INDONESIAN JOURNAL OF MULTIDICIPLINARY SCIENCE

P-ISSN: 2808-5957
E-ISSN: 2808-6724
ijoms.internationaljournallabs.com

STRATEGIES IN DEVELOPING MSMEs OF PEMATANGSIANTAR

Annisa Edelia[1], Zuhrinal M. Nawawi[2]
Islamic State University of North Sumatera, Indonesia
[1]nyssaedell@gmail.com [2]zuhrinal.nahwawi@uinsu.ac.id

Abstract

The purpose of this study was to determine the development strategi of Micro Small and Medium Enterprises (UMKM) in Pematangsiantar City. The research model is qualitative approach. The research design is field study and literature study. The focus of research to be achived is the development strategy of Small Micro and Medium Enterprises in Pematangsiantar city. The data analysis technique used is descriptive qualitative analysis. The result of the study show that UMKM enterpreneurs face obstacles in developing their businesses. The strategy of developing UMKM in Pematangsiantar City is inseparable from the participation of the government and UMKM actors. The government should be able to provide assistance to UMKM actors, as well as socialization and training, and UMKM actors should be more creative and innovative in producing goods.

Keywords: *Development strategy, MSME, Pematangsiantar*

This work is licensed under CC BY-SA 4.0

INTRODUCTION

Economic growth shows an increase in the welfare of the community reflected in the increasing purchasing power of the community. The economy of the community develops as a sign of an increase in the economy of the community. The economy of today's society requires a clear and systematic concept so that it is expected to produce economic actors who have high fighting power in carrying out their business in various economic situations.

Micro, Small and Medium Enterprises (MSMEs) have a hand in the economic development of an area by enhancing efforts that reduce the unemployment rate (Kusdiana and Ardi, 2014). The cause of MSMEs in an area does not experience development is not optimally implemented the role of the government, especially local governments in growing, developing and mapping potential economic sectors in developing regional economic progress.

MSMEs need a strategy in order to achieve a goal so that all can be controlled properly. The strategy is well designed so that it can help the development of MSMEs as desired. Pematangsiantar City, the second largest city, and one of the cities in North Sumatra Province after Medan. The location of Pematangsiantar City is very strategic, crossed by Jalan Raya Lintas Sumatra. The city has an area of 79.97 km2 and has a population of 253,500 people. Pematangsiantar City consists of eight sub-districts and 53 villages with an area of 79.9706 km^2 (BPS Pematangsiantar City, 2018).

Initial studies found in the field to some business actors categorized as MSMEs such as the lack of knowledge of business actors on how to raise their business, difficulty distributing products, lack of product innovation, not having branding and lack of maximum online marketing is not overcome to the maximum.

Law No. 20 of 2008 Article 7 paragraph (1), says that the Local Government fosters the Business Climate for MSMEs. To fulfill the mandate of the Law, it is necessary to carry out an assessment related to the development strategy of MSMEs in pematangsiantar city.

The formulation of the problem in this research is how the development strategy of Micro, Small and Medium Enterprises (MSMEs) in Pematangsiantar City. Based on the formulation of the problem, the purpose of this research is to find out the development strategy of Micro, Small and Medium Enterprises (MSMEs) in Pematangsiantar City.

Regional Economic Development

Regional development has the goal of improving living standards by elaborating on each sector both between sectoral development and effective and efficient regional development planning. One of the indicators of the success of economic growth in several countries supported by MSMEs that are considered to have contributed to the provision of jobs, acts as a supplier to larger businesses (Singh et al., 2008).

The development of regional economic potential is considered very useful in reducing development inequality between regions that are carried out gradually and have an impact on economic progress in the area.

Micro Small and Medium Enterprises (MSMEs)

MSMEs play a strategic role in the development of the national economy. MSMEs are productive business units that stand alone, carried out by individuals or business entities in all sectors of the economy (Tambunan, 2012). By giving birth to many successful entrepreneurs Indonesia can reduce dependence on other nations, create new jobs, and can help the government in order to reduce the unemployment rate.

