SMALL AND MEDIUM ENTERPRISES (SME) DEVELOPMENT POLICY BASED ON ECONOMIC SOCIETY IN EAST JAVA

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ABSTRACT

SMEs have a great role in the national economy, as well as in employment absorption and distribution results, through the law No. 5 of 1999 government give the limit on SME for small businesses is a business that: a. Owns 200 million assets, excluding land and office building, b. Annual sales proceeds at most 1 billion, c. Owned by Indonesian citizens.

With these limits, it is expected that the role of government and society needs to give great attention to encourage its development. Development of SME through business empowerment approach, need to pay attention to social and cultural aspects of each region

The existence of regulations both in the form of laws and government regulations relating to SME in terms of production and banking side, will spur the role of SME in the economy. For the government, licensing is necessary to maintain public order and provide protection to the public.

Keyword: Policy, SME Program, SME Development, Community Economy

1. Introduction

Government policy on Small and Micro Enterprises (SME) is an important sector and great contribution in realizing the goals of national economic development, such as economic growth, employment opportunities, increasing state revenues, and regional economic development. SME are expected to have the ability to participate in spurring national economic growth so SME need government protection. Being aware of the great role of SME in the national economy, as well as in the absorption of manpower and equitable distribution of development results, the government through Law No. 5 of 1999, limits the SME to small businesses are: a. Have 200 million net assets, excluding land and office building, b. Annual sales proceeds (revenue) at most 1 billion, c. Belonging to citizens of Indonesia, d. Stand alone, not a subsidiary or branch company. With these limits, it is hoped that the role of government and society needs to give great attention to push its development. SME development through business empowerment approach needs social and cultural attention in each region.

Referring to the characteristics that are owned, small and medium enterprises (SMEs) describes the existence of some limitations in the form of weak ability to access sources of business progress. Constraints such as low capacity and access to MSMEs, among others: (a) Low ability of access to information sources. (b) Low ability to improve access and market opportunities. (3) Low capacity and access to capital sources including banking. (4) Low ability in the mastery and utilization of technology. (5) Low ability in developing organization and management. (6) Weakness of establishment of business network or partnership between fellow small and big business. Based on the problems of cooperatives and MSMEs, business empowerment strategy is needed in order to create a productive and prospective community.

The existence of regulations both in the form of laws and government regulations related to SMEs in terms of production and banking side, will spur the role of MSMEs in the economy. If a policy or regulation is not in accordance with expectations, of course, the policy should be evaluated because of the evaluation will be obtained inputs related to policy mismatch with the expected performance results. Thus, evaluation helps policy-making at the stage of policy appraisal of the policy-making process. The government made a policy to accelerate the economic growth directly related to SMEs that have been in canangkannya

three main policy items in the economic field. The first is the improvement of financial services especially for MSMEs, which includes improvement of banking services, capital market, multifinance, insurance.

The second key policy is the improvement of financial services infrastructure, in the form of market access, billing and payment services, ease of investment and saving, and general support for the implementation of trade transactions. The improvement of its supporting services and supporting infrastructure will not mean much without a thorough revamping effort to increase ability of entrepreneurship for the perpetrator of UMKM. The third key policy is to improve the capability and mastery of technical and business management aspects, product development and sales, financial administration, and entrepreneurship as a whole. Government policy in the development of UMKM sector aims to increase the potential and active participation of MSMEs in the national development process, especially in economic activities in order to realize the distribution of development through the expansion of work and increase income.

After understanding the characteristics of MSMEs then the next step is to understand the problems that exist in the world of SMEs, as for the problems include: (1) Weakness in the field of organization and management. (2) Weakness in capital structure and limitations to obtain access point to capital sources. (3) Weaknesses and opportunities (market access) and enlarge market share. (4) Limitations in the weaknesses of the use of access and mastery of technology, especially applied technology.

(5) Low quality of human resources including competency, skills, work ethic, character, awareness of the importance of consistent quality and standardization of products and services, and entrepreneurial insight. (6) Limited supply of raw materials ranging from quantities that can be purchased, standardization of existing quality, and length of the distribution chain of raw materials. (7) Partnership system that has been rolled out so far, tends to distort at the implementation level so that it affects the sub-ordination of micro, small and medium business actors compared to its business partners (big business).

