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Research Article

Featured Product Development of Small and Medium Enterprises (SMEs) to Improve the Tangerang City Regional Economic Growth

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Abstract: This research is aim at identifying various opportunities investment in a regional area that results in the provision of information regarding a potentially superior product of the particular region. This study focuses on Small and Medium Entreprises (SMEs) which are the major economic agent in the regional area. Data and information in this research cover various aspects. Objectives of this research are (1) to provide information about SMEs' products need to be prioritized for advancement in support of regional economic development (2) to produce policy recommendation to the government in the form of a featured product development model of SMEs which contribute positively to growth of regional area. The method of the research is explanatory or confirmatory research by using mixed approach i.e quantitative approach involving sample surveys and semi-structured interviews and also qualitative approach involving study cases, individual interviews, and focused group discussion. Data obtained was based on a list of commodities and products published by Statistics Center Bureau/BPS (2015). Results show that the featured product and business type are: 1. micro and small merchant 2. handicraft industry 3. processed foods 4. skill training institution and 5. The shuttles urban transportation.

Keywords: SMEs, economic growth, featured products, competitiveness, regional government.

INTRODUCTION

Small and Medium Enterprises (SMEs) in the national economy have an important and strategic role. The condition can be seen from various supporting data, that the existence of SMEs is quite dominant in the Indonesian economy. Empowerment of small and medium enterprises (SMEs) from year to year is always monitored and evaluated its development both in terms of its contribution to the creation of the gross domestic product (GDP), employment, exports and investment growth (Culkin and Smith, 2000). According to Goga, Murphy, and Swinburn (2006), for the development of SMEs, it is necessary to take into consideration the factor of "locality" associated with competitive advantage. In this context, the regional economic development agenda needs to rely on local best potentials that are of regional advantage, need to have a strategic focus, which can also be a multi-stakeholder collective agenda for synergy. Knowledge and innovation are key in building competitiveness. Therefore, the agenda of regional priorities is to raise awareness that the knowledge, technology, and innovation have become key elements of success of regional economic development (Carter and Jones-Evans, 2006). The success of regional economic development is influenced and determined through empowerment by diverse elements and groups, either businesses, government, or the general public. Collaboration or a mix of productive linkages is to face challenges and to support the development and utilization of the best potential and the specific characteristics of their respective regions (Berry and Sandeem, 2001).

This research is expected to contribute to the policy and development model of Small, and Medium Enterprises (SMEs) that can be utilized by the local government. The aim of this research is 1) to provide information about the featured products of SMEs which need priority to be developed in supporting the development of economy in regions, jobs creation, and product competitiveness 2) to provide recommendations to the government policy in the form of superior product development model for Micro, Small and Medium Enterprises that contribute positively to the regional economic growth.

The Role of Small and Medium Enterprises in Regional Economic Growth Economic development is a process of economic activity that is dynamic and occurs continuously. Development and economic growth are closely related to real per capita income of the population. According to Todaro (2000) the success of economic development is indicated by the three principal value chain, namely (1) the increasing ability of people to meet their basic needs (2) increased sense of self-esteem of society as human; and (3) the increasing of society's will to choose (freedom from servitude). Economic development regional and national will face fundamental changes are taking place so fast and need the readiness of especially the small and medium enterprises (SMEs). Small and medium enterprises or Small and Medium Enterprise (SME) in general have similar characteristics between one country and another, but in terms of the benchmark / standard sizes vary from one country to another, such as: asset

leverage, business turnover, capital , the amount of labor, management style implemented, and so on (Bartik, 2003; Sibisi, 2009). The important role of SMEs in economics system can increase the commitment and equity in the national development system. It is also supported by the laws and rules of procedure, which will give priority to the economic development of SMEs in order to realize economic system based on empowerment of community role. Each regional economic development efforts has the main goal to increase the number and types of job opportunities in local communities. In an effort to achieve these objectives, local governments and their communities must jointly take regional development initiatives. Therefore, local government, community participation, and other existing resources should be able to estimate the resources required to design and develop economic of regions (Meyer and Venter, 2013).

The main problems in the development of a region lie in the implementation of development policy which is based on particular regional characteristics (endogenous development) by using the existing potentials, among others: human resources, organizational structure, and role of the community in areas such as SMEs (Arsyad, 1999). This orientation leads to the emergence of innovation and creativity that comes from the region itself in the process of development to create jobs and to stimulate the increase of local economic activity. Therefore, according to Patterson (2008), the local government must always seek to encourage community participation in using and utilizing all available resources and the need to develop and build the local economy by using sectoral economic base so that it can open up diverse employment opportunities. For this purpose, it is necessary to prioritize sectoral policies in determining which are the main priorities to be developed into superior local products Munzhedzi (2015).

