performance (Gemser & Leenders, 2001; O'Connor, 1972); the relationship between product and customer satisfaction (Fornell, 1994; Lund-jensen & Hinds, 2013; Machirori & Fatoki, 2011; Matzler, 1998); the relationship between product innovation and consumer loyalty (Agustin & Singh, 2005; Eduardo Torres-Moraga, 2009; Hoyer et al., 2010; Malhotra, 2017; Schwarzkopf, 2009; Aslama & Pantti, 2007).

4. Conclusion

The results of the study show that there is a positive influence between product turnover and company performance. This is indicated by the increasing product turnover through the production and marketing process resulting in an increase in production performance and marketing performance which in turn positively influences the company's performance in this case profitability and an increase in the number of consumers. This research cannot be generalized to all types of industries that exist because they have different criteria and characters from each business and industry business unit. However, this is the material for conducting research that is well-known to companies with larger business unit sizes.

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