

CHAPTER II

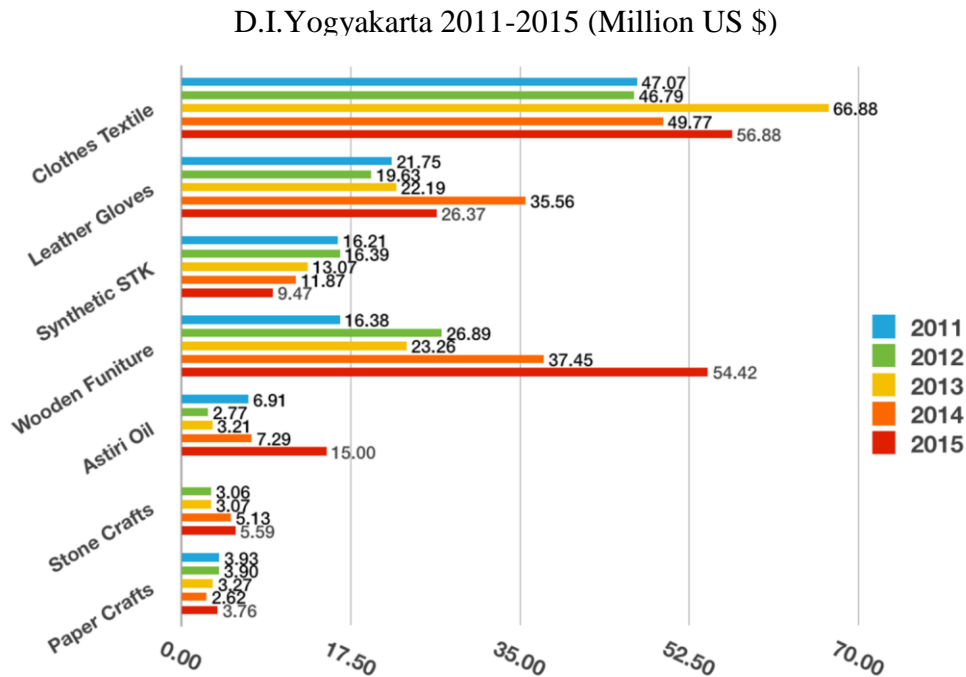
RESEARCH OBJECT DESCRIPTION

2.1 Overview of Micro, Small and Medium Enterprises in D.I. Yogyakarta

Daerah Istimewa Yogyakarta famous with preserving the monarchical government system, this has given a special characteristic for this city amongst other special regions in Indonesia. The special status of this region was made into regulation No.13/2012 regarding D.I. Yogyakarta special autonomy which enacted the *Sultan* inevitably as the head of government amid other things.

Meanwhile, D.I. Yogyakarta is one tourist destination city in Indonesia. Art and culture become the main attraction for this region. The existence of *Kraton* (the Palace) and Sultanate's tradition make D.I.Yogyakarta attracts tourist. Not only famous with those features, this region noted for its facilitation in giving an ease licensing procedure for entrepreneurs and business associations through one stop service (Fitriati, 2014: 13). This particular trademark is giving D.I. Yogyakarta a region that has many business sectors. Great arts and products are produce in D.I.Yogyakarta, which supported by industrial sectors such as culinary, handicrafts, cultural events, dance performance and many supporting sectors. Moreover, D.I. Yogyakarta has been chosen as main territory amongst two other biggest national industry development in Indonesia such as West and East Java, this province would be established as industries for leather, handicraft, batik also wood processing (Kemetrian Perindustrian Republik Indonesia, 2012).