Featured Local Product

In a regional economic development effort, a listing of potential areas/communities/areas is absolutely necessary in order to set policy on development patterns, both sectoral and multisectoral manner (Adams and Madell, 2002). According to Kane, Madell, and Palwa (2006), one of the effort to identify the economic potential of the region is to identify potential products, the mainstay of every region in each sub-sector. Superior product illustrates the region's ability to produce, create value, utilization of resources in real time, provide employment, generate income for the community and the government, have prospects for improving productivity and investment. A product is said to be superior if it has competitiveness so as to be able to ward off competitors' products in domestic market and/or penetrate export market (Subagyo and Wahyudi, 2008). Regional Superior Product (PUD) is a goods or services owned and controlled by a region, which has economic value and high competitiveness level and able to absorb the workforce in large quantities, which are produced based on the factors of technical feasibility considerations: raw materials and markets,

creativity and talent of society and institutions in the form of mastery of technology, human resource capacity, infrastructure support, and local socio-cultural conditions, at a certain location. Local economic development is part of the process of building dialogue and partnership among the parties consisting of local governments, SME entrepreneurs, and local community organizations. The main pillar of the strategy is to increase the attractiveness, endurance, and competitiveness of the local economy. The main objective of superior product development is to create a process of high growth and sustainable development that will be useful for all party in an area in order to increase employment opportunities and to decrease poverty rate significantly.

RESEARCH METHODS

The method used is explanatory or confirmatory research by using a mixed approach. The quantitative approach involves sample surveys and interviews semi structures while qualitative approach involving both case studies, individual interviews or focus group by using Analytical Hierarchy Process (AHP), Comparative Method Performance Index. Data obtained based on the list of commodities and products published by BPS (2015) after being confirmed by the departments/agencies, used as a reference basis for selection of superior products that exist in each sub-district and then bring the results to the level of city/regency. Resource persons in sub-district (head of the branch office, the head of the economy section, the head of sub-district statistical and field counsellor) gives the weight of each product featured by rank (score 1-5), based on the following criteria: (1) the market range of products; (2) raw material conditions; (3) contribution to the regional economy. Data analysis is conducted through a focus group discussion to determine featured products in each sector in accordance with the ultimate goal of development and the empowerment of SMEs, namely: the ability to create products (1) economic growth; (2) employment; and (3) improvement of product competitiveness.

RESULTS AND DISCUSSION

The Condition of Tangerang City.

The existence of industry in Tangerang City is a potential source of support for the existence of SMEs. With the dominance of the industrial sector, it is expected that big players in the industry can become a partner of and support SMEs in developing their business. Large population, easy supply of raw materials, easy transportation facilities, a short distance from Soekarno - Hatta International Airport, availability of infrastructure and facilities related to energy and telecommunications, all are expected to support the development of SMEs. The performance of SMEs in Tangerang City can already be classified as SMEs which is considered good enough with sales turnover obtained in average less than Rp 5 million to Rp10 million, maximum reach Rp 100 Million per month. The average expenditure is Rp1 Million to Rp10 Million and up to

Rp 100 Million. The average increase in sales of 5%, while the rate is still a relatively small margin between 2% to 5% and some even reach break even. It indicates that SMEs in Tangerang have a good prospect as long as it can manage its financial management well.

The high number and diversity of SMEs in Tangerang and the lack of data and information about the presence and profile of SMEs will make difficult for local governments to determine which SMEs are given priority technical assistance and capital. Assistance and guidance should be given to SMEs with high potential to grow independently, absorb labor, export-oriented, improve the welfare of the people and can also contribute positively to economic growth area.

Featured Product Analysis

Results of product valuation with AHP method cannot be compared to the existing products in a sector of the economy with existing products in other economic sectors. Therefore, a normalization analysis is required using sectoral weights to determine the order of cross-cutting ratings. The results of the cross-sectoral normalization analysis for the 5 highest-scoring products can be seen in table 1.

Table 1: Cross Sectoral Product Ranking Using Normalization Method

NO	KPJU	SCORE
1	Small Traders (Traditional Food, Small Shop, vegetables Seller, cobblers, motorcycle shop and repair)	0.1136
2	Handicraft Industry (footwear and leather, textiles and furniture)	0.0980
3	Traditional food makers and cakes	0.0949
4	Skills Training School (Computer, Salon, Workshop)	0.0843
5	Urban Transport (City Bus, City, River)	0.0557

The results of a cross-sectoral product rating were then discussed again with the decision makers of the institutions involved in commodity FGD forum for the city level to be adapted to conditions that pervade in Tangerang. In determining the flagship product the names of some products were changed and several products were combined into one featured product. All five of the products, as well as location area, can be seen in Table 2.

