

Chapter

8

Synergy Among Local Government, Higher Education Institution, and Bank in Poverty Reduction Strategy Through Empowering Small and Medium Sized Enterprises (SMEs) A Case Study of Ceramic, Tempeh Chips, and Sanitair Enterprises in Malang City Indonesia

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Abstract

The first goal of Millennium Development Goals (MDGs) was to eradicate extreme poverty and hunger. Based on the data from Indonesian Statistical Agency (BPS-Indonesia), the number of poverty in Indonesia since the last decade has been decreasing gradually. In 2012, the national poverty percentage had declined to 11.66 percent from 13.33 percent in 2010. Poverty is one of the main policy agenda of Indonesia government, Since the president of Yudhoyono (SBY), the government has decided four clusters to eradicate the poverty, namely: family based social assistance program, community empowerment, empowerment of small and micro enterprises, and pro poor program.

This research aims to describe, and analyze the strategy of poverty eradication in Indonesia through the empowerment of SMEs. This study used the descriptive research with qualitative approach. For the data collection the researcher conducted fieldwork and used triangulation technique, of multiple data source of evidence namely, documentations, observations, studied literatures and interviewed with relevant subjects such as SMEs business owners, local government officials and other related actors.

The findings of this research shows that local government, higher education institution, and bank have significant contribution in empowering SMEs. Local government of Malang City, Higher education, and Bank have a synergy to enhance the SMEs in Malang. The synergy has mutual benefit among SMEs actors and

all stakeholders.

Keywords: Poverty Reduction, Strategy, SMEs, Synergy, Indonesia.

Introduction ■

The problem of poverty is currently a major problem in countries throughout the world, both in developing countries and in developed countries. All have the problem of poverty that needs to be addressed immediately. The existence of a global crisis that hits countries in the world and the threat of limited agricultural products that threatens famine. This serious problem must stimulate the world leaders and all involved stakeholders who have a strategic role to pay serious attention to poverty eradication strategy.

Currently the world's population has surpassed 7 billion people, of which 80 percent have incomes below \$ 10 per day. The people of 1.6 billion live without electricity, while the 1.4 million children die each year from lack of access to safe drinking water and adequate sanitation. Based on data from UNICEF, every year there are 22 thousand children die due to poverty because they can not access to health facilities. (Anup Shah, 2013).

Indonesia as a country in Southeast Asia has a lot of natural resources such as gold mining, petroleum, coal, nickel. It still has the problem of chronic poverty in which the percentage of poor people in Indonesia are still more than 12 percent, this means that the population of Indonesia is still poor about 30 million

people. This number is more than the entire population of Malaysia and half of the population of Thailand.

Based on World Fact Book, BPS, and the World Bank, reduction in the number of poor people in Indonesia is among the fastest compared to other countries in the world. Recorded in the range 2005 – 2009, Indonesian was able to reduce the average rate of decline in the number of poor by 0.8% per year, much higher compared to that of other countries such as Cambodia, China, and Brazil average at 0.1 % per year. On the contrary, India recorded the results of the addition of a minus or poor (Ministry Communication and Information, 2011, pp. 11-12).

According to Indonesia Statistical Agency (BPS, 2010) about the number and percentage of poverty in Indonesia all province, the number of poor was most numerous in the province of East Java, which reached 5,5293,000 people while the percentage of poor people are most numerous in the Papua province of 36.80 percent. The province that has the fewest is the province of North Maluku which has a population of 91 100 people poor while the province that has the least percentage of poor people is DKI Jakarta province which is equal to 3.48 percent.

The issue of poverty in Indonesia is very ironic. Indonesia as the largest country in the ASEAN region and the world's largest archipelago consisting of 17,500 islands have a wide range of natural resources such as petroleum, coal, LNG, nickel, bauxite, geothermal, gold, tin, copper, teak, pine, rattan, cocoa and so forth. Total population of Indonesia is currently recorded 237 641

326 (census BPS, 2010) is the 4th largest country in the world after China, India, and the United States. Currently, Indonesia has entered the G-20 or the Group of Twenty (G-20) Finance Ministers and Central Bank Governors. Indonesia is the only country in the ASEAN region who is the member of the G-20, considered the inclusion of Indonesia a member of the G-20 is due to the strength of the Indonesian economy (nominal GDP) Indonesia currently ranks 16 th which is equal to 846,832 Million U.S. \$, growth Indonesia's economy also experienced a significant increase of 6.4 percent in the second quarter-2012 Grew 6.4 percent (BPS, 2012).

With the very positive macroeconomic conditions are very positive Indonesia should be able to address the underlying poverty problem, especially the problems of poverty eradication. Currently the number of poverty is more than 30 million people. That number nearly half of the population of Thailand, amounting to 65,479,453 Million People (Thailand Census, 2010).

David Mc Clelland, a sociology expert said that if a country wants to be a developed country then it takes at least 2 percent of the total population of the country are entrepreneurs (entrepreneurs). China and Japan recorded a 10 Percent number of employers, U.S. 11.5 to 12 percent, Singapore: 7 Percent. instead Indonesia has had a number of businessmen of 0.24 percent (Global Entrepreneurship Monitor (GEM), 2010).

