

## Conference Paper

# Empowering of Small, Micro and Cooperatives Business Enterprise (SMCEs) on Base Agribusiness to Face ASEAN Market: Survey at SMCEs Malang, Indonesia

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### Abstract

**Purpose:** This study aim to analyze the Empowering of Small, Micro and Cooperatives Business Enterprise(SMCEs) on the base Agribusiness in Facing Asean Economic Community (AEC).

**Method:** Population in research is all SMCEs under develop on Board of Cooperative, Industry and Commerce of three areas, North-East, Central, and South-West Malang being based on Agribusiness. Sample was done of the trained and developed about management of is effort; administration, accountancy, marketing and exploiting of various facility of is inclusive of information technology that is as much 60 SMCEs. Analyze conducted by regression of variable supporting power of SMCEs.

**Finding:** The study result show that variables identified in model to progress of effort SMCEs equal to 0,66%. While if seen from level of influence relative minimize, that is only equal to 0,44%. Its Small cause is the influence possibility of progress variables of effort, with the indicator only mount the advantage and satisfaction in trying to represent the small shares from progress variables of is effort very macro. But that way result of this study represent the step of early good in comprehending by real is condition faced by SMCEs in Malang.

**Originality:** In addressing this condition SMECs anywhere including in Malang require attention was more serious in order to organize further about their performance in the face of this global issue. Otherwise SMECs would lose in global competition, which grew rapidly in the future.

**Keywords:** SMCEs Agrobusiness, AEC

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## 1. Introduction

Small businesses, micro and Cooperative (SMECs) is often used as a sector of economic power which gives support and contribution to public life in many countries. Many facts in many countries that cooperatives, small and micro enterprises have saved the life of the local economy a weak one, and marginalized groups are frozen out of the market competition. Not a few of the executive and the legislature to make SMECs as

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an important instrument in realizing the kinds of government programs in the field of economic and social welfare, in particular through the empowerment of the economic sectors in the community, such as agribusiness. But on the other hand portrait SMECs unstable, marginal and vulnerable to the onslaught of powerful financiers, it is often overlooked. SMECs often received unfair treatment in many respects compared with large corporations, both state and other private corporations. In fact, much evidence supports the idea that SMECs able to survive in difficult economic conditions.

The data are available on the Department of Cooperatives, Industry and Trade (Diskopindag) Malang district by March 1<sup>st</sup>, 2013 shows the number of cooperatives in various kinds reached 376 units, comprised of 182 active and 194 inactive units<sup>1</sup>. The number of inactive this is generally a result of the negative impact of the conflict. While the micro, small and medium enterprises under the guidance Department of Cooperatives, Industry and Trade Malang reached 1521 units. Micro, small and medium enterprises are engaged in various fields of business, covering; small industries, hand-crafts and trade. Industrial enterprises, handicraft and the trade based on agricultural commodities produced by local people.

In the reality on the ground a lot of SMECs are less able to grow well in spite of its potential is relatively large, especially in the agricultural sector. This is due to many factors that influence the development of the SMECs, therefore, considered to be very important study and understand the problems faced and thus in turn is expected to provide an appropriate solution in developing SMECs in Malang in particular, and SMECs nationally, and regionally in general.

In addition to the above conditions in Malang today SMECs soon faced a new era that is facing an economic and free trade area between ASEAN countries and China, known as ACFTA (Asia-China Free Trade Agreement). Based on that in addressing this condition SMECs anywhere including in Malang require attention was more serious in order to organize further about their performance in the face of this global issue. Otherwise SMECs would lose in global competition, which grew rapidly in the future.

This study aims to: (1) Analyze the factors supporting and hindering business development SMECs Malang in facing the ASEAN market, (2) Generate SMECs Malang empowerment strategy in the face of competition.

