

Empowerment of Micro, Small, and Medium Enterprise by Local Government to Improve Competitiveness (Study in Pamekasan Regency, Madura)

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Abstract. The role of MSMEs is very important to provide broad economic services to the community and can increase per capita income and the local economy. The government is an institution that has an important role to develop and empower MSMEs. This research is normative-qualitative, the design and method are a combination of legal research methods and sociological research methods. The legal perspective can be seen in the analysis of various laws and regulations in the micro-business sector. The sociological perspective appears in the analysis of matters relating to the government's efforts in Madura in empowering micro-enterprises. Furthermore, the data obtained were analyzed qualitatively. The results show that local government try to empower MSMEs include increasing business capacity, market access, and strengthening.

Keywords: Empowerment, MSMEs, Local Government

1 Introduction

Development is an effort to improve the community's ability to influence its future. Development organized by the Indonesian Government is carried out in various ways, one of which is by empowering the community to reduce unemployment and poverty.

Based on Article 33 paragraph (1) of the 1945 Constitution of the Republic of Indonesia (UUD NRI 1945), national economic development aims to improve the welfare of the people as a whole. Realizing the welfare of the people is carried out through various efforts, one of which is to increase the competitiveness of Micro, Small, and Medium Enterprises (MSMEs) [1]. Micro, Small and Medium Enterprises (MSMEs) need to be empowered because MSMEs are one of the drivers of economic growth and development that contribute to creating manpower and income sources for the community. MSMEs have a strategic role in national economic development because apart from playing a role in economic growth and employment, they also play a role in the distribution of development results [2]. The Micro and Small and Medium Enterprises (MSME) sector is a sector that has high adaptability to economic conditions and can survive the competition from big businesses [3].

In addition, MSMEs are an integral part of the business world, through people's economic activities that have strategic position, role, and potential in realizing an economic structure based on economic

democracy [4]. The government's involvement in empowering MSMEs has been regulated in Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (hereinafter referred to as the MSME Law), covering aspects of funding, facilities and infrastructure, business information, partnerships, business licensing, business opportunities, promotion trade, and institutional support [5]. Meanwhile, the provisions regarding financing have been contained in Article 21 of the MSME Law, which states that the central and local governments provide financing for MSMEs in the form of providing loans, guarantees, grants, and another financing [6].

In running their business, MSMEs often find difficulty in financing or funding, then the Government issued Government Regulation No. 17 of 2013 concerning the Implementation of Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises in Article 6 paragraph 1 letter (d), and stipulates that the Central and Local Governments prioritize the development of micro, small and medium enterprises through the provision of financing under the provisions of laws and regulations [7]. Financing for MSMEs is very important because the development of MSMEs helps the country's economy and empowers the community. And most importantly, the MSMEs development is highly dependent on the support level provided, both at the central and local levels.[8]

The Head of the Pamekasan Regency Cooperative and Micro Business Agency explained that at least

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18,280 MSME actors in Pamekasan have experienced a decline in sales turnover since the Covid-19 pandemic, some of which were even forced to disband. The COVID-19 pandemic has had a major impact on the economy, especially on MSMEs. This is because, during the covid-19 pandemic, the Government implements rules regarding large-scale social restrictions (PSBB) and provisions for the application of restrictions on community activities (PPKM), this has implications for micro businesses because there are no activities so that micro businesses feel the impact in the form of no business activities.

Concerning the impact of Covid-19 outbreak, the Central Government has issued a policy in the form of providing production assistance for micro-enterprises (BPUM) as outlined in the Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 2 of 2021 concerning Amendments to the Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 6 of 2020 concerning General Guidelines for Distribution of Government Assistance for Micro Business Actors to Support National Economic Recovery in Facing Threats That Endanger the National Economy and Rescue the National Economy During the Corona Virus Disease 2019 (Covid-19) Pandemic. Efforts made in the context of this national economic recovery are to provide Micro Business Productive Assistance (BPUM) in the form of providing funds in the amount of Rp. 2,400,000 (two million four hundred thousand rupiahs). But in reality, not a few MSMEs are still difficult to access assistance for these micro-enterprises.

Currently, after the pandemic ends, where people can carry out their life activities as they were before the pandemic. However, changes in the pattern of digitalization at work have consequences for changes and improvements for MSMEs so that they can be competitive.

Based on this background, it is necessary to study how to empower micro, small and medium enterprises (MSMEs) by the Pamekasan Local Government to increase competitiveness.

2 Research Method

Location determination by using purposive sampling namey the sampling determination is based on the purpose of the research. This research aims to examine and analyze the efforts of local governments in empowering MSMEs. The informants in this research were MSME actors and officials from the Cooperatives and MSMEs Agency in Pamekasan Regency. Informants were selected using the snowball technique until all the completeness of the data was collected. The method for collecting data was in-depth interviews with MSME actors and officials from the Pamekasan Regency Cooperative and Micro Business Agency. In addition, intensive discussions with all stakeholders. The data obtained were then analyzed qualitatively.

