

Micro, Small and Medium Enterprises (MSME) Empowerment Model as the Effort for Poverty Eradication in Malang Raya

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ABSTRACT : This research is a follow-up from a research by Asiyah in 2013. Previous research is entitled with *Micro, Small and Medium Enterprises (MSME) Empowerment Model as The Effort for Poverty Eradication in Malang Raya*. Three main problems are identified in Malang Raya MSME, respectively capital problem, marketing problem and human resource problem. Dealing with these problems, therefore, the empowerment model for MSME in Malang Raya is proposed. Result of that research indicates that weakness and failure of MSME empowerment program in the past has provided a stepped stone among the participants of FGD (Focused Group Discussion) to suggest a more integrative MSME empowerment model. It is expected that this model will be applied in better way and on-target. MSME empowerment program suggested by the authors is considered by FGD participants as a reliable solution to integrate all elements of the empowerment program into a coordination structure to help the implementation of the program. Other problem is how to keep MSME empowerment model compatible with local potentials. The compatibility of MSME empowerment model and local potentials is estimated based on four aspects of human resource quality, which are theoretical competence, technical competence, conceptual competence, and moral competence. The considered local potentials include natural resource potential, human resource potential, and cultural resource potential. Workshop in campus held by the authors has produced a consensus that all indicators in the theoretical and conceptual competences and all indicators of moral competence are given greater emphasis. In term of local potentials, those given great focus are all indicators of natural resource potential and some indicators in human resource potential. The indicators of technical competence and moral competence, along with indicators of cultural resource potential, are the supplementing factor for achieving the goal. The authors suggest that these indicators are reflecting the persistent effort to produce meaningful and useful change to meet the fundamental demand in the community. Therefore, such activities or programs shall be needed because the government has moral responsibility to deliver the welfare for the peoples, mainly those in rural.

KEYWORDS: MSME, Empowerment Model

I. INTRODUCTION

Current research is the follow-up of a research conducted by Asiyah in 2013. The title of that research is *Micro, Small and Medium Enterprises (MSME) Empowerment Model as The Effort for Poverty Eradication in Malang Raya*. The identification of problems, demands and potentials of Micro, Small and Medium Enterprises (MSME) is using SWOT Analysis which considers four aspects such as *strengths, weaknesses, opportunities* and *threats*. This analysis aims to identify whether an activity is a systematic and comprehensive effort based on the aspects of work, capital, marketing, production and worker. Result of that research indicates that there are 3 (three) main problems in Malang Raya MSME, which are capital problem, marketing problem and human resource problem. This research is a second-year research which involves model trial, monitoring and evaluation to produce the effective MSME empowerment model to eradicate poverty.

II. THEORETICAL CONCEPT

Model :The word “model” is rooted from “*modeling*”. Avoiding different definitions or interpretations, it is stated that “*modeling*” is a set of activities to construct the model. Soemarno (2003), in the context of operational research, defines model as a representative or abstraction of an object or actual situation. Model describes direct and indirect relationships or reciprocal linkages in manner of cause-effect terminology. Because a model is an abstraction of reality, the manifestation shall be simpler than reality that represented by model.

Complete model is one which represents many aspects of reality reviewed by model. Hawking (1993) and Jones (1987) in Sitompul (2003) assert that model plays important role in theoretical development because it functions as fundamental concept to arrange the orders that will be used to describe a system. Two main targets of modeling are found. One is to obtain better definition about cause-effect relationship in a system and to provide better qualitative and quantitative interpretation about the system. For example, someone is interested to develop quantitative model of plant photosynthesis in environment with the changing carbon dioxide (CO₂) concentration and temperature. The model will be helpful to interpret plant response to environmental change or global change. Such model is a hypothesis made by model developer, and therefore, experiment is specially designed to examine the reliability of this hypothesis. Second target of modeling is for application or oriented toward the problem. It means that model is used to obtain better prediction about the behavior of system by which the control or management of system will be improved. For instance, a group of researchers from many disciplines has developed a model to be used in a watering system with computed control. Final result is software designed for direct application. However, these two targets are still questioned because model that is oriented for research can also be applied.