## 2. Literature Review

SMECs often characterized by: (1) The structure of simple business, (2) Often without the use of staff, usually the owner serves as the staff, (3) The division of labor is less clear,

(4) Having a managerial hierarchy is relatively short, (5) Activities business was relatively less formal, less perform management functions, (6) Less distinguish personal assets from the company's assets, (7) registration of simple financial, some even do not make a recording. There are several reasons why SMECs survive in times of economic crisis: (1) Most SMECs producing consumer goods and services with the income elasticity of demand is low, then the level of the average income of people do not have much effect on the demand for the goods produced. The opposite is also the level of income will not affect the demand, (2) Most SMECs not get capital from banks. Because of the deterioration of the value of money is not dragging SMECs in bankruptcy business, (3) the relative SMECs very dynamic in production and are not bound by a fixed product. SMECs is relatively without any obstacles out into the market. So that they can be continue to survive in the markets.

Quite a lot of facts on the ground convince us how SMECs have a lot to save the rabble of a constellation of a bad economy, greedy, and oppressive. Because that's the reason for E.F. Schumacher author of the book "Small is Beautiful" which has been translated under the title "Small is Beautiful" believes that "small businesses will increasingly contribute to a strong future for the prosperity of a nation"<sup>2</sup>. Likewise, the forecast futurologist John Nasibitt, he believes that the future of the global economy is in the hands of small business, autonomous, yet solid technology<sup>3</sup>. What was predicted by both experts in the above proved to be of small businesses have contributed stabilize the economy of a country, especially when many countries buffeted by a severe economic crisis. There are still many other views of various groups with a similar tone that small and medium enterprises and cooperatives often becomes a symbol of rescue institutions against economic marginalization of the people, little people who are oppressed and bounced out of competition. Especially for institutional cooperation, Endress in Munkner illustrates that the cooperative also plays a role similar to the rescue of the oppressed economically, "the agency proved to be able to help the farmers, artisans and small traders survive and strive in difficult times, which is caused by the reforms, agriculture, industry and liberal economic policy<sup>3</sup>. Cooperatives become an appropriate alternative, not only in times of scarcity, but also in the all-round prosperous future".

On the other hand, although admittedly, in reality SMECs considered relatively immune to survive and face the crises, there is no doubt there are also some small businesses are also caught in a difficult economic situation. As a result of the impact of a prolonged crisis, rising fuel prices and other energy, rigid government regulations, causing many small business units were forced out of business. But it will not be easy

dampen our courage even heighten our spirit to be able to give full support to a healthy business climate for the development of SMECs amidst global competition. As the opening of the market with ASEAN. By strengthening SMECs in various aspects, both aspects of business management and is expected to survive in any condition as part of economic actors in a market increasingly competitive and cooperative.

### 3. Research Methods

This study used survey method, which takes a sample of part of the population to represent the population as a representative<sup>5</sup>. The target population in this study are all SMECs which is the responsibility of coaching the Department of Cooperatives, Industry and Trade in Malang district. Keeping in population SMECs the relatively large reach 376 cooperative units and 1521 units of SMECs, and of the number of SMECs are some who are not active and the types of businesses that are very diverse, this research has only sampled SMECs is still active and has received coaching by the Department of Cooperatives, Industry and Trade on the period July 2013 is 80 units. Although it acknowledged the type and scale of business of each SMECs are different from one another, but in terms of criteria, typical, and the problems encountered in the field are relatively the same. The coaching has been done include; management training, institutional, entrepreneurial, accounting, and information technology of SMECs.