While innovation is also a key to the success of the performance of SMEs. Challenges faced by SMEs are very heavy

because they have to compete with large companies that have a lot of capital and educated human resources. In addition the challenge of the limited target market of their products make SMEs perform various breakthroughs and innovations so that they can still exist. Drucker (2002, p. 30) says “Innovation is the specific instrument of entrepreneurship. It is the act that endows resources with a new capacity to create wealth “. From the Drucker’s understanding that a spirited entrepreneur must be ready to innovate. The real innovation is an activity to change or make something that had no value or benefit utility into something of value, both in terms of economic, aesthetic and other types of benefits.

Harvie and Lee, (2005, p. 5) in his book “Sustaining growth and performance in East Asia, the role of small and medium sized Enterprises” state that the developing economies are especially seeing small businesses as potential instruments for the alleviation of poverty. Harvie and Lee state “a number of research results demonstrate the contribution of SMEs as a major driving factor in the growth of the East Asian region. Approximately 70 percent of employment comes from SMEs sector. SMEs have a dominant influence on economic growth and job creation in China, Vietnam and Indonesia. (Harvie & Lee, 2005, p. 5) .

Compared to smaller companies and SMEs, large companies in several countries such as China and Indonesia precisely the grounds of efficiency and the use of advanced technology greatly reduces the number of employees, this phenomenon also occurs

in countries that have grown in regions such as Europe and America. It is as expressed by Harvie and Lee (2005, p. 5).

SMEs sector will play a major role in restoring the national economy as this sector not only absorbs a lot of labor but also has a fairly close proximity to the customer. If SMEs are supported by the science and technology knowledge and helped to expand their network of trade and market access then so have the expectations of SMEs could be a major force for the national economy. A similar opinion was expressed by Harvie and Lee (2005, p. 5).

Based on the above explanation, it is clear that innovation becomes one of the important conditions for the industry advancement. By looking at the success of the developed countries in creating new products that are always innovative making their products more competitive in the market.

Objectives

From the problem statement, it can be concluded the objectives of this research as follows: 1. To find out, describe and analyze grand strategy of poverty eradication strategy by central/national and local government. 2. To find out, describe and analyze the role of each actor in synergy among government, higher education institution and Private sector in poverty reduction strategy through empowering small and medium sized enterprises in Malang City. 3. To build a new model to describe the synergy among government, higher education institution

(universities) and private sector in poverty reduction strategy through empowering the small and medium sized enterprises.

Research Methodology

Type of research

This research uses qualitative method to describe about variables, phenomena, data and certain social condition. Qualitative method can be used to open and understand what hides behind any phenomenon about which little is yet known. This method usually includes observation and interviews and also includes documents, books and other data.

The use of qualitative methods in this study due to determine the objective conditions on the ground and opinion by the apparatus of government in providing services to small businesses and SMEs and the actors are more accurately assessed using a qualitative approach. As stated by Ritchie, and Lewis, (2003) on which this study did not simply want to know the fund-SME performance data but want to know how the mindset, systems of work, interaction with other components (synergy).

This research use qualitative approach because the researcher want to know and analysis what kind of actors who have high influences to the development of small medium enterprises in order to eradicate the poverty, and then to identity what are the role for each actors to development of SMEs and finally the researcher proposes the new model of synergy among all actors to develop the SMEs. By triangulation technique,

indepth interview and observation in qualitative approach, the researcher can receive the description of field condition in more comprehensive and detail.

Focus of the research ■

Focus of the research is very important for it limits the study and source of data. Without the research focus, the researcher will be trapped by abundance obtained data. Through the instruction and tuition focus, the researcher can know what is required to be collected and which irrelevant data need not to be entered into the thesis.

The focus of this research are as follows:

1. The grand strategy of poverty reduction policy
 - 1.1 Legal and institutional institution framework
 - 1.2 Local government strategy to reduce poverty
2. The condition of small medium enterprises (SMEs) In Malang City Indonesia
3. The role of each actors (stakeholders) in reducing poverty through empowering the small medium sized Enterprises (SMEs).
 - 3.1 The role of Local government
 - 3.2 The role of bank (Financial Institution)
 - 3.3 The role of higher education institution
4. New model of synergy among stakeholders to reduce the poverty through empowering the Small Medium Entreprises (SMEs)

Research location and research site

This research takes place in Malang City east java Indonesia
Whereas research sites of this research are:

1. Offices of cooperatives and SMEs Agency of Malang (DinKOP&UMKM)
2. Planning and development agency Malang (Bappekot)
3. Higher education institution (University of Brawijaya)
4. Bank of SMEs (Bank UMKM) in Malang City

The selection of multiple locations and over a designated study sites by considering the suitability of the actors involved in the empowerment of SMEs. in this study wanted to determine the role of each of the above-mentioned stakeholders. Some research sites mentioned above are very important to observe because the research sites are expected to be found the data related to the government's efforts to reduce poverty through the empowerment of SMEs, in addition to looking at the role of the various stakeholders involved in encouraging SMEs is expected to provide a more complete understanding of the synergy between the sectors in encouraging SMEs.

Source of data

The sources of data in this research are from key informants, documents and phenomenon. The researcher has combined the three of data sources to identify and analyze the research problem. we can see in the following description:

1. Informants: In this study informants from various parties including government officials, bank clerks, managers of higher education institutions, activists, NGOs, SMEs, large companies. The researcher was able to interview some officials in Bappeda Malang, and other services related to poverty alleviation and empowerment of SMEs, such as BPMK department and the Department of Cooperatives and SMEs, Researchers was also able to interview coordinator/ chairman of the SME community in Malang, Malang SMEs, banking practitioners, NGOs activities, Organization/Institution development and coaching SMEs UB as a representation of the contribution of universities to encourage and develop SMEs. Choosing the informants based on the subject that masters the problems related to the title, research focus and also problems, owning some data and ready to give them to the researcher. The researcher uses interview and observation to get the data from the informants. The data from informer are the main source in the qualitative method. Moleong (2005) says that the data can be written down or recorded in video tapes, picture and film.