Figure 2.1 The Export Value Based on Commodities in

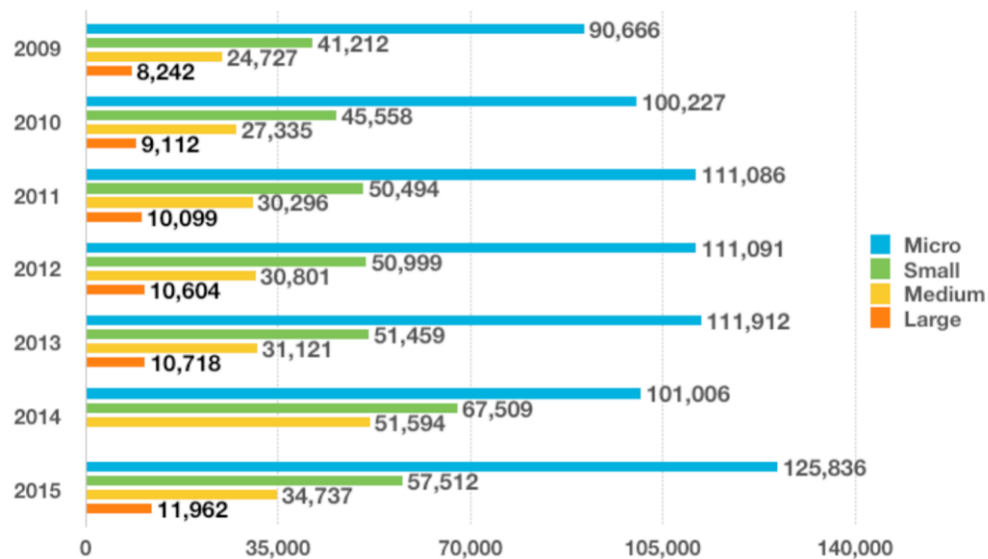


Source: Disperindagkop dan UKM D.I. Yogyakarta (processed), 2016

Trade sector in Yogyakarta fervently driven by international trade with the export and import activity (cited in Governor Accountability Statement Report of D.I. Yogyakarta, 2015). Based on the figure above, the total export value, the considered superior commodities of D.I. Yogyakarta are clothes textile; leather gloves; synthetic SKL; wooden furniture; paper and stones crafts. Other excellent commodities that also supports the trade sector for export in D.I. Yogyakarta such as; leather, rattan furniture, rattan crafts, green/black tea, packaging woods, silver crafts, charcoal, clay crafts, bamboo crafts, leather crafts and snake fruits. The major destination for exports commodities mainly Germany, U.S., Japan, South Korea, Belgium, Italy, Australia, France, China, England, Malaysia, Canada,

Spain, India, Turkey, U.A.E., Thailand, Iran and Portugal (Governor Accountability Statement Report of D.I. Yogyakarta, 2015).

Figure 2.2 The Growth of MSME's Sector according- to the scale of business in D.I.Yogyakarta 2009-2015