The data collection is done by direct observation in the field in a participatory manner. It also created guidelines for interviews with key informants, such as with the leadership in the Department of Cooperatives, Industry and Trade in charge SMECs and business leaders from SMECs studied. The data collection took place in July 2014. The data were analyzed qualitatively and quantitatively. Quantitatively used regression model as follows:

$$PE = a + \beta_1 AIM + \beta_2 SG + \beta_3 CB + \beta_4 CT + \beta_5 SL + \beta_6 CTB + \beta_7 TFI + \beta_8 CAI + \beta_9 BR + \beta_{10} CP + \beta_{11} C + \beta_{12} CBA + \beta_{13} BW + \beta_{14} BV + e \quad (1)$$

Informations:

AIM = Ability of Individual Managing Business (X1)

SG = Supporting of Government (X2)

CB = Competition of Business (X3)

CT = Customer Trust (X4)

SL = Strategic of Location (X5)

CTB = Completeness Technology Business (X6)

TFI = Trust of Financial Institutions (X7)

CAI = Application of AbilityInformation Technology of Business (X8)

BR = Business Relations (X9)

CP = Cost of Production (X10)

C = Capital (X11)

CBA = Conditions of Business Administration (X12)

QW = Quantity Workers (X13)

BV = Business Volume (X14)

PB = Progress of Business (Y)

The research variables, indicators and measurement can be seen in the matrix below:

TABLE 1: Variable Matrix Research.

No.	Variable	Indicator	Measurement
1	AIM = Ability of Individual Managing Business (X1)	The individual's ability to lead / manage a business	(5) Very Capable (4) Able (3) Average (2) Underprivileged (1) Not Able
2	SG= Supporting of Government (X2)	The intensity of the government guidance for SMECs	(5) Very Often (4) Often (3) Average (2) Less (1) Very Less
3	CB = Competition of Business (X3)	The conditions of competition (many similar businesses)	(5) Very Much (4) Many (3) Average (2) Less (1) Very Less
4	CT = Customer Trust (X4)	The conditions of customer confidence levels on SMECs	(5) Very Strong (4) Strong (3) Average (2) Less (1) Very Less
5	SL = Strategic of Location (X5)	The conditions of business strategic location both in terms of consumer reach and access to production inputs	(5) Very Strategic (4) Strategic (3) Average (2) Less Strategic (1) Not Strategic
6	CTB = Completeness Technology Business (X6)	The conditions of production equipment (technology) owned in trying	(5) Very Complete (4) Complete (3) Average (2) Deficient (1) Not Complete
7	TFI = Trust of Financial Institutions (X7)	The condition of confidence in financial institutions (banks, donors, etc.) of the business carried	(5) Very Strong (4) Strong (3) Average (2) Less (1) Very Less

No.	Variable	Indicator	Measurement
8	CAI = Application of Ability Information Technology of Business (X8)	The ability of technology companies in applying existing businesses	(5) Very Capable (4) Able (3) Average (2) Underprivileged (1) Not Able
9	BR = Business Relations (X9)	Ability to establish a business relationship (partnership) with other enterprises (in marketing, financing, procurement of inputs, etc.)	(5) Very Strong (4) Strong (3) Average (2) Less (1) Very Less
10	CP = Cost of Production (X10)	The conditions production costs borne by companies in production in comparison with the cost of production outside of the Malang	(5) Very High (4) High (3) Average (2) Low (1) Very Low
11	C = Capital (X11)	The conditions ability of capital companies today	(5) Very Strong (4) Strong (3) Average (2) Less (1) Very Less
12	CBA = Conditions of Business Administration (X12)	The condition of administration of the company nowadays	(5) Very Good (4) Good (3) Average (2) Less Good (1) Not Good
13	QW = Quantity Workers (X13)	The conditions of use of manpower in running business activities	(5) Very Supports (4) Supports (3) Average (2) Less Support (1) Not Support
14	BV = Business Volume (X14)	The conditions volume of business generated by companies nowadays	(5) Very Large (4) Large (3) Average (2) Small (1) Very Small
15	PE = Progress of Business (Y)	The conditions advances in benefit and satisfaction in business	(5) Very High (4) High (3) Average (2) Low (1) Very Low

## 4. Result and Discussion

Malang district is rich in various natural resources, particularly agricultural and forestry resources and supported by most of the territory that the cool air has made it as one of the center area of coffee production and horticulture are important in Malang. The potential of the rich natural resources has become a major business base and the potential for SMECs. These resources include plantations, agricultural crops, livestock,

processing results of the plantation and agriculture, as well as the marketing of agricultural products.