3 Results and Discussion

MSMEs empowerment is not only the responsibility of the central government but also the local governments, based on the principle of decentralization. One of the responsibilities of the Local Government in the field of regulation is to issue Local Regulations concerning the Empowerment of MSMEs. There are several strategies to accelerate local development. First, the potential for developing MSMEs in the region is very large. Second, the MSMEs development must be carried out following the local culture and the potential of the region concerned [9].

The objectives of MSMEs empowerment are to realize: a) national economic structure that is balanced, developed, and just; b) growing and developing the ability of MSMEs to become strong and independent businesses; and c) increasing the role of MSMEs in local development, job creation, income distribution, economic growth and alleviating people from poverty.

Law Number 20 of 2008 concerning MSMEs in Article 7 confirms that the Central and Local Governments foster a business climate by stipulating legislation and policies covering aspects: funding, facilities and infrastructure, business information, partnerships, business licensing, business opportunities, trade promotion, and institutional support.

Currently, there are 78,249 micro-enterprises registered in the Pamekasan Regency Government, spread across 13 sub-districts, 178 villages, and 11 wards. Meanwhile, based on data from the Cooperative Agency, the number of micro-enterprises in Pamekasan is 78,249 people, it turns out that 9,125 people have a micro-small business license (IUMK).

Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as stipulated in Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (UU MSMEs).

Micro Business Criteria are: have a net worth of at most Rp. 50,000,000.00 (fifty million rupiahs) excluding land and buildings for business premises; or have annual sales of a maximum of Rp. 300,000,000.00 (three hundred million rupiahs).

However, with the issuance of Law Number 11 of 2020 concerning Job Creation and its implementing regulations, namely Government Regulation Number 7 of 2021 concerning the Ease, Protection, and Empowerment of Cooperatives and MSMEs, there have been changes to the criteria for micro-enterprises, namely: have a business capital of up to a maximum of Rp. 1,000,000,000.00 (one billion rupiahs) excluding land and building for the place of business; or have annual sales results up to a maximum of IDR 2,000,000,000 (two billion rupiahs).

With an increase in the capital amount as a criterion for micro-enterprises in the Job Creation Law, which is a maximum of 1 billion, this makes most of the businesses in Pamekasan classified as micro-enterprises. Related to business scale, micro-enterprises need to be scaled up. The facts prove that micro-scale businesses dominate (99%) in the structure of national business

actors but the scale of business is not as large as the quantity.

The constraints faced by micro-enterprises are limited human resource capacity and business competition, capital, corporate financial management, access to marketing, and a multi-business focus. Even the business opportunities for micro-enterprises are getting narrower because the activities carried out by micro-enterprises are now being taken over by large businesses where large businesses have the advantage of capital and strong business management so that they penetrate the business network from upstream to downstream. To make breakthroughs and work hard after the economy slumped due to the pandemic, the Pamekasan Local Government seeks to solve problems faced by micro-enterprises and seeks to improve the competitiveness of micro-enterprises, namely through 5 (five) schemes, namely: (1). education and training, (2). facilitation of equipment, (3). business capital facilitation, (4). facilitation of product marketing, and (5). facilitation of legalization.

Various training has been given to Pamekasan MSMEs, such as cooperative-based entrepreneurship training with bakery skills. This training is specifically for new entrepreneurs and prospective cooperative members. Participants are provided with many things, especially knowledge of skills to form businesses and cooperatives, from how to make cakes to marketing strategies for the products they produce. After the training, participants will continue to receive assistance from experts. The assistance will be carried out regularly and continuously. This mentor will not only assist in obtaining licenses, but also in accessing capital loans, and marketing the results of their business. Thus, the empowerment carried out by the Pamekasan Local Government is in line with PP. 7 of 2021 which stipulates that empowerment by the Local Government is carried out through coaching and providing facilities [11].

Regarding education and training, this is promoted by the Pamekasan Local Government because it is the flagship program of the Pamekasan Regent as the Pamekasan Local Head, namely creating 10,000 (ten thousand) new young entrepreneurs (start-ups). For this reason, in 2020, start-up candidates of 1,060 youths have been trained who have participated in various training. This number is representative of 13 sub-districts spread over 178 villages throughout Pamekasan. Every year, it is planned to provide training to 2,000-2,500 people so that during the 5 (five) years of the leadership of the Pamekasan Regent, 10 thousand WUB will be produced spread across all villages in Pamekasan Regency [12].

For marketing facilitation, Warung Milik Rakyat / Warung Owned by the People (Wamira Mart) has been established. Wamira Mart is not only a place for offline marketing but also a laboratory for MSMEs because it helps MSME product development both in promotion, and product branding, including digital marketing and conventional promotions.

So far, the problems faced by MSMEs are the lack of understanding of MSME business development, licensing, and capital, and Wamira Mart is a solution for

MSMEs. The existence of Wamira Mart makes the sales of micro-business products available in each Agency Implementing Unit so that micro-business products are already available for marketing [13]. 70 percent of the products sold at Wamira Mart are Pamekasan MSME products, while the rest are products from manufacturers.