2. Research Method

The objective of this study is to give contribution of thought and brief description to all parties who have the same interest and interest with this research material.

For the author herself, this research would like to observe the SME business subject towards the capital and their rights and obligations related to the sustainability of their business as a result of the Governments policy related to their relationship with the banking sector as long as it concerns the capital and guarantee that must be charged by the SME business subject.

3. Research Approach

The author uses a normative Juridical approach in discussing this Research. Notice the applicable legal norms as well as their application in the problems of community based SME business development and their solutions.

1. Legal Material Primary Source

   1.1 Primary legal material is derived from interviews with Indonesian chamber of commerce and industry as public servants and citizens / communities as business subject of SME in the process of obtaining convenience both in terms of capital and marketing.

   1.2 Legal Material Secondary Source

   Secondary law materials come from literature studies and laws, scientific papers, newspapers and magazines that have similar topics to the discussion of this research.

2. Data Collection and Processing Procedures

   The primary data collection procedure is done by conducting field study that is through interviews with related parties Indonesian chamber of commerce and industry and general public. Secondary data collection is done by study literature, then process data by collecting, selecting and arranging systematically so that can obtaining accurate data and can be accounted for.

3. Data Analysis

   Data which have been compiled analyzed further by using analytical descriptive method, to describe the problem, express the views and opinions and finally solve the problems contained in the data.

4. Discussion

The Government through various elements such as the Cooperatives Ministry, Industry Ministry, National Planning Institution (Bappenas), SOE (BUMN) as well as financial institutions both banks and non-banks, make efforts to realize SME in order to become tough and independent and can develop to create a strong national economy. Support is realized through policies as well as the provision of facilities and other stimulation. Furthermore, support or assistance related to such endeavors is much needed, such as procurement of production equipment, other physical goods procurement also required appropriate and applicable methods, mechanisms and procedures as well as efforts on conformity of business operations and efforts of development with The ability of the community as an element of business subject in a community based municipal system, thats in the form of SME. Efforts to ensure development and progress of SME is also programmed by Finance Ministry of through Minister of Finance Decree No.316 / KMK.016 / 1994. The decree requires State-Owned Enterprises (BUMN) to set aside 1-5% of the company's profit for Development of Small Business and Cooperative (PUKK). The obligation of SOE to set aside their profit 1-5% has not been properly managed and implemented. The study by Sri Adiningsih (2003: 4) explanation of the selected state-owned percent, ie 1% of the profit, while many SME are admitted difficulty accessing these funds. In addition, credit is also difficult to be accessed by SME, processed because of complicated procedures and the number of SME that have not been bankable.

Economic recovery in the regional economy will be more quickly achieved if the role of SME can be more leveled and the various internal constraints that wrapped around SME such as credit and capital can be found appropriate and accurate solutions. Credit and capital for SME development is often a constraint, because SME have limited ability to access credit or banking institutions. Based on Law No. 23 of 2014 on regional governments, cooperatives and SMEs become obligatory matters of local government. This means that local governments have the widest authority to implement development in accelerating the realization of community welfare, equity and justice based on the principles of democracy. In the framework of empowering cooperatives and SME, the government has issued a policy which

is poured into 17 credit schemes with soft requirements. With the scheme, then in 1997/1998, has been allocated funds of Rp. 1 trillion. Then in 1998/1999 the allocation of funds for cooperatives and SME increased fourteen times from the previous year with a value of Rp. 14.4 trillion. In practice, it has not been able to run optimally. This phenomenon is suspected to occur because the implementation of credit faced many difficulties, both in the distribution and in repayment of the loan. Furthermore data from the Asian Development Bank in 2001 showed that credit for SME from credit institutions such as banking are as follows: a). SME who have obtained credit from banks only amounted to 21%, b). SME who have applied for credit but have not obtained credit of 14%, c) .UKM who badly need credit but have not applying for credit of 33% and). The remaining 32% do not require credit. Due to the large potential of medium enterprises in the global arena generally and in the Indonesian economy in general, it is important for us to understand more about this issue. And then look for the right solution for all those problems.