Based on the report of Department of Cooperatives, Industry and Trade of Malang by March 31<sup>st</sup>, 2013 amounted to 367 units the number of cooperatives. Of these active are as much as 171. Cooperative inactive are generally stuck with funds Farmer Business Credit (KUT) and the fuel compensation amounting to Rp.35 billion which has not been able to be repaid to the donors. Another problem facing cooperatives is due to the low quality of management, as well as member participation is also low. As a result of cooperative business activities is running in place there that has not run the business again.

The result of the calculation using the regression formula shows that the relationship between the variables identified in the model of the business progress SMECs in Malang district with the indicator is the achievement of progress in obtaining benefits and satisfaction in business is not too strong only by 0.66%. Meanwhile, when seen from the magnitude of the effect is relatively small, at only 0.44%. Thus there are many other variables that affect the business progress SMECs in Malang. Because the variable progress of the business is very macro variables. It also estimated the size of the samples taken are only 80 units that are in accordance with the predetermined criteria of the hundreds of units SMECs in Malang can be a cause of small effect of these variables. Therefore, in the interests of future planning and policy better is needed expansion of the scope of research with larger samples, in order to know more clearly about the dominant factors affecting the business progress SMECs in Malang.

By understanding the possibility of the dominant factors that influence of the factors exist, then the following steps can be found much more appropriate solutions in the empowerment of SMECs in Malang district. Another cause is that the study also did not classify the samples by strata. Even though in reality, the SMECs is relatively different from each other. Such differences include aspects; (A) the scale of business, (b) the extent of marketing, (c) the power of capital, (d) the number of workers employed, and many others if you want to stratify. The small sample is taken due to the limited funds available for research on the larger samples. Likewise SMECs limitations in meeting the desired criteria are also still limited to SMECs who has followed guidance from the government of a few things. Whereas it is most SMECs in Malang is still very limited receiving guidance from the government. As a result, the determined sample less representative and is also relatively limited.

Further details of the results of regression to the above variables can be traced to the regression output below.

TABLE 2: The Results of Regression Calculation.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.662 <sup>a</sup>	.439	.316	.86462

a. Predictors: (Constant), VAR00014, VAR00002, VAR00010, VAR00001, VAR00007, VAR00005, VAR00012, VAR00013, VAR00008, VAR00004, VAR00011, VAR00009, VAR00006, VAR00003

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.300	.683		.440	.662
	VAR00001	.040	.100	.041	.403	.688
	VAR00002	.003	.121	.003	.025	.980
	VAR00003	.243	.154	.289	1.574	.120
	VAR00004	-.141	.140	-.174	-1.005	.319
	VAR00005	-.041	.106	-.047	-.384	.702
	VAR00006	.605	.177	.533	3.409	.001
	VAR00007	-.240	.188	-.198	-1.281	.205
	VAR00008	.033	.124	.034	.268	.789
	VAR00009	-.196	.144	-.210	-1.359	.179
	VAR00010	.017	.164	.012	.104	.918
	VAR00011	.028	.129	.031	.220	.827
	VAR00012	.173	.100	.213	1.733	.088
	VAR00013	.113	.104	.133	1.087	.281
	VAR00014	.173	.117	.178	1.477	.145

a. Dependent Variable: VAR00015

The results of test showed that the level of tolerance significantly by 10% then the variables that affect PE (Progress of Enterprises) are VAR00006 / CTE (Completeness Technology of Enterprises) and VAR00012 / CBA (Condition of Business Administration), and there are 13 other variables were not significant the progress of the business.