2. Documents: Documents are successful in getting from this study include poverty reduction strategy document poor areas of the city in 2012 - 2017, poor in number, a list of SMEs in Malang,

According to Moleong (2005), documents can be divided into books, theses, newspapers, files, personal documents and official documents. Those documents can be found in the local

government office, library, and other related offices.

c. Phenomenon: Researchers managed to get a picture of the phenomenon of the respective roles of stakeholders that includes local governments, universities, banks, SMEs in promoting and encouraging SMEs in Malang. Researchers also observed the process of production to marketing of MSME products in Malang. The results of the observations of the development and the role of each stakeholder are described in chapter 4 of this dissertation.

Pictures create descriptive data which are useful to analyze the subjective sides and the result which are analyzed in an inductive way. Pictures are used to record the reality situation in the field. There are two kinds of pictures namely those made by another person and made by himself (Bogdan and Biklen, 1982).

Data collection technique ■

In this study the researchers used a method of Triangulation in digging and collecting information. Researchers not only interviewed one person who knows about the problems of SMEs but also to cross check with the source/ informant others who know about the same issues. The purpose of this triangulation method is to guarantee the accuracy and validity of the data and information obtained in this research activity.

From the four types of triangulation, The researcher used the type one of Triangulation types, namely Data Triangulation. The researcher interview some persons/actors such as some

government officials, NGOs, university officers, bank officers, some actors of SMEs owner, community Leader, etc as stakeholders in the poverty reduction strategy through empowering the Small and Medium Enterprises (SMEs) this manner to ensure or to verify the data/information which contribute to dissertation.

Data collection process covers the research and question problems. The data collection can be done with:

a. Interview :

1. Open interview: Researchers conducted interviews to several government officials in the city of Malang and other institutions involved in the empowerment of SMEs as Head of Department of Cooperatives and SMEs, Head of BPMK, business Business Incubator UB, activists and NGOs Banking Practitioner.

Moleong (2005) says that open interview is better than closed interview, because in a closed interview, the interviewee does not know about the interviewer and does not know about the research purpose either so that he cannot give the objective information that the researcher needs.

1. Unstructurized interview: Researchers conducted interviews Unstructurized to the managers of SMEs as employers in the region tempeh chips sanan Malang, Entrepreneur Ceramics/grabah in Malang.

This interview is very different from the structurized one. The researcher is not limited by the time schedule and drives the informants to answer with their styles and response. Usually, the informants have a knowledge and expertise in the problem.

b. Observation:

Based on field observations, the researcher found various information and important data related to the research focus, such as the amount of data the SME entrepreneurs in Malang, condition of facilities and infrastructure owned by SME entrepreneurs in order to develop its business, the contribution of each stakeholder in developing SMEs and challenges that occur in the development of SMEs.

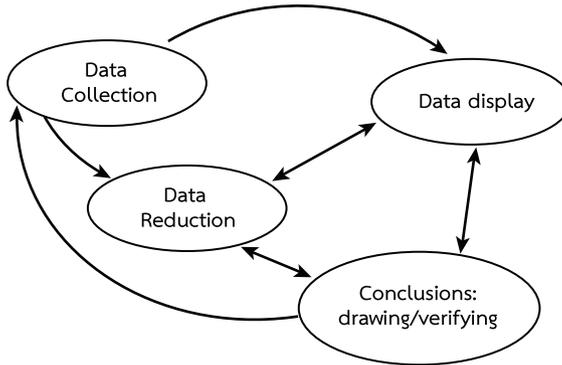
The observation is conducted as a direct observation to the location and changing surrounding the location. The observation results must be written in a clear report to support the researcher to solve the problem and to provide additional data that support the result.

c. Study of Literatures: The study of literatures is meant to obtain or to get accurate theories and references regarding data of the result findings related to the reduction poverty policy in some countries in the world.

Design of data analysis

The data which are taken from the field are still in the narration format and need to be reduced and summarized to match the relevant point of the problem. This process of taking the point from the data source is very important. After finishing the data reduction and reporting, the researcher interprets the data logically. The descriptive data will make the thesis become easier to write than the narrative data. as shown on figure 3.2:

Figure 3.2 Components of data analysis: Interactive Model



Source: Miles & Hubberman, 1994, p. 12

This study also use a SWOT ANALYSIS, namely a method for evaluating the structure of Strength, Weakness, Opportunity and Threat. According Humphrey, Albert (2005), the Setting the objective should be done after the SWOT analysis has been performed. This allow achievable goals or objectives to be set for the organization.

1. Strengths: characteristics of the program or project that give it an advantage over others
2. Weaknesses: are characteristics that place the team at a disadvantage relative to others
3. Opportunities: elements that the project could exploit to its advantage
4. Threats: elements in the environment that could cause trouble for the business or project

Research Result

From the interview with the key informants it was known that the most instrumental in contributing to SME businesses ceramic Dinoyo is consist of the government and banks, the government contributions made not only coaching and motivation, but also government efforts also provide support equipment required in the ceramic product sales. while from the banks, the contribution that has been provided in the form of soft loans easier in the disbursement process.

