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THE EFFECTIVENESS OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) DEVELOPMENT PATTERNS IN PEKANBARU

Abstract: *The purpose of the study is to determine the effectiveness of the MSMEs development pattern in Pekanbaru and to determine the level of effectiveness of the development pattern from various aspects such as training, capital, mentoring, partnerships, information technology and government policies in encouraging the growth and development of MSMEs in Pekanbaru.The method used in this study is descriptive qualitative using case study sampling method.The results of the study show that the effectiveness of the Micro, Small and Medium Enterprises (MSMEs) development pattern in Pekanbaru is relatively good. This can be seen from the results of the questionnaire that show (1) The effectiveness of training by 31.48% is very effective and 66.67% is quite effective; (2) The effectiveness of Capital by 36.84% is very effective and 52.63% is quite effective; (3) The effectiveness of development assistance by 33.33% is very effective and 66.67% is quite effective; (4) The effectiveness of partnership by 40% is very effective and 55% is quite effective; (5) The effectiveness of information system by 53.33% is very effective and 46.67% is quite effective; (6) And the effectiveness of government policies by 20% is very effective and 65% is quite effective.*

Key words: *MSMEs, the effectiveness of the development pattern, training, capital, mentoring, partnerships, information technology and government policies.*

Language: *English*

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Introduction

Micro, Small and Medium Enterprises (MSMEs) have a strategic role in increasing income, expanding job opportunities and business opportunities, and overcoming poverty. Therefore, the efforts to empower small and medium enterprises have become a priority strategy, reflected in various attentions, development, training, strengthening in various performance growth activities carried out by the government, community, business world and international institutions.The participation of various institutions with various development assistance programs is considered positive, as a development asset which is not always fulfilled only by the Government.

Although the development of small businesses shows an increase, there are many problems and obstacles in providing development assistance to them. The different characteristics of MSEs are one of the obstacles that make it difficult to provide intensive (integrated) development assistance, especially the marketing aspect of their products.In addition, in general, the level of education and skills of the regional MSEs is still low so that the quality of the products produced is still diverse. Besides the knowledge of business management management is also low.

Micro and Small Enterprises (UMK) have an important and strategic role in national economic development.In addition to playing a role in economic growth and employment, MSEs also play a role in distributing development outcomes.According to the Minister of Cooperatives and SMEs, the contribution of MSMEs to the 2017 national GDP was IDR 7,005,950 billion or around 62.5% of the total GDP.

If calculated based on business scale, MSME cooperatives that make up the contribution of MSME GDP are 38.90% of micro enterprises, 9.73% of small enterprises, and 13.95% of medium enterprises. For MSMEs, there are currently 59.69 million units, which are broken down to 58.9 million units of micro businesses, 716.8 thousand units of small businesses, 65.5 thousand units of medium businesses, and 5.03 thousand units of large businesses.

Data obtained from the Central Statistics Agency for Riau Province shows that there are 509,252 MSMEs spread across 12 (twelve) regencies/cities throughout Riau Province.Based on national standards, the average MSME is a place to work for two people (Herispon, 2011).Thus, MSMEs in Riau Province absorb labor up to 1 million people.When compared with the Riau Province labor that was 3.1 million people in 2018, it means that the MSME sector contributes to absorbing up to 33% of the labor. Having many contributions does not eliminate its complex problems. For this reason, it is necessary to empower for increasing MSMEs' competitiveness and strengthen their economy.

Common problems faced by MSMEs in their business development include:(1) limited funding for business development; (2) lack of information and access to raw materials and markets; (3) the low quality of human resources; (4) low ability to produce innovative products; and (5) weak assistance. (6) there is no upstream and downstream partnership model.The success of new MSMEs (start-up MSMEs) is only 20% in the first year and 10% in the second year, so their success needs to be more improved.Several good institutions from the government, Non-Government Organizations (NGOs), business corporations and so on have a significant role in helping to develop MSMEs (Syarif, 2009).