### 4.1. Empowerment Strategy

Based on the results of field research in 80 units SMECs in Malang can be given some recommendations as an empowerment strategy. The strategy includes: (1) Improvement Performance Management and Institutional, (2) Improved Business Performance, (3) Strengthening the Partnership, (4) Strengthening the Access to Information and Production Technology, (5) Strengthening Network Marketing, (6) Assistance Capital, (7) Mentoring Program, and (8) Strengthening competitiveness by studying each change



and global consumer taste, especially looking at the strategy launched by competitors other ASEAN countries including China who are members of the ACFTA.

### **a. Improved Performance and Institutional Management**

In connection with the management and institutional performance improvement in the near future need to do the continuous training in the field of management information systems based on information technology. Likewise, more in-depth training on the basic tasks and management functions ranging from mid-level to the top, especially medium-sized enterprises and cooperatives. Especially in the areas of planning, financing and supervision.

Ability of management to make the right business planning will help SMECs to achieve the expected level of progress. With reference to the plan that has been outlined it will be able to understand the target achievement of the activities performed. The planning have to assessed through monitoring of what has been realized or which ones have not.

In addition to performance-related management also needs to be improved the quality of institutions, for example in the case of institutional business licensing in order to have a solid legal foundation in their daily activities. Similarly, in terms of self-image agencies, such patents from SMECs, however little it may be very useful for SMECs in the midst of a very strong competition. Imaging company through branding (trademark) is very important in order to have a place in public memory. Strong branding in the minds of consumers is a very valuable asset for the company's progress. The actually is many products SMECs in Malang who need to get proper legal protection from the government. But until now there is still very limited obtain such protection. So that the products of SMECs routinely ignored, while they do have advantages if get serious attention, both from the business community and from the government itself.

### **b. Improved Business Performance**

Malang government needs to continuously provide knowledge and expertise in advancing theoretical and technical effort. Internally the company, SMECs in Malang is still need to improve efficiency in the attempt. The efficiency include; (A) Low-cost strategy, and (b) Utilizing human resources with knowledge and expertise in the field.

In addition, strong efforts are needed from SMECs with the administration and accounting in accordance with the provisions of Accounting Standard Indonesia (SAI).

Indicators of business as business volume, profit margins, liquidity, Return on Investment (ROI) and other financial indicators going to be understood in depth by the SMECs. Because by understanding these indicators management has a strong effort in the achievement.

### **c. Strengthening the Business Relations**

The business relations also a factor that needs special attention especially in an increasingly competitive world. The SMECs will be able to exist if an intense relationship with various circles. The partnerships can be done with similar businesses, financial institutions, government agencies, and other institutions that put a strong interest in the field of SMECs.

It is impossible to ignore the importance of partnerships with various parties at this time for SMECs. Because the business world is dynamic and competitive demands all parties to mutually advantageous cooperation in various fields. If the partnership ranging from downstream to upstream can be knitted then SMECs will get the benefits that must have as strength in various business activities in the future.

### **d. Strengthening Access to Information and Production Technology**

The application of information technology and the production of appropriate technology would be very helpful in developing a business SMECs. Almost no longer possible today if SMECs apart from both of the above. Because one of characteristics of the progressive and modern business nowadays are characterized by ability to utilize existing technology to improve the productivity<sup>6</sup>. Further Cobia emphasized the importance of procurement in marketing information networks in order to reach a comprehensive marketing area<sup>7</sup>. "Mastery of a strong information network supports businesses to develop properly, due to a variety of information in quick time and the right has a value that is very valuable in terms of production and marketing of their products". Even more than the production of information technology and provide its own power for SMECs in the transformation of local businesses that are becoming more global. Moreover, with the opening of free trade between Indonesia and other Asean countries and China is certainly strengthening access information and production technology is crucial. Given the global and local customers require products that are more qualified.

### e. Strengthening Network Marketing

Strong marketing network is very helpful SMECs in profit. Therefore we need a strong effort from SMECs to create a chain to the marketing of various circles. For example mastery transport networks, promotion agency, to the various layers of the consumer is very important. The Products of SMECs need to get a room and a more easily accessible by consumers, for example by opening promotion centers at various strategic places, such as airports, shopping centers, ports, terminals, tourist sites, and various other places are more easily accessible by consumers, The network can be done locally, nationally, and internationally. Especially for those who have a value SMECs reliable products for export purposes. Thus the level of the profits are also expected to be increased.

