

STRATEGIES FOR SCALING UP MICRO, SMALL AND MEDIUM ENTERPRISES (UMKM)

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Abstract

This research aims to find out how to increase the scale of micro, small, and medium enterprises (UMKM) by analyzing the strategies to be used. In this study, using a literature review, data collection was carried out through direct observation and documentation. The analysis technique used by analyzing the business strategies of micro, small, and medium enterprises (UMKM) that have been implemented the results of the analysis of UMKM business strategies are improved by improving the business management of micro, small, and medium enterprises (UMKM) themselves according to several scales that are applied.

Keywords: Strategy, Scale, UMKM

INTRODUCTION

Indonesia is one of the countries in Southeast Asia that has the largest economic activity. Even in the midst of a flood of information on the threat of a world recession, Indonesia's economic growth continues to experience significant growth, as seen in the BPS report, which recorded an impressive performance by being able to grow by 5.72% (yoy) in the third quarter of 2022 (www.menpan.go.id). Although Indonesia's economic potential is huge, it still faces serious social problems. This can be seen from the large number of unemployed people in Indonesia, as reported by the Central Statistics Agency (BPS), which recorded that the number of unemployed people in Indonesia was 8.42 million people in August 2022; thus, the open unemployment rate (TPT) in Indonesia was 5.86%. Various social problems have been attempted by the government to be overcome through various programs, including social assistance and the empowerment of UMKM.

The government realizes that UMKM has made various contributions to the national economic development process because UMKM plays a very important role in reducing unemployment, providing employment, reducing poverty, improving welfare, and building national character (Ikbal et al., 2018). Micro, Small, and Medium Enterprises (UMKM) are larger-scale businesses than SMEs. The business can be run individually or in groups with certain criteria (Suyono, 2020).

In addition, small and medium enterprises also need a strategy in order to achieve a goal, so that everything will be well controlled. By using a strategy, a micro, small, and medium enterprise (UMKM) will be able to develop as expected (Ikhsani and Santoso, 2021). Various strategic roles are owned by the UMKM sector, but this sector is also faced with various problems. UMKM also faces many problems, namely limited working capital, low human resources, and a lack of mastery of science and technology. Other constraints faced by UMKM are related to unclear business prospects and unstable planning, vision, and mission. This occurs because generally UMKM are income-gathering in nature, that is, they raise income, with the following characteristics: family-owned businesses, relatively simple

technology, lack of access to capital (bankable), and no separation of business capital from personal needs (Sedyastuti, 2018).

The main problems faced by UMKM include limited infrastructure and government access related to licensing and bureaucracy, as well as high levels of levies. With all the problems that exist, the huge potential of UMKM is hampered. Although UMKM is said to be able to survive the global crisis, in reality, the problems faced are many and more severe. This is because, in addition to being indirectly affected by the global crisis, MSMEs must also face domestic problems that have not been resolved, such as problems with labor wages, employment, illegal levies, corruption, and others (Ikhsani and Santoso, 2020).

METHODS

This research is a literature review. Data collection techniques in this study were carried out by means of observation and documentation. The analysis technique used by analyzing the business strategies of micro, small, and medium enterprises (UMKM) that have been implemented.

RESULTS AND DISCUSSION

Micro, Small, and Medium Enterprises Strategy (UMKM)

The definition of small and medium enterprises (UMKM) or small medium enterprises (SMEs) is not always the same in every country, depending on the concept used. Based on article 1 of Law No. 20 of 2008, the definition of SMEs is: 1) Micro Enterprises are productive businesses owned by individuals and/or individual business entities that fulfil the criteria of Micro Enterprises as stipulated in this Law; 2) Small Enterprises are productive economic businesses that stand alone, conducted by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or part of either directly or indirectly by Medium Enterprises or Large Enterprises that fulfil the criteria for Small Enterprises as referred to in this Law; and 3) Medium-sized Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part of either directly or indirectly with Small Enterprises or Large Enterprises as referred to in this Law.

When viewed from the perspective of net worth and turnover, the criteria for UMKM according to Law No. 20 of 2008 are:

- 1) Microenterprises have maximum assets of IDR 50 million and a maximum turnover of IDR 300 million.
- 2) Small businesses have assets of IDR 50 to 500 million and a turnover of IDR 300 million to 2.5 billion.
- 3) Medium-sized enterprises have assets of Rp. 500 million to 10 billion and a turnover of Rp. 2.5 billion to 50 billion.
- 4) The criteria for UMKM can also be seen in terms of the number of workers (World Bank, 2005), where microenterprises have a workforce of less than 10 people, small enterprises

have a workforce of less than 30 people, and medium enterprises have a maximum workforce of 300 people.

Then the strategy, according to Tjiptono (2000), is an overall approach related to ideas, planning, and execution, an activity within a certain period of time. In a good strategy, there is coordination of the work team, a theme of identifying supporting factors in accordance with the principles of rational implementation of ideas, efficiency in funding, and tactics to achieve goals effectively. So, the strategy to increase the scale of UMKM is an idea, planning, execution, and activity to significantly increase the number of productive businesses owned by individuals, independents, or subsidiaries.