It found that not all stakeholders involved in SME businesses, the researchers did not see any contribution from the cooperative, non-governmental organizations (NGOs) and social role of religious institutions. The second conclusion was with the contribution of the government and the banks, having an influence on the business performance of Mother Daughter in running the business, this effect can in fact be positive and negative, it is positive that is in the area of sales or marketing is now more widely covers almost all of Indonesia, which previously only in the area of the island of Java, while the negative effect is the reduced amount of labor.

Ceramic Home Industry in Malang

The role of each party and the type of assistance are described in the following table:

Table 4.1
The Role of Each Actors in Supporting of SMEs

Supporting Institution	Type of Assistant	Intensity
Government	- Training - Production Equipment Aid - Promotion	1 x
Bank	- Providing Aid	3 x

Source: Primary Data Collection by researcher (June, 2014)

The following Table present the impact of the contribution of various stakeholders of the SME businesses as follows:

Table 4.2
The Impact on business after receive some Assistant

Type Business Component	Before	After
Number of Employee	6 persons	4 persons
Income of Corporate	-	Increase 10%
Income of Employee		40.000/day
Assets	-	Fixed
Market Area	Java	National
Production Equipments	Manual	Mechanic Semi
Production Quality	Good	Better

Source: Primary data collection by researcher (June, 2014).

Empowerment programs to SMEs was initiated by the government to encourage SMEs is actually an integral part in the effort to reduce poverty by creating jobs in the broadest sector of small and medium enterprises, but with consideration of business management, especially to improve the efficiency of the goals outlined by government with the reality on the ground is still not in line.

Tempeh Chips (Kripik Tempe)

Sanan Home Industry

From the interviews, the researcher makes a table that explains more clearly the role of each of the parties and their kind assistance and intensity in the following table:

Table 4.3
The Role of Each Actors in Supporting of SMEs

Supporting Institution	Type of Assistant	Intensity
Government	<ul style="list-style-type: none"> - Training (Management) - Production Equipment Aid - Promototion 	5 x
Bank (BRI Unit Dinoyo)	<ul style="list-style-type: none"> - Providing Aid 	3 x
Higher Education Insitution	<ul style="list-style-type: none"> - Training & Motivation - Legal Process Assistant 	1 x

Source: Primary Data Collection by researcher (June, 2014)

After various parties assist in driving business tempheh chips, there are some changes in its business activities, which include the number of employees, revenue, marketing and quality of the production area, as shown in the following table:

Table 4.4
The Impact on business after receive some Assistant

Type Business Component	Before	After
Number of Employee	5	15
Income	1 Million Rupiah/Month	3 Million Rupiah/Month
Assets	-	Fixed

Table 4.4 (Cont.)

Type Business Component	Before	After
Market Area	Surabaya	International such as Hongkong (by Online Marketing)
Production and Distribution Equipments	Manual	Web (Online)
Production Quality	Good	Better

Source: Primary Data Collection (June, 2014)

Based on the results above it is known that there are three stakeholders who play an important role in encouraging small and medium enterprises, especially in the industrial tempeh chips. Parties whose role, among others from the government, banks and the cooperative. Some parties are not visible role, among others, of the University, NGOs, Social Foundation.

The second conclusion is that after the contribution of the various components is almost all indicators of business success can be achieved, such as the number of employees increases, the increasingly widespread marketing of products and better production quality, this indicates that terhadapt positive impact of contribution the various parties to the advancement of the industry, especially SMEs tempeh chips.

With the increase in the number of employees can also be understood that there has been a distribution of income to the community in Malang residents are also benefiting from the presence of SMEs, which in the end is expected to address the issue of poverty through employment opportunity.

Sanitair

Sanitair is well known businesses Malang, Sanitair is the type of business that processes material cement with sand, iron and other materials to craft art fountains, pots, marble chair, gate and so forth.

The following table, we can see the role for each actors in supporting Mr. Bachri Business:

Table 4.5
The Role of Each Actors in Supporting of SMEs

Supporting Institution	Type of Assistant	Intensity
Government	- Training (Management) - Production Equipment Aid	5 x
Bank	-	-
Higher Education Insitution	Education and Training	1 x

Source: Primary data collection by researcher, (June, 2014)

After getting the support/ assistance from various parties, Mr. Bahri experience a change in their business which includes various components/ indicators as will be presented in the following table:

Table 4.6
The Impact on business after receive some Assistant

Type Business Component	Before	After
Number of Employee	70	14
Income	Never count	Never count
Assets	-	Fixed
Market Area	Local and National	International such as Malaysia
Production and Distribution Equipments	Manual	Manual
Production Quality	Good	Better

Source: Primary data collection by reseacher (June, 2014)

Based on interviews and observation made in the field. It can be seen that some of those who contributed to the effort sanitair Mr. Bachri is from the government, big companies and institutions of higher education. From the government's contribution will involve the provision of education and training for SMEs, and the provision of equipment for the production of SMEs. While the college is a assistant and provision of employment opportunities in the form of offerings to meet a variety of needs fulfillment infrastructure in universities, while from the big companies, contributions made in the form of sharing technology and business management for small businesses.