Table 2 : Five Featured Products Each District in Tangerang City

Featured product	Location
Small & Micro Traders (Traditional Eat, Shop Small, kelontongan, vegetables, cotton slippers, motor parts)	Ciledug, Cipondoh, Karawaci, Periuk and Benda, Tangerang, Karawaci, Jatiuwung, Neglasari, Cibodas
Handicraft Industry (footwear and leather, textiles and furniture)	Periuk and Benda, Cipondoh, Jatiuwung.Larangan, Karang Tengah, Batu Ceper, Pinang.Karawaci, Ciledug
Traditional Processed Food	Tangerang, Jatiuwung, Ciledug, Cipondoh, Karawaci, Periuk and Benda, Neglasari, Cibodas
Skill Training School (Computer, Salon, Workshop)	Ciledug, Tangerang, Karang Tengah, Larangan.
Urban Transport (City Bus, City Transport, River)	Tangerang, Ciledug, Batu Ceper

After resulting five cross-sectoral flagship product, Forum Grup Discussion (FGD) on policy was then conducted using AHP method. The participants are those who have the competence and who has the authority to make decisions to get the appropriate policy for the development of superior products. FGD on policy for business type skills training school the priorities are linked and match with the workplace (0,200); management of business administration (0.153); encouragement of entrepreneurship among graduates (0.136); easiness of access to capital with low interest rate (0,124); strengthening the organization of business group (0.120); accreditation of the institution (0.117); provision of market information (0.091); and ease of permit (0.060). The reason to put the policy of link and match as the first priority is the fact that majority of graduates of those training schools still want to be workers, so the school and local governments are expected to apply this policy to reduce the unemployment rate through partnership or Memorandum of Understanding (MOU) between skill training school with the industry. In FGD on policy for type of business transportation, the priority is on route restructuring & transportation management (0.242); infrastructure improvements (roads, piers, shelters, etc.) (0.180); socialization & extension of orderly traffic (0,135); law enforcement (0.119); driver certification and guidance (0.103); restrictions on vehicle number (0.068); security, order & comfort (0.050); ease of licensing service (0,050); easy access to capital with low interest rate (0,040); and institutional strengthening (0.013). The reasons to put route restructuring & transportation management as the first policy priority is that currently, the city of Tangerang is still weak in structuring the route and transportation management. Another reason is to reduce the level of congestion and traffic violations, thus requiring transportation management that is planned and managed by a professional in accordance with the development progress of the city.

For FGD on policy for type of handicraft industry, the priority policies are provision of information (0.173); easy access to capital with low interest rate (0,147); business facility assistance (0.135); infrastructure improvements (0.121); standardization of quality (0.101); provision of raw materials (0.088); facilitation of business partnerships (0.069); management & business administration (0,068); technical guidance on production & mentoring (0,049); and strengthening of business group institutions (0.049). The reason for the information supply policy is the first priority is SMEs need the media to know the market demand, price, and product diversity information to the buyer or potential investor. For FGD on policy for the type of business small and

medium traders, policy priorities are accessed for funding with low-interest rate (0.202); business management and administration (0.185); assistance in business facilities (0.165); infrastructure improvements (0,145); business partnership facilitation (0115); provision of marketing information (0.107); and strengthening of business group organization (0,080). As for the reason of the policy of low interest rate funding as the first priority is that affordable fund become one of the pillars of success to support the operational activities of small and medium enterprises and optimization of credit utilization program with subsidized interest rate and or the involvement of local government to provide subsidized interest rate and credit guarantee by placing funds in banking.

For FGD on policy for the type of business processed food, policy priorities are provision of marketing information (0,349); ease of access to capital at low interest rate (0.207); production technical coaching / mentoring, quality standardization and packaging of products (0.124); infrastructure improvements (0.100); facilitation of business partnership (0,080); business facility assistance (0.079); and strengthening of business group organization (0.061). The reason for the policy of information supply of marketing becomes the first priority is that media for MSME is needed to know market demand, price, prospective investor and also information of diversity product.

CONCLUSIONS AND RECOMMENDATIONS

SMEs as an area of business for most people is a business that is able to grow and develop independently. Moreover, SMEs give a big share and a strategic role in economic development in Indonesia, especially Tangerang City. This is supported by the fact that the number of business units is large and is found in almost all sectors of the economy and labor-intensive production patterns, thus absorbing a lot of manpower. In addition, SMEs contributes greatly to the formation of Gross Domestic Product (GDP). However, SMEs, especially small and micro enterprises still face difficulties to develop due to limited marketing, capital, technology, and quality of human resources and infrastructure. Banking has disbursed loans to SMEs, but the numbers are still limited compared to its potential. The potential of SMEs in Tangerang City is quite big and only a small part can be designated as a superior product to be developed by various related parties in an integrated and sustainable manner. The number of superior products identified in the Tangerang city quite a lot, but with a rigorous selection using the method of the CPI, Borda, AHP and normalization, the result is 5 featured commodities / types of businesses i.e, micro and small merchants (0.1136); handicraft industry (0.0980); processed foods (0.0949); skill training school (0,0843); and urban transportation (0.0557).

