

## Policy Design of MSMEs Empowerment in Luwu Utara

Nurlinah, Andi Samsu Alam, Jayadi Nas and Andi Lukman Irwan  
Departement of Governmen Science, Hasnuddin University, Makassar, Indonesia

**Abstract:** MSMEs is one potential step in restoring and supporting the nation's economy. However, MSMEs have not been empowered by the regional government included in Luwu Utara. This study is intended to explain effort has been made by the local government in the empowerment of MSMEs in Luwu Utara mapping the strengths, opportunities, weakness and treatment facing the North Luwu government in MSME in Luwu Utara and formulate policy model MSME in North Luwu Regency accordance with the MSME setrategic conditions in Luwu Utara. This study uses a qualitative method. Data collection by observation, interviews and document research. Research show that various efforts have been made by the government of North Luwu in empowering of their MSMEs. Such efforts can generally be categorized into 2, namely the growing business climate and strengthening the growth potential of power or effort. Climate growth award committed revolving fund to facilitate financing to banks/private, support facilities and infrastructure for SMEs, dissemination of business information, ease of business licensing and trade promotion assistance. Strengthening the potential or of MSMEs in the form of development in the field of production and processing, marketing, human resources and design and technology. All efforts have been made by the government of North Luwu although it has not fully maximized.

**Key words:** Empowermet, MSMEs, policy, business, qualitative

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### INTRODUCTION

One of the government functions is empowering. In the empowerment function, the important thing governments can do is to empower people with a good economic system. This is manifested in the application of economic populist manifested through the Micro, Small and Medium Enterprises (MSMEs). In a good economic system, people will be more independent in fulfilling their needs. Not only independence through that way will directly change the society ability or skill to become more professional that will lead to the welfare of society. Micro, Small and Medium Enterprises (MSMEs) are businesses engaged in different fields of business that touches the public interest. Economically, MSMEs play an important role in the economic development of a nation in the sense of contributing to the creation of employment and Gross Domestic Product (GDP). Based on data from Indonesian Statistics in 2012, the total number of MSMEs reached 56,534,592 units. Micro-scale business enterprises reached 55,586,176 units, small businesses and medium businesses as much as 629,418,48,997 units. MSMEs provide a significant contribution to employment, amounting to 107,657,509 people. This certainly provides a significant contribution to state revenue, especially in the business sector who sell their products to foreign

countries. MSMEs contribution to Gross Domestic Product (GDP) in 2012 reached Rp. 1,504,928.2 billion or 59.08%. While big business contributed only 40.92% of GDP in 2012.

In North Luwu, South Sulawesi Province recorded 13,000 MSMEs. It should be an incentive for governments to maximize the quality of MSMEs to the achievement of the society economic welfare. But the reality of what happened in Luwu Utara District, the MSME as a whole has not been touched by the regional government. In fact, North Luwu potentially sizable mainly local economy include agriculture, livestock, crafts, food and so on. If the government has the political will that is serious in improving the quality then this could add to the communities economic income. Development of Small and Medium Enterprises (MSMEs) become so relevant in Indonesia. Yustika suggests at least relevance can be explained by the following considerations: first, the structure of business in Indonesia has actually relies on the existence of small industrial/household/medium but the poor condition in terms of both value added and the advantages that can be achieved. By advancing the business class automatically building the welfare most people.

Second without realizing it was quite a lot of small industrial/household/medium which has been

export-oriented so it helps the government in obtaining foreign exchange. This is of course the opposite of big industry that actually exploit the domestic market for sale. Third, the small industrial sector/household/medium has proved to be more flexible in a variety of unfavorable economic conditions such as those currently experienced by Indonesia. In large industries have been closed down, some small industries still survive, even gain multiple benefits for export-oriented. Fourth, small industrial household/medium to use more raw materials or intermediate materials (intermediate goods) than in the country so as not to burden the value of imports as it has been practiced by big business/big industry.”

