

THE IMPORTANT ROLE OF MSMEs IN IMPROVING THE ECONOMY

Rosyid Arifin,
Ayu Agus Tya Ningsih
Ayu Kemala Putri

ABSTRACT

The important role of the MSMEs existence in Indonesia is increasingly felt in the process of national economic development. Initially, the existence of MSMEs was considered as an important source in creating job opportunities and the main driving force for regional economic development in rural areas. The role of MSMEs has also been actualized during the crisis until now. During these times, the existence and role of MSMEs was able to become the main driving factor for the Indonesian economic sector. To support the development of MSMEs, local governments play an active role in the development of MSMEs. One of the local government's efforts to develop MSMEs is to improve various facilities, helping product branding and others (Chusna, 2017). In addition, local governments also provide assistance to MSME actors. The role of the government is needed to have high competitiveness in capacity building and form clustering by doing two things; first, cooperation between SMEs in the cluster must be strong in production, procurement of raw materials, marketing, innovation, and others, and second, clusters must have a network with all stakeholders (Tambunan, 2002). This study aims to explore the role of the existence of MSMEs in improving the economy, especially in the city of Malang. The approach used in this study is a qualitative approach. In this study, it is known that there is facilitation both internally and externally from MSMEs. Internal facilities in the form of capital procurement, product innovation, expansion of marketing network, and procurement of production facilities and infrastructure. As for external facilities, in the form of providing access to sources of capital for MSMEs, providing training and guidance from the Cooperatives and MSMEs service, increasing product promotion, expanding product marketing, and providing product facilities and infrastructure. It was also found that several obstacles that affect the increase in MSMEs include rising prices of raw materials, limited human resources, having problems with capital, lack of facilities and infrastructure, lack of access to product marketing. From the above problems, MSME entrepreneurs in Malang City need to increase their creativity and hone their potential, both in terms of knowledge, theory, and work practice. There is a need for even distribution of socialization and also updating of data from the SMEs office to take action on the increase in newly emerging SMEs and also no longer running their products, making it easier for SMEs to obtain service and training information.

Keywords: MSME, Economic Development

INTRODUCTION

The current condition Indonesia cannot be said to have improved, so far the business world has continued to survive and develop. The same condition also happened to MSME actors when the Rupiah exchange rate began to depreciate against the USD in the middle of 2012 until now. The sluggish economy also has an impact on the activities of MSME actors, this is because the sluggish domestic economy is also accompanied by the slow pace of economic growth in almost all countries in the world (Musaroh & Wijaya, 2015). The important role of the existence of MSMEs in Indonesia is increasingly felt in the process of national economic development. Initially, the existence of MSMEs was considered as an important source in creating job opportunities and the main driving force for regional economic development in rural areas. However, in the current era of globalization and in the future, the role of the existence of MSMEs is increasingly important, such as a source of foreign exchange for Indonesia's non-oil and gas exports (Tambunan, 2002).

The role of MSMEs has also been actualized during the crisis until now. During these times, the existence and role of MSMEs was able to become the main driving factor for the Indonesian economic sector. Especially when the crisis of investment activities and government spending is very limited, then at that time the role of MSMEs as a form of the people's economy is very large. In relation to poverty and unemployment reduction policies, the government has been trying to build and empower MSMEs in Indonesia. One form of this effort is by calling for an increase in the number of credits given to MSMEs, the aim is that the existence of MSMEs in the future will be more developed, so as to be able to help poverty and unemployment reduction programs in Indonesia.

Another proof of the role of MSMEs in Indonesia is the ability of this sector to become the main pillar of the Indonesian economy. Based on data from the Central Statistics Agency (BPS) in 2020, the number of MSMEs in Indonesia reached 26.43 million spread across 13 categories (bps.go.id). This number can be said that MSMEs have a large contribution in some parts of Indonesia. This phenomenon explains that MSMEs are productive businesses to be developed to support macro and micro economic development in Indonesia and influence other sectors to develop. Yet, this sector is also faced with various problems. Constraints and problems include aspects of capital, the quality of human resources and also the ability of business management. (Supriyanto, 2006).

