

THE ROLE OF GOVERNMENT POLICY AND STAKEHOLDER ENGAGEMENT IN IMPROVING PERFORMANCE OF MSMEs IN NORTH KAYONG REGENCY

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ABSTRACT

This study aims to examine the role of government policies and stakeholder involvement in improving the performance of MSMEs in North Kayong Regency. This research uses a mix method. The population in this study were MSME actors in North Kayong Regency, totaling 7,687 MSME actors. Sample selection using purposive sampling and quota sampling techniques. The data collection techniques used were interviews, questionnaires, documentary studies and literature studies. The analysis method used is multiple regression analysis using statistical software SPSS 26.0. The results showed that for the role of government policy, the funding aspect indicator had a significant value of 0.000 (p -value $0.000 < 0.05$). The facilities and infrastructure aspect has a significant value of 0.213 (p -value $0.213 > 0.05$). The business information aspect has a significant value of 0.010 (p -value $0.010 < 0.05$). The partnership aspect has a significant value of 0.002, (p -value $0.002 < 0.05$). The licensing aspect has a significance value of 0.008 (p -value $0.008 < 0.05$). The business opportunity aspect has a significance value of 0.001 (p -value $0.001 < 0.05$). The trade promotion aspect has a significance value of 0.749 (p -value $0.749 > 0.05$). Furthermore, for stakeholder involvement, namely financial institutions have a significance value of 0.034 (p -value $0.034 < 0.05$) and business associations have a significance value of 0.110 (p -value $0.110 > 0.05$)

KEYWORDS Government Policy, Stakeholder Involvement, MSME Performance



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INTRODUCTION

MSMEs play an important role in economic development in Kayong Utara Regency through job creation and improving community welfare. The role of MSMEs can be seen from their position as: 1) the main actors of economic activities in a number of sectors, 2) the largest provider of employment, 3) important actors in the development of local economic activities and community empowerment, 4) creators of new markets and sources of innovation, and 5) maintainers of the balance of payments through export activities (Setyawati, 2018). The role of MSMEs in the regional economy is very strategic so that it must be the focus of future regional economic development. The role of banking in the development of small and medium enterprises is very important, this is because the role of credit and non-bank financial institutions in financing small and medium enterprises is still relatively low. In general, the role of banks in intervening in the empowerment of MSMEs is very helpful in the formation, expansion and development of businesses so that in turn it provides more employment opportunities (Muheramtahadi, 2017).

North Kayong Regency MSME players in 2019 amounted to 2,178, then increased by 61.97% from 2019 and increased by 25.49% from 2021. The positive trend of increasing MSME actors in North Kayong Regency is in accordance with the commitment of the central and regional governments to improve the community's economy and open up opportunities for employment. This is also very important because based on data from the Ministry of Cooperatives and SMEs, it explains that currently there are 64 million MSME units that contribute 97% of the total workforce and 60% of the National Gross Domestic Product (GDP).

The problems of MSMEs in North Kayong Regency include those related to trade promotion, funding, and business licenses (Syaifulloh & Wibowo, 2020). The problem in the aspect of trade promotion is that the majority of MSME players do not have competitiveness, namely they have not paid attention to product marketing issues (Kara, 2013). There are also few business actors who register IPR, even though the government already has a budget to help business actors. Problems in the aspect of funding, currently there are still many MSME actors who need capital, but they have difficulty in applying for credit (Aristanto, 2019). The Trade Office in Kayong Utara Regency assesses that the awareness of business actors in the micro sector to register their businesses is still low, so many have not been registered.