According to Suparyanto (2012) the most basic weakness experienced by most small businesses is in the management aspect, one of which is human resource management.One of the efforts to improve performance is to establish partnerships with companies in the form of Corporate Social Responsibility (CSR) programs as stated by Kim (2000). One of the very urgent goals of CSR, especially in developing countries, is strengthening the people's economy based on small and medium enterprises. It is in accordance with the Government Regulation of the Republic of Indonesia No.38/99 dated May 25th, 1999.One form of channeling funds to MSME actors is through a partnership program.

The pattern of development assistance for small businesses that have been carried out so far is more effective if a synchronization can be realized between one element and another, as well as between one activity and another. Although coordinations continue to be carried out, many activities show that the movement and steps for developing small businesses are carried out in an uncoordinated direction.

On the other hand, the effectiveness of the development pattern itself is largely determined by local government policies (specific patterns). This factor determines the need, approach, treatment, which needs to be done.In addition, there should be a specific (individual) treatment within the general (mass) treatment. The development pattern of developing small business that has been carried out so far has not focused on aspects of regional policy. As a result, the level of effectiveness of the development has become less, which has an impact on the slow increase in the ability of small businesses.

Based on some factors considered such as: a) the existing foundation for developing small businesses, b) the uncoordinated efforts of development assistance by various elements and institutions, c) behavior that refers to regional policies which so far have not existed for each agency, an activity that is held should produce a framework (concept) of the effectiveness of the development pattern. Therefore, this research was conducted in order to find a solution

and answer a question related to the model of developing micro, small and medium enterprises in Pekanbaru.

Based on the research background that has been described, the following problems can be formulated; (1) Is the development of MSMEs in Pekanbaru that has been carried out so far been effective?; (2) How is the effectiveness of the development assistance pattern in terms of: training, capital, development assistance, partnership, information technology and government policies in encouraging the growth and MSMEs development in Pekanbaru?

Micro, Small and Medium Enterprises

There are several definitions of micro, small and medium enterprises. The following is the definition of MSMEs. Based on Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises, Micro enterprises, they are productive businesses owned by individuals and or individual business entities that meet the criteria for micro enterprises.Small business is a productive business that stands alone, which is carried out by individuals or business entities that are not subsidiaries of companies, that are owned, controlled, or become part either directly or indirectly of a medium or large business, and meets the criteria of a small business. Medium-sized business is a productive economic business that stands alone, which is 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 net assets or annual sales results. Here is the characteristics of MSMEs based on business size is as follows:

Table 1. Criteria of MSMEs & Big Business based on Asset and Trunover

Business Size	Criteria	
	Asset	Turnover
micro business	IDR 50.000.000 Maximum	IDR 300.000.000 Maximum
mini business	> IDR 50.000.000 - IDR 500.000.000	> IDR 300.000.000 - IDR 2.500.000.000
midlle business	> IDR 500.000.000 - IDR 10.000.000.000	> IDR 2.500.000.000 - IDR 50.000.000.000
Big Business	> IDR 10.000.000.000	> IDR 50.000.000.000

Source : Bank Indonesia

The development of MSMEs will strengthen the structure of the domestic economy, due to the labor absorption and can increase people's purchasing power which in turn will increase the level of demand. High demand will encourage economic growth. Although the role of MSMEs in the Indonesian economy plays a very central role, government policies and supporting regulations are still considered not optimal. Therefore in its implementation, MSMEs still face various problems.

The Effectiveness of MSME Develpment Patterns

There are several factors that influence the effectiveness of managerial development for MSMEs. Management capabilities should support MSME's activities to be more effective and efficient in running their business (Yin, 2012). Management ability is important in contributing to business performance. Management capability is always used as an important parameter in the production process. Nuthail (2001) found that the important components used to assess and change managerial ability in improving business performance are; personality, intelligence (knowledge), motivation and processing system.High managerial ability can contribute to business performance.