Support the development of MSMEs, local governments play an active role in the development of MSMEs. One of the local government's efforts to develop MSMEs is to improve various facilities, help product branding and others (Chusna, 2017). In addition, local governments also provide assistance to MSME actors. The role of the government is needed to have high competitiveness in capacity building and form clustering by doing two things, first, cooperation between SMEs in the cluster must be strong in production, procurement of raw materials, marketing, innovation, and others, and clusters must have a network with all stakeholders (Tambunan, 2002). Cluster-based MSME development strategies that utilize Information Technology (IT) are able to increase efficiency and performance (Sunaryanto, 2010). The presence of IT changes the way in business by providing new

opportunities and challenges for the development of MSMEs (Saleh, 2016). From the description above, researchers are interested in revealing **"The role of MSMEs in efforts to improve the economy"**.

LITERATURE REVIEW

1. Micro, Small and Medium Enterprises (MSMEs)

MSMEs themselves have a short meaning, namely businesses run by individual households. Each country has different MSME criteria. MSME is a general term that describes productive economic businesses owned by individuals or business entities in accordance with established criteria. In Indonesia, MSMEs are stipulated by law no. 20 of 2008. The meaning of MSMEs is as follows:

- 1) Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law.
- 2) Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part either directly or indirectly of Medium Enterprises or Large Businesses that meet Small Business criteria as referred to in this Law.
- 3) Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly with Small Businesses or Large Businesses with total assets, net or annual sales proceeds as regulated in this Law.
- 4) Large Business is a productive economic business carried out by a business entity with a net worth or annual sales income greater than Medium Enterprises, which include state-owned or private national businesses, joint ventures, and foreign businesses conducting economic activities in Indonesia.
- 5) Business World is Micro, Small, Medium and Large Enterprises conducting economic activities in Indonesia and located in Indonesia.

2. Criteria for Micro, Small and Medium Enterprises

According to Article 6 of Law No. 20 of 2008 concerning the criteria for MSMEs in the form of capital, they are as follows:

- 1) Micro Business Criteria are as follows:
 - a. It has a net worth of at most \$ 3500 USD excluding land and buildings for business premises; or
 - b. It has annual sales of a maximum of \$ 21.000 USD.
- 2) Small Business Criteria are as follows:
 - a. It has a net worth of more than \$ 3500 USD up to a maximum of \$ 35.000 USD excluding land and building for business; or
 - b. It has annual sales of more than \$ 21.000 USD up to a maximum of \$ 175.000 USD.
- 3) The criteria for Medium Enterprises are as follows:
 - a. It has a net worth of more than \$ 35.000 USD up to a maximum of \$ 700.000 excluding land and building for business; or
 - b. It has annual sales of more than \$ 175.000 up to a maximum of \$ 3.500.000 USD.

3. Profile and Distribution of MSMEs in Malang City

Although there are several definitions of MSMEs, it seems that MSMEs have almost uniform characteristics. First, there is no clear division of tasks between the areas of administration and operations. Most MSMEs are managed by individuals who double as owners and managers of the company, and utilize workers from family and close relatives.

From the current BPS data, the number of MSMEs in East Java Province continues to show good growth where it can be seen that the number of MSMEs in East Java has reached 6,825,931 spread across all cities and regencies in East Java. With the large number of MSMEs in East Java, it turns out to be able to absorb 11,117,439 workers spread throughout East Java, meaning that the development of the number of MSMEs is certainly able to open up job opportunities so that it can help reduce unemployment. This cannot be separated from the role of the community and the government in synergizing to continue to provide encouragement to continue to develop MSMEs in regions throughout Indonesia, and it is hoped that there will continue to be support such as training assistance, counseling, equipment or machine assistance as well as grant assistance related to MSME development. The number of MSMEs in Malang Regency and Malang City also contributes to the regional economy, where the number of MSMEs in Malang Regency reaches 414,516 and is able to absorb a workforce of 826,375 while in Malang City the number of UMKM is 77,778 and is able to absorb a workforce of 141,906. So that the accumulated number of MSMEs in Malang Regency and Malang City reaches 492,294 UMKM and is able to absorb as many as 968,281 workers. This shows that the role of MSMEs is very important because apart from being able to provide regional economic growth, it can also reduce unemployment by creating jobs and is expected to continue to grow.