In doing empowerment, including the empowerment of MSMEs, Zubaedi stated there are 3 things to do are: “first, create the atmosphere in the climate which allows the potential for developing societies that facilitate and encourage public awareness of the importance of developing the potential of people who have had. Second, strengthen the potential or power in the communities that the efforts made in empowerment through tangible actions such as education, training, health improvement, provision of capital, information, employment, markets and other means. Third to protect the public, namely the need for steps in empowering communities to prevent competition unequal and exploitative practices also strong against the weak through the clear agreement to protect the weak”. Having regard to the various conditions and the concept of the above, the writing is intended to:

- Describe the efforts made by the local government in the empowerment of MSMEs in Luwu Utara
- Mapping strengths, shortcomings, challenges and opportunities facing the North Luwu government in MSME in North Luwu (DCI, 2016)
- Formulate policy design MSME in North Luwu Regency accordance with the conditions setragetis MSME in North Luwu

## **MATERIALS AND METHODS**

This type of research that is descriptive qualitative that a study that aims to gain an overview and understand and explain the Government’s strategy in the MSMEs Empowerment in Luwu Utara. The data collection techniques were interviews, observation and document study. This study will be conducted in North Luwu, especially at the various institutions associated with the empowerment of MSMEs in Luwu North. Analysis of data using qualitative analysis techniques (Wuradji, 2009).

## **RESULTS AND DISCUSSION**

**Research area characteristic:** The astronomical, Luwu Utara is located between 01053'19"-02055'36" South latitude and 119047'46"-120037'44" East Longitude. Based on its geographic position, Luwu Utara has boundaries:

- Central Sulawesi in the North
- West Sulawesi and Tana Toraja in the West and
- Telok Luwu and Bone in the South

North Luwu has an area of 7502.58 km<sup>2</sup> which is administratively divided into 12 districts. Most large districts area is Seko. The District with an area of 2.109.19 km<sup>2</sup> 28.14% of the area of North Luwu. While districts with the smallest area is the District of Bone-Bone with an area 127.92 km<sup>2</sup> or 1.71%. North Luwu Regency can basically be divided into 2 regions based on topography, namely the lowland areas as many as nine districts with a height of 15-70 m above sea level and the plateau much as 3 districts with an altitude above 1,000 m above sea level, located at position 01053'19"-02055'36" South latitude and 1190 47'46"-120037'44" East Longitude. North Luwu population based on the projected population in 2015 as many as 302 687 people, made over 151 993 inhabitants and 150 694 inhabitants male female. Compared with the 2014 population projection, North Luwu population grew by 0.90% to each of the male population growth of 0.86 and 0.94% of the female population. Meanwhile large numbers in 2015 the sex ratio of males to female population of 101.

The population density in North Luwu in 2015 reached 40 inhabitants/km<sup>2</sup> with an average number of residents per household 4 people. The population density in the 12 districts is quite diverse with the highest population density is in the district of Bone-Bone with a population density of 205 people/km<sup>2</sup> and the lowest in sub rampi for 2 people/km<sup>2</sup>. Meanwhile, the number of households grew by 0.90% from 2014. The number of registered job seekers in North Luwu Regency on the social service manpower and transmigration North Luwu in 2015 amounted to 6926 worker. The largest proportion of job seekers who register with the department of social welfare and labor educated past high school that is equal to 32.93% (2.281 worker). Here is presented a complete employment data in Luwu Utara 2015.

**The government’s efforts in the MSMEs empowerment:** There are three principal role of government in the empowerment of MSMEs is growing the business climate, strengthening the potential or the power of business and

business protection. A concrete manifestation of the government's role to grow the business climate in the form of funding, infrastructure, business information, business licensing, business opportunities, trade promotion and institutional support. In terms of financing, the government of North Luwu ever give financial aid directly to the public. But lately the government will no longer provide direct assistance but rather facilitate capital through the private sector in this regard banking in the region of North Luwu. In terms of procurement of equipment and facilities, Luwu Utara district government continue to provide facilities and infrastructure business for Micro, Small and Medium Enterprises (MSMEs) in order to thrive. This can be seen with the development of several supporting facilities such as booths and stalls devoted to the MSMEs in Luwu Utara.