Kumalaningrum (2012) states that Small and Medium Enterprises' (SMEs') quality in Indonesia are difficult to develop in the market because they face several internal problems, namely the low quality of human resources such as lack of skilled human resources, lack of entrepreneurial orientation, low mastery of technology and management, and lack of information. Every business or company, whether it has small or large scale, requires the application of management principles, in its management to achieve effective and efficient results. Fayol in Hani Handoko (2003) states that planning, organizing, coordinating, giving orders and supervising are the main functions that must be possessed by a manager in managing a business effectively and efficiently.Improvement in managerial and technical capabilitiesare needed by an entrepreneur. Since he is a manager, the ability is needed to coordinate all his subordinates and manage all their potential. The technical skills of employees in Small and Medium Enterprises are generally low, this will affect the predetermined quality of the products.

Previous Studies

Common problems faced by MSMEs in their business development include:(1) limited funding for business development; (2) lack of information and access to raw materials and markets; (3) the low quality of human resources; (4) low ability to produce

innovative products; and (5) weak assistance. (6) there is no upstream and downstream partnership model.The success of new MSMEs (start-up MSMEs) is only 20% in the first year and 10% in the second year, so their success needs to be more improved.Several good institutions from the government, Non-Government Organizations (NGOs), business corporations and so on have a significant role in helping to develop MSMEs (Hasbullah, Rokhani et al, 2014).

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Although small and medium enterprises are actually reliable against the crisis, it is difficult to get facilities because they are facing complex and critical credit rules (Kamio, 2003). This requirement makes a small businessman who tends to have low education feels defeated before competing. In addition, non-bank financial institutions are generally located in cities, while small businesses are spread in various places that may be far from the city. The consequence is usually that many small businesses do not have access to bank or to other financial institutions.

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small business is sometimes fostered by more than one institution, each of which has a different purpose due to different interests, so that a small business must solve various problems. Otherwise, entrepreneurs who are starting to succeed, their time runs out only to receive guests for the benefit of training, data collection or comparative studies.

Research Method
Place and Time of Study
The location was in Pekanbaru, which takes place from June to November 2020 (apparently 6 months).

Population and Sample
The population of this study are the MSMEs in Pekanbaru. There were 60 MSMEs in all economic sector that joined as sample.The sampling method used was case study.

Type and Source of Data
The type of data used in this study is primary data, namely data obtained directly from the first source from individuals such as the results of questionnaires conducted by researchers and interview some related parties, as well as other data related to study. In this study, the primary data source was the result of interviews using a questionnaire with MSMEs in Pekanbaru.

Data Analysis Method
The method used in analyzing the data in this study was a descriptive method using a qualitative approach. The qualitative approach is considered appropriate because it is in accordance with the research objectives to be achieved, namely knowing the effectiveness of the MSME development pattern in Pekanbaru City. A qualitative approach was used to gain a deep understanding of a phenomenon. It is in accordance with the research objectives the researchers wanted to obtain, so that the qualitative approach is very relevant to be used in this study. In assessing the effectiveness of the pattern of developing SMEs in Pekanbaru, the researchers required in depth involvement to the environment studied. This was done to gain an in-depth understanding of the object.

The approach related to the theme can be categorized as a case study, which is a model that emphasizes the exploration of a system that is limited to one detailed case or several detailed cases, accompanied by in-depth data collection involving various sources of information. Case study is also a detailed qualitative research model about individuals or a particular social unit over a certain period of time. More deeply, it is a comprehensive, intense, detailed, detailed and in-depth model and is more directed as an effort to examine contemporary problems or phenomena (Haris Herdiansyah, 2010).
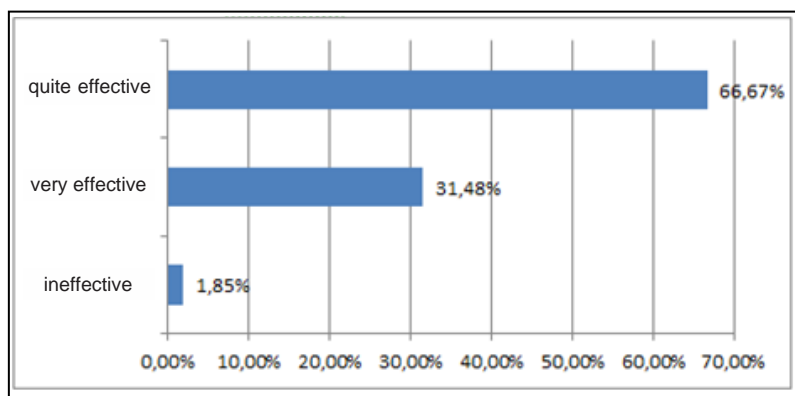
Result And Discussion
The Effectiveness of Training