According to Law No. 20 of 2008 article 6, the criteria of MSMEs are as follows:

1. Micro-businesses are: is a productive business owned by individuals and / or individual business entities withcriteria for net income owned by Rp 50,000,000.00 (fifty million rupiah) in addition to the assets they have and annual sales obtained at most Rp 300,000,000.00 (Three hundred of millions of Rupiah);
2. Small business is a productive economic business that stands alone, conducted by individuals or business entities with the criteria of net income as low as Rp 50,000,000.00 (Fifty million rupiah) up to at most Rp 500,000,000.00 (Five hundred million rupiah) excluding land and buildings where businesses and businesses and businesses are located. annual sales generated more than Rp 300,000,000.00 (Three hundred million rupiah) to at most Rp 2,500,000,000.00 (Two billion five hundred million rupiah);
3. Medium enterprises are productive economic efforts that stand alone, conducted by individuals or business entities criteria for net income of more than Rp 500,000,000.00 (five hundred million rupiah) up to at most Rp 10,000,000,000.00 (ten billion rupiah) in addition to fixed assets owned by the organization and Annual sales obtained more than Rp 2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum of Rp 50,000,000,000.00 (fifty billion rupiah).

Micro, Small and Medium Enterprise Development Strategy (MSMEs)

Development is an effort made to advance, improve, and improve something that already exists regularly to get better. According to Kartasasmita (1996), the development of MSMEs includes the following aspects, improvements to productive assets, especially capital, in

addition to technology, management, and other aspects, market access, market information, production assistance, and marketing facilities and infrastructure.

Especially for small businesses in the countryside, basic infrastructure will be very helpful is a means of transportation. Doing trainings to improve the knowledge and skills needed to strive is very important. However, at the same time it also needs to be instilled the spirit of the entrepreneurial spirit, and strengthening about economic institutions so that the process of running the market does not come out of what is desired which will actually lead to gaps.

Therefore, appropriate interventions are needed and do not conflict with the fundamental rules in a free economy, but still guarantee the occurrence of social equity. Establishing business partnerships has proven successful for the development of people's economic business.

The first step that needs to be done in developing MSMEs is to recognize the obstacles faced, plan a clear plan that includes goals, strategies to develop MSMEs. Increase creativity and initiative so that we are superior to competitors.

METHOD

This research model is a qualitative approach model, with field studies and literature studies. The focus of the research to be achieved is the development strategy of Small, Micro and Medium Enterprises in Pematangsiantar City. The research site is Pematangsiantar City. Data collection conducted using techniques is observation, interview, and documentation. Data analysis techniques with qualitative descriptive.

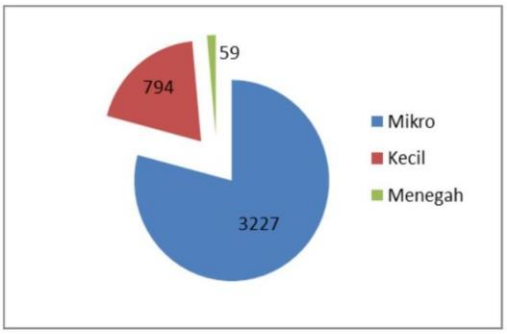
RESULTS AND DISCUSSION

MSME Conditions in Pematangsiantar City

Efforts to achieve equitable economic development are needed policies that tend as much as possible based on the potential of buildings owned by each region (Herdhiansyah, et al, 2013). The role of the government to control the existence of MSMEs is crucial considering that MSMEs in some cities or regions greatly affect the economy of the area.

Along with the improvement of the regional and national economy, the economic growth of Pematangsiantar City is also getting better. Business actors who grow in the city of Pematangsiantar majority are micro and small scale. Some micro and small businesses found throughout the sub-district are still not optimal in entrepreneurship so it is not uncommon for some of these business actors to often experience setbacks in entrepreneurship and eventually close their businesses.

Business actors in Pematangsiantar City consist of micro, small and medium enterprises spread across 8 sub-districts, namely East Siantar, West Siantar, North Siantar, South Siantar, Siantar Marihat, Siantar Martoba, Siantar Sitalasari, and Siantar Marimbun (BPS. 2019). The number of MSMEs in Pematangsiantar City is presented in the picture below:



Gambar 1
Populasi UMKM Kota Pematangsiantar
Sumber: Kota Pematangsiantar Dalam Angka 2019

Based on figure 1 above, it is known as many as 3227 micro-type businesses, 794 types of small businesses and 59 types of medium-sized businesses. This shows the dominance of micro-businesses spread across 8 sub-districts is more dominant in number.

MSME Problems in Pematangsiantar City

The existence of MSMEs cannot be denied to have a positive impact on the distribution of people's income today. In addition to providing opportunities for the community to be independent in developing their business (Bappeda, 2019). MSMEs are considered able to increase local wisdom so as to produce and products that are in accordance with the characteristics of an area. The development of MSMEs is also inseparable from some problems that are often an obstacle for MSME actors.