Aspects of business information as one of the government's role in growing the business climate that: establish and facilitate the utilization of data banks and business information networks; organize and disseminate information on markets, sources of financing, commodities, guarantees, design and technology and quality and provide guarantees of transparency and equal access for all actors of micro small and medium enterprises of all business information. SMEs in Luwu Utara are informed if there is an exhibition that allows a means of promotion and sales of SME products. Nevertheless, in practice, the dissemination of information about the activities of the exhibition turned out had not been effective because they can not reach out to all SMEs. This was due to incomplete data base of SMEs in particular on the number of contacts each SMEs. It also shows that if the government has not been able to implement the Luwu Utara utilization data bank and business networks.

Permission (*verguning*) is an agreement of the authorities under the act or regulations for the government in certain circumstances to deviate from the provisions of prohibition legislation. So that, permission in principle is as dispensation or disposal/acquisition of a ban. So, licensing is a form of implementation of regulatory functions and controls nature owned by the government against the activities undertaken by the community. Licensing can be a form of registration, recommendation, certification, the determination of quotas and permission to conduct a business that should normally be held or acquired by a business organization or individual before concerned may perform an activity or action. If related to the economy, the business license is a form of approval or permits from the authorities on the implementation of a business activity by an entrepreneur or a company. For the government, the notion of trading

business is a tool or a means for fostering, directing, supervising and issuing permits trading business. In order for current business activities, each employer is obliged to take care and have a business license from the appropriate government agencies with the field.

The government provides convenience to micro businesses in matters of licensing. Business players, especially micro and small no longer need to process the permit until the city or county level but quite at the district level. Aspects of business opportunities as referred to in Article 13 of Law No. 20 of 2008 is intended to: determine the designation of a place of business which includes the provision of location in the market, the room shopping center, the location of industrial centers, the location of smallholder agriculture, mining sites of the people, the location is reasonable for vendors and other locations; establishes the allocation of time trying to micro and small enterprises in retail trade subsector; back up the field and the type of business activities with a special process, labor intensive and has a cultural heritage that is specific and hereditary; sets of reserved business field for micro small and medium enterprises and business fields open for large enterprises, subject to cooperate with the micro small and medium enterprises; to protect certain strategic effort for micro small and medium enterprises; priority to the use of products produced by micro and small enterprises through direct procurement; prioritize the procurement of goods or services and contracting work and regional governments and provides legal consulting assistance and advocacy (Anonymous, 2008a, b).

Based on interviews with the heads of Bappeda North Luwu Local governments, the district government has sought and provide opportunities for people to improve MSMEs. One of them simplify licensing and leave the room or place to trade to the MSMEs. Not only that the district government has also been widely memberikan promotion assistance both in Luwu Utara and outside the Luwu Utara. Promotion is essentially a marketing communication, meaning that marketing activities that tries to spread information, influence/persuade or remind the target market for the company and its products to be willing to accept, buy and loyal to the products offered by the company concerned, Tjipton, promotional purposes there are 4 things that to introduce, persuade, modification and shaping behavior and remind them about the products and the company concerned. To improve the competitiveness and introduce products MSMEs in Luwu regency north to the more popular and gain a large market share. Luwu regency government will continue to boost northern promotional activities through the exhibit regional and national level. Aspects of institutional support is intended to develop

and improve the functioning incubators, business development service agency, financial consulting bank partners and other similar professional institutions as agency support development of micro small and medium enterprises. In supporting institutions, especially the local government Koperindag facilitate MSMEs to the bank in order to obtain funds KUR.