According to data from the Malang City Cooperatives and MSMEs Office, there were 5,263 MSMEs recorded as of 2019. This number when compared with the data displayed by the East Java Province Cooperatives and Small and Medium Enterprises Service is very much different. Meanwhile, based on data obtained from the Central Statistics Agency of Malang City, it can be seen that there are around 112,866 MSMEs in Malang City. The data is the condition of 2016, so it is possible to change both the number of businesses and other business characteristics.

4. Focus MSME development facilitation of external parties and internal potential

a. Development Internally

There are 3 aspects that are the most important subjects in the development of MSMEs in their business development in order to create independent entrepreneurs from the community. As stated in Law No. 20 article 16 paragraph 1 that:

- a. Promote and empower entrepreneurship;
- b. Improve technical and managerial skills; and
- c. Establish and develop educational and training institutions to conduct education, training, counseling, motivation and business creativity, and the creation of new entrepreneurs.

b. Focus on External MSME Development

MSME development through facilitation of external parties, namely with assistance from outside HR such as from the Cooperatives and MSMEs Service, Banks, or Government Assistance, including:

- 1) Providing MSME access to sources of capital
- 2) Procurement of coaching and training
- 3) Improved product promotion
- 4) Expansion of product marketing
- 5) Provision of facilities and infrastructure

5. Previous Research

- a. **Sudati, Hanung, dkk. (2019).** MSMEs are also proven to absorb a larger workforce in the national economy. With the large number of workers absorbed, the MSME sector is able to increase people's income. Thus MSMEs are considered to have a strategic role in reducing unemployment and poverty. For the contribution and role of MSMEs, it is important for the government to continue to support MSMEs through strengthening so that their role as a pillar in building the nation's economy can run optimally.
- b. **Siska, Larissa, et.al. (2018).** Capital is not the only problem faced by MSME entrepreneurs. The real problem faced by entrepreneurs is mental, namely daring to take risks, wanting to move forward or leaving the comfort zone.
- c. **Adnan Husada, (2016).** Application of populist economy in order to realize the development and welfare of the community. The real form of the populist economy is in the form of support to micro, small and medium enterprises (*MSME*), so that the production of *MSMEs* is not only marketed in the local market but also outside the region and growing. Moreover, if supported by use of information technology, product marketing is no longer limited by time and place.
- d. **Andi Munandar. (2015).** The results of the research were: 1) there are high potential of UMKM development. 2) UMKM should be developed in accordance with the local culture and regional commodities. 3) UMKM plays an important role in solving the social problems such as creating employment. 4) The development of human resources, technology, capital, marketing, information and management plays an important role in the development micro business. 5) The natural resources, human resources, and the world market in the global era would be a high potential if it is designed and the initiation strategy consists of the government network, NGO, private institution, individual and groups, which is managed effectively.

RESEARCH METHOD

This study uses qualitative research that is naturalistic and carried out on natural objects. Sugiyono (2015: 15) natural objects are objects that develop as they are, not manipulated by researchers and the presence of researchers does not really affect the dynamics of the object. This research uses a descriptive qualitative method with the aim of digging up data in order to obtain a comprehensive picture of the development of Micro, Small and Medium Enterprises (MSMEs) through facilitation of external parties and internal potential. This research was conducted on MSMEs in the city of Malang, especially the Malang city area which was recorded at the Malang Cooperatives and MSMEs Service.

In this study, the role of the researcher is as an instrument as well as a data collector. The presence of researchers is very necessary, because starting from the process of collecting data, observations, interviews, and observers of informants are carried out by the researchers themselves. Therefore, during the data collection process, researchers must make careful observations and must dig up detailed information without leaving the slightest information. The presence of the researcher in this study as an informant observer, meaning that in the process of collecting data and making observations, one must listen and pay attention to even the smallest things. The presence of researchers in this study is the main instrument in collecting data by interacting directly with informants.

The data collection method used in this method is Documentation. Documentation is one of the steps taken to complete the data in research. The steps in the documentation stage are collecting documents containing information about MSMEs in the city of Malang. Documentation data obtained by researchers in this study in the form of:

- Interview data
- Field survey

RESULTS AND DISCUSSION

The important role of MSMEs in the national economy reflects the important role of MSMEs in achieving the Sustainable Development Goals (SDGs) in Indonesia. MSMEs can be at the forefront of achieving the economic pillars of the SDGs by creating jobs, creating decent working conditions, business innovation, adapting and mitigating negative economic, social and environmental impacts on business operations for inclusive and sustainable economic growth.