The results of the study on the characteristics of the respondents based on the level of effectiveness of the training can be seen in Figure 1 as follows:


Figure 1 - Effectiveness of Training
Source : Data Source, 2020

The results showed that 66.67% of respondents thought that the training provided was quite effective, 31.48% of respondents answered that it was very effective, while the remaining 1.85% of respondents thought that the training provided was not effective. The high level of effectiveness of training activities shows that the results are positively correlated with improving the MSMEs performance. Although the respondents who stated that it was not effective was relatively small (1.85%), it was necessary to pay attention to the training organizers, both the government and other parties. Considering that the implementation of training activities requires substantial time and cost sacrifices, if the participants judge them to be ineffective, it indicates that there has been an inefficient training implementation.

The Effectiveness of Capital

The results of the study on the characteristics of the respondents based on the level of effectiveness of the capital can be seen in Figure 2 as follows:
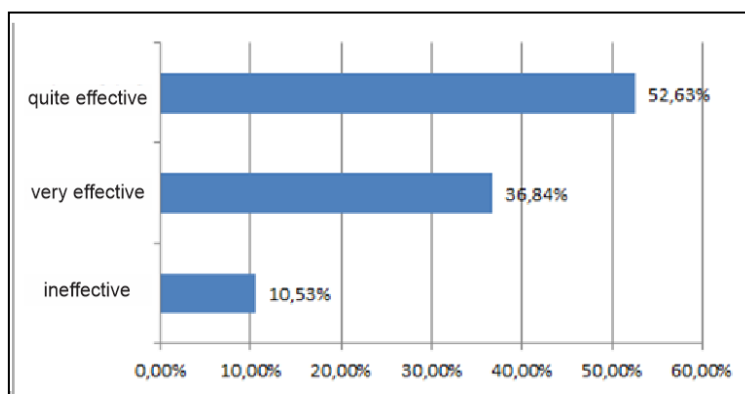
Figure 2 - Effectiveness of The Capital Field
Source : Data Source, 2020

The data show that 52.63% of respondents think that business capital is quite effective for business development, 36.84 think it is very effective and as many as 10.53% think that business capital is not effective for future business development.For this reason, capital is the main supply for entrepreneurs to run their business.Many often misinterpret that capital is only important for large-scale businesses.However, actually, small and micro scales also need adequate capital in order to develop.Capital is the basis for MSMEs development to make sure that their existence is strong enough to support their future

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performance.Not only for the purposes of production equipment, but capital requirements are also very important to penetrate the market which will have an impact on business development in the future.

