

## SMALL MEDIUM ENTERPRISES DEVELOPMENT IN NATUNA DISTRICT OF RIAU ISLANDS PROVINCE COMMUNITY TO SUPPORT ECONOMIC GROWTH

**Trisa Nur Kania**

*Pasundan University, kania\_trisanur@yahoo.co.id*

**ABSTRACT.** *SMEs in Natuna district seriously need guidance from the government so that businesses can play a maximum role of economic growth in this region. Until now, there are still obstacles that must be overcome in order to increase the productivity of SMEs in line with expectations that the government is able to produce the product/ service quality following a tough qualifying businesses and can compete in the global market.*

**Keywords:** *Small medium enterprises development*

### INTRODUCTION

Currently the world is running in the era of economic globalization characterized by economic liberalization through a multilateral business activity accompanied by the occurrence of cross-country economic treaty deal. It is evocative of consciousness from almost every country that economic globalization is becoming increasingly demanding for open competition, resulting in the strengthening demand in the economic sector. Competition on the economic sector is likely to occur in a variety of business scale, both in large-scale, medium-scale and small scale. Before entering the arena of global competition, businesses need a step and systematically concepts contained in a document proven the business development planning, holistic and sustainable for the business is practiced can compete with adequate qualifications as expected by the government. In this case the business development planning document in question involves three parties, namely the government, business and academia.

The active participation of the three parties is expected to generate a holistic policies and strategies, which in turn will be able to encourage the creation of successful national business competitiveness in the business world fight global scale. This paper discusses the development efforts of SMEs in Natuna district, which is a cross-border area with Malaysia and Indonesia into the IMT-GT area. Efforts to develop SMEs in this area is closely related to the launching *Gerakan Pengembangan Terpadu Perbatasan (Gerbangdutas)* Year 2017 for the western region of Indonesia, which was conducted on March 8, 2017 in Natuna by the Coordinating Minister for Political, Legal and Security (Coordinating Minister for Politics) Mr. Wiranto, representing government Czech center of Indonesia.

Participated in the launching *Gerbangdutas* 2017 declaration is the Minister of the Interior (Home Affairs) Mr. Tjahjo Kumolo, who also serves as head of the *Badan Nasional Pengelola Perbatasan* (BNPP) RI. *Gerbangdutas* through 2017, Tjahjo Kumolo said that the government was working with both the program and the management of the border area where the construction of the border became one of the development priorities of the government of President Joko Widodo (Jokowi) and Vice President (VP) Jusuf Kalla.

Some of the activities *Gerbangdutas* government target in 2017 is as follows: Reinforcement to prevent threats to the nation, such as drugs, radicalism, or smuggling of people and goods as well as efforts to improve the social and economic life in the border region and improve competitiveness in the border area. Integrated development of the border regions at least includes a number of aspects, including the development of the defense department, the economic area, as well as social and economic infrastructure development of border communities, such as schools, health centers, hospitals, roads, irrigation and housing. Some of the priority programs of activities in 2017, among other things the development of 10 *Pusat Kawasan Strategis Nasional* (PKSN) and trading across borders, opening isolation Location Priority (Lokpri), the development of Post Transboundary State (PLBN) integrated, securing borders by land, sea and air quality improvement diplomacy and cooperation of state borders as well as coordinating the management of the state border. Through the newly *Gerbangdutas* declaration has been made by the Government is expected to improve conditions in the border areas in order to be better, not only parallel, but also excel further than neighbor country. Besides launching *Gerbangdutas* is one *Nawacita* realization of government Joko Widodo and Jusuf Kalla of building parts of Indonesia from the periphery to strengthen these areas and villages within the framework of a unitary state, in particular to build the areas bordering neighboring countries.

Based on the target which is pretty much to be achieved by the government as mentioned previously, so in this article will discuss one of the efforts that can be done to help build economic growth in Natuna district that is by fostering SMEs which although is starting to grow enough good, but there are still some constraints related to human resources SMEs, business management and infrastructure needed by the SMEs in this area. This paper is a literature review that is expected to give false advice to the relevant agencies in Natuna district and the SMEs in order to improve the business productivity practiced so that it can contribute to economic growth in Natuna district.

The data is the source of this article was obtained from a variety of reading materials such as books, news and information from the internet which contain the object of writing. Brainstorming efforts towards developing the SMEs is based on the experience of the author who has repeatedly carry out community service activities related to the provision of training and assistance to SMEs in the city of Bandung, which is generally the weaknesses found in SMEs are relatively not much different from one business to business other.