Moffatt et al (2001) declare that model is a dynamic system developed to examine the behavior of real-world, to present a policy and to observe any changes of empirical pattern. There are three properties of model:

1. Iconic Model (Physical Model) is a model which presents one aspect of real-world using a symbol or icon. Iconic model is a physical representative either in ideal form or in different scales. This iconic model has characteristics similar to that represented by the model. Iconic model is quite useful to explain certain occurrence at certain time. This model may be two dimensions (photograph, map, and blue-print) or three dimensions (prototype of machine, equipment and others). If model has more than three dimensions, it may not have physical construction, and therefore, symbolic model is needed.
2. Analog Model (Diagrammatic Model) is a model that describes one system in relative with something more familiar such that the understanding about this system will be better. Analog model can be used to represent dynamic situation such as the change based on time. This model is used more frequently than iconic model because analog model is able to show the characteristic of the observed occurrence. It must be more suitable in explaining quantitative relationship between attributes of various components. By transforming these attributes into analog, the ability to produce a change may increase. The application of analog model is found in demand curve, frequency distribution curve in statistic and flow diagram. Analog model is used because it is simple but effective for unique situation such as for quality control in certain industry (*operating characteristic curve*).
3. Symbolic Model (Mathematic Model) is a model which presents a real-world system through a set of equation. This equation may be manipulated to produce a mathematic conclusion. For substantive problem, this mathematic conclusion must be translated in such way that it will be understood and easily operated not anymore in mathematic equation. Essentially, systemic science emphasizes on symbolic model as the representative of reality. The formats of symbolic model include numbers, symbols and equations. The most frequently used symbolic model is equation. Indeed, equation is precise, short and understandable. Equation is not only manipulated easier than words, but also can be understood fast. An equation is universal language in the operational research and systemic science because equation can contain a set of symbolic logics.

Empowerment :The words “empowerment” and “empower”, according to Merriam Webster and Oxford English Dictionary (in Prijono and Pranarka, 1996), have two meanings. One is to give power or authority, while the second is to give ability or to enable. Empowerment is then mainly the effort to bring humanity into justice and civilization which will make human structurally effective either for family, community, state, region, or international in various realms such as politic, economy and others. Community empowerment, therefore, pursuant to Kartasasmita (1996), is to improve the dignity of community members from their current condition of being trapped by poverty and backwardness. Sulistyani (2004) explains that “etymologically, empowerment comes from *power* which means strength or ability”. However, empowerment is usually understood as a process to obtain power, strength or ability, or a process of transferring power, strength or ability from the powerful persons to those who lack of it.

According to Prijono, S. Onny and Pranarka, A.M.W (1996), empowerment is a process to empower the community and to encourage and motivate individuals to have ability or strength to determine their own life. Therefore, empowerment concerns more with group or community in the remote area. Sumodiningrat (2004) has stressed that empowerment is only temporary and targeted until the community can live by autonomy despite still under supervision. Empowerment is then a learning process to achieve a status, which is autonomy. This autonomy is maintained by preserving enthusiasm, condition and ability to avoid from backwardness.

A specific goal pursued through empowerment is to develop individuals and communities into autonomy. Indeed, autonomy means self-support in thinking, acting and controlling what they do. Community autonomy is a condition when the community is able to think, to decide or to do something appropriate for solving their problems using their competence including cognition, connotation, psychomotor, and affection, and also using the resource in internal environment of the community. The empowerment in those four aspects (cognition, connotation, psychomotor, and affection) will contribute to community autonomy. It is highly aspirated that someday the community will have adequate knowledge, reliable skill, sense of development, and high awareness for their behavior (Ambar Teguh S, 2004).

MSME Empowerment Model : Many researches have reviewed the efforts to develop Small and Medium Enterprises. These researches highlight the limited development of SME because of low accessibility of SME to soft credit form financial agencies. This low access is apparent because SME does not adequate collateral to obtain credit, while financial agencies must implement caution measures in their financial management. Financial support is always important because finance will help to boost up competing ability. Other researches have found that SME development can be realized through non-financial aspect. This non-financial aspect includes the quality of worker, education, technology and others. Technical support to increase skill, access to market and information are also other important components to develop SME.

