

## CONSTRAINTS ON WOMEN'S BUSINESS: CASE STUDY IN INFORMAL SECTOR

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### —Abstract —

The purpose of this research are first to get to know what kinds of the weaknesses, strengths, opportunities and treats in women's informal business sector, second to find out a proper strategy to overcome the problems.

Methodology in this research is qualitative by using focus group discussion and in dept-interview by taking 35 women as informants and supported by SWOT analysis to set up fit strategy. The data analysis is interpretative.

Findings of this research are many of women's business in informal sector have no good marketing management and financial report. The ways to overcome these problems are by giving some coaches for making good marketing strategy and right financial report.

**Key Words:** *women's business, informal sector, strategy*

### Introduction

Many Indonesian women have two roles in household, they do not just care about the family but also they have to help family economy, particularly for poor family. Depending on only their husband wage is not enough for them to meet all household needs. Many of them work in informal sector, for instance having laundry and dry cleaning, making snacks, having stall, running small restaurant, etc. Why so many women like working in informal sector ? Due to this path does not need certain requirements such as in formal sector work otherwise they can still care of their husband and children because of flexible time of business. Even from the profit they got, women spend it to fullfill the needs of her family for paying school children tuition fee, buying food and other family spendings. This trend often occurs in developping countries, does not just happen in Indonesia, this phenomenon also similarly occurs in India (Patgaonkar and Barhat , 2012) many Rural Women Entrepreneurs doing this business for some reason such as for financial support, earning livelihood for the family and independence. As in developping countries informal sector is getting increase (Akingunola & Onayemi, 2010; ESCAP, 2006 in Ganu & Boateng, 2012 ), which it can generate economic advantages.

### Condition of business women in indonesia espially on informal sector

Unfortunately only 0,1 per cent of over Indonesian entrepreneur are women inspite of the number of them almost 49 per cent of totally Indonesia citizens. The vast majority of Small-Medium Entreprises informal sector business moved by women espially in housing

industri, business group as well as skilled business as in sewing, making snack, handycraft and many else. This fact in accordance with what Aspaas, 1998; Daniels, 1994, 1998; Daniels, Mead, and Musinga, 1995 (in Spring, 2009) described that the majority of women-owned enterprises are micro- and small-scale ones in the informal sector.

Although it is just small in number but it could survive in economic crisis condition than the formal one (Linda, 2011). Having a small business, they do not need a huge of capital which is experienced by the big companies that is trapped into unpaid loans problem. So that for them it is easier to manage actually except for other problems.

However, the majority of business women in informal sector still can not run their business properly yet. Patgaonkar and Barhat (2012) stated that normally the business women particularly in informal sector will come up with new several problems to survive in their business, weak on ability and skill get them hard to compete with other established competitor. Moreover primary most business women in informal sector are the newcomers. There are some drawbacks that they have to face, cover from financial issue, product competition and even strategy management. Hence, these generate to lack of competitive of their businesses compare to others particularly the formal one.

## **Informal sector**

What is informal sector? We can not consider it only from one of point of views. It must involve some points concerning the scale of business, legacy (Deribie, 2012), obligation of tax paying and registration of informal sector business itself (Ganu and Boateng, 2012). As many of teory about informal sector, the one is more appropriate for informal sector in business women, *“Informal” usually refers to unregistered, unregulated, and untaxed businesses, including service enterprises, production activities, and street vendor sales. By contrast, the formal sector includes taxed, registered, and regulated businesses*”. (Spring, 2009). As she stated that the women’s business become harder in concerning as start-ups business, problem in getting capital, as a result on the longevity of their business tend to be shorter than the one that man-owned. This is the common problem as a new business, usually the business women do not get the good profit yet otherwise they spend much money to buy the supporting materials in opening a new business. They need extra loan to run their business, and this is very important of start-up company survival (Åstebro & Bernhardt, 2003). Another fact (Jayawarna, Dilani; Woodhams, Carol; Jones, Oswald, 2012) that capital markets and personal characteristics of female business owners from accessing sources of kinds of finance also impact on their access. However the matter of women’s business in informal sector is not only about survival, it is somehow, how to get them also more productive. Ganu & Boateng (2012) stated that the informal economy tends to rise but does not addressed significant improved standards of living. Therefore, productivity in the sector has not met yet. Some reasons in running informal sector business for women. Generally in developing countries women tends to dominate on informal sector. Sixty percent female employ in this sector (Wikipedia), some reasons for why a lot of women take a big portion in this case is two-parts. Firstly, this sector is the one which fit with women as the source of employment. Secondly, a vast majority of women are employed from their homes (most likely due to the large number of women who are involved in [care work](#))

## **Methodology**

## Description of the study area

This study was carried on a number of women who accept loan program from central government. It covers in three villages: Catur tunggal, Condongcatur and Maguwoharjo. The name of the program is Women's Savings and Loans. It is such kind of revolving loan but without giving interest everytime the member give it back. Every village consist of several of different business groups. Totally there are 653 women to be members which is divided into some group of businesses. It cover many areas of business such as livestock, fisheries, trade (food stalls, grocery shop, etc.), services (laundry, packages, ticketing, etc.) as well as industrial households (small food production / snacks, crafts, etc.).