The Effectiveness of Development Assistance

The results of the study on the characteristics of the respondents based on the level of effectiveness of the development assistance can be seen in Figure 3 as follows:
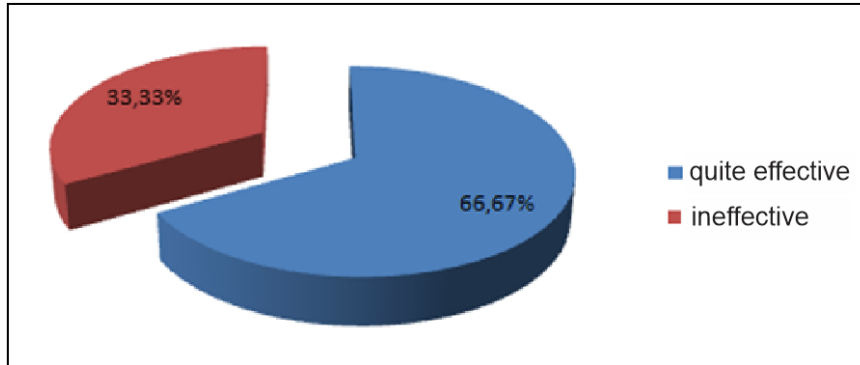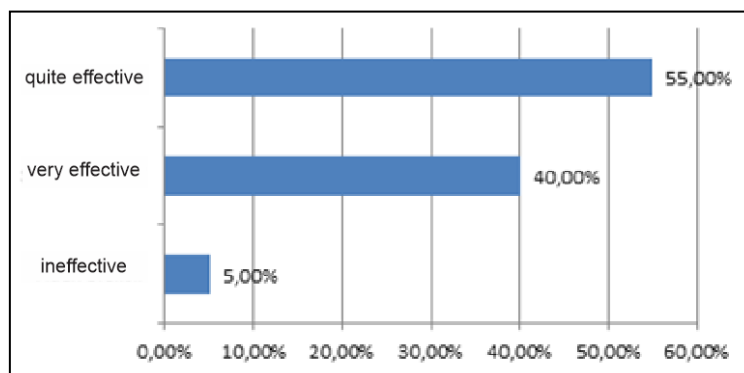

Figure 3 - Effectiveness Of Mentoring
Source : Data Source, 2020

The data show that 66.67% of respondents feel that assistance is quite effective for future business development and as many as 33.33% of respondents think that assistance is very effective in helping MSMEs in future business development. The role of assistants will determine the success of MSMEs in advancing, because assistants are expected to be motivators, conduct business consultations, assist MSMEs in promoting superior products, help access financing, or improve the quality of MSMEs through business training, managerial skills and improving MSME marketing networks. In regard to assistance, the facilitation process and support for various aspects for business development will be provided by a consultant or MSME assistant in making business actors able to develop and run their business lines accordingly. Indeed, basically every business will experience various problems that can interfere with the business itself, both from the aspect of capital or financing, management, whether it is HR, finance, marketing then product problems and others. Assistance role will provide input and motivate MSME actors to grow and be more advanced.

The Effectiveness of Partnership

The results of the study on the characteristics of the respondents based on the level of effectiveness of the partnership can be seen in Figure 4 as follows:

Figure 4 - Effectiveness of Partnerships
Source : Data Source, 2020

The data shows that as many as 55% of respondents feel that partnerships are quite effective for future business development and as many as 33.33% of respondents think partnerships are very effective in helping SMEs in future business development and as many as 5% of respondents think partnerships are not effective in business development. This is because most respondents feel a significant impact when conducting business
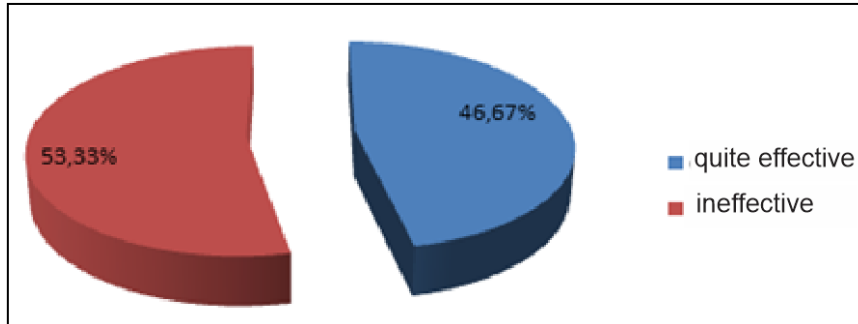
partnerships in any form so that it helps businesses to continue to grow.

The Effectiveness of Information System

The results of the study on the characteristics of the respondents based on the level of effectiveness of the information can be seen in Figure 5 as follows:

**Figure 5 - Effectiveness of Information System**
Source : Data Source, 2020

The data show that 53.33% of respondents think that information systems are very effective and 46.67% of respondents think that information systems are quite effective in helping MSMEs develop their businesses in the future. This is because the application of information technology is very helpful for MSMEs in product marketing so that they can reach a wider market and are effective in business management.