SME characteristic and type are very heterogenic and it indicates that SME policy may be hardly generalized to achieve the expected goals. The policy with individual approach to the business may be hampered due to limited time and effort. Therefore, Yoseva (2007) suggests that in early stage, SME development may be conducted by using business center approach. SME growth must be supported by good efforts, either financial or non-financial. Yoseva (2007) has reported that 59.2 % SME experience monthly omzet increase after receiving financial support. Meanwhile, 20.2 % SME are without change for their omzet and 7.8 % SME suffer from omzet decrease after receiving financial support. Result of review indicates that non-financial support program at certain degree is considered as quite useful for information service, financing, marketing and raw material procurement.

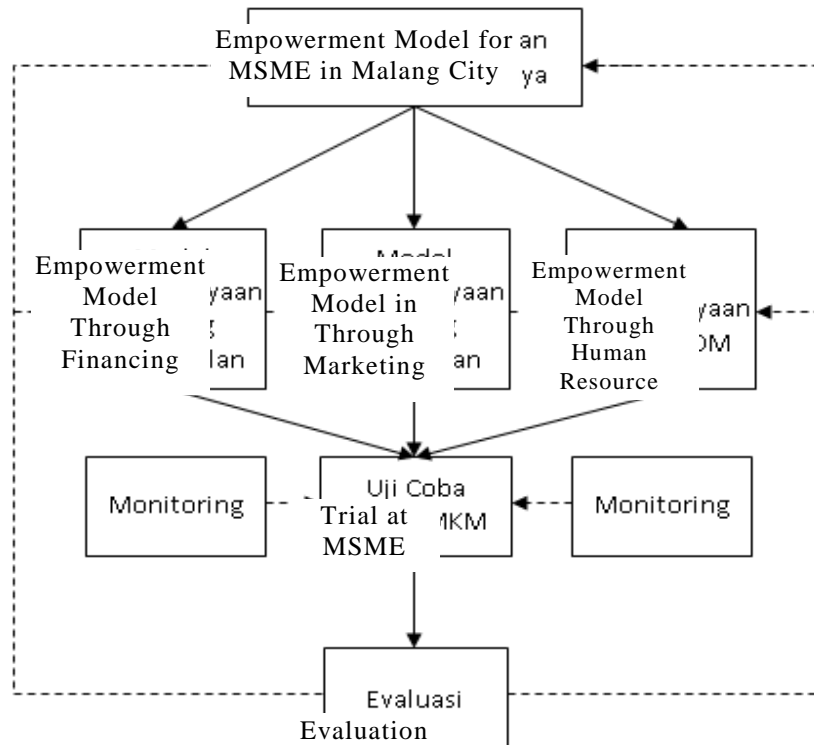
Said and Widjaja (2007) add that SME development through financing is designed in following formats:

- [1] Block grant
- [2] Roll-over grant
- [3] Cheap interest rate
- [4] Interest rate subsidy

Those financing models are already applied by several ministries including the Ministry of Cooperative and SME, the Ministry of Agriculture, the Ministry of Marine and Fishery, and the Ministry of Industry and Trade.

Frame of Thought :Based on the theoretical concept and preliminary result that are used to answer the problems of research, the following frame of thought is developed to formulate those problems using schematic approach as shown in Figure 2.1:

Figure 1. Frame of Thought



III. RESEARCH METHOD

Location, Population and Sample of Research :The location of first-year research is at Malang City, Malang District and Batu City. Research population is Micro, Small and Medium Enterprises. Second-year research is a trial in Malang City as *Pilot Project* while monitoring and evaluation are implemented onto the model. The sample used in economic development model is cluster (here, cluster is defined as MSME category, which includes micro, small and medium).