From the above explanation, it can be concluded that not all stakeholders are actively involved in promoting SMEs, especially in the Sanitary industries. This indicates that there is still a great opportunity for the growth of SMEs by involving as many stakeholders that parties can participate in promoting SME business in the city of Malang.

Table 4.7
SWOT Analysis of Each Smes In Malang City

	Strenght	Weakness	Opportunity	Threat
Ceramic Home Industry	<ul style="list-style-type: none"> - Good Market Access - Strategic Location of Industry - Have Busines group organization 	<ul style="list-style-type: none"> - Lack of Technology - Low wage of employee - Lack of Labour force - Lack of Communi-cation Skill 	<ul style="list-style-type: none"> - Market opportunity from student - Market opportunity from Tourist 	<ul style="list-style-type: none"> - International Competition - Tax policy
Tempe Cheaps Home Industry	<ul style="list-style-type: none"> - High Sales Level - Use many Labour - High level of wage to the labour 	<ul style="list-style-type: none"> - Lack of technology Production - Lack of Management Skills 	<ul style="list-style-type: none"> - Open new branch in other city 	<ul style="list-style-type: none"> - Asean Free Trade Area - New Regulation, Tax policy

Table 4.7 (Cont.)

	Strenght	Weakness	Opportunity	Threat
Sanitair	<ul style="list-style-type: none"> - High Order - Use many labour - High Innovation/ Creativity - High Motivation - Have many experiences 	<ul style="list-style-type: none"> - Lack of Management Skills (Accounting) - Have not Copy rights - Lack of Education (business owner) 	<ul style="list-style-type: none"> - The fast development growing of Malang city 	<ul style="list-style-type: none"> - Asean Economic Community - Claim the product style by other business actor (have no copy rights) - Tax policy

Source: The Researcher, 2014

5.1.3 The Role of Each Actors (Stakeholders) to empower SMEs

Table 4.8
SWOT ANALYSIS The Role of Each Stake Holders to Empower (SMEs)

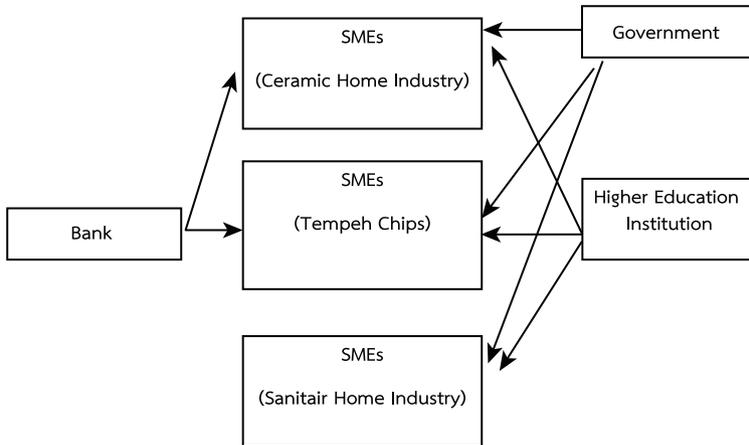
Actors	Strength	Weakness	Opportunity	Threat
Government	<ul style="list-style-type: none"> - Policy Maker - Budget - Human resource 	<ul style="list-style-type: none"> - Inefficiency - Transparency - Lack of flexibility (too many rules) - Program Overlap 	<ul style="list-style-type: none"> - Asean Economic Community - Blue print of poverty reduction Strategy 	<ul style="list-style-type: none"> - Tax for SMEs - New Regulation which do not pro SMEs
Bank	<ul style="list-style-type: none"> - Provide loan for SMEs - Good management 	<ul style="list-style-type: none"> - Collateral - Minimum Credit 	<ul style="list-style-type: none"> - KUR Program - Local and Provincial Program about poverty eradication program 	<ul style="list-style-type: none"> - Non Performance Loan (NPL) - AFTA/Global competition
Higher Education Institution	<ul style="list-style-type: none"> - Concept - Education & Training - Human Resource - Technology 	<ul style="list-style-type: none"> - Lack of Application in lower society. - Lack of Link and Match between Campus and Industry/ Business sectors 	<ul style="list-style-type: none"> - Enterpreneurship Campaig by Government and other stakeholders 	<ul style="list-style-type: none"> - National Regulation about Higher Education to limit role of Higher education institution

Source: Designed by researcher, January 2014

The Existing Model of Synergy Among Stakeholders in Empowering the SMEs

Figure 4.1

The Existing Model of Synergy Among Actors to Reduce the Poverty through Empowering the Small Medium Enterprises (SMEs)



Source: Designed by Reseacher 21 August, 2014

From the figure above it can be explained that some stakeholders have significant role to support the SMEs development, but some other did not so much high contribute to the SMEs, even some SMEs never touch by some stakeholders. For the case of ceramics home industry, some stakeholders which are the government, Higher Education and Bank have significant role to

promote the SMEs (Ceramic Home Industry), but for some other stakeholders namely Cooperative/ Coop, Non Governmental Organization (NGO) and Community Organization did not support to Ceramic industry.

The other SMEs case is Tempeh Chips, based on the survey, it can be found that almost all stakeholders have been involved to strengthen the Tempech Chiops SMEs, those stakeholders namely: Government, Higher Education Institution (University), Bank, Cooperative, NGOs, and Community Organization.

Finally for the Case of Sanitair Home Industry there are only three stakeholders which involved to support this SMEs, which are government, Higher Education Institution (University) and Social Foundation, whereas the other stakeholders such as NGOs, Cooperative and Bank did not contribute to support the Sanitair Home Industry SMEs.