MSMEs in Indonesia have an important contribution to support the economy. The main driver of the economy in Indonesia so far is the MSME sector. In addition to playing a role in national economic growth and employment, MSMEs also play a role in the distribution of development results and are the driving force for the growth of national economic activity. In short, it can be concluded that MSMEs are the main pillars of the Indonesian economy. The main characteristic of MSMEs is their ability to develop flexible business processes with relatively low costs. The presence of MSMEs is not only in the context of increasing income but also in the context of income distribution. This is understandable because the MSME sector involves many people with various businesses.

The number of MSMEs in East Java Province continues to show good growth where it can be seen that the number of MSMEs in East Java has reached 6,825,931 spread across all cities and regencies in East Java. With the large number of MSMEs in East Java, it is able to absorb 11,117,439 workers spread throughout East Java. This means that the development of the number of MSMEs is certainly able to open up job opportunities so that it can help reduce unemployment. This cannot be separated from the role of the community and the government in synergizing to continue to provide encouragement to continue to develop MSMEs in regions throughout Indonesia, and it is hoped that there will continue to be support such as training assistance, counseling, equipment or machine assistance as well as grant assistance related to MSME development which exists.

The number of MSMEs in Malang Regency and Malang City also contributes to the regional economy, where the number of MSMEs in Malang Regency reaches 414,516 and is able to absorb a workforce of 826,375 while in Malang City the number of UMKM is 77,778 and is able to absorb a workforce of 141,906. So that the accumulated number of MSMEs in Malang Regency and Malang City reaches 492,294 UMKM and is able to absorb as many as 968,281 workers. This shows that the role of MSMEs is very important because apart from being able to provide regional economic growth, it can also reduce unemployment by creating jobs and is expected to continue to grow.

1. MSME data in the city of Malang

Based on data from Diskoperindag for MSMEs in Malang City, as of November 16, 2020, there are around 8500 MSMEs in Malang City. This shows that the enthusiasm of the people of Malang City to do entrepreneurship is in the high category. The number of residents who decide to pursue the business world has a positive impact on the economy of Malang City. The phenomenon of the number of SMEs that have sprung up can help the economy from the informal sector or better known as underground economics activities. With this sector, the consumption power of the people of Malang is maintained, so that it can improve the economy of the surrounding community.

The distribution of MSME data in sub-districts in Malang City tends to be evenly distributed. In the Blimbing sub-district there are 1892 MSMEs or equivalent to 27 percent. While in Kedungkandang District there are 1581 MSMEs or equivalent to 22 percent. In Lowokwaru District there are 1409 MSMEs or equivalent to 20 percent. In Sukun sub-district there are 1954 MSMEs or equivalent to 28 percent. The last is Klojen Sub-district which has a smaller value than other sub-districts, there is only 191 MSMEs or equivalent to 3 percent.

Meanwhile, based on data obtained from the Central Statistics Agency of Malang City, it can be seen that there are around 112,866 MSMEs in Malang City. The data is the condition of 2016, so it is possible to change both the number of businesses and other business characteristics. The distribution of MSMEs in Malang City by District is the highest in Lowokwaru District with a percentage of 22 percent or around 24,411 MSMEs. Meanwhile, the distribution of MSMEs in Malang City based on the lowest sub-district is in Klojen District with a percentage of 19 percent or around 21,051 MSMEs.

From the data above, it is clear that there are differences in the number of MSMEs between the Cooperative Service and MSMEs as well as recording in the central statistical agency. Therefore there is a need for data recovery by looking at facilitation from external and internal parties, as well as looking at the factors that influence the level of development of MSMEs in Malang City so that it is known that MSME distribution data is more organized which can later be clustered according to several criteria and generate data.

2. MSME development facilitation of external parties and internal potential

MSME is a potential business for economic development in Indonesia so that in its implementation it is necessary to optimize and explore the existing potentials to increase the economic development of the community. This development will of course be better developed with the support from the government in providing the necessary facilities to support the implementation and progress of the business being carried out in order to produce good quality production so that it can compete with the international market.