SME Management based on community economy is very helpful for business subject to create opportunities and employment for itself if it is executed properly. This is considering Indonesia is a country with a large enough population that requires a large enough employment opportunity as well. Besides, the business culture in our society is still so traditional that our society is often left behind from other countries. Given the level of human resources we need to be equipped with the ability to work more diligently and seriously. Therefore, it is hoped that the role of the Government in mobilizing employment opportunities, such as SME business subject, will be able to create their own employment, thereby helping the Government's homework in providing such employment. Because if you want business subject still exist and stay awake it is expected that the management must be professional and more precisely with the system of moving the SME business subject as the main motor of the economy of the Indonesian Nation will be more resilient and evenly this is the solution because it is expected to realize the job opportunities that many and the community will be absorbed With the SME efforts.

If the main goal of the populist economy is further elaborated, the main target of the populist economy in its outline includes five points:

1. Provision of decent work and livelihood opportunities for all members of the community.

2. The implementation of social security system for members of the community in need, especially the poor and neglected children.

3. The distribution of material capital ownership is relatively evenly distributed among community members.

4. The implementation of national education free of charge for every member of the community.

5. Ensure the independence of every member of society to establish and become members of economic unions.

No less important is the role of the banking should be focused and serious and many provide convenience for the SME business actors so that real welfare can be achieved by our society evenly. With such a policy system, the management of SME based on the people's economy is the right action to raise the community's standard of living and life more assured, more stable, prosperous in East Java Region especially Surabaya, Sidoarjo, Gresik, Mojokerto, Jombang. Thus, of course, no one can guarantee that in the presence of this will automatically effectively encourage the real sector.

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The SME sector controls approximately 90% of the business sector in Indonesia which also can be read that the SME sector is represents the economy of the people in Indonesia. In addition, the sector has proven itself to be a more resilient business sector than the hurricane of the crisis. It can be said that the issuance of PBI is also one of the manifestations of Bank Indonesia's consistency concerns to SME. In the development of SME Bank Indonesia has a training program mentoring SME and line base surveys of SME conducted on a regular basis. In aggregate, to encourage more significant economic growth, it will be faster if the policy of easing the determination of productive quality is directed to large scale business group or corporation. However, in relation to the large-scale business credit risk, it is also necessary to

take a more prudent step in policy towards large-scale business sectors. Because in case of credit failure in the corporation sector, the impacts on the economic situation are also greater. Amid the uncertainty of government policy concerning the restructuring of small and medium business debt (SME), the Poverty Reduction Committee (KPK) blew the winds of heaven to micro, small and medium enterprises (SME) by making a joint agreement with Bank Indonesia (BI).

The target of community economic empowerment can be seen from the side as follows: First, create atmosphere or climate that enabling the potential of developing society (enabling). Second, strengthen the potential or resources owned by the community (empowering). Third, the process of empowerment must protect and prevent (protecting) a weakened weakened due to lack of empowerment in the face of a strong. In the perspective of empowerment, the existence of small and medium enterprises with all its characteristics is required to seize opportunities in very difficult economic situations, namely high flexibility, and with adequate management support in producing products and services

Gradually the relaxation began to touch the large scale business sector though by remaining within the regulatory corridor in accordance with the principle of prudence. For credits of Rp 500 million-Rp 20 billion, only applicable to banks with predicate risk control systems for a strong credit risk, the minimum capital adequacy ratio (KPMM) is at least equal to the prevailing provisions (8%), And has a composite rating of minimum bank soundness. The relaxation for credit of Rp 500 million-Rp 10 billion applies only to banks with predicate risk control system for acceptable credit risk, KPMM ratio at least equal to prevailing provisions, and has a minimum bank composite rating. In addition to providing concessions to the determination of earning assets quality, Bank Indonesia also indirectly encourages banks to improve the quality of risk management. Banks must maintain and improve their credit risk management quality At least reach the strong level and or acceptable levels while maintaining KPMM ratio in the applicable provisions. Agreed with Ryan Kiryanto, that the effectiveness of PBI can not run on their own, but must also be accompanied by improved investment climate and decreased micro risk by the government, that the effectiveness of a monetary and banking policy should also be supported by appropriate real sector policies.

Handling and management of banking-based MSME is a profile of growing business in Indonesia. The development of SMEs business is a bit late because of the powerlessness of business actors in the face of an open economic scope of empowerment efforts required.

One way to empower them is to provide consultancy assistance in the field of strategic management and access to capital. Local Unit of Medium Enterprises (SMEs) that need encouragement by private companies and SOEs because it is an integral part and economy of the people who have a position and a strategic role to realize a balanced regional economic structure. Based on the evaluation of the development of SMEs and several companies will create a fixed agenda to promote SMEs products by selling directly to the community.

