

## **MSMEs Empowerment and Development Strategy Model**

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— *Review of* —  
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### **ABSTRACT**

Micro, Small and Medium Enterprises (MSMEs) contribute to economic growth. Therefore, policies and strategies for Empowerment and development of MSMEs are needed to be able to generate more economic development so that accelerated economic development can be achieved. This study aims to find a Strategy Model for empowerment and progress of MSMEs. This study uses primary data from MSMEs and informants. It uses descriptive analysis, multiple linear regression analysis, and Ordinary Least Square method. The results show that the Empowerment strategy and the development of MSMEs are predominantly determined by internal factors, namely Management, Finance, Marketing, and External factor, namely the role of the Regional Government.

Keywords: Model, Strategy, Empowerment and development, MSMEs

### **1. INTRODUCTION**

Micro, Small and Medium Enterprises (MSMEs) are one of the backbones of the people's economy. Within the manufacturing space, MSMEs require special point out to generate large employment opportunities. They are more agile in natural world and can take action as a catalyst for swift socio-economic transformation and regional economic incorporation of dissimilar regions in the country, Jena & Thatte (2018). Efforts to empower and develop MSMEs by the government are carried out through the provision of facilities, guidance, and assistance to grow the aptitude and competitiveness of MSMEs. This happens because the existence of MSMEs in the midst of global rivalry is very vital to encourage economic development for the welfare of the people. Indonesian economy depends on MSMEs as they give good contributions in reducing poverty since they present employment for the people, Maulina & Fordian (2018). Small and Medium Enterprises (SMEs) play a decisive role in the socio-economic enhancement of a country through employment generation, equitable regional advance, and poverty alleviation, Wangmo (2015). However, in reality, the MSMEs segment still faces obstacles in its growth, so that the involvement to economic growth is not maximized.

The problems examined are factors that inhibit the empowerment and progress of MSMEs and the Strategy Model for the empowerment and progress of MSMEs.

The research objective is to find the inhibiting factors of empowerment and development of MSMEs, to find dominant factors, and to find a strategy model for empowerment and development of MSMEs.

## **2. LITERATURE REVIEW**

### **2.1 Micro, Small and Medium Enterprises (MSMEs)**

Republic of Indonesia Law Number 20 of 2008 concerning Small and Medium Micro Enterprises states that Micro Enterprises are productive businesses owned by individuals and/or individual business entities that have a maximum net worth of 50,000,000 rupiahs and have a maximum annual sales of 300,000,000 rupiahs.

Small Business is a productive economic enterprise that is independent, carried out by individuals or business entities that are not subsidiaries or non-branch companies that have a net worth > 50,000,000 rupiahs and a maximum of IDR 500,000,000 and annual sales > 300,000,000 rupiahs and a maximum of 2,500,000,000 rupiahs. Small Business must have a strategy in facing those competitions, either among the Small Businesses or among the secondary and big ones, Umar et al. (2018).

Medium Business is a productive economic enterprise that stands alone, carried out by rupiahs from individuals or business entities that are not subsidiaries or branches of companies that have a net worth > 500,000,000 rupiahs and a maximum of 10,000,000,000 rupiahs whose sales are > 2,500,000,000 rupiahs and a maximum of 50,000,000,000 rupiahs. Medium enterprises excel in creating added value when compared to big enterprises such as real estates, retailing, wholesale and repairing services, and building sector and services, Vrbka & Šuleř (2018).

Empowerment is an effort carried out by the Government, the Business World, and the community in a synergistic manner in the form of climate growth and the development of MSME businesses so that they can grow and develop into a resilient and independent business.

Development is an effort made by the Government, the Business World, and the community to empower MSMEs through the provision of facilities, guidance, mentoring, and strengthening assistance to grow and improve their abilities and competitiveness of MSMEs.

The objectives to be achieved from the empowerment of MSMEs are: 1. to realize a balanced, developed, and evenhanded national economic structure. 2. to grow and increase the ability of MSMEs to become a strong and independent business. 3. to increase the role of MSMEs in regional development in job creation, income allocation, economic development, and alleviation of people from poverty.

### **2.2 State of The Art**

State of the art of this study is developed based on previous research relevant to this study. The research conducted is based on the issue of constraints in empowering and developing MSMEs. For this reason, this study examines the inhibiting factors of empowerment and development of MSMEs as well as discovering the Empowerment and Development Model of MSMEs.