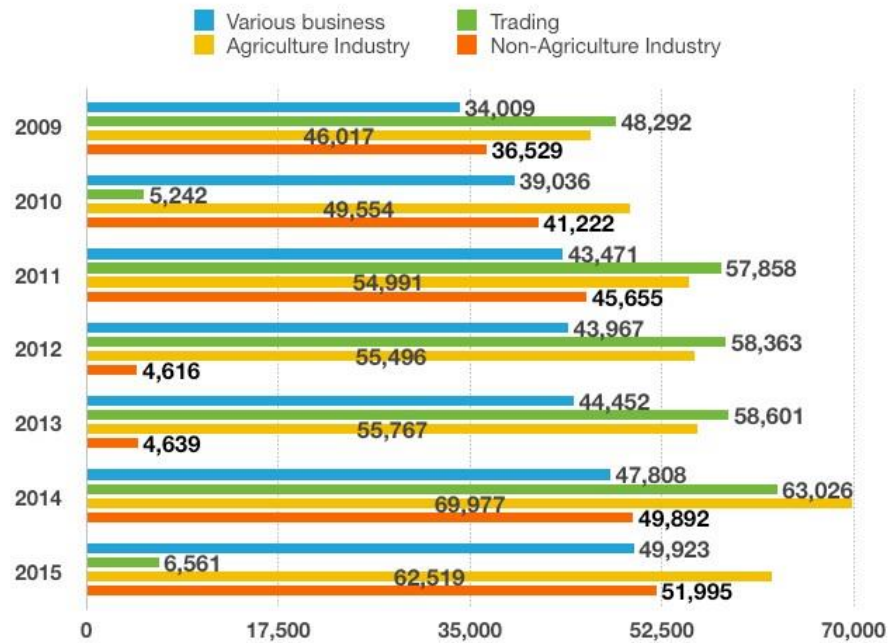


Source: Disperindagkop dan UKM D.I. Yogyakarta (processed), 2016

Micro, Small and Medium Enterprises has the crucial role within regional economic development, especially toward actuating people's economy in D.I.Yogyakarta (cited in Governor Accountability Statement Report of D.I. Yogyakarta 2015). These sectors also have been supporting the trade sector of D.I. Yogyakarta. Based on figure 2.2 above, the growth of MSMEs in D.I.Yogyakarta has shown increasing within the last five years. On 2012 total of MSMEs in D.I.Yogyakarta is 203.995 units, increased around 2.020 units or 1% compared with previous year. On 2013 MSMEs in D.I.Yogyakarta with total of 205.21 units have improved 1.215 units rivaled with previous year. On 2014 the

total MSMEs were 220.703 units, added 15.493 units. On 2015 the overall MSMEs were 230.047 units compared with the previous year.

Figure 2.3 The Growth of MSME's sector according to the type of business in D.I.Yogyakarta 2009-2015



Source: Disperindagkop dan UKM D.I. Yogyakarta (processed), 2016

Meanwhile, in the table of business type in D.I.Yogyakarta there are several big sectors. According to figure 2.3, those industries that are spread in D.I.Yogyakarta as follow as; as trading, agriculture industry, non-agriculture industry and various industries that are dominated business sector in D.I.Yogyakarta. the trend shows increasing number with the peak was on 2014.

2.2 Profile of Cooperation and Micro, Small and Medium Enterprises (MSMEs)

Board of D.I. Yogyakarta

2.2.1 Position

The Cooperation and Micro, Small and Medium Enterprises (MSMEs) Board of D.I. Yogyakarta serves as mandate in the governor regulation No.03/2015 regarding local government institution of D.I. Yogyakarta as an sovereign division of regional government working units. Cooperation and MSMEs agency was attached to Trade and Industrial Board. Functioned as part of this board and not an independent agency before this regulation applied. In the governor regulation of D.I.Yogyakarta No.68/2015 regarding details of duties and functions Cooperation and MSMEs Board of D.I. Yogyakarta as a regional government work unit that has its own duties and functions that mainly serves to execute tasks given by D.I. Yogyakarta provincial government related to cooperation and MSMEs field also regarding de concentration authority and assistant duties set by the government.

2.2.2 Duty and Functions

The Cooperation and MSMEs Board of D.I. Yogyakarta has main duties to fulfill tasks of local government regarding cooperation, micro, small and medium enterprises. In order to implement its duty, this agency has to carry out some functions. Considering government regulation No.68/2015, this agency has functions such as;

- a. Arranging program and control within cooperation and MSMEs field;
- b. Formulating technical policies within cooperation and MSMEs field;
- c. Implementation of the collaboration between cooperation and MSMEs;
- d. Distributing facilities, founding, protection, marketing and development of cooperation and MSMEs;
- e. Implementation of general services for cooperation and MSMEs field;
- f. Facility distribution cooperation and MSMEs field regency/city;
- g. Source empowerment and work partners of cooperation and MSMEs field;
- h. Implementation of administrative activities;
- i. Implementation of other duties given by the governor accordingly to its task and function.

