

## EMPOWERING MICRO, SMALL, AND MEDIUM ENTERPRISES (SME'S) THROUGH "COMMUNITY BASED ECONOMIC DEVELOPMENT"

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### ABSTRACT

*The majority of businesses in Indonesia are categorized in the type of Micro, Small and Medium Enterprises (SMEs). In addition, the SMEs sector is also able to absorb 87% of the total number of workers in Indonesia. However, the value of the contribution of SMEs to GDP is still relatively small compared to large-scale businesses. Therefore, a structured and measurable empowerment effort is needed in increasing the role of SMEs in the national economy. This study aims to develop a model of SMEs empowerment based on community economic empowerment through the establishment of SMEs centers. Through this research, it is expected to be able to provide solutions to the problems of SMEs through empowering SMEs based on the economic potential of the community. The sample in this study is the SMEs center in the village of Rejowinangun, Blitar Regency. This research uses a research and development approach. This research starts from the preparation stage by conducting literature studies, interviews, documentation and field studies. Field study activities were carried out to analyze the character of SMEs which were carried out as a basis for studies in building a model of empowerment of SMEs. The results of this study are a model for empowering SMEs based on village potential with an SMEs group approach.*

Keywords: Empowerment, SME's Development Concept and SME's.

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### INTRODUCTION

Talking about the people's economy, there is no talk at all about micro, small and medium enterprises (SMEs), because BPS data at the end of 2016 shows that 48,528 million or 99.99% of units in Indonesia are owned by SMEs ([www.bps.go.id](http://www.bps.go.id)). From these data it can be said that driving the people's economy is identical to the empowerment of SMEs. This statement can lead to the thesis that if you want to reduce errors and movements, then SMEs must be empowered. The SME group is able to absorb more than 87% of the productive workforce so as to reduce the unemployment rate in Indonesia (Wijanarko & Susila, 2016). Meanwhile, its contribution to GDP reached 53.3%. Medium enterprises are relatively stable, and large enterprises show an increasing contribution ([www.bps.go.id](http://www.bps.go.id)). The data above shows that basically SMEs are business groups that have great potential (Suarja, 2007).

The large number of SMEs in Indonesia is not proportional to the increase in the contribution of SMEs to the national GDP which only shows 54%. This figure is much lower when compared to the contribution of large-scale businesses which amount to less than 1%. The low contribution of SMEs is a result of the problems faced by SMEs. One of the causes of the SMEs problems above is the low ability of Human Resources (HR) (Sudaryanto and Hanim, 2002). Problems in the field of human resources have a systematic impact on business management problems and the decline in the competitiveness of SMEs. In addition, the low access of SMEs to information technology also hampers the growth of SMEs in Indonesia (Hafni and Rozali, 2015). In addition, the added value added was not enjoyed by small and medium-scale companies, but instead companies with a workforce of more than 1,000 people (Kuncoro, 1997). In addition, based on a 2016 Bank Indonesia survey, it is stated that existing SMEs still have low performance in managing finance and marketing ([www.bi.go.id](http://www.bi.go.id)).

The facts above are the driving force for SMEs to be fostered and developed in a sustainable manner (sustainable development). This is in accordance with Article 3 of Law No. RI. 20 of 2008 that Micro, Small and Medium Enterprises aim to grow and develop in order to build a national economy based on just democracy. Ginandjar (1996) states that empowerment is an activity that builds society by encouraging, motivating and raising awareness of its potential. Meanwhile, Mardikanto (2015) states that the definition of empowerment is defined as an effort to provide power or reinforcement to the community in order to increase their potential. Through this empowerment, it is expected to be able to grow the competitiveness of SMEs in the face of increasingly competitive and complex market competition (Sedyastuti, 2018).

Empowerment activities for SMEs have been carried out by all parties, be it government institutions, educational institutions and even community institutions. However, the right strategy has not been found to increase the competitiveness of MSMEs in the national economy. The pattern of empowerment is still oriented to each individual business actor. It will be very difficult to develop SMEs businesses due to marketing and funding problems as described above. So that SMEs are able to compete with large-scale businesses, it is recommended that SMEs empowerment be carried out in groups or in a cluster model.