(Harini et al., 2018) revealed that the factors that influence the performance of MSMEs are attitude, mentality, and management capabilities. Stakeholder involvement is very important to empower MSMEs. Stakeholders include government agencies, educational institutions, cooperatives, banks and business associations. To date, there has been sufficient interaction between the various stakeholders (EKASARI et al., 2022). MSME policies made by local governments through local regulations and legislation are expected to help create competitive MSMEs. Performance in MSMEs can be seen from the satisfaction of the owner or manager (dependent variable) on profit, turnover, break-even point, and business development (Alasadi & Abdelrahim, 2007)

Given the strategic role of MSMEs, it is important to empower them to grow and develop into strong and independent businesses. Law No. 20/2008 on MSMEs defines empowerment as "the activities of the central government, local governments, the business world, and the community in order to jointly create a conducive business climate and develop businesses" (Mustafa, 2021). In Law No. 20/2008 on MSMEs, the objectives of empowering MSMEs are: (1) realizing a balanced, developed, and equitable national economic structure, (2) growing and developing the ability of MSMEs to become resilient and independent businesses, (3) increasing the role of MSMEs in regional development, job creation, income distribution, economic growth, and alleviation of people from poverty.

Irdayanti's (2012) study on the role of government in the development of MSMEs found that "government synergy in their efforts to improve pottery upgrading in Kasongan using local economic development programs (Irdayanti, n.d.). This synergy can be seen from the craftsmanship policy that involves the community and the private sector such as individuals, universities, and banks as a (joint venture) to improve upgrading in an effort to capture the global market. In addition, based on Law No. 20/2008, the Government and Regional Governments foster a Business Climate by establishing laws and policies covering aspects of: (1) Funding, (2) Facilities and Infrastructure, (3) Business Information, (4) Partnership, (5) Business Licensing, (6) Business Opportunities, (7) Trade Promotion and (8) Institutional Support.

In finding solutions to several problems in improving the performance of MSMEs, this research uses a triplehelix approach to make recommendations for future development. The triplehelix model was first introduced by (Etzkowitz & Leydesdorff, 1995) who emphasized that the interaction of the three ABG components (academic, business, government) is the main key to improving the atmosphere conducive to the emergence or birth of innovation, creativity, skills and ideas in creative economic development for MSMEs (Sari et al., 2020).

The triplehelix model built in this study focuses on making the performance of MSMEs increase every year which goes hand in hand with the involvement of ABG (academic, business, government), where this focus is divided into 2 (two) parts, namely from the financial side which includes an increase in sales turnover every year, profit every year and capital growth obtained every year. Then from the non- financial side which includes an increase in the number of employment, satisfaction with the MSME products produced (Machmud, 2013).

RESEARCH METHOD

This research uses a mix method, namely quantitative and qualitative approaches. The quantitative approach used is the survey method. The survey method was used to reveal facts about the performance of MSMEs in North Kayong Regency, West Kalimantan Province. The subjects in this study were MSMEs in the North Kayong Regency area of West Kalimantan Province. The population in this study were 7,687 MSME business actors in North Kayong Regency. Given the financing, time and breadth of coverage of the research area, it is impossible for researchers to obtain all information from the study population, so researchers used the subject of a portion of the population to analyze and draw conclusions. The

sample in this study amounted to 2,000 respondents. The data collection techniques used are interviews, questionnaires, documentary studies and literature studies. The analysis technique in this study uses multiple linear regression analysis which aims to see the magnitude of the influence of each indicator in government policy, stakeholder involvement and academics on the performance of MSMEs themselves and later recommendations will be given from each indicator that has not had a significant effect on the performance of MSMEs in North Kayong Regency. The existing data is processed using statistical software SPSS 26.0.

RESULT AND DISCUSSION

1. Government Policy and MSMEs

Based on the data obtained from respondents, it can be seen through the table below, namely what aspects of government policies have an impact on the performance of MSMEs in North Kayong Regency.

Table 1
The Role of Government Policy and MSMEs

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(constant)	1.710	.130		13.143	.000
Funding Aspects	.211	.038	.189	5.563	.000
Facilities and Infrastructure Aspects	.043	.034	.038	1.246	.213
Aspects of Business Information	.081	.031	.068	2.573	.010
Partnership Aspect	.097	.031	.119	3.119	.002
Licensing Aspects	.078	.029	.070	2.670	.008
Aspect Business opportunity	.138	.041	.104	3.363	.001
Trade Promotion Aspects	.014	.045	.009	.319	.749

Source: processed data SPSS 26.0 (2022)

The table above illustrates how the role of government policy is measured through several indicators including aspects of funding, aspects of facilities and infrastructure, aspects of business information, aspects of partnerships, aspects of licensing, aspects of business opportunities and aspects of trade promotion.