A. Internal Development

As for the potential and development carried out by MSMEs from five sub-districts in the city of Malang, it can be seen various efforts made from internal parties, including:

1) Capital procurement

Apart from own capital, of course, the existence of a credit program from the government is the second access in the procurement of MSME capital in the form of Small Investment Credit (KIK), Permanent Working Capital Credit (KMKP), Productive Financing of Micro Business Loans (P3-KUM), People's Business Credit (KUR), Ultra Micro Credit (UMi).

2) Product innovation

In an effort to develop MSME production, there is a need for product innovation. Various innovations have been carried out such as adding product variants, product packaging innovations, product design innovations, and other innovations.

3) Expansion of marketing network

Expanding the marketing network as part of the MSME internal business in the development of its production.

From the smallest network of environmental markets around MSMEs, as well as networks from online market places.

4) Procurement of production facilities and infrastructure

Adding production equipment and vehicle facilities in the form of free postage services, goods pick-up services and also product orders such as ball pick-up.

B. External Development

The role of the government in developing Micro, Small and Medium Enterprises (MSMEs) is indeed very necessary. Because MSMEs are one of the potential businesses to improve the economy and improve people's welfare. So there needs to be empowerment in terms of human resources to the provision of facilities and infrastructure. In addition, there are many benefits from the existence of MSMEs, namely it can absorb a lot of labor and reduce the unemployment rate.

In this case, the role of the Malang City Cooperatives and UMKM Service is an extension of the Regional Government to help overcome the problems that occur in the development of MSMEs in terms of production and processing, marketing, human resources, as well as design and technology.

1) Granting MSMEs access to sources of capital

Micro, Small, and Medium Enterprises generally rely on their own capital to run their business and sometimes they are trapped by the attachment of moneylenders given the low accessibility to formal financing sources. Regarding the granting of access to funding sources. The Department of Cooperatives and SMEs of Malang City has provided access for the community to start-up capital. The funding provided comes from the central government (Ministry of Cooperatives and SMEs) and the East Java provincial government. From the central government, assistance is provided through the LPDB (Revolving Fund Management Agency). Funds related to government assistance for MSMEs themselves after the Covid-19 outbreak were also provided, including Micro Business Productive Assistance (BPUM) and Direct Cash Assistance (BLT). This has been done from the beginning of the Covid-19 until now, which has reached the third stage, by giving an amount of money worth 2.4 million rupiah and there is an amount of 1.2 million rupiah, although from what I asked several MSMEs in Malang City, the distribution BLT funds are not evenly distributed. Where during this pandemic everyone is forced to use and take advantage of access to digitization, including for MSME actors it is easier to find information related to sources of financing for business capital.

2) Procurement of coaching and training

The guidance and training carried out by the Malang City Cooperatives and UMKM Service is a form of empowerment as a motivation or encouragement for the community to hone their abilities and can provide knowledge and skills for people who want to open their own businesses. In overcoming the problems faced by MSMEs, the Malang City Cooperatives and MSMEs Service provides services such as the MSME Clinic in collaboration with the East Java provincial government. Every MSME can consult about their business regarding the plans or business development they are running.

The limited human resources of entrepreneurs, then the limited knowledge and skills of human resources greatly affect the management of their business, so that the business is difficult to develop optimally. In addition, the lack of knowledge about technology will make it difficult for them to increase the competitiveness of the products they produce. Therefore, the importance of the coaching and training program carried out by the Department of Cooperatives and SMEs in Malang City is useful for providing knowledge and skills in developing the business it runs.

3) Improved product promotion

In this case, the activities to increase product promotion carried out by the Malang City Cooperatives and MSMEs Service are in the form of activities such as bazaars or MSME exhibitions held in crowded places such as MOG (Olympic Garden Mall). In addition, this activity is usually held outside the city and even outside the island. The current constraints in increasing product promotion are indeed constrained by the COVID-19 pandemic. But this certainly does not dampen MSME actors. Promotions can still be done online or online through virtual seminars which are also held by the Malang City Cooperatives and MSMEs Office. Through the virtual network, there are even more participants from outside the city, so that it is useful to expand the MSME marketing network to the international level.

4) Expansion of product marketing

In this case the Department of Cooperatives and SMEs Malang City has provided a means of product marketing, namely by holding product promotion activities. Currently with the sophistication of technology, marketing can be done using an online system. Because with the internet marketing network can be reached overseas. However, this is not understood by MSME actors due to the low level of education and knowledge-based e-business factors. To keep up with the times, various trainings were provided by the Malang City Cooperatives and UMKM Service regarding the Development of Information Technology.