In connection with the problems and potential of SMEs above, it is necessary that this research also aims to identify strategies for improving the performance of SMEs through the development of SMEs center areas. This research is located in the village of Rejowinangun, Blitar Regency. The location was chosen because the village has an SMEs center which has 80 businesses with 7 different types of businesses. Based on this research, it is hoped that later it can provide input for policy makers and stakeholders regarding the empowerment of SMEs based on the potential of SMEs groups in their role as driving the wheels of the community's economy.

## METHOD

This research was conducted using a descriptive qualitative approach. Creswell (2014:4) qualitative research is methods to explore and understand the meaning that a number of individuals or groups of people ascribe to social or humanitarian problems. This qualitative research process involves important efforts, such as asking questions and procedures for collecting specific data from participants, analyzing data inductively from specific themes to general themes, and interpreting the meaning of the data. The data collected is in the form of words, pictures, and not numbers. This is due to the application of qualitative methods. In addition, everything collected may be the key to what has been researched (Moleong, 2017:11). So descriptive qualitative method is a method used to understand phenomena originating from social problems from the researcher's point of view by elaborating using words and pictures.

In this study, the researcher used the case study method. According to Stake in Creswell (2014: 20) case studies are one of the qualitative research strategies that prioritize researchers as investigators whose task is to investigate programs, events, activities, and processes of individuals and groups carefully and data collection is limited by the activities and time required. has been determined. In accordance with the type of research carried out, namely qualitative research, to obtain data on the presence of researchers acting as a research instrument. According to Moleong (2017:168), the position of researchers in qualitative research is quite complicated. He is also a planner, implementer of data collection, analysis, data interpreter, and in the end he becomes a reporter for the results of his research..

The techniques used in collecting data used in this study are:

a. Deep Interview

Deep interview is a conversation with a specific purpose. The conversation was carried out by two parties, namely the interviewer who asked the question and the interviewee (interviewee) who provided the answer to the question (Moleong, 2017: 186). The purpose of this type of interview is to find problems more openly, where the interviewee is asked for their opinions, experiences and ideas. When the interview is in progress, researchers need to record important things and record them, this is done to make it easier for researchers to explore information and things that are not understood.

b. Documentation

Documents are usually divided into personal documents and official documents. Documents have long been used in research as data sources because in many cases documents as data sources are used to test, interpret, and even predict (Moleong, 2017:216-217). In this study, researchers documented the activities of SMEs in the village of Rejowinangun. The researcher also recorded the conversation during the interview. After conducting the interview, the researcher will record and transcribe the interview and collect documents from both social media and direct documentation.

This research location for Community Based Economic Development for Empowerment of Micro, Small and Medium Enterprises (SMEs) was conducted in the village of Rejowinangun, Kademangan District, Blitar Regency, East Java. The research location is about 90 Km from the center of Malang City. The research location is surrounded by tourist centers starting from Kampung Coklat tourism, Bung Karno tomb tours and nature tours. So that the existence of this SMEs is one of the leading ones because it supports the growth and development of this business to the maximum

## RESULT AND DISCUSSION

### 1. Profile of Rejowinangun SME's Center

The Rejowinangun SME Center is located in Rejowinangun Village, Kademangan District, Blitar Regency. Blitar Regency is one of the regions in East Java Province. Blitar Regency as a small area with all the potential of nature, geography, and climate as well as the quality of human resources are quite potential. This is a factor in the success of development. Blitar is located in the southwest of the capital city of East Java Province-Surabaya with a distance of approximately 160 Km. The regional boundaries are as follows:

North Side	: Kediri and Malang District
East Side	: Malang District
South Side	: Indian Ocean
West Side	: Tulungagung and Kediri District

Various licensing facilities and a conducive investment (business) climate supported by socio-political stability are the main capital that can be a point of essential, especially guarantees for investors and the whole community to get involved in the development of Blitar Regency. Supported by a strategic area and has a fairly dynamic development. Rejowinangun Village is one of the villages in Blitar which is located in Kademangan District. Geographically, Rejowinangun Village is located at a position of 7°21'-7°31' south latitude and 110°10'-111°40' east longitude. The topography of this village is in the form of a plateau with an altitude of 135 meters above sea level. The location of Rejowinangun Village is between 3 other villages which are also still in the Kademangan District, Blitar Regency, namely:

North Side	: Brantas Lake
East Side	: Plosorejo Village
South Side	: Sumberjati Village
West Side	: Kademangan Village