The results obtained are as follows:

1. The funding aspect has a significant value of 0.000 (p-value $0.000 < 0.05$). It can be concluded that the funding aspect provided by the Government through central and regional government banks with the people's business credit program or KUR has a significant impact on improving the performance of MSMEs in North Kayong Regency.
2. The facilities and infrastructure aspect has a significant value of 0.213 (p-value $0.213 > 0.05$). It can be concluded that government assistance programs related to facilities and infrastructure or supporting facilities for MSME actors, especially the North Kayong Regency Government, have not had a significant impact on improving MSME performance.
3. The aspect of business information has a significant value of 0.010 (p-value $0.010 < 0.05$). It can be concluded that the North Kayong Regency Government, in this case providing related business information, is very helpful for MSME actors such as information related to superior products, information regarding assistance from the Government, information regarding appropriate technology in developing superior products and information regarding business actors in meeting the quality standards of the products produced.
4. The partnership aspect has a significant value of 0.002 (p-value $0.002 < 0.05$). It can be concluded that the partnerships formed between the Government and MSME players are very good and this can also be seen that there are several Government partnerships with MSMEs so that they form fostered MSMEs between the North Kayong Government and these MSMEs.
5. The licensing aspect has a significance value of 0.008 (p-value $0.008 < 0.05$). The government provides convenience in services to make licenses for business actors. The provisions or requirements used in licensing MSME business actors can go through the North Kayong Regency Trade Office and the licensing processing period which is clearly stated in the Office.
6. The business opportunity aspect has a significance value of 0.001 (p-value $0.001 < 0.05$). The North Kayong Regency Government through the Trade Office fully supports MSME players to improve product competitiveness through the ease of business licensing and collaborates with academics for MSME development training.

The trade promotion aspect has a significance value of 0.749, (p-value $0.749 > 0.05$). The government does not involve the media to be able to increase promotion, in other words, MSME products in North Kayong have not been fully exposed. Therefore, the trade promotion aspect indicator has not made a significant contribution to the development of MSMEs

2. Stakeholder and MSME Involvement

Based on the data obtained from respondents, it can be seen through the table below, namely what indicators of stakeholder involvement have an impact on the performance of MSMEs in North Kayong Regency

Table 2
Involvement roles of *stakeholders* and MSMEs

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(constant)	2.981	.083		35.815	.000
Financial Institutions (Government Banks)	.096	.045	.067	2.122	.034
Business Association	.080	.050	.051	1.599	.110

The table above illustrates how *stakeholder* involvement is measured through several indicators including financial institutions (Government Banks) and business associations. The results obtained are as follows:

1. Financial institutions have a significance value of 0.034 (p-value 0.034 < 0.05). Government banks are institutions that channel the people's business credit program or KUR. This program itself provides a "breath of fresh air" for MSME actors, the results of which have a very significant impact on the development of MSME themselves and also this program provides leeway in administration in order to make it easier for MSME actors to get loans.
2. Business associations have a significance value of 0.110 (p-value 0.110 > 0.05). Business associations are indeed one of the *stakeholders* that have a role in the development of MSMEs, because these business associations are the pillars for MSME products to be recognized by many Indonesians in general and West Kalimantan Province in particular. This business association can help business actors, starting from educating what products are superior and become market needs, introducing the products of their association members and even looking for export opportunities for their products. However, in reality in North Kayong Regency, this business association has not had a very significant impact on the performance of MSMEs.

3. Academia and MSMEs

Based on the data obtained from respondents, it can be seen through the table below, namely to see the impact of academic involvement on the performance of MSMEs in North Kayong Regency.

Table 3
Roles of Academia and MSMEs

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(constant)	3.136	.077		40.825	.000
Academician (PT/PTS)	.079	.034	.052	2.350	.019

The table above illustrates the impact of academics' involvement in the performance of MSMEs in Kayong Utara Regency. The significance value for the role of academics is

0.019 (p-value 0.019 < 0.05), meaning that the role of academics has a very significant influence on the development of MSMEs.