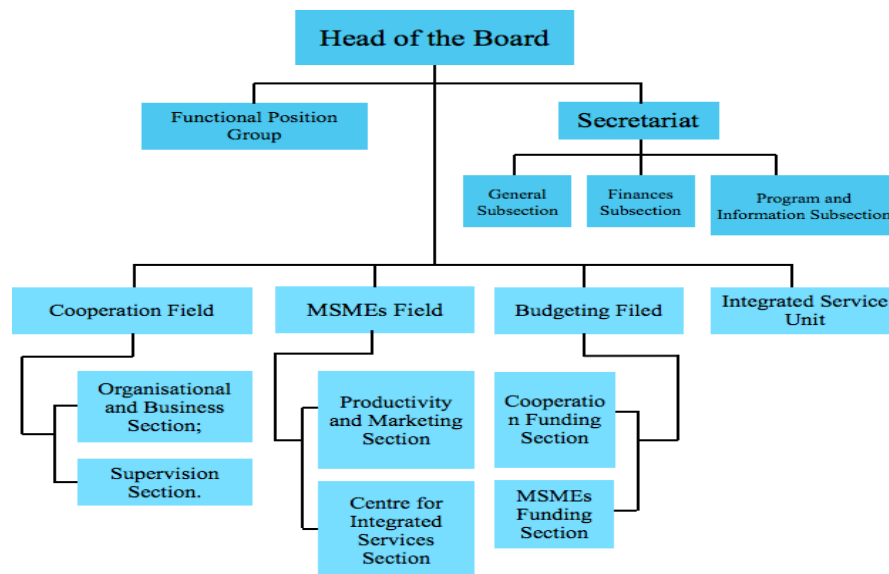
2.2.3 Organizational Structure

To accomplish the tasks and functions as written above, the organizational structure of Cooperation and MSMEs Board of D.I.Yogyakarta consist of;

- a. Head;
- b. Secretariat, covering; (1). General Subsection; (2) Finances Subsection; and (3) Programs and Information Subsection.

- c. Cooperation field, covering; (1) Organizational and Business Section; and (2) Supervision Section.
- d. Micro, Small and Medium Enterprises (MSMEs) field, covering; (1) Productivity and Marketing Section; and (2) Center for Integrated Services Section.
- e. Budgeting field, covering; (1) Cooperation Funding Section; and (2) MSMEs Funding Section.

Chart 2.1 The Cooperation and MSMEs Board D.I. Yogyakarta organizational structure according to attachment in-
D.I. Yogyakarta governor regulation No.68/2015



2.2.4 Vision, Mission and Policy Strategy

Based on the description of the philosophy, vision and mission of the local government of Yogyakarta Special Region development on 20122017,

and regarding to the vision and mission of the Indonesian Ministry of Cooperation and Micro, Small and Medium Enterprises (MSMEs), the Cooperation and MSMEs Board of D.I.Yogyakarta formulate a vision: “Leading in empowerment of Cooperation, Micro, Small and Medium Enterprises which is self-sufficient and competitive in ASEAN”.

While, the mission is a description of what have been done to reach the vision, thus, the Cooperation and MSMEs Board of D.I.Yogyakarta mission to reach the vision, that is “To create Cooperation, Micro, Small and Medium Enterprises which is self-sufficient and competitive”. Toward reaching the goals of vision and mission it is important to formulate policy strategy of Cooperation and MSMEs Board of D.I.Yogyakarta, which are;

Strategy; (1) Improvement of continuity for services to society; (2)

Empowerment of cooperation to develops regional economic activities; (3) Empowerment of MSMEs sector within poverty reduction and job creation; (4) Developing the entrepreneurship that oriented to the poverty reduction number; (5) Strengthening the marketing of MSMEs through the improvement of local products and the establishment of business climate that is conducive for MSMEs; and (6) Emerging, development and underpinning MSMEs sector toward IT development and production technology including product certification for the cooperation and SME owners

Policies; (1) Improvement of continuity for services to society through the optimizing program/ government units activities; (2) Empowerment of cooperation with strengthening the institutions and funding structure also the business development; (3) Improving entrepreneur skills for MSMEs; (4) Creation of new business over training, education, or business facilitation; (5) Solidification of funding, fund management of cooperation and MSMEs