Discussion and Analysis of Research Result ■

The Grand Strategy of Poverty Reduction Policy

As expressed by Nugroho, 2011 that public policy is any decision made by the state, as a strategy to realize the goals of the state. Public policy is a strategy for delivering community in the early days, during the transition into the community, to get people aspired.

In this study it was found that the central government and local government is committed to address the problems of poverty. The opening of the Indonesian republic constitution

states that one of the state's goal is to promote the welfare of the people of Indonesia. In the content of the constitution in 1945 also stated that the poor and neglected children maintained by the state. central government through the national planning agency set 4 clusters in the eradication of poverty, among others, assistance and social protection of the family based, community empowerment, Empowerment and Micro Small and Cheap Programs for People.

Richard Vanatcil as cited by Steiss (2003) said that this strategy helps policy makers to clearly define long-term goals and short-term of an organization so that the organization has clarity in any executable programs and efforts. Vanatcil states as follows:

“Strategy is a conceptualization, expressed or implied by the organization's leader, of (1) the long-term objectives or purposes of the organization, (2) the broad constraints and policies . . . that currently restrict the scope of the organization's activities, and (3) the current set of plans near-term goals that have been adopted in the expectation of contributing to the achievement of the organization's objectives.”

Poverty alleviation program is part of the Indonesian government's efforts to meet the Millennium Development Goals agreed to by almost all countries in the world that is 8 goals to be achieved by 2015, where the eradication of poverty and

hunger is one of the principal targets in the MDGs are to be achieved.

At the normative level poverty reduction policies taken by the Indonesian government has been very clear and unequivocal that the Indonesian state guarantees the welfare of each resident, but the implementation is still a gap. This can happen due to several factors, among others, on the question of legislation that still require implementing regulations under it that needs more detailed explanation so that the general rule above can be carried out with greater clarity, lack of commitment and the quality factor of personnel resources executive, personal awareness of citizen low because of information and motivation, lack of synergy between the various sectors that have the duty and responsibility to address the problem of poverty.

Gray, C.S. (2006, p. 1) also states in his book *Strategy and History: Essays on Theory and Practice*. “Strategy is the bridge between military power and political purpose”. What is proposed by Gray gave a lesson that strategy is the bridge between general policy level with the application of a special nature program. This is in line with what is delivered by Watthana 2011 that serves as a liaison strategy of being at the level of policy and philosophical ideas into an operation/ implementation of policies that are more technical.

What has been put forward by Gray is increasingly clear that a policy can not stand alone without a strategic plan that seeks to realize the one thing that is still at the level of big ideas

with real field level. The central government has produced many poverty alleviation programs such as urban poverty alleviation programs (P2KP), Social Safety Net (SSN), Community Health Insurance (JAMKESMAS) for the poor, the School Operational Assistance (BOS) to help reduce the burden of education costs, subsidies fuel oil (BBM), direct cash assistance (BLT) and other programs that are expected to reduce the burden of the poor.

Various poverty alleviation programs undertaken by the government of Indonesia has shortcomings, among others, are some of the objectives of the program are still one of the target policy should be directed. As in the fuel subsidy, fuel subsidy policy is applicable to all people without exception, so often benefiting from the fuel subsidy is not only the poor but also among relatively more capable / wealthy. Another problem is also common penyelewengan aid to the poor such as school operational assistance (BOS), the purpose of the BOS program is to actually reduce the cost of education by granting financial assistance to the school to meet the needs of schools, especially government schools. But in many cases this assistance is used for other purposes outside than it should. So as to be able to feel the burden of public education quality but still affordable to be blocked. Another issue is the lack of common socialization of poverty alleviation programs such as the existing public health insurance program in which the results of the field observations in mind that most of the poor are still not aware of the public health insurance program, so as a result they are not able to go

to a hospital or doctor in the absence of cost. It is very unfortunate, because in fact the government has issued a policy that protects the entire community of poor breeding or rich to get adequate health care, with a cross-subsidy system where the people who can afford them are required to pay dues / premiums, while they are not for the poor charge, and it will receive a variety of free health care.

It remains crucial that a major problem is that the poverty alleviation programs that have been announced by the government would decrease the motivation of people to be able to independently release himself from the shackles of poverty, are very concerned about is they only expect help from the government without any spirit or effort to solve their own problems. In the short-term program as it looks as if the government shows concern for the poor, but in the long run a program such as this can result in poor people's motivation to work and entrepreneurship.

David Mc Clelland stated that if a country wants to go forward then there should be at least 2 percent of people who work as entrepreneurs. Currently the number of entrepreneurs in Indonesia is still very small at less than 1 percent. Compared with Americans who have reached 10 percent, 8 percent, Indonesia Singapore is still far behind other countries. Often governments often make the movement grow jargon with new entrepreneurs, but the jargon has not been matched with a variety of policies and regulations that encourage the spirit and consciousness as well as make it easy for new entrepreneurs. An example is the

taxation policy of 1 per cent of turnover for SMEs, such as the tax is feared to lose zeal for SMEs to start and develop their business, due to the withdrawal from the turnover tax is very burdensome, this happens because of the condition of the profit or loss SMEs still required to pay taxes.

Minor Proposition I _____ ■

Poverty can not be solved only by social assistance programs that are providing subsidies or cash transfers but using the resources and capabilities of poor people themselves.