In order for the UMKM to grow and develop, one of the alternatives is to increase the productivity of the UMKM by modernizing the business system and its systematic policy tools so that the resulting impact is even broader in increasing competitiveness and gaining profits (Mustamim, 2020). The role of local governments in this case is very important because local governments play a role in carrying out their functions as leaders in development, facilitators, coordinators, and stimulators. The government also plays a role in terms of infrastructure that will be used in business and industry, as well as improving the quality of society (Waslah, 2020). Besides, UMKM also needs a modern marketing strategy. Such as through the use of digital technology as one of the most modern marketing and promotional media (Aprianti et al., 2022).

Micro, Small, and Medium Enterprises Strategy Development (UMKM Strategy Development)

Apriyanti et al. (2022) suggest that the way to effectively develop UMKM is by conducting digital marketing, improving financial management, and making innovations in the products sold. Digital marketing can reach a wider market share, so the opportunity for products to be sold is greater. Then the results of research by Ikhsani and Santoso (2020) show that the priority aspect in the development of micro, small, and medium enterprises (UMKM) in Banyumas is the entrepreneurial aspect. Based on the results of the ANP, it is concluded that the priority alternative strategies used to solve existing problems are strategies to improve product quality and quantity.

Resky (2022) said that the various implications that are most often felt by UMKM as a result of such policies can be explained as follows:

- 1) Many policy assistance programs, both empowerment and cash, conducted by various departments and local governments are not in line with what the community needs. One example is the incubator program created by the Ministry of Cooperatives and Small and Medium Enterprises with the Capital Awal Padanan (MAP) program in 2002.
- 2) The strengthening of employability skills through the establishment of training centers by the Ministry of Social Affairs, the Ministry of Manpower, and other government institutions generally lacks a sustainable program that is tailored to the region in which the center is set up. In other words, the programs are not community oriented.
- 3) Urban planning or spatial planning policies that relate to the location of small traders and street vendors often result in the demise of informal sector businesses. For example, local

government evictions of street vendors (PKL) are often not accompanied by solutions for street vendors (PKL). If the government does provide a space, the decision generally does not take into account the opinions of the evicted street vendors (PKL) about the viability of the new business space. The government should hold a dialogue with the street vendors to reach an understanding between the two parties. If there is no agreement, the government can make a joint plan so that unwanted things can be avoided. Given the importance of the informal sector (UMKM) and cooperatives as the basis of the people's economy, several patterns of guidance need to be carried out simultaneously, especially regarding partnerships, financing, and business development.

Zahra (2022) also explained that several coaching patterns need to be carried out simultaneously, especially regarding partnerships, financing, and business development. Furthermore, she also explained the UMKM development strategy, namely:

1) Market Access Expansion

This strategy is very important to develop the domestic market first by collaborating with ministries and institutions related to the priority of procurement of goods and services, such as state-owned enterprises (BUMN) and local governments. Then digitalization of UMKM to expand online marketplaces and offline markets through optimization of Sarinah, airports, rest areas, shopping centers, night markets, and revitalization of people's apsar for UMKM products.

2) Improving competitiveness

The following are some of the efforts made by the Ministry of Cooperatives and UKM, namely improving production quality by organizing technical assistance for UMKM actors who produce and also encouraging UMKM centers to enter the global market. Furthermore, global market intelligence facilities, by curating UMKM products with international standards and collaborating with related ministries to participate in promotions abroad, other efforts include developing SMESCO and Sarinah as trading houses and establishing a joint export office for UMKM products.

3) Entrepreneurship development

In developing entrepreneurship, Teten divided it into three things: first, consulting services and technical assistance, which include developing a consulting service center as well as online and offline assistance from the center to the regions, including capital market clinics. Furthermore, providing expert services in business assistance in management, production, marketing, finance, and human resources Second, acceleration and commercialization, which include providing entrepreneurship training and vocational training for business development, facilitating access to technology along with innovation and market expansion, as well as training partnerships with the private sector and international institutions, Third, cooperative modernization By improving governance, management innovation, technology, and human resources. Furthermore, by developing the digitalization of cooperative services so that they can enter the capital market.

4) Accelerated financing and investment

In this case, what will be determined to support financing for cooperatives and UMKM is, namely, first, expanding the soft infrastructure of financing, which includes ensuring

the implementation of the allocation of 20 percent of general banking credit for UMKM. However, financial literacy is also needed for cooperatives and UMKM, including capital market literacy. Of course, by preparing guidelines for fostering bonds and supervising cooperatives that go public, in addition, although there is currently a People's Business Credit (KUR) to facilitate access to financing for UMKM actors, it will still be difficult if the People's Business Credit (KUR) is without collateral.

5) Ease and opportunity of doing business.