Programs; (1) Program to the creation of business climate that is conducive for SMEs (The strengthening of MSMEs partnership capacity and The improvement of MSMEs management); (2) Program for the development of entrepreneurship and competitiveness for SME (The growth of new entrepreneurship); (3) Program to improve the quality of cooperation's institution (Strengthening D.I.Yogyakarta cooperation's capacity, Strengthening funding and fund management for D.I.Yogyakarta cooperation and MSMEs and Improvement of cooperation management)

2.3 Center for Integrated Services of SMESCO D.I.Yogyakarta

2.3.1 Profile

Center for Integrated Services of SMESCO or Pusat Layanan Usaha Terpadu Koperasi Usaha Mikro Kecil Menengah (PLUT-KUMKM) based on Ministry of Cooperation and Micro, Small and Medium Enterprises (MSMEs) regulation No.02/2016 about the assistance of Cooperation and

Micro, Small and Medium Enterprises defines it as the program that implemented by Ministry of Cooperation and MSMEs due to provide the comprehensive and integrated services for the development of cooperation and MSMEs. The Center for Integrated Services of SMESCO by this regulation also is a body that affords the non-finance services to advance the competitiveness, productivity, adds value and the quality of MSME's work performances. Therefore, the Ministry of Cooperation and Micro, Small and Medium Enterprises executing assistance program through Center for Integrated Services of SMESCO that implement with collaboration to the government of provincial and regency/city in order to accelerate the improvement of competitiveness, productivity, adding values and quality performance for Cooperation, Micro, Small and Medium Enterprises.

Hence, as the place that has full-services characteristic, Center for Integrated Services of SMESCO provides at least seven categories of services. First, cooperation and MSMEs business consultation, this would provides business consultants who has competency standard to give business coaching to the MSMEs for consultation. These consultants has standard competency within giving business advice on human resource problems, business management, product quality, intellectual rights, business partnership and usage of information technology. Second, business mentoring, which offers business mentor that specialized in giving coach on regular based especially for cooperation and MSMEs that wants to level up

and patch-up business problems that are being faced. The function of business mentor is giving assistance on the MSMEs business development to make the class goes up consistence. Next is promotion and marketing service, Center for Integrated Services of SMESCO implements product promotions, which can be visited by local or foreign customers. Excellent products that are being promoted freely at Center for Integrated Services of SMESCO, there become promoting facility as shopping windows for excellent products from all over the area within related province. The next is funding access that is possessed by Center for Integrated Services of SMESCO covers all kinds of funds to the MSMEs sector that include banking bodies, venture capital, PKBL BUMN funds and findings within associated boards. This function has been carried out by business consultants who has access and able to link MSMEs with those capitals sources.

Fifth, business Coaching, Center for Integrated Services of SMESCO would provides two types of training. First, training for the entrepreneur candidate to make certain products with the intention to generate the business cooperation between trainer and participant. Trainer is businessman who is already succeeding in her/his field. Meanwhile the participant is entrepreneur candidate who wants to get involve within related business field. Second, certain skill managerial trainings to support the development of candidate's business for instance; training for internet marketing, accountancy for MSMEs, Standard Operating Procedure training, taxing and etc. These

trainers are professionals or practicing who already experienced within those fields. These two trainings carried out schedule based on analyze of MSMEs needs and implemented unreservedly.

Networking service of Center for Integrated Services of SMESCO provides networking facility for MSMEs on regular basis inviting succeed big business or middle business to deliver experience sharing on how they are developing their business. The participant is MSMEs who wants to learn and keep growing. The speaker would be that successful businessman with variety on backgrounds such as agriculture, fishery, processing industry, finance service and so on. They requested to share regarding their business, mind-set on their experience in dealing with difficulties and solutions to face those troubles. The last service is entrepreneur library, on which Center for Integrated Services of SMESCO would provides special library sources on business books, journal and magazines. Those sources could be use to find out reference for MSMEs concerning their business expansion.