Discussion

In finding solutions to several problems in improving the performance of MSMEs, this research uses a triplehelix approach to make recommendations for future development.

The following is a discussion of the involvement of each element in the pentahelix model as measured using the average score of the respondents' questionnaires (primary data), interviews with related parties and secondary data obtained from OPDs related to MSMEs in Kayong Utara Regency.

1. Role of Government Policy

The current funding aspect is a policy of the central government then allocated to local governments through government banks. The programs implemented are as follows:

- The People's Business Credit (KUR) program, MSEs in North Kayong Regency in 2019 as many as 717 debtors who are MSE actors have received funding distribution with a value of Rp 20,388,500,000 and in 2020 as many as 625 debtors who are MSE actors have received funding distribution with a value of Rp 16,214,190,000. Then distribution in the Ultra Micro Business Program (UMI) in 2020, as many as 134 MSME actors in North Kayong Regency received funding distribution with a value of Rp 802,340,000. Based on respondent data, the funding aspect originating from the North Kayong Regency Government itself is classified as low with a score of 2.93 on a scale of 5.00, which means that funding is centralized by the Central Government so that the Regional Government is only an implementer or extension of Central Government policies.
- The Micro Business Productive Presidential Assistance Program (BPUM) is central assistance for MSEs in districts / cities in Indonesia. For North Kayong Regency in 2020 BPUM recipients amounted to 2,473 MSE actors and in 2021 BPUM recipients amounted to 3,276 MSE actors.

Based on the results of respondent data for the involvement of the facilities and infrastructure aspect, the score is 2.99 on a scale of 5.00 with a significant

level of 0.213, meaning that the contribution of facilities and infrastructure has not had the maximum impact. The facilities and infrastructure aspect is an important component in empowering MSEs, the facilities and infrastructure in question are both physical and non-physical facilities. The first physical facility is the establishment of MSE centers provided by the local government, but this cannot be done by the North Kayong Regency Government because it does not yet have a Cooperative and SME Office to oversee this program due to constraints on the number of MSEs that are still lacking to meet the requirements for the formation of the OPD. The second is the provision of assistance related to production facilities that has been carried out by the North Kayong Regency Government by providing assistance in the form of tools to support production and tools for product packaging. This assistance is provided on the condition that the business has been running by producing a product worth selling, not a business that has not produced a product worth selling.

For non-physical facilities such as holding annual routine exhibitions to introduce products from North Kayong MSEs has not been carried out, only following activities held from other organizers outside North Kayong. In this case, marketing channels need to be formed to introduce superior and competitive products in North Kayong Regency. This has been described in research conducted by (Harsono, 2012) which states that the variables of promotion, training and tool assistance on performance improvement are 57.3%.

The business information aspect has a score value of 2.81 on a scale of 5.00 with a significant level of 0.010, meaning that the contribution of the North Kayong Regency regional government in providing information related to businesses such as providing information about business information networks, information about markets, sources of financing or capital is still low in practice, but this is a very significant factor in the benefits for MSE actors in their development. Among them are as follows:

- Information about the market is very useful for MSE actors in expanding the market for the products they produce. The North Kayong Regency Government through the Trade Office provides information related to superior products needed by the consumer market.
- Information related to sources of financing or capital, the regional government of Kayong Utara Regency always provides information related to financing allocated from the central government so that the absorption of financing or capital can be utilized by business actors. This can be seen from the absorption of capital costs through the central government program, namely KUR, UMI and Banpres Micro Productive Businesses to MSE actors in North Kayong Regency.

The partnership aspect has a score value of 3.13 on a scale of 5.00 with a significance level of 0.002. Partnership is one of the important factors in the development of MSEs in an area, by carrying out these partnerships, the impact felt is also significant. In this case, the partnership in question is a partnership between MSEs in terms of procurement of raw materials, product processing to product marketing and focuses on mutual benefit for the MSE actors. Partnerships can also be made other than between MSEs, as has been done by

the North Kayong Regency Trade Office with Tanjung Pura University Pontianak in 2019 in the context of Community Service related to "Marketplace" where the aim is to create a platform or media to bring together sellers and buyers in the process of buying and selling products. Therefore, the partnership aspect outlined from Government policy has a significant role in the development of MSEs.