Problems that often occur in general include the following.

Capital

The success of MSMEs will be obtained when obtaining information about cash flow from their businesses, mostly relying on capital from their own finances and assets. This is in line with the findings of OJK where 70% of the total 60 million MSMEs in Indonesia do not get access to capital from banking. The lack of financing distribution for MSMEs due to administrative and financial management constraints that are generally still managed manually and less guaranteed from entrepreneurs where there is a high risk of creditfailure.

Market Access

Market access is an important thing that is considered in running a business. Businesses need to get as much information as possible and learn about it, and understand the market. A business that has broad market access, then the business has a large, wider market share where it allows it to increase its sales volume. MSMEs in Pematangsiantar market access is still limited where the majority of products produced are still offered in the local market.

Raw Materials

Pematangsiantar city has cultural, and historical potential. The flagship is a culinary tour because pematangsianar city as a stopover. There are obstacles faced by culinary industry businesses regarding raw materials. Such as the increase in the price of raw materials at certain

times such as the eve of the holiday where the price of staples tends to rise. The price increase increases the sales of the product. And in UMKM weaver ulos where the raw material of making ulos already where suppiler sells the ulos yarn with credit system and profit sharing between weaving entrepreneurs and yarn sellers, but suppliers as determinants of the price of ulos yarn so that it can also threaten the sustainability of this business.

MSME Administration Management

Lack of knowledge about good business management owned by MSMEs in Pematangsiantar City. Often MSME actors are focused in terms of producing products, but do not think about the unique, distinctive characteristics, and different from competitors of goods. This right results in being hampered in the development of the business in the long term. To be able to understand and carry out aspects of management well, every small, micro, and medium business actor must understand the functions of management which include: Planning is the way a business actor determines goals and strategies in achieving them. While the decision maker designs various methods that must be done to achieve business goals.

Organizing generally in micro and small businesses is still run independently so that in terms of delegation the work is still impossible to do. Business actors have a dual role because they do all the work independently. Of course, this is less in terms of effectiveness and productivity produced low. The third function of management is leadership or direction. A business actor must be able to guide, motivate, and influence each member to be able to work according to their respective roles.

The third function of management is control, MSMEs in Pematangsiantar City still do not do this control process consistently and tend to feel unnecessary. This has an impact on incomprehension about weaknesses and shortcomings that occur so that it is not possible for evaluation.

Domestic Market Competitive Pressures

Competition is inevitable in business for both large, medium, and small businesses. This competition can come from anywhere both within and outside the marketing area.

This happens because of the phenomenon of entrepreneurs who are less focused on the type of business that is run and impressed "bandwagon effect """ to the types of businesses that are considered to be trending in the community, such as mobile phone and café businesses that are mushrooming in Pematangsiantar. The impact of this is the reduced market share owned, so that many entrepreneurs who lack capital are unable to face the competition that occurs and forced to go out of business.

MSME Development Strategy in Pematangsiantar City

To advance, improve, and improve MSMEs in Pematangsiantar, development strategies are needed, among others:

1) On the issue of capital to overcome the difficulties faced by MSMEs related to capital sources, the government should align the relevant agencies with Akseleran which is one of the P2P platforms of the Financial Services Authority (OJK), which is able to provide access to financial inclusion for MSMEs who need funds to maintain and develop their business. The government should also establish connections with Digital

Companies with blockchain technology that implements business through Digital Business Indentity and Digital Legder that are able to record transaction data as a valuable asset, and introduce to pilot businesses that have been considered feasible to increase their business to the digital level of transformation.

