

# A Basic Knowledge And Importance Of Small Business: A Role Plays In The Growth Of Economics

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## Abstract—

*Small business is important for economic development of any country and it also helps to increase the employment. Small scale business enhances the growth of the nation by increasing the growth in both rural and urban areas. This kind of business increases the manufacturing industries and increases the infrastructures, reduce the problems like slums, poverty, pollutions and many other issues related to development. In this way small business helps the government of the country in many ways and it play a major role for economical development of any nation. Small business requires less amount of capital to start and it helps to increase the percentage of self employment and reduce unemployment. Goods making is the part of the economy of any industry. There are many aspects of small business are there that is studied in this paper. And it helps to develop the country and its economy.*

**Keywords-** small business; industry; economy; development.

## I. INTRODUCTION

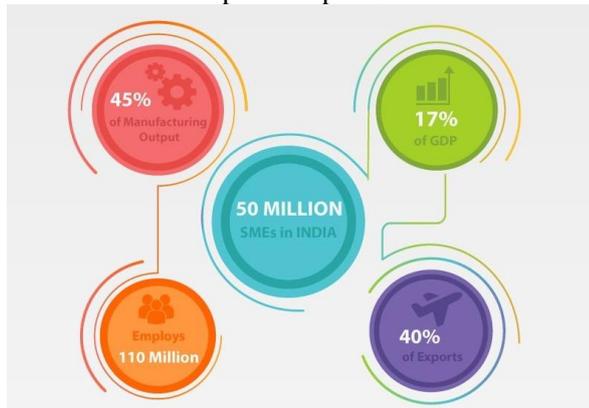
A small scale business based on capital and labour used in that business. On the basis of these attributes the business is divided in small, medium and large scale business [1]. In small business there are sole proprietorships, privately owned corporations and small number of partner [2]. Small business have less number of employees, members and less annual revenue that a large or medium size business [3]. Small business support on a small level to the government.



**Figure 1.** small business economics

The government of any country defined a business as small scale business on the basis of many factors. There are four business categories are as follows:

1. **Small scale Industries**  
The business in which investment of the capital is up to I crore are consider in this type of business categories.
2. **Ancillary Industrial Undertakings:**  
The business in which capital investment is not more than 1 crore and the endeavor must sell at the very least half of the yield to other mechanical endeavors.
3. **Export-Oriented Units:**  
In this type of business the investment of capital is up to 5 crores; and from start of the production by the end of three yeras unit should export more than 30% of its outcome
4. **Tiny Units:**  
In this type of category the investment of capital is up to 25 lakh.



**Figure 2.** Role of small business in economy

## II. SMALL BUSINESS CHARACTERISTICS

Some business are suitable for operate on a small scale, they are mainly use for a local community and generate the profit that is enough for company's owner. There are several characteristics of small business. Some of them are as follows [4]:

1. **Less profit and less revenue**  
As compared with large scale business, small scale business has lower revenue. The Administration of The Small Business divided small business as companies on the basis of business type that bring in less than a specific amount of revenue.
2. **Small number of employees**  
As compared with large scale the small scale business have a small team of employees. The complete business can run through one person or by small team. Depending upon the business type the number of employees can be less than one hundred.
3. **Short area of Market**  
As compared to large business the small business affect only small amount of area. And it is responsible for only few people. A smallest business only serves for the single community, like in convenience store in a small rural town. The term very small scale or smallest business shows that small scale business only serve in the local areas. Because increasing in serving of people may increase the scale of business.
4. **Sole Partnership or sole ownership and Taxes**  
Small scale operations does not acquire the term corporate, as it is not suited for small scale organization. The small business has sole proprietorships, limited companies liability and sole

partnerships. For minimizing the hassle of owner of the company this organization form provide greatest degree of managerial control.

5. Small Area of Fewer Locations

Small scale business can serve on limited area. These types of businesses are not responsible for serving in multiple states or within whole country. Many small scale businesses can operate from a single office, service outlet or retail store. It is also possible to operate the business from home without getting any facilities like company.

### III. PROBLEMS FACED BY SMALL BUSINESS ENTERPRISES

There are many problems which face by the owner of small business. Generally the problems are divided in two categories [5]:

1. The central problem that is Financial problem and
2. Other problems

1. **the Central Problem – Financial problem**

To fulfill the working requirement the often small business does not have a sufficient amount of capital.

Loan specialists in Institution are commonly hesitant to propel cash to little enterprises because:

- a. By monetary establishments they are not in a situation to offer the certification required
- b. Their ability to reimburse the advance is nearly nothing.