## **THEORETICAL STUDY**

The existence of Small and Medium Enterprises (SMEs) in our country should not be underestimated, because SMEs are basically an attempt by the business to meet its own economic needs with the potential and specific ways as best they can. Community participation SMEs realize it or not, has helped cultivate a business in order to build a national economy based on economic democracy with justice. Thus we can see that SMEs are part of the struggle of some people to grow and build the national economy. SMEs sector in our country has proven capa-

ble of being a safety valve of the negative effects of the economic crisis that has ever happened in our country in 1997-1998 and 2008-2009. But, even so, it must be recognized that SMEs have not experienced a significant increase despite the economic crisis has passed.

SMEs are known as the people's business is a real form of economic populist discourse that has become a constitution since long. Economic populists emphasize on community involvement in the process or the result of equitable utilization. If the process only produces a gap, then the people's economy has not been a unanimous commitment of the organizers of state / government. Therefore, associated with efforts to cultivate SMEs to be able to contribute to the strengthening of the economic development of society, the government has made regulations for the Small and Medium Enterprises. As for the Indonesian government, in an effort to advance the developments of SMEs need to consider three main factors are as follows:

1. Geographic factors, namely the consideration of the varied social, cultural and economic potential due to differences in geographical conditions. Where it is demanding a review of more specific and in-depth in order to be understood by the government so as to avoid errors in providing policy and treat the area.
2. Business scale factor, namely the consideration of business ranges from micro enterprises to medium-sized businesses as well as case Another relates to the business scale such as location/ place trying whether in urban or rural areas.
3. Focus factor, the strategies used in building a competitive advantage in a narrow segment of the market, where consumers are targeted is relatively small, amounting to consumers in the decision to purchase relatively unaffected by the price.

The business sectors micro, small, medium and large domiciled in Indonesia basically under the protection and guidance of the government. But in the current governance system Indonesia, specifically for medium-scale enterprises and cooperatives and performed by ministers who carry out technical tasks, namely the Minister of State for Small and Medium Enterprises and Cooperatives. Legally small and medium enterprises and cooperatives each have laws. For small and medium enterprises has been stipulated in the Act are quite comprehensive, UU No. 9 / 1995 and UU No. 20/2008. Some of the provisions in question include the following:

1. Business criteria: business criteria based on two things namely the size of the property or the amount of the proceeds that are not static, meaning that at face value can be changed in accordance with the economic development that is regulated by Presidential Decree. Detail the amount of wealth figures and sales results for the entire class of business is as follows:
  - a. Micro Business: have a net worth of Rp 50,000,000.00 excluding land and buildings or having an annual sales turnover of Rp 300,000,000.00.
  - b. Small Business: have a net worth of more than Rp 50,000,000.00 up to Rp 500,000,000.00 excluding land and building or have a sales revenue of more than Rp 300,000,000.00 up to Rp 2,500,000,000.00
  - c. Medium Enterprises: have a net worth of more than Rp 500,000,000.00 up to Rp 10,000,000,000.00 excluding land and buildings or having an annual sales turnover of more than Rp 2,500,000,000.00 up to Rp 50,000,000,000.00
2. Business Climate: the conditions sought the central government and local governments to empower SMEs in synergy through the establishment of various legislations and policies on various aspects of economic life, so that SMEs gain partiality, certainty, opportunity, protection and support sought the widest. The business community and participate active-