The Effectiveness of Government Policies

The results of the research on the characteristics of respondents based on the effectiveness of government policies can be seen in Figure 6 as follows:
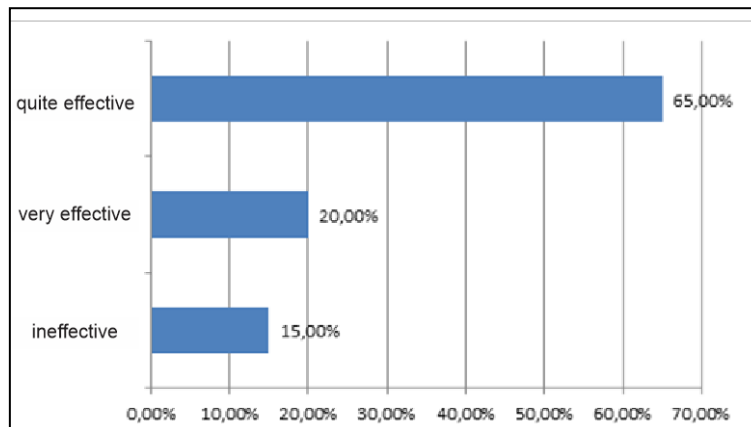
Figure 6 - Effectiveness of Government Policies
Source : Data Source, 2020

The data show that 65% of respondents think that government policies are quite effective, 20% of respondents think that government policies are very effective and as many as 15% of respondents think that government policies are less effective in helping MSMEs in future business development. Regulatory support from the government is very important for the development of MSMEs. For this reason, the government needs to optimize all policies related to the development of MSMEs, including government's ability to regulate so that MSMEs can increase their assets through access to financing, increase theur capabilities/skills and strengthen their supporting infrastructure and technology.In addition, the government must provide supporting services in the form of assistance programs, business development and technology commercialization, as well as helping MSMEs to accelerate business growth through the provision of tax/fiscal incentives, fostering a healthy competitive climate and cutting unnecessary administrative costs and forming a positive mindset about entrepreneurship.

Conclusion

1. As many as 66.67% of respondents think that the training provided was quite effective, 31.48% think it was very effective and 1.85% of respondents think that the training provided was not effective.
2. As many as 52.63% of respondents think that business capital is quite effective for business development, 36.84 think it is very effective and as many as 10.53% think that business capital is not effective for future business development.
3. As many as 66.67% of respondents feel that assistance is quite effective for future business development and as many as 33.33% of respondents think that assistance is very effective in helping MSMEs in future business development.
4. As many as 55% of respondents feel that partnerships are quite effective for future business development and as many as 33.33% of respondents think partnerships are very effective in helping SMEs in future business development and as many as 5% of respondents think partnerships are not effective in business development.
5. As many as 53.33% of respondents think that information systems are very effective and 46.67% of respondents think that information systems are quite effective in helping MSMEs develop their businesses in the future.
6. As many as 65% of respondents think that government policies are quite effective, 20% of respondents think that government policies are very effective and as many as 15% of respondents think that government policies are less effective in helping MSMEs in future business development.

Suggestion

1. For the assistance model in the training aspect, the provider need to conduct a survey about the analysis of the training needs of MSMEs before conducting the training. So that training activities are appropriately on target because a training needs analysis has been carried out based on the needs of MSMEs
2. For the development model in the capital aspects, it is hoped that MSMEs will receive guidance related to the procedures borrowing money and the use of capital from external parties. If possible, the government can provide accessible capital facilities that can help MSMEs to grow and develop.
3. For the development assistance model in the mentoring aspect, it is hoped that the government will continue to actively provide a sustainable assistance to MSMEs in a programmed approach, not only a project approach.
4. For the development assistance model in the partnership aspect, it is hoped that the government and other stakeholders will provide assistance and support to MSMEs to facilitate business partnerships, so that it will provide opportunities for MSMEs to develop.
5. For the development assistance model in the government aspect, it is hoped that the government will continue to provide protection to MSMEs with various policy for efforts to develop MSMEs.
6. For the development assistance model in information systems aspect, it is hoped that MSMEs can get open and transparent business information related to various policies and facilities provided for MSMEs.

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