### 2.3 Relevant Research Results

Some relevant research results are used as references as follows: Empowerment of MSMEs by the government is limited to the provision of business capital and the lack of maximum government assistance in the development of MSMEs. In empowering this MSMEs there are supporting factors in this empowerment. They are abundant human resources, lots of raw materials, light business capital, and support. Meanwhile, the inhibiting factor is poor infrastructure, lack of government assistance, and lack of marketing centers for production, Kurniawan & Fauziah (2014).

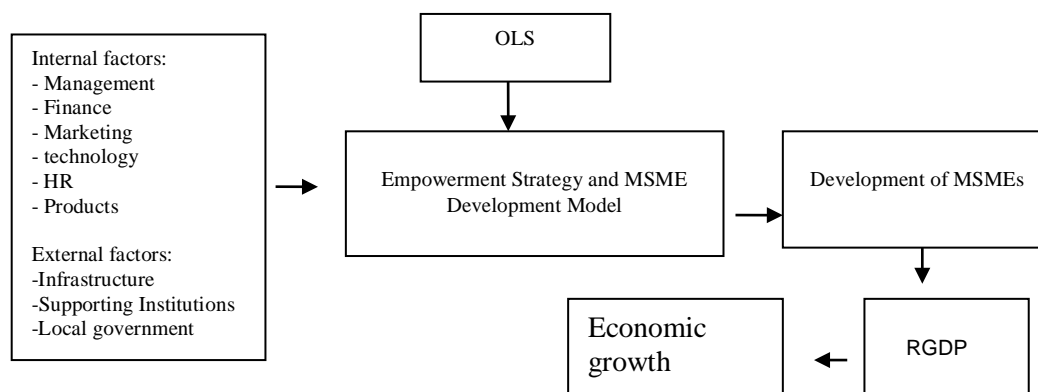
MSMEs issues related to productivity include lack of protection of copyright for innovation and creativity. The step that can be done is appreciation with the granting of patent rights to innovative SMEs, Darwanto (2013). Obstacles in the development of MSMEs are lack of capital, difficulties in marketing, simple organizational structure with poor division of labor, low quality of management, limited and low quality of human resources, lack of financial reports, weak legal aspects, and low quality of technology, Situmorang & Situmorang (2008).

The existence of MSMEs is proven to provide employment and opportunities to develop in the community. In rural areas, small-scale production has the potential to provide local employment opportunities and to combat problems of rural depopulation and migration, Biggeri et al. (1999). On the other hand, MSMEs also face many problems, namely limited working capital, low human resources, and lack of skills in mastering science and technology, Sudaryanto & Hanim (2002).

There are 6 variables that shape the competitiveness of MSMEs. They are the availability and condition of the business environment, policies and infrastructure, research and technology, financial and partnership support, and performance variables, Man et al. (2002).

From the above research, it is found that competitiveness as a determining factor in empowering and developing MSMEs is environmental conditions, infrastructure, technology, financial, partnership, and performance. Productivity is one of the most important determinants of economic growth and the welfare of people, Kaasa (2018). Barriers to the development of MSMEs are the limitations of working capital, human resources, lack of expertise in mastering science and technology, difficulties in marketing, simple organizational structure with a non-uniform division of labor, low quality management, and lack of protection of copyright for innovation and creativity. The empowerment process that has been carried out by the government is limited to the provision of business capital and the lack of maximum government assistance.

From the previous research and theoretical studies above, the flow of research theory thinking can be described as follows:

**Figure 2.1: Thinking Framework in the Research**

### 3. RESEARCH METHOD

This research was conducted with the approach of Library Research and Field Research. In the literature approach, literature material related to MSME theory is examined. Field research is carried out by collecting data through observation by distributing questionnaires to MSMEs and interviewing both MSME players and related informants such as the Cooperative and MSMEs Office. Sampling was carried out by 100 MSMEs proportionally originating from Bandar Lampung city, Pesawaran, Peringsewu, Tanggamus, Metro, Lampung Timur, Tulang Bawang, Lampung Tengah, Lampung Utara, and Way Kanan.

The analysis method used here is Tabulation, Graphic Descriptive, and Inductive Analysis of Multiple Linear Regression (Multivariate linear regression) with Model Equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + b_8X_8 + b_9X_9 + Et$$

Y: Empowerment and Development of MSMEs.