5) Provision of facilities and infrastructure

Malang City MSME Service provides facilities and infrastructure by providing free space as training for people who want to do business. In addition to marketing, bazaar or exhibition activities.

3. Obstacles Affecting Msme Development

Various facilitation efforts from internal and external parties in an effort to increase the development of MSMEs that are carried out are still constrained by several factors including:

1. Rising Raw Material Prices

Raw materials are the main ingredients used in processing a type of material into a product that can be produced with maximum creativity and innovation. This increase in raw prices of course affects the selling price, moreover the raw materials are obtained from supply, so they require more costs than if they get raw materials from their own gardens. This is an obstacle because they will only supply raw materials according to their budget. Automatically the resulting production will be limited even though there is quite a lot of market demand.

2. Human resources are limited

Human resources are the most important aspect of doing business. From the research results, the majority of knowledge and skills are passed down from the previous generation. Therefore, in terms of creativity they are less able to develop their abilities.

3. Having problems with capital

Capital is the most important factor in opening a business. Because MSMEs are home-based businesses that rely on their own capital, this capital requires assistance from the government. From the results of interviews with MSMEs, most of them admitted that they used capital from their own savings. Even though it was very difficult for them to raise their initial capital, this was very difficult for MSMEs with a capital of under 5-10 million rupiah. As for MSMEs with a capital of 50 million and above, they certainly have investment funds from their own capital and can also come from bank loans or individual loans.

4. Lack of facilities and infrastructure

Facilities and infrastructure are important in supporting the development of MSMEs. Therefore, the facilities and infrastructure in doing business must be supported. Such as a means in marketing a product or a means in the process of making a product. From several MSMEs that researchers have visited, they already have a marketing place to market their products, as well as the product packaging process, on average they already have their own brand names for their products. Some even have branch stores in other areas. However, there are some who do not yet have a brand name and packaging for MSMEs with businesses whose capital is below 5 million rupiah, such as jembem entrepreneurs in the Buring area, Kedung Kandang District, entrepreneurs admit that they are confused about the packaging and brand names of their products. This constraint makes the marketing of their production limited.

5. Lack of access to product marketing

In several sub-districts in the city of Malang, MSME entrepreneurs have locations that are close to each other. The resulting product is also the same. Therefore, competition in marketing its products is a natural thing to happen. Actually, this does not need to happen if MSME entrepreneurs are able to increase their creativity by producing corn raw materials into various different foods or snacks. But here, MSME entrepreneurs are less able to explore all the creativity they have to support progress in developing their business. Because with such competition they will find it increasingly difficult to market their products. This is the obstacle for them in marketing their products.

CONTRIBUTION

From the problems above, researchers can provide suggestions, including:

1. MSME entrepreneurs in Malang City need to further increase their creativity and hone their potential by adding insight, experience, and training that has been facilitated by the government to develop their businesses to be able to compete with international markets and be able to overcome financial management, which the majority still use traditional systems.
2. There is a need for equitable socialization and open the widest possible information for MSMEs in Malang City on programs and services owned by the government, especially the Malang City Cooperatives and SMEs Service which aims to improve the development of MSMEs in Malang City, so that the community is able to overcome all problems. Problems related to poverty and unemployment by participating in programs run by the government.
3. The Department of Cooperatives and SMEs of Malang City needs to improve coaching and training in honing the creativity of productive resources so that they are more innovative in producing a MSME product and provide a marketing network for MSME actors to expand the market so that the business they run is more developed considering that Malang City is a tourist city that visited by many tourists.
4. The government needs to facilitate access to capital for MSME actors in running their business as well as the need to improve facilities and infrastructure such as the re-functioning of the KUMKM Clinic as a means of consultation for the community to overcome the problems faced regarding MSMEs.
5. The Malang City Cooperatives and SMEs Service should update the number of MSMEs throughout Malang City to make it easier to provide training according to the classification of the type of business.