Wamira Mart was initiated by the Pamekasan Local Government by carrying the concept of a supermarket whose contents sell all products made by the Pamekasan community, such as food, drinks, and various other handicrafts. So the Local Government provides a place, while the management is by a group of micro business actors. Wamira Mart is spread over 9 (nine) points, namely at Jokotole Street of Pamekasan, in the Sub Districts of Waru, Pakong, Palengaan, Proppo, Larangan, Tlanakan, and at the Gelora Madura Ratu Pamelanan Stadium. The existence of Wamira Mart is an effort to systematically foster a love for local products, in addition to developing an integrated business system between groups of craftsmen, business actors, and financial institutions.

In 2022, the Pamekasan Local Government added the construction of 91 supermarkets to help market handicraft products for micro, small and medium enterprises (MSMEs) in Pamekasan. The addition of 91 (ninety-one) supermarkets named Wamira Mart is to expand the marketing of MSME products to spread across 13 sub-districts in the Pamekasan regency [14].

The MSME empowerment program in Pamekasan which includes the 5 schemes is simultaneous, and for those who have received education and training who then receive a training certificate, furthermore, the training participants are entitled to apply for capital at the MSME Rural Bank (in collaboration with the Cooperative Agency) to obtain capital a maximum of 50 million with an interest of 1% / year. This facility is only valid once for each participant, and if the participant wants to apply for capital again, the general provisions apply, namely the normal interest rate of 6% / year [15].

The Pamekasan Local Government has made efforts to empower MSMEs apart from these 5 schemes, other efforts have also been made to improve the Pamekasan micro business class. That in addition to the 5 schemes already mentioned (education and training; equipment facilities facilitation; business capital facilitation; product marketing facilitation; legalization facilitation), partnership efforts were also made with OK Oce, Youth Entrepreneurship Forum (FKP), Kadin, Hipmi, and Business Incubation Center with local Colleges [16].

The enactment of the Job Creation Law has made it easier for MSME actors to access financing, markets, business development, and licensing. With this convenience, the ability of MSMEs to absorb labor will be even greater. The Job Creation Law also provides reinforcement and protection against competition with large businesses, and also provides credit guarantees for programs that do not have to be in the form of assets, but MSME activities can be used as credit collateral.[17]. For this reason, MSMEs need to continue to update their products to increase competitiveness and focus on increasing business visibility [18]. As well as trying to improve the ability of micro-enterprises to adapt to

market changes, and dare to meet unknown challenges [19].

The digitalization era has an impact on changing work patterns and has the potential to eliminate simple and repetitive work. On the other hand, the pattern of trade and the provision of online-based services, and the use of non-cash payments make many conventional business models no longer relevant.

This condition requires a comprehensive policy and adaptation pattern in the use of digital transformation for sustainability and equitable economic growth, as well as improving the quality of micro-enterprises.

In today's global era, the development pattern of the business world must be carried out in the micro business group, because this type of business is a supporter of the community's economy. If MSME actors as economic actors are advanced and empowered, automatically the macro economy will also improve. For this reason, it is necessary to support modern marketing patterns, namely digital marketing. For this reason, the digital literacy education program has become a priority program for the Pamekasan Local Government.

The number of MSME actors recorded in the Pamekasan Regency Government is currently 78,249 actors, however, only a small portion of them utilize digital business marketing. Therefore, the Local Government is very concerned that these MSME actors can be digitally literate for the advancement of these micro-enterprises.

The micro - enterprises development and capacity building of micro-business actors in digital marketing is a necessity in today's internet era. For this reason, the Pamekasan Local Government is very concerned to make MSME actors digitally literate for the progress of their business. Thus, the development and guidance of micro, small and medium enterprises (MSMEs) in Pamekasan is also carried out by increasing the capacity of business actors in digital marketing.

In Law Number 11 of 2020 concerning Job Creation, it is stated that the Central Government allocates a Special Allocation Fund to support funding for Local Governments in the context of empowering and developing MSME activities.

The form of empowerment given to MSMEs is that the Central and Local Governments are obliged to provide legal assistance and assistance services to MSME actors, including providing financing to MSMEs who request legal assistance and assistance services such as legal counseling, legal consultation, mediation, and assistance outside the court.[20]. The form of protection provided to MSMEs has also been regulated in the Job Creation Law in the form of the obligation of the central and local governments to provide assistance to MSMEs that have obtained a business license number to provide facilitation of national standard certification and halal product guarantees.

Based on that, it appears that MSMEs have been provided with facilities, protection, and empowerment by the central government as well as by local governments. It's just that the empowerment and protection are complete at the normative level, but at the implementation level, improvements and continuous

improvements are still needed so that the stated empowerment goals can be achieved.

4 Conclusion

Various policies to provide convenience, protection, and empowerment to MSMEs have been carried out. This is based on the fact that 98 percent of the total business actors in Indonesia are MSMEs. However, to increase the effectiveness of the empowerment program implementation it needs synchronization and harmonization of the various rules governing the MSMEs empowerment at the practical level.

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