In this fifth point, he divided it into four things, namely, first, simplification of business licensing and product standardization by encouraging deregulation and debureaucratization, and second, building integrated service facilities to obtain permits and certifications. Second, affirmation and protection policies; third, the establishment of a legal aid center by providing legal and notarial services to cooperatives and UMKM; and fourth, partnerships with large businesses. According to him, relating to the ease and opportunity of doing business, these materials are widely discussed in the Omnibus Law.

6) Cross-sector coordination

In this case, it is divided into two things, namely the one-gate policy, which is to formulate a national strategy for the development of UMKM by encouraging periodic censuses and surveys to improve UMKM data, because according to him, UMKM also needs surveys so that UMKM actors understand the aspects of the world of entrepreneurship.

Yuanita et al. (2018) explained that enterprise upgrading will be related to the growth of the company itself, in this case, production units with the scale of small and medium enterprises (UKM) through the innovation process. In this context, innovation can be interpreted as an effort that is different from the company's or doing the same thing but different in terms of processes and methods carried out by direct competitors (Humphrey and Schmitz, 2001).

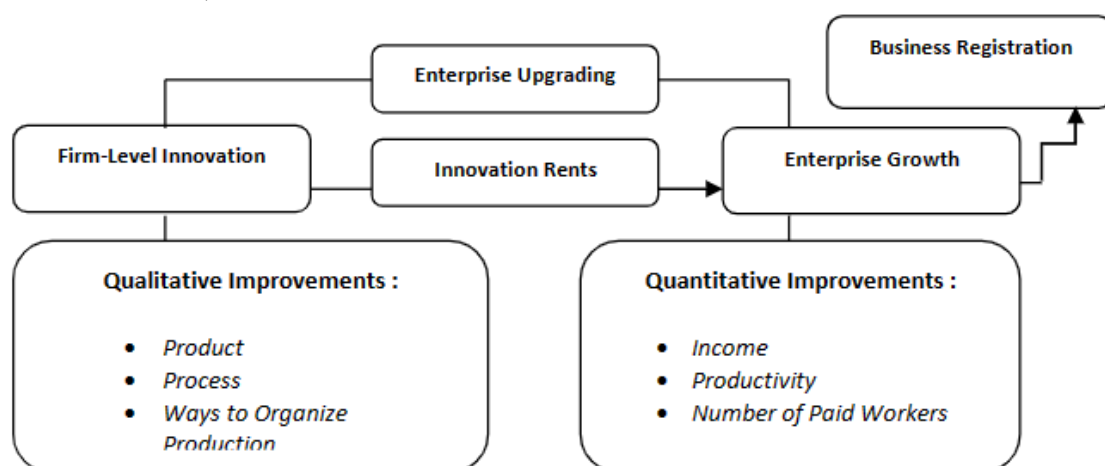


Figure 1: Enterprise Upgrading Concept

Source: Reeg (2013)

In simpler terms, business transformation is better known as enterprise upgrading, which is a strategy to increase business growth and development through innovation of several internal and external enterprise factors such as sales, business returns, assets, and the

number of employees, as well as government policies. Basically, this term will boil down to two important aspects of business development: qualitative aspects and quantitative aspects. Business transformation is necessary because every business has the opportunity to grow. However, business transformation is more focused on business growth strategies through innovation that can be directly controlled by entrepreneurs and is highly dependent on external factors (Armstrong et al., 2000; Anderson and Dennis, 1982; Beck and Demirgüç-Kunt, 2006; and Reeg, 2013).

This is also supported based on the results of research conducted by Ikhsani and Santoso (2020), which were obtained based on interviews and filling out questionnaires and resulted in several findings, namely: 1) priority aspects: aspects of the business environment, aspects of related industries, aspects of domestic demand, aspects of labor, aspects of bureaucracy, aspects of entrepreneurship, aspects of management, and aspects of business events; 2) priority problems: business environment problems, related industries, domestic demand, labour, bureaucracy, entrepreneurship, management, and business events; 3) solution priorities: Business environment solution priority, related industry solution priority, domestic demand solution priority, labour solution priority, bureaucracy solution priority, entrepreneurship solution priority, management solution priority, and business event solution priority; and 4) Strategy Priority: Managerial and business strategies, Vertical and horizontal integration strategies, Product quality and quantity improvement strategies, Workforce education and training strategies, Optimisation of the role of government and related agencies, Entrepreneurship training for MSME entrepreneurs and prospective entrepreneurs, Partnership and professional development strategies, Promotion improvement strategies.

CONCLUSION

The conclusion that can be drawn from the discussion of strategies to increase the scale of UMKM businesses above is that by improving the business management of UMKM itself related to: 1) innovation, 2) the concept of creating jobs, 3) Hazard Analysis Critical Control Point (HACCP) production quality, 4) product design, 5) marketing outreach, 6) planning to increase the role of MSMEs in the development of creative industries, 7) knowledge of business legality and understanding of business taxes; 8) the concept of increasing capacity management and production costs in achieving better turnover and business profits; 9) strategies to maintain production continuity; and 10) the concept of establishing business partnerships.

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