X<sub>1</sub>: Management, X<sub>2</sub>: Finance/Funding, X<sub>3</sub>: Marketing, X<sub>4</sub>: Human Resources, X<sub>5</sub>: Technology, X<sub>6</sub>: Products, X<sub>7</sub>: Infrastructure, X<sub>8</sub>: Supporting Institutions and X<sub>9</sub>: Regional Governments. Et: Error Term

### 4. RESEARCH RESULTS AND FINDINGS

#### 4.1. MSMEs Empowerment and Development Factors

Research Results on Variables that determine MSMEs Empowerment and Development are as follows:

1. The management used is 67% lacking in business management and is still traditional and self-taught so that this has a difficult impact on their business development.
2. Finance and Funding are still not good (59%). Based on information from respondents their capital is very limited and they have not received capital assistance either from banks or from the government so that this prevented them from developing their business.

3. Marketing is good (66%). This means that they already have their own market for their products but still need help from the government in marketing, especially creative industry products for local and export markets.
4. The technology used is already good (52%), especially technology for the industry of the productive production of industrial centers in the community, such as the Tapis and batik fabric industry in Pesawaran, Metro, Lampung Tengah, and the snack industry in Bandar Lampung.
5. Human Resources have been very good (58%). This is related to their skills in business, especially creative industries that always get attention and training from the government through the Department of Cooperatives and SMEs and Industry.
6. The product is good (71%). This means that the product produced has good quality so that it can compete in the market. Even so, there are still entrepreneurs who have not had good products, which hamper the development of their businesses.
7. Infrastructure is good and very good (56%) mainly in Bandar Lampung, Metro, Pesawaran, Peringsewu, and Tanggamus cities. But there are still many who consider it to be moderate or even bad. This is especially true in Tulang Bawang, East Lampung, and Way Kanan districts.
8. Supporting Institutions such as village officials and local government are considered by respondents to provide support for the progress and development of their businesses, and that is not enough for them, especially the development function and as their liaison with the outside world, in terms of funding, licensing, and marketing of their products.
9. The local government has a good role, especially regarding the relationship with entrepreneurs, business guidance, capital assistance, facilitating in making trademarks/product patents, and training in MSMEs, but some employers have not yet obtained it. Less attention given to upgrade the level of human capital is cited as a cause of business failure, Surin et al. (2017).

#### 4.2. Empowerment and Development of MSMEs

Empowerment and Development of MSMEs are good (35%) but there are still many whose businesses have not been able to develop. This is reflected in the development of Turnover, Profit, and Assets that have not been good, a variety of products that is not able to improve the social conditions of the surrounding community as the existing creativity is not good, and is not able to expand marketing and business.

#### 4.3. MSME Empowerment and Development Strategy Models

The strategy of empowerment and development of MSMEs can be carried out by Business Actors and the Government by predicting factors/variables that affect SMEs Empowerment and Development which include Management, Finance/Funding, Marketing, Human Resources, Technology, Products, Infrastructure, Supporting Institutions, and Government Area. With the changes in these variables, MSMEs is more empowered and developed. From this, the SMEs Empowerment and Development Strategy Model can be obtained as follows:

$$Y = 11.150 + 0.660X1 + 0.550X2 + 0.789X3 + 0.015X4 + 0.164X5 + 0.042X6$$

$$+0.409X_7+0.338X_8+1.021X_9+Et$$

From the above model we can see the magnitude of the contribution of each variable to the empowerment and development of MSMEs in the following table:

**Table 4.1 The Amount of Contributions**

No	Variables	Variables	Coefficients
1	X <sub>9</sub>	Regional Governments	1,021
2	X <sub>3</sub>	Marketing	0,789
3	X <sub>1</sub>	Management	0,660
4	X <sub>2</sub>	Finance	0,550
5	X <sub>7</sub>	Infrastruktur	0,409
6	X <sub>8</sub>	Supporting Institutions	0,338
7	X <sub>5</sub>	Technology	0,164
8	X <sub>6</sub>	Products	0,042
9	X <sub>4</sub>	Human Resources	0,015

The dominant factor that determines MSMEs Empowerment and Development is Internal Variables. They are Management (X<sub>3</sub>), Finance (X<sub>1</sub>), and Marketing (X<sub>2</sub>). The external variable is the Role of Local Government (X<sub>9</sub>).

Based on the above, the dominant factor strategy in the development of MSMEs can be further explained as follows:

#### 1. Management

- a. Make a detailed list of jobs in the future, starting from weekly, monthly, and yearly. That way, it will be easier to track what has been and has not been done. Write on the White Board so that we often read it easily so that it can increase our motivation to solve it.
- b. Create a priority scale for completion of work in weeks, months, and years. This makes it easy to complete important work. It also helps to manage time so that it focuses more on completing the most important tasks in the near future. The result is effective and efficient performance.
- c. Be consistent in all things as a habit so that the results will be more visible. Do it all as directed as a business routine. Consistency is important to make the business succeed.
- d. Evaluate. The end of the month is a time to assess the steps you have taken.