**Local government efforts on potential strengthening or enterprises power:** In terms of strengthening the potential and resources of MSMEs, the role of government is manifested in the development efforts in the field of production and processing, marketing, human resources and the design and technology. In the context of MSMEs development in the field of production and processing is done by:

- Improving techniques of production and processing as well as management capabilities for micro small and medium enterprises
- Provides convenience in the provision of facilities and infrastructure, production and processing, raw materials, auxiliary materials and product packaging for micro small and medium enterprises
- To encourage the application of standardization in the process of production and processing and
- Improve the ability of design and engineering to medium enterprises

In an effort to improve the production process of industrial business, Luwu Utara provides grant aid goods/equipment. This assistance is provided by the amendment to decree regent of Luwu Utara No. 188.4.45/299/V/2015 on the establishment of small and medium industry group grantees goods/equipment handed community facilitation activity for small and medium industry of the resource utilization of fiscal year 2015. In addition to assistance for facilities, Luwu Utara district government provides assistance to entrepreneurs of Small and Medium Enterprises (SMEs) to obtain the halal certificate by the regional government. Annually budgeted as much as 10 IKM proposed.

Developments in the field of design and technology is done by increasing capabilities in the areas of design, technology and quality control, improve cooperation and transfer of technology, improve the ability of small and medium enterprises in the field of research to develop designs and new technologies, provide incentives to micro, small and medium that develops technology and preserve the environment and encourage the micro, small and medium enterprises to obtain a certificate of intellectual property rights. In this case, Koperindag

North Luwu has been implementing the science capacity building program production system in order to strengthen the ability of technology-based industries. The program is in the form of training activities for quality improvement and diversification of various products for food processing results made from fish held on 11-13 August 2016 in Masamba. Several months earlier, similar activities have also been carried out by Koperindag North Luwu in the form of “training diversified products processed food made from Cocoa/Chocolate on May 20, 2016 in Masamba.

**Strengths, weaknesses, opportunities and threatment for MSMEs empowerment in Luwu Utara:** Based on the description in the previous section regarding the description of the location and the empowering the MSMEs that have been taken by the government then analyzes the strategic environment that will facilitate the development of policies empowering the MSMEs in North Luwu. To simplify the presentation of data, analysis of strengths, weaknesses, opportunities and threats will be made in the form of a matrix as follows (Table 1).

**Design of MSMEs empowerment policy in Luwu Utara:** Based on the description of the outline of the strategic environment of empowering the MSMEs both from internal and external aspects, it can be classified into each of the macro and micro aspects encountered in empowering the MSMEs in Luwu Utara. These aspects include the macro aspects of institutional support of local governments in terms of how coordination between the regions. While the micro aspect covers aspects of marketing, availability of capital, innovation, raw materials, production equipment, labor, business development and readiness to face the external environment. Furthermore, based on the results of research and strategic environmental assessment empowering the MSMEs in North Luwu then formulated the policy design as illustrated in Fig. 1.

Figure 1 show the macro and micro aspects as well. At the macro aspect is emphasized that there is a synergy between the areas that relate to SMEs. Such entities ie between government agencies and the private sector and NGOs. In terms of government there are at least eleven SKPD should be involved in the empowerment of SMEs include: the Department of Cooperatives, Industry and Trade; education authorities; Department of Agriculture; Department of Plantation and Forestry; Department of Social, Manpower and Transmigration (Sosnakertrans); office training; Department of Fisheries; village community Empowerment board (BPMD); agency for