"Local SME exhibition and direct sales will be a fixed agenda, by using strategy with different place selection and activity type each time, in the future we will encourage local and export destination."

The steps to be undertaken are to cooperate with private companies and state-owned enterprises that mobilize community-based MSMEs will be directed at a period of high buying interest in the community so that sales of MSME products increase in East Java, especially in Surabaya, Sidoarjo, Gresik, Mojokerto, Jombang considering the lack of funds from the Department Cooperatives for MSME development.

1. SME and Cooperatives Ministry synergize with Indonesian chamber of commerce and industry (IKADIN) to develop the application of community economy in the empowerment of cooperatives and micro, small and medium enterprises (KUMKM) Indonesia. Cooperatives and SME minister Sjarifuddin Hasan said from this cooperation is expected to develop the real sector with the popular pattern, especially empowerment of cooperatives financial services. This agreement is to improve and develop the application of the people's economy through KUMKM in an effort to support the expansion of employment and poverty alleviation. "The MoU was signed last week attended by community leaders and local officials. Cooperation based on the principle of partnership and mutual giving and beneficial. First party is the institution responsible for the empowerment of UMKM. The second party, is a community institution that is responsible for developing economy society. The scope of cooperation includes

improving KUMKM (cooperative SME)human resources capacity, improving KUMKM institutional quality, facilitation of halal certification of each KUMKM product, and facilitation of community based cooperative SME business.

2. In 2009 start of the program in developing the Cooperative Financial Services which is one is the Cooperatives and SME Ministry program in advancing the development of cooperatives and SME based on society. In addition, the orientation in developing KJKS (cooperative financial services) can not be separated from the spirit of the emergence of the Law on Banking which is a pillar of the economic society development in Indonesia. How KJKS potential and future opportunities are so potential KJKS to develop, it is seen from the market segmentation is very wide to be developed and added the majority of Indonesian people make their own appeal for the development of KJKS.

The KJKS advantages of compared to ordinary cooperatives so far are many things that are obtained in KJKS where in KJKS have many financing schemes this is very suitable and in accordance with the needs of existing SME so far. In addition, the orientation of the people's economic system is to promote the real sector, which is in accordance with the interests of the development of cooperatives.

Competitive Strategy Theory (Porter, 1980) argues that companies must create a special competitiveness in order to have a strong bargaining position in the competition. Porter (1991) further states that the company can achieved success if three conditions are met: 1) the company's strong market objectives; 2) attention to the strength of the company dynamically taking into account the opportunities and threats of the external environment; 3) must possess and explore the special competence (*distinctive competency*) as a booster, if this is not done then business performance and profit will decrease. Meanwhile, according to Mahoney and Pandian (1992) to face increasingly complex competition and internal crisis, small companies can use the theory of resourced-based strategy. This theory is considered potential to maintain the company success in conditions of turbulent external environment, this theory primarily develops superior internal capability, untransparent, elusive or diverted by competitors and gives long-term competitiveness (*futuristic*) and is resistant to recession (*Recession proof*).

UMKM (small to medium-sized enterprise) is the spirit to continue learning how to build a learning culture in the organization. Entrepreneurs can affect the internal organization including elements in the organization of its business to willing and able to learn proactively

and not passive. Then organization can get information and new information to running the business.

5. Conclusion

Problems that arise in the society about SME business problem, solution to the problems that need to be done in honesty to all parties so government will not be able to maximal without public role to participate to help resolve it with the implementation of Regional Autonomy Number 22 Year 1999 so Local Government has a big interest in the implementation of the SME empowerment program to the welfare of the community widely for all Indonesian Citizens. In order to be expected with proactive in raising the attention for SME business subject will create positive job opportunities for all parties and will provide new hope for all the layers for the realization of welfare to the achievement of the mandate of the 1945 Constitution article 33 can be realized.

6. Suggestion

In order to create a sense of justice, it is time for the Government to provide the best service for the community, especially in relation to the ease of obtaining working capital for SME businessmen by providing all the best service facilities to obtain accurate data administratively so that there is a legal force that becomes the handle for all business actors SME as Indonesian citizens who both live in the territory of Indonesia thus if achieved welfare it will create order within the community itself.

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