In small business insufficient funds are the main issue. This is the generator of all other problems in the sector of small business. For example in small scale enterprises absence of expert administration, issue of publicizing and issues like outdated techniques arises. These problems emerge in small business because sufficient amount is not there for getting the target. Many small businesses closed due to financial crisis.

2. Other issues or problems

There are many other issues that faced by small business are discuss below:

a. Planning of faculty

In a small business planning of faculty is a main issue. In small firms there is no proper viability studies related to economic and technical aspects. The small business does not have sufficient amount for preparing the report of project. But large business can pay a big amount to consultant for this purpose.

b. Raw-Material shortage and Other Infrastructure problem

In small business the shortage of raw material is also a big issue. In many cases when there is shortage of raw material than large business can grab the entire supply on high rate. Small business also faces the problem of deficiency of facilities of infrastructure like power connection and water. Power shortage effect the capacity of business.

c. Insufficient Latest Technology:

Many small businesses use outdated and old methods that are used for production. Because Small business has less amount so it cannot afford new equipment and machines that is based on latest techniques.

d. Problems related to market

There are many problems for small business to take their product in market. Small business's major marketing problems are:

1. There is no sufficient amount of capital for advertising the product
2. As compared with the large business they have small cost and inferior quality
3. To deal in items of small manufacturing units, Unwillingness of distribution channels

4. On the part of the small firms , after sales service deficiency of providing
  5. If goods sales on credit then the problems in recoveries and collection of amount
- e. Lack of Professional Management and Trained Personnel:  
In Small business the owner is act like a manger so it is owner based management. Due to sufficient amount of capital small business cannot afford the expert managers professional services [6]. Small business does not hire trained and qualified manpower due to financial limit.

#### IV. TYPES OF SMALL BUSINESSES

There are several types of business. It depends on the requirement of that particular areas and population. Some business types are discussed below:

1. Retailers – there are a lot of employments for working capital regardless of whether it is a franchisee or a free store, there are a lot of employments. For instance, it can overhaul the place of-offer framework or restock the stock with the most recent, and most prominent, stock.
2. Construction Businesses – regardless of whether it's purchasing new hardware or simply new materials, having capital available is constantly valuable.
3. Home Service Professionals – in this category it include worker to cleaning administrations. this is the widest category. To promote their administrations and o build their workforce yet one that can utilize assets.
4. Financial Professionals – money related experts can utilize working cash-flow by opening a subsequent area or extending their workforce.
5. Restaurants, Bars and Night Clubs – these enterprises would probably do things like renovate client confronting zones, purchase new kitchen, purchase new bar stock, with an advance or shipper loan
6. Wholesale organizations – to buy things like new bundling and redesigned stockroom hardware wholesalers might almost certainly utilize elective financing.
7. Transportation organizations – to purchase things like new vehicles or even simply repairing more seasoned ones the working capital can be utilized by transportation
8. Real Estate organizations – attempting to build market, regardless of whether it purchasing promotion space funds are critical to extending land business
9. Hospitality organizations – anything from chain lodgings or motels can utilize working money to revamp their rooms or update their web based booking framework.
10. Manufacturing businesses – it doesn't make a difference the business, producers of various kinds can utilize business subsidizing on things like cutting edge instruments or refreshed security gear.

Medical Offices, Franchises, Minority-owned businesses, Women-owned businesses, Veteran-owned are some other examples of businesses types.