The licensing aspect has a score value of 3.82 on a scale of 5.00 with a significance value of 0.008. In North Kayong Regency, through the One-Stop Investment Service (DMPTSP), 440 OSS-based NIBs have been issued from 2019-2022 (September), where these NIBs are used by MSME players to obtain micro business assistance from the Government and take advantage of the KUR program which uses NIB as one of the conditions for borrowing capital. With the legalization of a business, it will be an added value for business competitiveness in the domestic market and international market.

The business opportunity aspect has a score of 2.32 on a scale of 5.00 with a significance value of 0.001. Business opportunities provided by local governments have not been maximized in the MSME development section, such as the role of local governments in the allocation of business premises. This place of business needs to be made an area where MSME actors from each business sector gather, so that the local government can monitor business actors because it is centralized or in other words, each cluster area is made for business actors.

The trade promotion aspect has a score of 2.52 on a scale of 5.00 with a significance value of 0.749. Trade promotion activities play an important role in product recognition in the consumer market, this is because when the product results are more widely recognized, the improvement in MSME performance is also getting better. In essence, this promotion is one of the pillars or spearheads for MSME actors and there is great hope for the Government to provide access to assistance to business actors. In the aspect of trade promotion in North Kayong Regency, the local government has not made a significant contribution in this aspect. Some things that have not been carried out significantly are (a) the role of local governments in assisting promotional funding for MSME products in their regions and (b) the role of the government in facilitating business actors in the ownership of intellectual property rights.

2. Role of stakeholder involvement

Financial institutions have a value of 2.06 on a scale of 5.00 with a significance of 0.034. The role of financial institutions is very significant as facilitators, namely providing capital for MSMEs in North Kayong Regency through funding programs such as the KUR, UMI and Banpres programs. Basically, the assistance provided to MSME actors all comes from the central government through financial institutions and related OPDs as an extension of the central government. The low average score is indicated by the weak post-credit monitoring, this is because; (a) financial institutions only monitor the payment of obligations but not the impact resulting from the provision of working capital. (b) In terms of fostering cash flow recording, financial institutions do not play a role because this is not within their scope of work. But

of all these things, the involvement of financial institutions has a significant influence as a facilitator in the distribution of funding programs.

Business associations have a value of 2.23 on a scale of 5.00 with a significance of 0.110. The role of business associations as a catalyst is to stimulate MSMEs to develop faster and provide the facilities needed to achieve goals. The contribution made by business associations has not been maximized in relation to business development in the form of improving product and market quality and fostering business actors. In North Kayong district, there is no association for MSME players, so this is also the cause of the slow development of MSMEs in the area.

3. Academia's role

The involvement of academics has a score value of 2.18 on a 5.00 scale with a significance value of 0.019. In its implementation, the contribution of academics made a significant contribution to the development of MSME performance through the tri dharma of higher education activities such as research and community service. It has a significant value in its implementation, but there are several points of activity that need to be done more for MSME actors in North Kayong Regency. Some of the activities carried out by academics in the area are management training, training related to business bookkeeping, entrepreneurship training, and information technology training.\

CONCLUSION

Based on the results of data analysis from respondents as well as the results of field observations and interviews with related parties in this study, the recommendations that can be given are as The government in collaboration with stakeholders needs to provide a central UMKM as a centralized sales place in North Kayong Regency.

The government collaborates with stakeholders such as business associations to organize events related to MSMEs that can be used as annual activities in North Kayong Regency.

The government facilitates MSMEs through training in making reports related to funding to be able to get assistance in terms of capital and can improve the skills of existing MSMEs.

The government in collaboration with trade agencies, business associations and academics needs to create a data bank and business information network.

The government provides information on superior products in North Kayong Regency, sources of financing for MSME development and appropriate technology that can be used.

The local government works together with stakeholders and academics to provide guidance as well as development to MSME players in North Kayong Regency by conducting entrepreneurship training, appropriate technology, the Indonesian Young Entrepreneurs Association (HIPMI) related to MSME business development training and banking and cooperatives related to funding aspects for MSMEs

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