Center for Integrated Services of SMESCO in provincial level is a technical services unit, which managed by local government working units that cope with MSME's business. If there is needed, Center for Integrated Services of SMESCO in provincial level could formed few units of Center for Integrated Services of SMESCO in order to expand the extent of business services for MSMEs, also provides suitable services that match with MSME's needs and comparative advantage local resources. Target groups of

regional Center for Integrated Services of SMESCO covers MSMEs within several close-ranged regencies or cities and MSMEs in the center of production that involves some areas.

In D.I.Yogyakarta, the Center for Integrated Services of SMESCO was introduced in March 2014 and officially publicized on 25 June 2014 of its building. D.I.Yogyakarta is the only province that puts the operationalization of Center for Integrated Services of SMESCO under Cooperation and MSMEs board. This Center for Integrated Services of SMESCO is not technical services unit unlike other regions that has separated Center for Integrated Services from the government works unit. By the governor regulation No.68/2015 regarding details of duties and functions Cooperation and MSMEs Board of D.I. Yogyakarta, the program of Center for Integrated Services of SMESCO is handle by a section under the MSME's focused field within the Cooperation and MSMEs board. Therefore, as section within Cooperation and MSMEs board, the Center for Integrated Services of SMESCO has it own job and functions to carry out the board vision and mission.

Table 2.1 Number of MSME's member in CIS SMESCO

D.I.Yogyakarta 2014-2017

Business Scale	2014	2015	2016	2017*
Micro	413	288	550	196
Small	41	22	41	15
Medium	3	-	-	-
Without Scales	-	-	14	4
Total	454	300	605	215

Source: Cooperation and MSMEs Board D.I. Yogyakarta, 2017

*the data shown for 2017 is still being progressed

The MSMEs members of Centre for Integrated Services of SMESCO D.I.Yogyakarta are those SME that went to register them selves before getting the services they needed. Based on the table 2.4 above, in the Center for Integrated Services of SMESCO D.I.Yogyakarta there are currently 1.587 units of Cooperation and SMSEs. In 2014, the total number of small medium enterprises and cooperation (SMESCO) that registered on Center for Integrated Services of SMESCO was 457 units. Then, on 2015 the total number of SMESCO was low almost 50% compared with the previous year that only hit total of 330 units. The total number of SMECSO then rocketed on 2016, slightly improved for more than 50% from the prior year with total 605 units. Meanwhile, on 2017 the number are still increasing and the total number of SMECO till April 2017 are 215 units. The compositions of those SEMSCO are based on craftbased business with total 665 units, the rest of

922 units are the combination of services, food/drinks, cooperation, farming, agriculture and fishery business sector.

2.3.2 Job and Function

Based on governor regulation of D.I.Yogyakarta No.68/2015 regarding details of duties and functions Cooperation and MSMEs Board of D.I. Yogyakarta, the section of Center for Integrated Services is carry out a duty in providing services for the development of Micro, Small and Medium Enterprises. Then, in turn to implement its duty, this section has to carry out some functions. Considering the governor regulation of D.I.Yogyakarta No.68/2015, this section has functions such as;

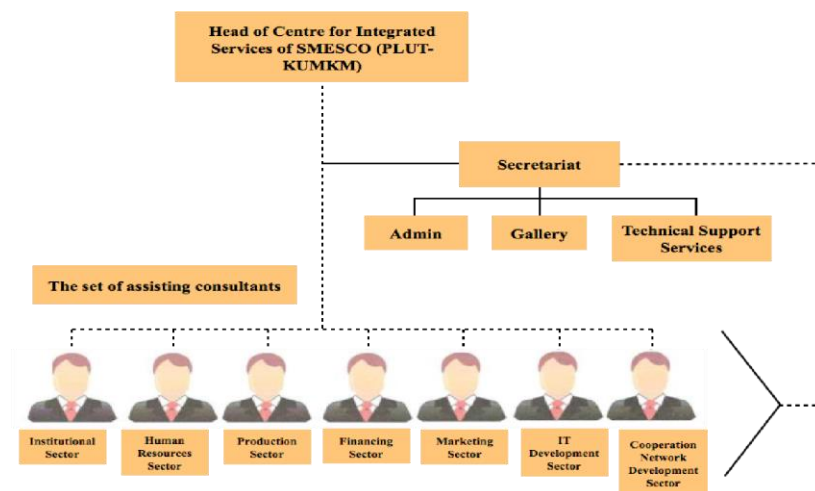
- a. Prepares of work plans;
- b. Prepares of center of integrated services' technical policy material;
- c. Provides service for business consultation of MSME;
- d. Implements of training and business mentoring for SMEs;
- e. Facilitates of MSME's business networking;
- f. Facility of promotion and marketing for MSME;
- g. Cultivating of entrepreneurship through business incubation;
- h. Provision of library services for MSMEs;
- i. Monitoring, evaluation and preparation of the program section center of integrated services; and
- j. Execution of other duties assigned by the head section in accordance with the duties and functions.