Table 1: Strategic analysis of MSMEs empowerment policy

Information	Strength (S)	Weakness (W)
	Potential of natural resources diverse The number MSMEs has fulfilled the ideal number that is equal to 2.89% of the total population of Luwu Utara The number of young people are educated Support local governments on MSMEs is high enough The existence of budget support for development of SMEs There are many Government Institution role in empowering the MSMEs	MSMEs can only absorb 3.70% of the total labor force population of Luwu Utara The ability of HR in MSMEs is still not evenly distributed There are no data bank MSMEs and business networks There is no systematic cooperation between Government Institution who deal with the problem of MSMEs Innovative MSMEs that are still lacking
Opportunity (O)	S-O strategy	W-O strategy
Asean markets more open so as to allow a broader marketing	Differentiation and quality-oriented product development	Developing a more varied product design
Growing number of financial institutions that provide working capital loans	Market segmentation, especially welcome in the domestic market	Developing the production process with the revitalization of machinery and equipment more modern
Advances in technology enable social media marketing easier	Production development based on local resources The development of Internet-based sales Development of human resources capable of competing at international level Encouraging the growth of new MSMEs	Developing innovative production-based MSMEs Developing an online data base Systematization of cooperation between Local Government offices
Treatment (T)	T-S strategy	T-W strategy
Threatment liberalization	Developing highly competitive products with local characteristics charge	Promotion to the developing export markets with more modern media
Many products from outside higher quality	Improving the quality of physical and non-physical infrastructure	Increasing the role of external agencies, business associations in the development of MSME
Infrastructure causing delays logistic distribution		

Table 2: Engagement Mapping Institute of Government in the process of micro of MSMEs

Aspects of MSMEs activity	Institutions involved	Role
New of MSMEs creation efforts	Departement of education Departement of Cooperative, Industry and Trade	Socialization, motivation seminar, education entrepreneurship
Licensing documenting of MSMEs	BPPTSPM Dinas Koperindag BPPTSPM Dinas Kominfo	Simplify and accelerate the licensing process Creating a data base of MSMEs both online and offline
Human resource development	Dinas Koperindag KLK	Providing managerial training and leadership in the business world
Funding	Dinas Koperindag Perbankan Lembaga Keuangan Lain	Facilitating or providing capital resources and working capital loans
Production and processing	Dinas Koperindag Dinas Kehutanan and Perkebunan Dinas Perikanan Dinas Pertanian KB-PP NGO Dinas Sosnakertrans Dinas Koperindag	Providing training in production and processing, facilitate the issuance of intellectual property rights, halal certificates, product design, etc
Marketing	Koperindag Dinas Infokom Dinas Pariwisata NGO	Assist in the promotion and marketing of products through various media

family planning and women's empowerment (KB-PP); licensing services agency one stop investment (BPPTSPM); government tourism office and the office of communications and information. Given the number of SKPD should be involved in the empowerment of SMEs then it shall in the policy of empowerment of SMEs set the main tasks and functions as well as the coordination of their respective SKPD. Regarding the duties of each Government Institution it is important to map what

institutions are tasked to do anything. In this case, the mapping will be easier if used scheme as seen in Fig. 1. The scheme describes the micro aspects of the implementation of of MSMEs starting an effort to foster of new MSMEs to the marketing of products. For more details can be seen in Table 2.

Table 2 shows that the department of cooperatives, industry and trade has many roles in empowering the MSMEs. Thus, in the process of synergy between the