CONCLUSION

- I. Internal development of business groups in five sub-districts in Malang City in increasing the potential and progress of their business is carried out in several ways, including:
 - a) Procurement of capital, the majority of entrepreneurs start their business using capital with their own savings for MSMEs with a capital of 5-10 million rupiah.
 - b) Production innovation, to attract public interest as consumers, MSME entrepreneurs have innovated their production by providing various kinds of product innovations. This innovation is evident from MSME entrepreneurs with more than 100 million types and capital. They continue to increase every month in the amount of production.
 - c) Expansion of the marketing network, some MSME entrepreneurs have used the internet as a means to market their products armed with training provided by the Malang City Cooperatives and SMEs Service and market them to markets, supermarkets, Malang City Souvenir Center, and several shops in accordance with the products they have. From there the marketing network expanded to other cities.

- d) Procurement of production facilities and infrastructure, for the beginning in opening a business, of course, tools are needed to be used as a production process. Some are obtained by doing credit to other parties due to the high price of goods and the lack of capital because the capital is obtained from own savings. In addition, there are also those who have developed to market their products to online customers as well as offline orders that they have as a means of marketing.

II. External development with assistance from the Malang City Cooperatives and SMEs Service, including:

- a) The Department of Cooperatives and SMEs of Malang City has provided access to capital for MSME entrepreneurs. Consists of two sources, namely funds provided by the central government in the form of LPDB (Revolving Fund Management Institution) funds and funds provided by the provincial government in the form of social assistance (Bansos) and grants through ten Women's Cooperatives in Malang City. There is also a Direct Assistance (BLT) fund from the government since the COVID-19 pandemic.
- b) In an effort to improve community empowerment, the Malang City Cooperatives and UKM Office has held coaching and training activities in collaboration with the East Java Provincial government for the community, especially corn chip entrepreneurs which are held regularly every month of the year such as Product Training, IT Training Entrepreneurs, Managerial Training and Training for Civil Servants who are about to retire.
- c) In improving product marketing, the Department of Cooperatives and SMEs of Malang City has assisted in promoting MSME products. Among them is by holding free exhibitions or bazaars for MSME entrepreneurs in Malang City and inviting corn chip entrepreneurs to participate which is carried out in places that are crowded with tourists, such as malls in Malang City, even at Malang City Hall has held an exhibition of MSME products.
- d) In increasing the expansion of the product marketing network in order to develop MSMEs, the Department of Cooperatives and SMEs of Malang City has attempted to hold product promotion activities such as holding exhibitions or bazaars attended by MSMEs from several cities which are expected to introduce MSME products in Malang City. Because in this case the Department of Cooperatives and SMEs of Malang City does not have a product marketing network for MSME entrepreneurs to expand their production.
- e) The Department of Cooperatives and SMEs of Malang City has provided facilities and infrastructure to support the progress of SMEs such as providing free facilities for people who want to take part in training activities and product promotion exhibitions that have been facilitated by the government. In addition, the Malang City Cooperatives and SMEs Service has provided information facilities through the official website of the KUMKM Service and KUMKM Clinic services as a means of consultation for MSMEs in overcoming obstacles to their business development. But in this case, the Malang City Cooperatives and SME Office has a weakness, namely it does not have its own KUMKM Clinic facilities like those in other cities. In addition, the existing facilities and infrastructure do not appear to have been fully accepted by MSME entrepreneurs whose capital is less than 5-20 million rupiahs due to the lack of distribution of information provided by the Malang City Cooperatives and SMEs Service.

III. The obstacles faced by MSMEs from the five sub-districts in Malang City in developing their business are:

- a) Rising raw material prices, because raw material prices often experience ups and downs and are constrained by the unpredictable weather in the city of Malang.
- b) Limited human resources, including lack of innovation in developing their business, lack of mastery of marketing systems with technological sophistication such as internet facilities, as well as financial reporting processes that still use traditional management systems so that they do not produce accurate amounts.
- c) Having problems in capital, the majority of micro and small businesses have not experienced the capital assistance program from the government, some even do not expect assistance because managing capital loans requires several conditions that are considered less efficient for MSME entrepreneurs.
- d) Lack of facilities and infrastructure, such as the lack of tools and machines for the production process for MSME entrepreneurs in Malang City in selling their products.
- e) Lack of access to product marketing, namely the existence of marketing competition due to the large number of entrepreneurs who have similar products and the absence of the role of the Malang City Cooperatives and SMEs Office in providing a marketing network for the products produced by these SMEs.
- f) MSMEs in Malang City are still not fully developed properly and still need guidance, training, and capital assistance to further advance the business being run.