Table 1. Population and Sample

Cluster	Percentage	Sample
Micro	50	36
Small	35	25
Medium	15	11
Total	100	71

Source: Processed Data, 2014

Data Collection Method

Field Survey : In this method, global observation, field research, and questionnaire are instruments used to understand the quantifiable facts. Field survey is also conducted to understand the condition, activity, potential, capacity and empowerment of MSME in Malang City, Malang District and Batu City. Before operating this survey, the authors arrange survey instruments and *interview guide* to explore data to facilitate the implementation of research. Field survey is not only used to find out potential, capacity and empowerment of MSME in Malang Raya, but also to help the authors to understand the beneath layer of policy strategy and MSME empowerment program in Malang Raya.

Participatory Research Appraisal (PRA) :PRA is a method to explore qualitative data from the actors who are behind Micro, Small and Medium Enterprises (MSME) using SWOT (*strengths, weaknesses, opportunities, and threats*). The subjects of research are required to identify factors of strengths, weaknesses, opportunities, and threats of the business, and then asked to prepare the development strategy for Micro, Small and Medium Enterprises (MSME) based on each sector using the approach of *Participatory Research Appraisal (PRA)*.

Focused Group Discussion (FGD) : *Focused Group Discussion (FGD)* is a data collection method that is used by some participants during collective discussion focused on certain themes or issues. FGD is a participative method to collect information about a certain problem and/or a very specific demand through group discussion. The meaning of the word “participative” is reflected in the discussion process where moderator facilitates discussion by proposing an issue, a case, or an occurrence to be used as discussion material (the facilitator does not always ask questions), and participants themselves who propose problem and solution to the problem. FGD participants may include economic experts or academics such as bureaucracy officers, NGO, community, college, Local House of Representatives, journalist and the actor of the business itself.

Seminar and Workshop : Seminar and workshop are implemented to publish the temporary findings about MSME empowerment model. The findings are then “worked on” again in this seminar and workshop to add some perfection into the existing MSME empowerment model.

IV. RESULTS OF RESEARCH

Model Trial Preparation : Model trial preparation involves consulting and discussing the detail work plan with target group and some other relevant group elements in Malang City. The authors also administer permit and contact with the government of district/town selected, including Malang City, Malang District and Batu City. MSME curriculum and training material are improved based on the input obtained after having a consultation with other elements of organization in Malang City and also based on results of preliminary review.

Consultation and discussion with various relevant organizational elements in Malang City are aimed to understand the activities conducted by organizations/programs in relation with MSME development or those related to local poverty eradication strategy. Other goal is to get lesson from their experience. Six organizations are interviewed, such as The Official of Cooperative and SME, National Trade Office, Financial Agency, Capital Market, NGO and Higher Education. Of these organizations, only The Official of Cooperative and SME and Higher Education have implemented MSME development in sustainable and structured ways.

Early Visit to Target Group : After preparing and consulting with related elements, research team conducts early review in three target groups in separated way, precisely Malang City on 8 May 2014, Malang District on 29 May 2014, and Batu City on 31 May 2014. In this visit, there is also a consultation with target group about trial plan over the model. Research team also attempts to understand the institutionalization of poverty eradication, the efforts of MSME empowerment, and the mechanism prepared and implemented by the related official in each district/town. The perception of target group about the trial of MSME empowerment model is understood by having a discussion with target group.

The Implementation of Model Trial : Technically, PRA starts with by short description by the team about 3 (three) main problems, which are capital problem, marketing problem, and human resource problem. It is early step and determinant base for selecting the type of training for target group. It also avoids the mistake in selecting training program due to the ignorance of potentials, needs and wants of each target group. The selection of program must consider the needs if maximum results are expected.

Some constraints impede the activity such as the limited competence of participants in communication, daylight schedule (during work hour), and lateness of event. However, these constraints are not reducing the substance of activity. Several measures are taken to deal with these constraints such as using simple language format, selecting some brief materials for discussion, and maximizing the time to obtain information as many as possible. Backup plans are always made to ensure the smoothness of program implementation in the future. The importance is highly apparent when a more intensive communication and coordination shall be needed with elements such as The Official of Cooperative and SME, National Trade Office, Financial Agency, Capital Market, NGO and Higher Education, as well as public personages. It is necessary to explain to the community about the importance of PRA for MSME empowerment.