2.3.3 Organizational Structure

By description of duty and functions above, the organizational structure of Center for Integrated Services of SMESCO D.I. Yogyakarta that will carry out those functions based on the business restructuring deputy regulation of Ministry Cooperation and MSMEs No.02/Per/DEP.4//I/2017 consist of;

- a. Head of Centre for Integrated Services of SMESCO
- b. Secretariat, covering; (1) Admin; (2) Gallery; and (3) Technical Support Services.
- c. Set of Assisting Consultants, covering; (1) Institutional Sector; (2) Human Resources Sector; (3) Production Sector; (4) Financing Sector; (5) Marketing Sector; (6) IT Development Sector; and (7) Cooperation Network Development Sector.

Chart 2.2 CIS SMESCO D.I.Yogyakarta organizational structure- according to the regulation of business restructuring deputy of Ministry Cooperation and MSMEs No.02/Per/DEP.4//I/2017



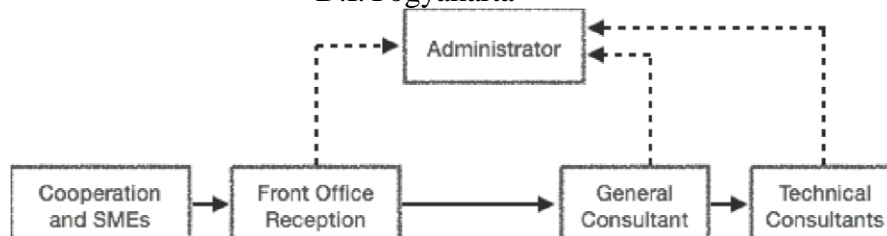
2.3.4 Vision and Mission

Center for Integrated Services of SMESCO (PLUT KUMKM) D.I.Yogyakarta has vision, which is “To be prime Center for Integrated Services that able to empowers cooperation and MSMEs in developing regional competitive potency”. Therefore, while the mission is a description of what have been done to reach the vision, thus Center for Integrated Services of SMESCO (PLUT-KUMKM) D.I.Yogyakarta set three missions to reach the vision, thus are;

1. Becomes the coach and consultant that able to give solution toward the problems on cooperation and MSMEs (center for problem solving)
2. Becomes the mediator and source for information that could give effective references to the cooperation and MSMEs to get specific solution (center of referral)
3. Becomes window and sources of inspiration that can present the best practice from the development of cooperation and MSMEs (center for best practice)

2.3.5 Standard Operational Procedure

Chart 2.3 The Flow of Service Mechanism at CIS SMESCO D.I.Yogyakarta



Every guest who comes to Center for Integrated Services of SMESCO office, both SMESCO and other visitors must fill the guest book as proof of number of visits per month. For SMESCO who want to access CIS SMESCO D.I.Yogyakarta service, it is required to fill the registration form at the front office, in addition to registration form CIS SMESCO D.I.Yogyakarta also add one SMESCO order form. This form of data collection contains data from SMESCO, in addition to being used as additional forms at the time of collection, the data collection form is also used CIS SMESCO D.I.Yogyakarta as a mandatory file when visiting the field.