The potential of Rejowinangun Village is diverse, the wealth owned by both Natural Resources, Human Resources (HR), and institutions/organizations which until now the potential of these resources have not been optimally empowered which is expected

to improve the welfare of the community and can prosper the village. One of the potential natural resources that support the improvement of SME's centers in the village is:

## 2. Community Condition and Status

Population is one of the potentials for Rejowinangun Village in driving development. Based on 2017 Village Government Administration data, the population of Rejowinangun Village is 1153 families with a total of 3526 people, with details of 1793 males and 1733 females. With a population of productive age in Rejowinangun Village, which is 2224 people with details of 1100 males and 1124 females. The high productive age in the village can be used as the basic capital in development combined by looking at the number of resources owned by the village. In addition, the large population of productive age is accompanied by a high community work ethic, where many women of productive age are productive workers who can encourage home industries.

The number of productive age population in Rejowinangun Village is quite large and on average has a fairly high work ethic. This is evidenced by the number of residents who work in various business sectors, especially in agriculture, animal husbandry, and home industry. Rejowinangun village is famous as a center for the home industry of jenang and geti. Economically, the average income level of the residents of Rejowinangun Village is IDR 30,000 per day. In general, the livelihoods of the people of Rejowinangun Village can be identified into several sectors, namely agriculture, services or trade, industry, and others, with the majority of the community as traders. The unemployment rate in the village is also relatively low, namely based on village data in 2017 from 1896 the workforce only 112 people who have not worked, which means the unemployment rate in the village is only in the range of 6%. This shows that the absorption of labor in various sectors, one of which is the home industry sector, especially in the jenang center and the trade sector in Rejowinangun Village is quite large. The increasing number of labor absorption through various sectors, especially the jenang and geti industries in Rejowinangun Village is expected to reduce unemployment and be able to improve the welfare of the people of Rejowinangun Village.

## 3. Recapitulation of SMES's

Rejowinangun Village has diverse potential for SMEs. In addition to geti products which are widely known by the community, this village is also a center of industry:

Table 1. Distribution of SMEs in Rejowinangun village

Product of SMES's	Total
Jenang	23 Unit
Cracker	12 Unit
Tofu	8 Unit
Dodol	6 Unit
Opaqueand	26 Unit
Milk	8 Unit
<b>Total of Unit Product</b>	<b>83 Unit</b>

## 4. SME's Development Concept

SME's development can be based on a framework of inter-dimensional relationships that directly affect SME's activities which are stated in the following figure:

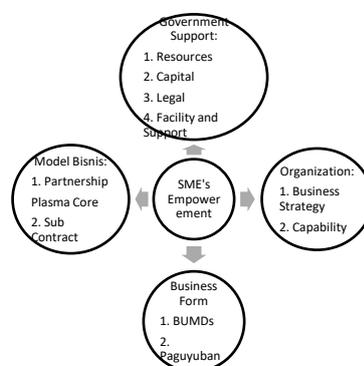


Figure 1. Development Dimension

Based on the figure, there are relevant dimensions as study material related to efforts to develop business entities. The business development site reveals several business strategies that can be pursued by setting strategies such as: creating competitive advantage, creating added value, selecting the right market in mass or market niches (mass or niche market), strategy cost-based strategies, and market-based strategies.

### 5. Empowerment of SMEs through Community Based Economic Development

Based on the results of interviews and FGDs with SMEs actors and village government officials, it was agreed that the SMEs model based on Community Based Economic Development was as follows.