### f. Supporting Funds

The adequate capital base to do business is needed, but the immediate need to do is facilitate them to able to deal with financial institutions, including microfinance institutions (MFIs). The capital aid in question can be done in two models; (A) providing capital that is able to turn the business from upstream to downstream, especially SMECs which has the potential to export market orientation, (b) providing capital only as a stimulus for business development. The both models can be operated in a more real in the field, and thus clearly known anywhere SMECs are included in that category in order to carry out policy is not misplaced.

### g. Mentoring Program

Although the implementation of assistance programs in the field are often less satisfying results yet to SMECs still needed. Mentoring programs can be done by setting up personnel more appropriate and in accordance with the character of the local SMECs. Because if the Human Resources (HR) companion character is poorly understood by the public and also the character SMECs the assistance efforts often fail. In addition to mentoring programs in the form of assistance in terms of human resources are also other very necessary soft skills such as; facilitate comparative studies and others who are able to change the mindset and culture of effort toward more efficient.

## h. Strengthening the Competitiveness

Strengthening the competitiveness is meant here is doing a careful arrangement of the imaging product (quality, branding, service, and price), and also a deep understanding of the global consumer tastes by observing the consumer behavior of each country. This can be done in producing various agro-based products, such as Gayo's coffee that as long as it is well known in foreign countries. The Gayo's coffee is marketed now only with one sense, but in the future can be better engineered with a rich flavor that global consumers can enjoy according to their taste. Similarly, other export commodities, such as horticultural products can better adjust to the conditions that exist in order SMECs engaged in agribusiness is more able to exist in the global competition that is already in sight.

Specifically about the cooperative development, so that the cooperative can function properly, then the government needs to develop a supporting factor of regional economic development through cooperative development, namely: (1) The potential of the community, (2) Employers, (3) Institute of crediting, (4) Relevant agencies; and (5) Cooperative as a business entity<sup>8</sup>.

## 5. Conclusions

In the face of intra-ASEAN competition today is expected SMECs again should further adjust its performance to better withstand and still be able to contribute for many people to meet various needs. The learning of the spirit of vitality SMECs during this despite the onslaught of the harsh global economic proven that many parties gave a high appreciation of the importance of developing a wider range SMECs effort to bridge the economic gaps that exist. This can be done as long as the government together with the wider community in developing SMECs synergy together.

SMECs development efforts should be done in an integrated and continuous in order SMECs can develop in line with expectations. There are still many SMECs in Indonesia, including in Malang require special attention and touch in many aspects, so that their efforts have stalled in the middle of the road. The government needs to encourage continuous tireless order SMECs more independent in all respects, including the strengthening of management, financing and marketing. Considering there are still some SMECs is in need of protection from the government because of the scale of operations and marketing reach is still limited. With the development of the SMECs income levels will increase and thus will have positive implications for economic growth.

Therefore, in promoting SMECs should be synergized with the other cross-cutting in order to obtain protection and force of law in carrying out activities. Otherwise it will be difficult to develop SMECs in the constellation of the business world is increasingly competing today.

Reflecting on the conditions and the potential SMECs in Malang should increasingly read an important opportunity to expand its business, for example, so far only focus production efforts on the local market, but now should be oriented to export markets (Asean regional market and China) and even other countries in world. It is not impossible given the magnitude of the potential possessed by the region. Moreover, nowadays Malang has become the center of production of some export commodities and also to local market needs in Malang. Its strategic location as the gateway to the northern coast of Malang has made very favorable as the hinterland, a supplier of horticultural products needs to parts of Malang, Indonesia, and also for the neighboring countries that are members of the ACFTA.

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