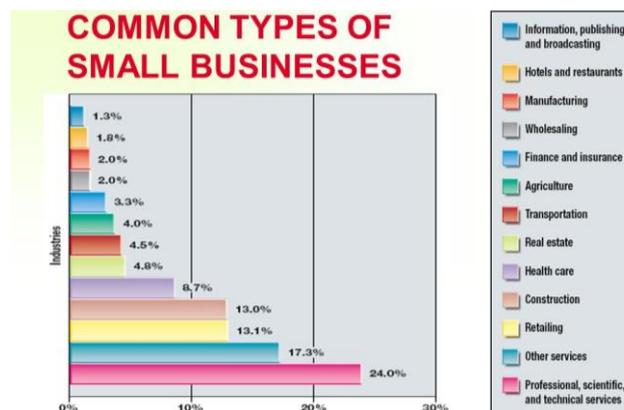
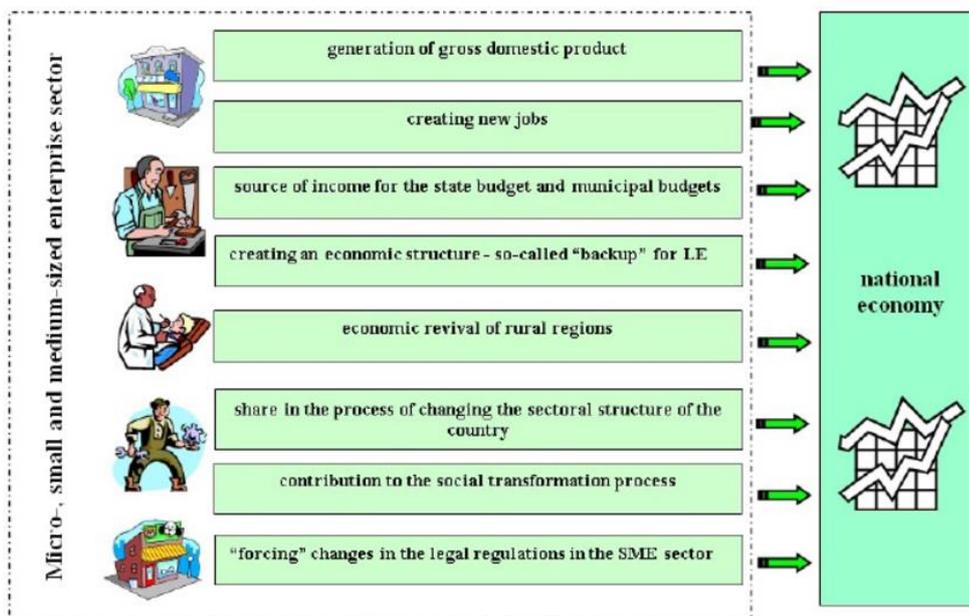


Figure 3. common types of small business

#### V. SMALL BUSINESS ROLE IN ECONOMIC DEVELOPMENT

Small business is significant for economic development of any nation and it likewise expands the business. Small scale business upgrades the development of the country by expanding the

development in both provincial and urban zones. This sort of business expands the assembling enterprises and builds the foundations, decrease the issues like ghettos, destitution, contaminations and numerous different issues identified with advancement. Along these lines independent venture enables the legislature of the nation from numerous points of view and it to assume a noteworthy job for practical advancement of any country [7].



**Figure 4.** small and medium scall business sector

The small business role for economic development of any country is discussed below:

1. Small business provide Employment
  - a. small business uses techniques of labour intensive.
  - b. small business provide employment to professionals, technically qualified persons and other persons
  - c. small business provide employment in rural areas
  - d. it provide employment to skilled and unskilled people
  - e. for small business employment capital ratio is high
2. small business Facilitates the Growth of women
  - a. small business provides employment to women
  - b. small business develop entrepreneurial skills among women
3. small business create Balanced Regional Development
  - a. small business promotes decentralized development of industries
  - b. it make balanced regional development by removing disparities by industrializing in rural and backward areas
  - c. small business helps to increase the urban and rural growth
4. Small business Helps in Local Resources Mobilization
  - a. Small business promote the use of local resources
  - b. It helps to promote the traditional family skills and handicrafts
  - c. Small business helps to enhance the local entrepreneurs growth and also improve the growth of self-employed professionals in small villages
5. small business Optimize the Capital
  - a. it require less amount of capital
  - b. Small business has high output capital ratio and high employment capital ratio.

6. Small business Promotes Exports
  - a. There is no need of sophisticated machinery in small business. So there is no requirement of import the machines
  - b. small business promote to export the traditional goods and products made from people of small town and villages.
7. Small business Complements Large Scale Industries
  - a. small business support large scale business and complement it
  - b. it provide components, accessories, parts and raw materials to large business
8. Small business Meets Demands of customer
  - a. small business provide many product that is needed by customers
  - b. it fulfill the demands of the consumers
9. Small business Ensures Social Advantage
  - a. small business helps to develop the society because it reduce the income concentration
  - b. it promote the living of rural and backward areas
  - c. it promote self-governance and democracy
10. Entrepreneurship development
  - a. Small business helps to develop the Entrepreneurship. It make the people job givers instead of job seekers
  - b. In several ways small scale industries Development helps to increase the per capita income of a nation.

## VI. CONCLUSION

Some business is significant for monetary improvement of any nation and it additionally builds the work. Some business upgrades the development of the country by expanding the development in both provincial and urban regions. This sort of business builds the assembling ventures and expands the foundations; lessen the issues like ghettos, neediness, contaminations and numerous different issues identified with advancement. Along these lines private company enables the administration of the nation from various perspectives and it to assume a noteworthy job for prudent advancement of any country.

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