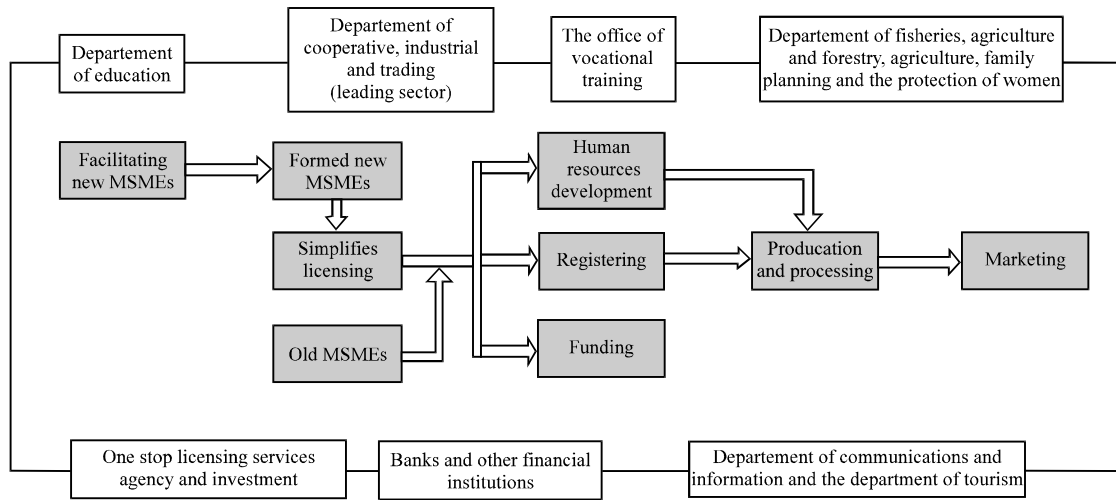


Fig. 1: Design of tutorial empowerment policy of MSMEs in Luwu Utara

institutions in order to empower of MSMEs, Koperindag should be a leading sector in charge of coordinating all Government Institution involved in empowering the MSMEs. Scheme of arrangement as shown in Fig. 1 and the mapping scheme each role Government Institution sebagaimana 28 described in the table above can be used as a design policy of empowering the MSMEs in Luwu Utara. This policy becomes important because it is so far Luwu Utara have yet to develop specific policies to govern the issue of MSMEs. Policy design as described above is a great scheme for SME Empowerment policy direction in Luwu Utara. In the grand scheme needs to consider the results of the strategic environmental analysis which can be used as an integral part of the decisions about the policy to explain the empowerment of SMEs. The results of strategic environmental analysis MSME is as follows:

- Differentiation and quality-oriented product development
- Segmentation of the market, especially welcome in the domestic market
- Development of production based on local resources
- The development of Internet-based sales
- Development of human resources capable of competing at international level
- Encourage the growth of new SMEs
- Development of a more varied product design
- Development of the production process of the revitalization of machinery and equipment more modern
- Development of innovative production-based SMEs
- Development of an online data base
- Systematization of cooperation between SKPD
- Development of highly competitive products to the charge of local characteristics

- Improving the quality of physical and non-physical infrastructure
- Development of promotion to the export market with more modern media such as social media
- Enhancing the role of external agencies, business associations in the development of SME

### CONCLUSION

Various efforts have been made by the government of North Luwu in empowering of MSMEs her. Such efforts can generally be categorized into 2, namely the growing business climate and strengthening the growth potential of power or effort. Climate growth award committed revolving fund to facilitate financing to banks/private, support facilities and infrastructure for SMEs, dissemination of business information, ease of business licensing and trade promotion assistance. Strengthening the potential or of MSMEs in the form of development in the field of production and processing, marketing, human resources and design and technology. All efforts have been made by the government of North Luwu although, it has not fully maximized. Strategic environmental analysis for SME empowerment can be described as follows: strengths potential of natural resources are diverse. The number of SMEs has fulfilled the ideal number that is equal to 2.89% of the total population of Luwu north. The number of young people are educated enough support local governments on SMEs is quite high. The budget support for development of SMEs. There are many SKPD role in the empowerment of SMEs.

**Weaknesses:** SMEs can only absorb 3.70% of the total labor force population of northern Luwu. The ability of HR in SMEs is still not evenly distributed. There are no

data bank of SMEs and business networks. There are no cooperation systematic between SKPD who deal with the problem of SMEs, innovative SMEs that are still lacking. Opportunities: Asean markets more open so as to allow a broader marketing. More and more financial institutions that provide capital loans. The technological advances of social media allows pemasalah easier. Threats: the threat of liberalization Many products from outside higher quality infrastructure impede logistic distribution. Empowerment policy of MSMEs in the North Luwu directed by 2 categorization of arrangement is macro and micro. At the macro aspect is emphasized that there is a synergy between the areas that relate to SMEs. Such entities ie between government agencies and the private sector and NGOs. While on the micro aspects in question is governance of of MSMEs are ideally suited to the demands of the strategic environment ranging from of MSMEs to grow new to the marketing of SME products.

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