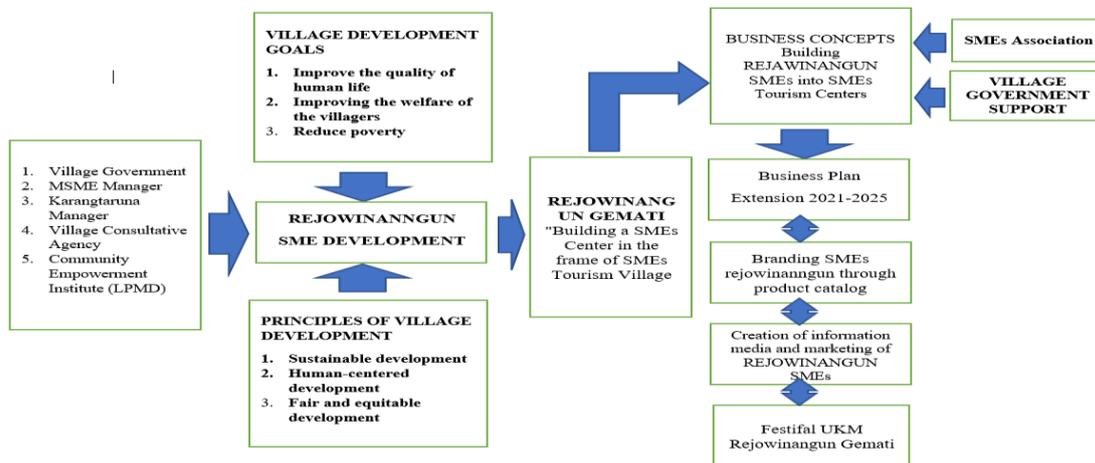


Figure 2. Model of Economic Development Based Community

One solution to increase industrial competitiveness in the region is through the SMES cluster. SMES clusters are a number of SMEs and institutions that are concentrated in one area, and are interconnected in specific fields and support competition. Through this cluster approach, a conducive business environment will be created for business actors, including SMEs, to increase their competitiveness. In the end, it is hoped that the development of cluster-based SMEs will not only open up investment opportunities in industries that produce products that are in the core industry, but also in related and supporting industries and their supporting services.

Clusters are not only built from the presence of new SMEs, but SMEs must be interconnected based on the value chain. The SMES cluster can be viewed as a system. Each actor entity (stakeholder) has a role as an organ in the cluster and is related to one another in the metabolism of the value chain which is driven by the flow of goods, services, money, information and knowledge from one economic organ to another as energy for each organ to work. move and serve each other.

The actors (stakeholders) in a cluster are usually grouped into core SMEs, supplier SMEs, supporting SMEs, related SMEs, and buyers, as well as supporting institutions. The terms core, supporting and related indicate the role of actors in a particular cluster and have no relationship with the level of importance of the actors. The intermediary can be performed by anyone depending on the economic level of the particular value chain relationship. SMES cluster formation activities are carried out simultaneously with the mobilization of stakeholders starting from the initiation, planning and implementation stages of competitiveness.

The key to the success of this cluster formation is determined by three factors: first, planning that involves all key stakeholders (parties outside the company) both in making the strengthening agenda and in sharing tasks and resources in program implementation. The second factor is joint planning which includes an approach characterized by: market driven, namely focusing on efforts to bring together supply and demand sides; inclusive which includes not only small and medium scale companies but also large companies and supporting institutions, collaborative; namely always emphasizing collaborative solutions on common issues from all stakeholders (Government, BUMN and large private sector, SMEs actors and various innovation source institutions); is strategic in nature that helps stakeholders create a shared strategic vision regarding the economy and value-creating, which seeks to create or increase the added value of economic actors.

The third factor is related to the use of resources in particular, the sharing scheme (resource-risk, & benefit sharing) and participatory processes are the basic framework agreed upon by the working partners and key stakeholders in developing business models in building sustainability initiatives. The existence of these clusters, which shows the importance of the problem of location, then gives birth to an economic analysis that takes into account geographical and location aspects in the analysis of economic activities. There are still few studies on the development of SMEs that link SMEs development efforts by paying attention to aspects of geography and location. Since that time, the problem of location has become an important and relevant issue to pay attention to.

Traditional location theory argues that industrial clustering arises primarily as a result of minimization of transport or production costs. Then another approach emerged, called the locational interdependence approach, which tries to explain that location is the company's attempt to dominate the widest market area through maximizing sales or revenue. Location theory generally sees 3 main factors that are considered by the industry to determine the location of its production, namely (1) external economic conditions, (2) production costs, and (3) accessibility (transport costs) to input and output markets

## CONCLUSION

Based on the objectives and discussion above, the conclusions will be described as follows.

- a. Empowerment of SMEs based on business groups involves a variety of stakeholders including the community, village government, government (Cooperative and SMEs Service) and private.
- b. Empowerment of group-based SMEs can be started by creating SMEs group activities and conducting SMEs group branding activities through SMEs festival activities.
- c. Empowerment of Rejowinangun Village SMEs through Community-Based Economic Development at the beginning of its establishment in collaboration with BUMDes so as to make SMEs association easier to operate and can increase business productivity.

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