Focused Group Discussion (FGD) is done together with research elements such as such as The Official of Cooperative and SME, National Trade Office, Financial Agency, Capital Market, NGO and Higher Education, and also the representative of MSME. The discussion has found a problem during the implementation of MSME empowerment model, which is lack of integration among empowerment programs. Some weaknesses and failures of MSME empowerment program in the past have brought FGD participants to a consensus that a more integrative MSME empowerment model, which will be applied in better way and on-target, is truly needed. MSME empowerment program offered by the authors is considered by FGD participants as a reliable solution to integrate all elements of the empowerment program into a coordination structure to help the implementation of the program.

MSME empowerment elements are still in less capacity to provide optimum service for the empowerment of MSME in Malang City. Diffusion and technological shift processes by MSME empowerment elements have been constrained that limits the application of science and technology. The constraints include the outcome of science and technology that fails to satisfy the demand, different orientation of MSME empowerment among technology users, different preparation rate of science and technology, transparent and easier mechanism of transaction or procedure, information limit, and financing barrier.

The following is main problems to be dealt by MSME empowerment elements:

- a. Low human resource capacity in term of professionalism, technical competence and developmental competence.
- b. Lack of optimum intermediary mechanism for science and technology, as shown by lack of restructured infrastructure for science and technology, and less effective communication system between empowerment elements and MSME management.
- c. Low finance for science and technology which results in limited facility for science and technology, lack of fund for operation and maintenance, and low incentive for research.
- d. Weak synergy among the policies of science and technology, as shown by less focus on research and development which may cause less significant outcome. Innovation policies covering education, industry and science and technology sectors are not integrated such that it triggers other problems such as less capacity in provider side, breakdown of transaction system, and lack of growth in user side of science and technology in Malang Raya.

Other problem is also considered, which is related to how to keep MSME empowerment model compatible with local potentials. The compatibility of MSME empowerment model and local potentials is estimated based on four aspects of human resource quality, which are theoretical competence, technical competence, conceptual competence, and moral competence. Workshop held by the authors has produced a result that all indicators in the theoretical and conceptual competences and all indicators of moral competence are given greater emphasis. In term of local potentials, those given great focus are all indicators of natural resource potential and some indicators in human resource potential. The indicators of technical competence and moral competence, along with indicators of cultural resource potential, are the supplementing factor for achieving the goal of empowerment.

Monitoring and Evaluation :The implementation of trial over MSME empowerment model in Malang Ray concerns with two sectors, which are the productive economic work development sector and the implementation of saving-loan activity for women as MSME actors. Result of monitoring on the field shows that MSME is very potential to be developed because it helps to increase community income. Therefore, special emphasis shall be given to the presence of MSME. The development of productive economic work in Malang Raya involves the registration of work groups. These work groups have positioned their business in the handicraft and sale sectors.

V. CONCLUSION, IMPLICATION AND LIMIT

The authors assert that indicators proposed in pursuance of the results of PRA, FGD, Workshop and monitoring activity, are reflecting the persistent effort to produce meaningful and useful change to meet the fundamental demand in the community. Therefore, such activities or programs shall be needed because the government has moral responsibility to deliver the welfare for peoples, mainly those who live in rural.

The model offered by the authors must be implemented in coordinated and integrated ways by all MSME empowerment elements in Malang City. Also, The Official of Cooperative and SME in Malang Raya is becoming a central key to produce integration in the model implementation. Underlined by the senses of economic decentralization and local autonomy, the government in Malang Raya must stimulate MSME actors to develop their local potentials in agriculture, fishery, and plantation sectors as well as also in other natural resource bases. The government must avoid from killing local initiatives. Indeed, local government shall provide bigger incentive for the initiative of local investment for the brighter future of economic development in Malang Raya to help reducing poverty rate in this region.

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