Minor Proposition II _____ ■

SME Business activity is strongly influenced by the power of innovation and a positive mental attitude of employers and still needs the support of government and relevant parties in order to compete with foreign SMEs.

Minor Proposition III _____ ■

Problems faced by the various parties is the lack of coordination or synergy between the elements in realizing their goals are noble, all parties to work independently to achieve their targeted goals, they may not realize the potential of great power that could be achieved if the power is put together in a synergy among sectors.

New Models of Synergy among the stakeholders to reduce poverty through empowering the small and medium enterprises (SMEs) _____ ■

Various weaknesses in an effort to encourage SMEs must be overcome by constructing a new model to overcome the problems of SMEs development which in the end is in order to alleviate poverty.

Synergy models that have been developed by Narayan, 2000 states that the necessary synergy between the state institution to institution of civil society to address the problem of poverty. Researchers interested in what has been said by Narayan where the problem of poverty is believed to be much more effective if carried out in cooperation with various parties, both state institutions in this regard is the central government and local government through the department of cooperatives and SMEs and civil society such as Non Governmental Organizations (NGO) socio-religious institutions, cooperatives. Also according to the opinion of the banks as providers of research funds and the college as a center for research and training to SMEs very vital role. So what is depicted in the new model of the synergy among stakeholders in encouraging SMEs to overcome poverty in chapter 5 is expected to be a role model in overcoming poverty in Indonesia and elsewhere.

In this dissertation the authors propose a new model based on the poverty reduction strategy of empowerment of SMEs. In this model the role of all interested parties (stakeholders) to

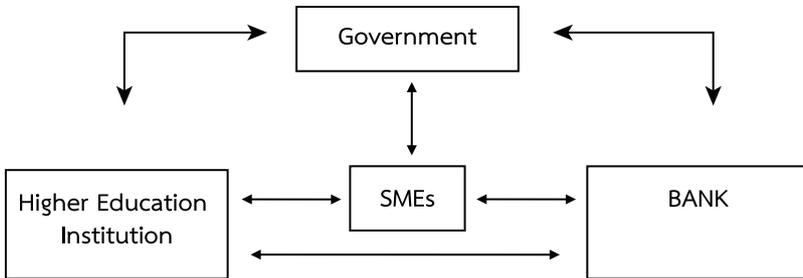
synergize with each other to strengthen each other, between the parties other than the government as a key actor, banking, higher education institutions, Cooperative, NGOs, Community / Religious Organizations.

Cooperation between each actor in empowering SMEs should be mutually beneficial and well intentioned based to encourage SMEs in order to reduce the amount of poverty in Indonesia, the synergistic cooperation between the various components of the dihadapkan can produce SMEs which have toughness in running their business performance. Such cooperation is not temporal but dihadapkan continuous and sustainable and has a good plan for jangka work program of short, medium and long term. Government as the party in charge of coordinating all the components necessary to invite all representatives of each of the components of to sit together to discuss the steps necessary to plan the strategic direction and development of SMEs in Indonesia, especially in Malang.

More details of the model will be shown in the following chart.

Figure 4.2

New Model of Sysnergy Among Actors to Reduce The Poverty Through Empowering The Small Medium Enterprises (SMEs)



Source: Designed by researcher, 2014

From the chart, we can know that the empowerment of SMEs in Indonesia involves many parties such as banking institutions, higher education institutions, Non-Governmental Organizations, Big Company, and Community/ religious organization. Each actor in the synergy must have a synergistic relationship with each other, and all of the relationships under coordination by government agencies as the main policy holder. Each side in the above stakeholders have a very important role in building and developing SMEs, therefore, needs to be elaborated tasks and roles of each party to the stakeholders:

The role of each of the parties (stakeholders) in supporting and empowering SMEs are as follows:

Table 4. 9
The Role of Each Party (Stakeholders) In The Empowerment Of Smes

SMEs Business Process Components	Government	Bank	Higher Education
Market Access	✓		
Manajemen Skill	✓		✓
Capital Access	✓	✓	✓
Technology Transfer	✓		✓
Research and Development	✓		✓
Human Resource Capacity	✓		✓
Business Concept/Model	✓		✓
Education/Training	✓		✓
Tecnical Assistant/ Production Process	✓		✓

Source: The Author, 2013

Based on the table above we can see that each actor in the stakeholders in order to empower SMEs has diverse roles. If we look in more detail it turns out that there are several components in the SMEs business processes that can be supported and assisted by several components, as well as the functions of marketing, finance, and education and training. The functions can be ditangani by two or three components, as well as the government has the

ability and capacity to provide promotional assistance to expand market access, so even with large businesses that can help SMEs in expanding the area of distribution of the marketing of their products. As for funding, the Bank, the government, big businesses and religious institutions such as the institutions of zakat can facilitate SMEs to gain access to capital to expand its business.

Therefore, in the future there will be coordination and synergy between the respective parties to the stakeholders to build and develop SMEs in a more collaborative approach and synergy among the various sectors.

Mayor Proposition

A New Model synergy among sectors covering Government, Banks, Universities, Cooperatives, NGOs and Social Foundation will produce a major force in driving the empowerment of SMEs.

CONCLUSION

This chapter consists of the conclusion and recommendation of the research. In order to get the summary research findings, this chapter had been divided into two parts, namely: conclusion and recommendation. This chapter aims to concludes the research finding and provides some recommendation in order to provide better strategy of poverty reduction through empowering small medium enterprises (SMEs).