#### 2. Finance

- a. Plan the use of money. Adjust spending plans with sales targets and cash receipts. Evaluate spending plans that use capital if they do not provide benefits in increasing sales or reducing costs. Perform a "cost and benefit" or "profit-loss" analysis to ensure that the use of company money will not be in vain and provide a profitable return.
- b. Create MSMEs business registration. At a minimum, it has a cash book that records money in and out. Match balances with the financial records of the business to control cash flow and make sure no calculations are left behind. We can use the Journal as online accounting software.

- c. Calculate financing correctly. If the company has a recording error, then indirectly this will affect the calculation of profit. There are three aspects of financing that must be known and calculated carefully, namely financing that is going on, future financing, and financing due to depreciation.
- d. Turn Cash Flows Faster. This includes how to manage debt, accounts receivable, and merchandise inventory. Many businesses experience cash difficulties even though their accounting records show good numbers. Pay attention to the cash flow turnover because the cash round will slow down if the credit sales term turns out to be longer than the restock period or the addition of merchandise.
- e. Check inventory in the warehouse periodically and make sure everything is complete and good. Make an adequate administrative system to control this. Do the same with receivables from buyers and bills from suppliers. Do not let there be a bad bill or double payment to the supplier without the company's knowledge.
- f. Use the advantages to develop a business. Even though the business has run smoothly, it does not mean that all profits have the right to be used outside of business interests. As an MSME, an important financial management strategy is related to development. Plan additional investments to identify areas that are still profitable and can expand the value of company assets. Use profits wisely and set aside some to enlarge the company.

### 3. Marketing

Some marketing strategies that can be used to market products are:

- a. Making Unique Products and having advantages over other competing products. If the product or service you offer does not have advantages, it will be difficult to compete. Not only that, besides being unique and quality, the products sold must also be able to meet the needs of consumers. Along with the times and technology, the needs of consumers also change. Therefore, innovation must always be done regularly so that customers are loyal to the products sold.
- b. Having a very wide network and being optimistic in running a business.
- c. Determining the segmenting, targeting, and positioning that are interconnected with each other. To market MSMEs products we must determine market segmentation by placing consumers in sub-groups in the product market. If you have determined the segmentation, then determine the market (targeting). After determining segmenting and targeting, we have to determine the position of the product which is a combination of marketing activities carried out by management to meet the needs and the desire of each target market. These three strategies must be done well to achieve successful marketing.
- d. Utilizing E-commerce so businesses have the opportunity to reach a broad market and even globally. E-commerce in business can support the cutting of the distribution chain, so that consumers can get products more quickly and cheaply.
- e. Implementing the chosen marketing strategy consistently. This is important because consumer confidence will be awakened if we are consistent in the field of business involved, and we become expert in it.

### 4. Regional Government

Local governments through regulatory authority can empower MSMEs to make them powerful and independent in the national economy with the following steps:

- a. The government must create a conducive business climate and provide guidance and development in the form of assistance.
- b. The government can encourage SMEs to build partnerships with big businesses in the spirit of mutual benefit.
- c. Local governments must be able to make socialization and awareness to various elements involved in the business world.
- d. The government must prepare a forum for dialogue between small entrepreneurs and big entrepreneurs.
- e. The average quality of MSMEs HR is low and the government in this case can conduct training to improve the ability of SMEs entrepreneurs. Thus, the HR development approach will be prioritized in the effort of socializing.
- f. The government should introduce and cultivate entrepreneurship especially in the context of SMEs development.
- g. The government should facilitate the creation of trademark / product patents.
- h. The government should facilitate financial assistance from some financial institutions.

## 5. CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Conclusions

- a. Empowerment and Development of MSMEs is hampered by several factors, namely the market aspects, management aspects of financial aspects, and capital. Market aspects that become constraints require support from the local government to provide marketing and promotion of MSMEs products.
- b. The dominant factor of MSMEs empowerment and development strategy model is the role of local government, management, finance, and marketing management.
- c. The role of the Regional Government is very dominant in determining Lampung MSMEs Empowerment and Development which includes relations with entrepreneurs, Business Guidance, Capital Assistance, Patents Trademarks/products, and training in MSMEs.

### 5.2 Suggestion

Regional Government should conduct more intensive socialization, guidance, and communication to MSME entrepreneurs. Further research is needed for the evaluation and refinement of the model obtained by a more perfect model.

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