## Method of data collection

There were some steps that were used in conducting data collection process. Firstly identifying some groups based on the types of their informal business to get its characteristic of each group. In dealing with this step, the type of the business must be taken into account, due to it will need different solution for different type of business. The next step was determination of informants by taking representatives from each group of different business, it was got 35 women and every group was represented by around 5-6 persons. Thirdly step making Focus Group Discussion to map the conditions of strengths, weaknesses, opportunities and threats of their business by using structured dept-interview to collect the data. In this stage every informant had a time to explore all situation and condition of specific business that is owned.

## Method of data analysis

After gathering the data the next step was analysing. As stated early that this research try to compile the strengths which is now acquired, weaknesses that the women have in selling their products, and from external forces about what opportunities that is exist in market and the threats that they face from outside. This study used qualitative as a method, so the collected data was analysed by interpretative analysis. The following step was listing the result of the analysis in SWOT table, from this chart we come to know what sort of women's business strategy should be recommended.

## Result and Discussion

Due to several kinds of business which is possessed by women, so in this study use more general approach to view the problem by pointing from marketing strategy matters, those are discribing from procdct, price, promotion and place analysis. The result of this analysis based on Strengths, Weaknesses, Opportunities and Threats (SWOT) are as follows:

The constraints of women's business in informal sector for Women's Savings and Loans beneficiaries in 2011-2013 from marketing strategy and financial matters.

	Categories	Product	Price	Promotion	Place	Financial management
1.	Snack	Packaging still simple No label and uninteresting Not registered yet by Food and Drug Board	competitive price	No promotion	consignment	Unappropriate financial management Limit capital
2.	Restaurant	Good Taste Limit of Kinds food Simple Serving	competitive price	No promotion	Unstrategic location	Unappropriate financial management Limit capital

3.	Grocery/stall	Layout of product Uncomplete product variants	competitive price	No promotion	Small place	Limit capital
4.	Laundry and dry cleaning	Not so fragrant smell Not so clean	competitive price	No promotion	Unstrategic place	Unappropriate financial management
5.	Clothing	Still customization product Limited product	competitive price	No promotion	consignment	Unappropriate financial management

Sources: survey data (2013)

### Summary of internal factors analysis from marketing strategy and financial management

#### Strengths:

- Good product
- Cheap price

#### Weaknesses:

- The process of product packaging still simple, for snack packing for example they use thin plastic and no plastic press technology
- Packing snacks have no label and interesting yet
- The product does not registered yet by Food and Drug Board
- Still confused in fixing the price of the products
- No proper promotion medias
- No appropriate business management particularly in financial
- Limit capital

### Summary of external factors analysis

#### Opportunities:

- High market demand
- Shifting of market trend

#### Threats:

- Competitive opponents
- Inflation

	<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Good product</li> <li>• Cheap price</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• simple packaging</li> <li>• simple products</li> <li>• no label</li> <li>• lack of promotion</li> <li>• unstrategic place</li> <li>• limit capital</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• High market demand</li> <li>• Sifting of market trend</li> </ul>	<p>(SO Strategy)</p> <ol style="list-style-type: none"> <li>1) Apply the strengths of having good product to meet the market demand because market still need for more good product.</li> <li>2) Develop the good products into</li> </ol>	<p>(WO Strategy)</p> <ol style="list-style-type: none"> <li>1) Improving simple packaging while attracting market demand</li> <li>2) Sell simple product to low segment</li> <li>3) While getting legalised label keep</li> </ol>

	<p>various innovative one to cover the wants of the market.</p> <p>3) Set up the cheap price to attract more buyer/consumer but without ignoring the quality of the product itself.</p> <p>4) Emerging new trend, it means potential of new buyers, mix between making new product and competitive price</p>	<p>selling on certain product</p> <p>4) Use more customer to talk with another before having another promotion medias.</p> <p>5) Simple product but good product can be used to attract new market although in hidden place.</p> <p>6) Use limit capital only in high turn around product-demand and in a new potential demand.</p>
<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Competitive opponents</li> <li>• Inflation</li> </ul>	<p>(ST Strategy )</p> <p>1) Promote good product to market to compete with others competitors</p> <p>2) Combine making good product with lower price than the competitor's.</p> <p>3) Look for the cheapest price of raw materials from supplier to keep being good and low price product.</p>	<p>(WT Strategy)</p> <p>1) Serving in low segment for simple product.</p> <p>2) Just use limit capital in inflation situation for short term raw materials.</p>