Conclusion

1. Indonesian national government has set a comprehensive poverty reduction strategy that includes 4 clusters namely: integrated social assistance programs based on family, poverty reduction programs based on community empowerment, poverty alleviation programs based on empowerment of micro and small and inexpensive program for the masses .

2. In order to eradicate the poverty based prevention programs empowering micro and small government has implemented several strategies to encourage the performance of SMEs nationally based law number 20 of 2008 on Micro, Small and Medium Enterprises .

3. The number of SMEs nationally in Indonesia until the end of 2011 were 55.2 million units or 99.99 % of all businesses in Indonesia to absorb labor 101, 722, 458 , while the contribution of SMEs to GDP was 175.89 trillion rupiah or 15.8 % of total non- oil export.

4. Each SMEs in Malang city have their own specific characteristics, for the case of Ceramic home Industry some actors give high contribution such as Government and Bank. The Government contribution not only gives a coaching and motivation, but also provides support equipment which required in the ceramic product sales. While from the contribution of bank is providing loan to the SMEs, through the soft loan program (in expensive/low interest). After the SMEs got some assistance it has the impact to some business performance indicator such as the

better quality of the product, larger market area and better of technology equipment, but it has decreased in number of employees and the level of wage. In other word it shows that some assistant from various stakeholders in some extent is very good the enhance the SMEs performance but have negative impact in a some business indicator performance.

5. For the Case of Tempeh Home Industry, some stakeholders has very active to contribute the SMEs such as the Local Government, Higher Education Institution, and Bank. And the impact after the SMEs received some assistance from those stakeholders is almost all business performance indicator have increase in both of quality and the quantity, such as the market access, number of employee, the level of wage to their employee, technology production and distribution, and production quality.

6. For the Case of Sanitair Home Industry, Some stakeholders have high contribution in the SMEs business development such as the government, University and The Social Foundation. And after the SMEs received the assistance some of their business performance indicator has increased such as the quality of production, and market area product distribution, but for number of employee the SMEs has decreased, it happened because they must take efficiency strategy to minimize their budget spending.

7. The synergy among all stakeholders are needed to encourage SMEs to be more capable in order to prepare the competition in national and international scope.

Recommendation

1. The Government should consider more about the taxation policy especially the tax for small and medium enterprises (SMEs). The new tax policy for SMEs based on the Government Regulation (Peraturan Pemerintah) No. 46 Year 2013 which governing the tax for SMEs which have the turnover (omzet) of their business less than 4.8 billion rupiah per year have some implication, in one side this policy decided by government to push the SMEs to improve their business accounting accountability, because most SMEs run their business without the financial report. By the tax policy for SMEs the government expected the SMEs to report their transaction. If the SMEs have the transaction report they can apply Tax payer Identity Number (NPWP), by this NPWP the SMEs can apply the loan from the Bank.

In other side this policy could be potential barrier to the new SMEs/ entrepreneur, this regulation only have maximum rate for amount of turnover (omzet), so for the SMEs which have very low turnover they still have a compulsory to pay tax amount 1 persen from their turnover eventhough their business in loss situation or not profit. So it will kill the very poor entrepreneurs which just establish their small or micro business..

2. The government through the synergy of all the stakeholders should reform the regulation of the Loan application procedure in the Bank, because so far it is not easy for the SMEs to apply the loan from the Bank, they should have a collateral and some other criteria, such as the minimum of business have

been running for 2 years, for the medium and big scale enterprises this policy is not so significant problem, but for the perspective of small and micro enterprises this procedure to be a big barrier to develop their business through the capital loan. Finally if the bank do not reform the procedure application to get the loan, so most SMEs will use the moneylender service with the very high interest, it will not help the poor, in the opposite it will create the worst situation for the poor family.

The Government and other stakeholders should assist and educate the SMEs actor to train them how to make good business proposal as the requirement application to ask the loan from the bank.

3. The government should establish the “SME Market” so that all the SMEs in Malang City can sell their product through this place, it will very helpful for the customer and also for the SMEs actor. By customer perspective, it will help them to find the products of SMEs in Malang in the same location, they do not need to go to some direction which far area, the just easy to come to the SMEs market to buy those product. From the perspective of SMEs Actors, this SMEs Market give high contribution to their increase of sales production, because in the customer easy to come it make giver opportunity for the SMEs to sell their product with high number of customer.

4. The Government and University (Higher Education Institution) should join to gether to help and assist the SMEs in processing their business legal basis including the lisenca, the

intellectual right or copy right. Most of SMEs in Malang City they do not care about legal basis, in some situation it make the SMEs product is very easy to copy by other companies.

The Government and other stakeholders should providing the information and education to the SMEs actors so that they have awareness to process their business legal and product lisense.

5. The Government and all stakeholders should work in good synergy to help the SMEs, and the government should take the strategic position as the coordinator to involve all the stakeholders in empowering the SMEs or in other word the Government should invite other parties such as Bank, higher education institutions. to think and work together in fostering the growth and development of SMEs

6. All the stakeholders especially higher education institution (university) should help the SMEs actor to maintain their management skill to operate their business including how to report financial cashflow of their business activity.

7. The Government and all stakeholder should help the SMEs in their promotion and marketing of their product by using management information system and technology in order to improve the business performance.

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