In order to develop those 5 commodities/business in Tangerang City, some policy needed as follows: 1) Processed foods; policy developed should be mainly on the provision of market information; increasing access to capital at a low-interest rate; and an increase in production technical coaching / mentoring. The provision of market information is to provide price information and or potential customers in various regions quickly and cheaply to businessmen/traders. Increased access to capital at low-interest rates is the optimization of utilizing loans program with subsidized interest rates and or the involvement of governments to provide interest rate subsidies and credit guarantees by placing funds in banks. Meanwhile, an increase in the production of technical coaching / mentoring is to improve product quality,

standardization of quality and strengthen the business group, making it easier for businesses access to a wide range of stakeholders, including banking.

2) Skill training school; policy developed should be mainly in the development of link & match with the industry/workplace; improvement of business administration management; and encourage entrepreneurship among graduates. Development of link & match with the industry is the existence of cooperation or Memorandum of Understanding (MOU) between the skill training school and the industry. Improved management of business administration is to improve the ability of Human Resources (HR).

3) Small & medium sized merchants; policy developed should be mainly on the ease of access to capital at a low-interest rate; improving management and business administration, and providing business facilities assistance. Improved access to affordable funding is an optimization of the using of loan program with subsidized interest rates and or the involvement of local government to provide interest rate subsidies and credit guarantees by putting their money in banks. Improved management & business administration is to improve the capability of human resources (HR) entrepreneurs through training, counseling, and assistance by involving various related parties. Meanwhile, the provision of business facilities assistance is to ease them in obtaining business premises/kiosks at affordable prices and strategic locations.

4) Craft industries; policy developed should be mainly on the provision of market information; ease of access to capital at a low-interest rate; and providing business facilities assistance. Provision of market information is to provide price information and or potential buyers in various consumer areas quickly and cheaply to the craftsmen. Increased access to capital at low-interest rates is the optimization of utilizing program loans with subsidized interest rates and or the involvement of government to provide interest rate subsidies and credit guarantees by placing funds in banks. Meanwhile, the provision of business facility assistance is the provision of more modern equipment to craftsmen to improve product quality as a pilot project.

5) Urban transportation; policy developed should be mainly on restructuring the route and transportation management; improvement of infrastructure (roads, docks, bus stops, etc.); and socialization & extension of expected behavior on roads. Structuring the route and transportation management is to reduce the level of congestion and traffic violations. Therefore it will need transportation management that is planned and managed by a professional in accordance with the development progress of the city. The improvement of infrastructure (roads, docks, bus stops, etc.) is to repair and maintain existing infrastructure and develop infrastructure as needed. Meanwhile, the socialization & extension of orderly traffic is to reduce the level of accidents and violations resulting from carelessness.

RECOMMENDATION

Financial

To improve the featured regional SMEs' access to banking credit facilities it is recommended that:

1) The banks should provide easy access by setting interest rates at fair market value and credit requirements which are not burdensome, especially for SMEs, including the flagship products resulted from this study. The banks should optimize

both nonprogram lending and also optimizes program with interest rates subsidized and non-burdensome requirements. Both lending should pay attention to prudential principles. 2) In order to optimize the distribution of banking credit to flagship SMEs in Tangerang City, some related parties should:

1. Relevant institutions can enhance their role as mediators through the socialization of the potential of outstanding SMEs and credit facilitation as well as to facilitate the handling of business legality and certification of collateral.
2. Bank Indonesia can improve its role in providing technical assistance to banks and real sector and take an active role as a leading SME development facilitator in Tangerang City.
3. The government can allocate their funds to banks that will be used as the collateral as well as for interest rate subsidies, especially for SMEs whose products featured proven to have strategic value to encourage employment, competitiveness and economic growth.
4. The credit guarantee institution can be involved to guarantee the flagship SMEs' loan in the City of Tangerang.

Management SMEs

To overcome the limited ability of SMEs to compete both regionally and internationally it is recommended that:

1. relevant parties to improve training for featured SMEs, especially in managerial aspects, entrepreneurship, technical and financial management of credit / financial management with the involvement of competent resource persons, including banking and successful business persona.

2. The related agency to increase the apprenticeship for featured SMEs owners/workers by cooperating with the successful company.

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