After SMESCO member completes the registration form and the registration form, the registration form file and the registration form are taken to the administration department to be recorded in the SMESCO service registration control card and the partner card is made. Meanwhile, the concerned SMESCO is directed to the general consultant for an assessment to map out the problems faced by SMESCO. This assessment activity using SOP forms. After the assessment activities are conducted, the general consultant determines / maps the service requirements of the SMESCO concerned. This service mapping uses the Business Consultancy Services Control Card, filling it with the data from the assessment form.

The general consultant directs the SMESCO that has been assessed to strategic and technical consultants in accordance with the services required

by SMESCO. Strategic and technical consultants will perform treatment in accordance with the needs of SMESCO. In conducting treatments to SMESCO, strategic and technical consultants use business consultancy service control cards from general counselors to map further the problems facing SMESCO. In addition to armed with business management consultancy control cards, strategic and technical consultants also include several other forms, including medical record forms to document any issues faced by SMESCO. Basically this medical record form does not exist in SOP but CIS SMESCO DIY perceives the need for a separate documentation on the problems that faced by SMESCO. Meanwhile, the form of action plan and evaluation will be added.

Every SMESCO who gets treatment from consultants (in accordance with the problems faced by SMESCO) there is always action plan as a step to solve the problems that are being faced. A follow-up and evaluation plan is required to document every action plan from of SMESCO in the case of problem solving, but it is also used to evaluate the success of any agreed action plan after a certain period of time. A follow-up and evaluation plan form is also needed to see how far the SMESCO users of CIS of SMESCO D.I.Yogyakarta service in Yogyakarta are developing.

In addition to medical record (consultation) form and action plan and evaluation form, every strategic and technical consultant who perform treatment to SMESCO is also equipped with Business Mentoring /

Mentoring Business Control card. Any SMESCO that access consultation services from consultants can be classified as assistance, because it is always done in a sustainable manner, therefore every consultation service from SMESCO always include control card business mentoring services or mentoring. The function of the control card is to know how many times SMESCO get treatment from the consultant.

CIS SMESCO D.I.Yogyakarta applies SOPs to every SMESCO that accesses consultancy services to consultants with one bundle pattern. That is, the registration form file, the registration form, the registration control card, the assessment form, the business consultancy control card, the medical record form, the action plan and the evaluation, the advocacy control card and the business process mentoring or mentoring card into one bundle in one SMESCO file folder. This will use as an easy step in recording the data as a whole by the administrator.

CIS SMESCO D.I.Yogyakarta, in addition to serving SMESCO who wants to access services directly to the office also conduct field visits to SMESCO in the DI Yogyakarta. This visit is intended to collect the SMESCO data and map the potential of the existing superior products and to identify the service needs of SMESCO and SMESCO centers. The identification of these needs is needed by Center for Integrated Services of SMESCO D.I.Yogyakarta to plan Business and Technical Guidance activities as well as Assistance of Appropriate Technology activities in the

center of SMESCO. Every activity either Technical Guidance or Technical Assistance in the CIS Center and CIS DIY would have input on the control card mechanisms. During the field visit, each consultant is required to bring the registration form. This form is used to identify the SMESCO as well as map the problems of SMESCO. In addition, the data collection form is also used as the basis for making the SMESCO database offline or online database.

In order to support the seven services, Center for Integrated Services of SMESCO D.I.Yogyakarta established cooperation with several institutions, such as BRI, private banks such as CNB, several universities in DI Yogyakarta, Bank Indonesia, as well as Industry, Trading, Cooperation and SME services in five districts / cities in Yogyakarta and relevant agencies. The aim is to strengthen access of CIS DIY services in serving SMESCO. Data from several agencies that CIS DIY have explored to work on can be viewed on the control cards of Mediation Services, Matchmaker Business, and Institutional and Networks Strengthening. Of the entire SOP that applied in CIS DIY will certainly be the material in doing performance evaluation through control card.