REFERENCES

- Badrudin, Rudy. (2012). Model Pengembangan Usaha Mikro Kecil Menengah Dengan One Village One Products Untuk mengurangi Kemiskinan, Prosiding Seminar Nasional Dan Callfor Paper Pengentasan Kemiskinan Melalui UMKM: Komparasi Model Indonesia Dan Malaysia Yogyakarta, 5 Desember 2012
- Hafsah, M. Jafar. (2004). Upaya Pengembangan Usaha Kecil Dan Menengah (UKM). Diakses pada tanggal 3 April 2013 pukul 22.15 WIB dari www.malangkota.go.id.
- Herlina. (2010). Internasionalisasi Usaha Mikro, Kecil, Dan Menengah (Umkm) .Ditinjau Dari Tipe Kepemilikan: Studi Empiris Di Jawa Timur. *Jurnal Manajemen Teori dan terapan*. 3 (2) August 2010.
- Husada, Adnan. 2016. Peran UMKM dalam Pembangunan dan Kesejahteraan Masyarakat Kabupaten Blora. *Jurnal Analisa Sosiologi*. 5(2), 40-52.
- Keban, Yaremis T. (2008) Enam Dimensi Strategis Administrasi Publik: Konsep Teori dan Isu, Jakarta. Gavamedia.

- Munandar, Andi. 2015. The Strategy Development And Competitive Advantages Of Micro Small Medium Entrepriase Business Institution Toward Regional Development. *Jurnal AdBispreuner*. 1 (2), 103-112.
- Pemerintah Kota (2011) Profil Kota Malang. Diakses pada tanggal 9 April 2013 pukul 15.02 WIB dari www.malangkota.go.id.
- Saleh, B., Hidayat, Y.D. (2016). Penggunaan Teknologi Informasi di Kalangan UMKM di daerah Perbatasan (Studi di Kabupaten Belu Propinsi Nusa Tenggara Timur), *Jurnal Pokemmas*, 1(2), 111-120.
- Siska, Larisa, et.al. (2018). Identification Of Problems And Solution Of The Micro Small Middle Entrepriase With Nvivo-Software. *Jurnal Sosis ekons*. 10 (2) August 2018.
- Sudati, Hanung, et.al. (2019). MSMEs The Pillar For Economy. *Jurnal Riset Ekonomi Pembangunan*. 4 (2). Oct 2019
- Suharto, Edi (2009) Membangun Masyarakat Memberdayakan Rakyat: Kajian Strategis Pembangunan Kesejahteraan Sosial Dan Pekerjaan Sosial. Bandung, PT Refika Aditama.
- Sukesti, F., Iriyanto, S. (2011) Pemberdayaan UKM: Meningkatkan Komoditas Unggulan Ekspor Ukm Dalam Rangka Pengembangan Ekonomi Daerah (Studi Pada Ukm Di Jawa Tengah)
- Sunaryanto, Lasmono T. (2010) Kajian Strategi Pengembangan Klaster Usaha Mikro Kecil dan Menengah (UMKM) berbasis Teknologi Informasi (TI), Hibah Kompetensi, UKSW-DIKTI
- Suprayogo, Imam, dan Tobroni (2001) Metodologi Penelitian Sosial-Agama. Bandung, Remaja Rosdakarya.
- Supriyanto. (2006). Pemberdayaan UMKM sebagai salah satu upaya penanggulangan kemiskinan. *Jurnal ekonomi dan pendidikan*, 3(1).
- Tambunan, Tulus T.H. (2002). *Usaha Kecil dan Menengah di Indonesia; Beberapa Isu Penting*. Salemba Empat, Jakarta.
- Tambunan, Tulus. (2008). Ukuran Daya Saing UKM dan Koperasi, Universitas Trisaksi- Kadin Indonesia
- Undang-undang Nomor 20 Tahun 2008 tentang Usaha Mikro, Kecil, dan Menengah

Rosyid Arifin
Wisnuwardhana University Malang
Jl. Danau Sentani No.99 Malang, Indonesia

Ayu Agus Tya Ningsih
Wisnuwardhana University Malang
Jl. Danau Sentani No.99 Malang, Indonesia
Email: ayoe.agustya@gmail.com

Ayu Kemala Putri
Wisnuwardhana University Malang
Jl. Danau Sentani No.99 Malang, Indonesia