## Discussion

There are four strategic management categories which can be recommended from SWOT analysis above, in pursuing informal sector business which is owned by woman:

### 1. How to use strengths to come over the opportunities (S-O Strategy)

- 1) Apply the strengths of having good product to meet the market demand because market still need for more good product. It means the number of market demand especially on foods, clothes, consumer goods and laundry tend to rise. So that they must be brave to compete with the established restaurants, supermarket or minimarket, fashion store and the prior laundry by providing their good products.
- 2) Develop the good products into various innovative one to cover the wants of the market. Here informal sector business women must follow the trend of the market and know very well what the customer needs and wants. Consequently they have to create new innovative product, this strategy fit to clothing and snack groups.
- 3) Set up the cheap price to attract more buyer/consumer but without ignoring the quality of the product itself. Having lower price is good strategy moreover in competitive market with sensitive price-buyer, however it must regard the quality of the product as well, because once customers got bad product, they will leave it forever and will tell to others. This strategy can be carried on foods, groceries and laundry business.
- 4) Emerging new trend, it means having big potential new buyers, mix between making new product and competitive price. In this condition, there will be many existed competitor or new entrants that come up with this market, thus to be competitive is very important, by giving qualified new product in lower price. This strategy is suitable on clothing business.

### 2. How to minimize the weaknesses to catch up the opportunities (WO Strategy)

- 1) Improving simple packaging while attracting market demand

Having a simple pack of a product, it does not mean that we should stop for selling the goods for big market. Otherwise, the selling must go on while the form of packaging is being improved. This strategy can work on snack group of business.

2) Sell simple product to low segment

Competing with established player seem rather hard in the same segment level especially for high segment, so choose low segment is better choice for selling simple product. As the characteristic of low segment is looking for simple one. In this case the strategy is suitable on clothing group.

3) While getting legalised label keep selling on certain product

Keep in touch with customer by selling one-day consumed foods while getting a legal label. This strategy can be applied in snack group.

4) Use more customer to talk with another before having another promotion medias.

Promote the product does not need high cost from being less fund, in other hand it can be promoted via word of mouth of many customers. Here the key strategy is making good product and good relationship with the customer. This strategy is suitable with all kinds business groups.

5) Simple product but good product can be used to attract new market although in hidden place. Located in hidden area, it does not mean can not sell more product. Provide a simple and qualified product can be appeal for qualified product seeker eventhough in unstrategic place. This strategy can be used in foods group.

6) Use limit capital only in high turn around product-demand and in a new potential demand. In inflation condition usually the price is fluctuative, so apply a strategy by well managed purchasing of production raw material. Buy short-term essential raw material for high-demand products in small of amount. Here well capital management is quite necessary. This strategy can applied in all kinds of business group.

### 3. How to apply strengths to cope with the threats (ST Strategy )

1) Promote good product to customers to compete with others competitors. To face with other rivals is not always need a huge promotion. On the contrary if we have good product the customer will come by themselves, so keep the product is always in good image. This strategy fit with foods, groceries, laundry groups.

2) Combine making good product with lower price than the competitor's. In business survive is not enough eventhough for start-up business, productivity also must be considered, so in tight competition the business must be productive by having low production cost. Besides giving good product, cheap price must be taken into account. This strategy appropriate for all sort of business group.

3) Look for the cheapest price of raw materials from supplier to keep being good and low price product. Actually it is a little bit difficult to come up with inflation condition, nevertheless to be competitive a business must get cheapest raw material and keep the quality of the product. This strategy can be applied in many groups of business.

#### 4. How to minimize weaknesses to overcome the threats (WT Strategy)

- 1) Serving for low segment for simple product. The most considerable threats in a business are competitors. To have simple product, it does not mean the business can not get the market-share. So, fit the certain product with its segment. As most of informal business product are simple, thus the proper segment is low segment. This strategy is suitable with clothing especially.
- 2) Just use limit capital in inflation situation for short term raw materials. Most constraints of informal business is a limited capital. So that, it must be very careful on budgetting particularly in expenditure. Spend the capital just for essential thing related with operating process. This strategy can be carried on all group of business.

### **CONCLUSION AND RECOMMENDATIONS**

From data analysis and discussion, there are two main constraints in pursuing informal business by women in group of Women's Savings and Loans beneficiaries in Depok residence, those are marketing and financial problems. First the vast majority the members of the groups still lack management particularly in marketing. Product, price, promotion and place or distribution are not well managed yet. So that it is necessary to carry on some strategies based on Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis to run their businesses properly. Second most of them do not work financial book keeping yet. They do not record every revenue, cost and profit of their business, even they still mix with family finance.

To get their business not just survive but competitive, it is recommended to apply some strategies based on the result of SWOT analysis in accordance with sort of their business. They can carry on some strategies altogether. Thus giving training on managing marketing and financial report of their business is very needed for them.

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