2) MSME entrepreneurs can expand their market access by running online marketing such as through market place sites. In its application, MSME entrepreneurs must be able to choose the right online marketing channel so that the results are optimal. This is still rarely done by MSME entrepreneurs because of their lack of knowledge about how to utilize e-commerce. Therefore, it is expected that the Government can provide assistance to MSME entrepreneurs on how to use existing applications and e-commerce ranging from registration to how to operate it so as to facilitate them in their use. And the government can support in the form of exhibition or bazaar activities organized by the Cooperative Office, SMEs and Trade, and so on.
3) The Pematangsiantar City Government interferes in the procurement of ulos raw materials by forming cooperatives for ulos weaving entrepreneurs, so that each member can support each other in terms of the provision of raw materials related to business capital and also establish cooperation with suppliers both locally and outside the region that can meet the needs of yarn supply for cooperative members. Furthermore, for culinary raw materials, culinary entrepreneurs should carry out cooperation bonds with suppliers so that at certain times the price of raw materials can still be the same. The role of the city government is also very instrumental in the availability of these staples to maintain the stability of raw material prices in the market.
4) In terms of the management of msme administration, the government provides pingan to MSME actors through academics from educational institutions in making business planning through setting business targets, establishing partnerships or building links both from suppliers, customers, communities, and competitors to optimize their production activities, conducting training on leadership, implementing control of their business through the Management Control System (SPM) by choosing People who have the capacity as speakers.
5) To overcome the domestic competition that occurs, it is expected that the Government is serious in fostering MSMEs and continues to encourage that MSME actors must have IUMK (Small Micro Business License) permits, where this IUMK will be legal or recognition of their business. The government is expected to help the management of this IUMK to be free and easy through OSS *(online single submissions).* With the MSMEs, it will be easier to manage loans. MSME entrepreneurs will have adequate capital to do business development and create products that are quantity and good quality so that they are able to compete with other similar entrepreneurs. MSME entrepreneurs must also innovate products in order to improve their own characteristics, and differ from competitors. Creativity and initiative make our business / business superior to competitors. Without it, our business or business will easily fall or make our profit level smaller.
6) MSME actors think about the resources that can be owned and cannot be imitated by competitors (Purnomo, Agung, et.al, 2020). Follow the training of improvement on MSMEs in order to increasingly have knowledge about strategies in developing the

business carried out. As per the results of Apulu and Latham research (2011), there needs to be an effort to adopt information technology combined with innovation so as to produce products that have quality so that it has implications for good product service and becomes its own characteristic. Thinking about the resources that competitors can have and cannot replicate (Purnomo, Agung, et.al, 2020).

CONCLUSION

In the strategy of MSME development in Pematangsiantar City cannot be separated from the participation of the government and MSME actors. The government should be able to provide assistance to MSME actors, as well as socialization and training to MSME actors about knowledge about aspects of entrepreneurship.

Governments can partner or collaborate with higher education institutions (e.g. colleges) as an extension to dig up information related to market needs. MSME actors should innovate products in order to improve their own characteristics, and be different from competitors. In addition, MSMEs should also open up and join trainings related to how to analyze products and knowledge about strategies in developing the business carried out.

REFERENCES

Apulu, Idisemi dan Ann Lathan. 2011. *Drivers for Information and Communication Technology Adoption: A Case Study of Nigerian Small and Medium Sized Enterprises.* International Journal of Business and Management. Vol 6, No. 5

Badan Pusat Statistik Kota Pematangsiantar. 2019. Jumlah Penduduk Kota Pematangsiantar Per Kecamatan 2010-2018. Tersedia di: https://siantarkota.bps.go.id/dynamictable /2015/09/25/2/jumlah-penduduk pematangsiantar-per-kecamatan-2010- 2018.html. Badan Pusat Statistik Kota Pematangsiantar. 2019.

Badan Perencanaan Pembangunan Kota Pematangsiantar. 2019. Penataan UMKM Dalam Pengembangan Usaha di Kota Pematangsiantar.

Herdhiansyah, Dhian, dkk. 2013. Kriteria Kualitatif Penentuan Produk Unggulan Komoditas Perkebunan Dengan Metode Delphi di Kabupaten Kolaka Sulawesi Tenggara. Jurnal Agritech. Vol. 33, No. 1: 60-69

Kartasasmita, G. 1996. Pembangunan Untuk Rakyat: Memadukan Pertumbuhan dan Pemerataan. Cides: Jakarta.

Kusdiana, Dikdik dan Ardi Gunardi. 2014. Pengembangan Produk Unggulan UMKM Kabupaten Sukabumi. Jurnal Trikonomika. Vol. 13, No.2: 153-171

Purnomo, Agung, et al., 2020. Dasar-Dasar Kewirausahaan Untuk Perguruan Tinggi dan Dunia Bisnis. Medan: Yayasan Kita Menulis.

Singh, et al., 2008. *Strategy Development by SMEs for Competitiveness: A Review*. Benchmarking: An International Journal. Vol. 15, No.5: 525-547.

Tambunan, Tulus. 2012. Usaha Mikro, Kecil dan Menengah di Indonesia: isu-isu penting. Jakarta: LP3ES

Undang-Undang nomor 20 tahun 2008 tentang Usaha Mikro, Kecil, dan Menengah