- ly helping to grow the business climate in order to build a national economy based on democracy and economic justice.
3. Empowerment: the efforts made by the central government, local governments, businesses and communities in synergy in the form of growing climate and business development SMEs so that they can grow and develop into a strong and independent businesses.
  4. The principle of empowerment of SMEs, which includes:
    - a. Growing independence, unity and entrepreneurial SMEs to work with their own initiatives.
    - b. Embodiments of public policy that is transparent, accountable and equitable.
    - c. Business development based on local potential and market-oriented in accordance with the competence of SMEs
    - d. Increasing competitiveness of SMEs and implementation of the planning, implementation and control of integrated
  5. Development: is the effort made by the central government, local governments and communities to empower SMEs through the provision of guidance facilities, mentoring and strengthening assistance to foster and enhance the capabilities and competitiveness of SMEs.
  6. Financing: is the provision of funds by the central government, local governments, businesses and communities through banks, cooperatives and non-bank financial institutions, to develop and strengthen the capital of SMEs. The financing aspect is intended to:
    - a. The funding sources and facilitates SMEs to access banking and non-bank credit.
    - b. Reproduce financial institutions and expanded its network so it can be accessed by SMEs
    - c. Providing ease in obtaining funding fast, accurate, inexpensive, and does not discriminate in services in accordance with the rules of law
    - d. Helping SMEs to obtain financing and services / other financial products provided by banking and non-banking, whether using conventional systems as well as Islamic system
  7. Assurance; namely SMEs loan guarantees by credit guarantee institutions as a support to increase the chances of obtaining a loan in order to strengthen its capital.
  8. Partnership: namely cooperation in business relations, either directly or indirectly on the basis of the principle of mutual need, trust, strengthen and profitable involving SMEs with great effort.

Speaking about the importance of SMEs are healthy and strong, the affair is not only focused on the government that it should give attention to SMEs, but on the side of businesses also need to be examined concerning the specific factors associated with the entrepreneurial spirit of the business, because it affects greatly to the success of his business. As for some of the factors underlying strength or weakness of a person's entrepreneurial spirit among other things contained in its entrepreneurial flair, is as follows:

- a. Willingness and confidence: that he has confidence and trust that with determination and a high willingness to be able to overcome all the problems in the field. In solving the problem, they usually tend to be unwilling to accept anything in the condition it is or in a state that is not yet complete. They are very confident that everything associated with the task and the work can be solved completely in accordance with the plan and encouragement of conscience. Often in addressing and resolving problems in the field is done in a way that no unexpected or imagined. They can find a way that was developed from the impasse facing the street. They are doing something innovative or get a unique findings in order to solve the problems faced.

- b. Focus on the goal: namely that entrepreneurs always focus on the target, meaning that all the attention devoted to the goals and objectives to be achieved. In other words, do not turn to others for the intended target has not been achieved. The possibility exists that during this process the path may change, but remained at the original targets to be achieved. Business operators are generally aware that conditions on the ground do not necessarily correspond to what was planned. It may occur due to external environmental conditions and limitations of internal conditions, such as: less information obtained, the limited ability of employees, and others. But the limitations of these conditions do not diminish the focus on targets.
- c. Hard worker: an entrepreneur motivated to complete the work in accordance with the instinct and desire, because they want to achieve is the inner satisfaction and more oriented to work or something works to be achieved. In addition to hard work, an entrepreneur also work smart, in the sense that they want to think about the opportunities that may occur, including the probability of failure. If any fail, the failure will be a good experience for learning itself.
- d. Dare to take risks: an entrepreneur wan have courage to take risks, which means that any action will be taken because it has been calculated carefully all the consequences
- e. Dare to take responsibility: entrepreneurs generally strive to achieve success, or he does not want to be considered a failure if it is not able to achieve their goals. In order to measure the level of performance, entrepreneurs usually use several benchmarks, including the ability of the business to survive, capability development efforts and the magnitude of the results obtained and the level of business growth.
- f. Innovative: an entrepreneur tends to create and deal with something that is not known by others before. Innovation related to a person's creativity.

Thus, it becomes clear that a strong effort to make an effort on the scale of SMEs, should be sought from the internal aspects of the businesses and the external aspects of the government that has the responsibility to help welfare. Therefore, a good synergy between the government and businesses in developing SMEs are expected to create an atmosphere conducive to foster a strong and capable SMEs competitiveness in the globalization era.

## DISCUSSION

Natuna District is one of regencies in Riau Islands Province, Indonesia. Natuna is the most northerly island in the strait Karimata. In the north, Natuna border with Vietnam and Cambodia, to the south by the South Sumatra and Jambi, in the western part of Singapore, Malaysia, Riau and in the east and East Malaysia and West Kalimantan. Natuna currently on international shipping lanes of Hong Kong, Japan, Korea and Taiwan. According to Law No. 33 of 2008, Natuna district has an area of 264,198.37 km<sup>2</sup> of land area of 2001.30 km<sup>2</sup> and a sea of 262,197.07 km<sup>2</sup>. Natuna Ranai as the Capital District. In this district there are 154 islands, 30 islands (19.48 percent) were uninhabited and most of the island (124 pieces) are uninhabited. The two largest islands include Bunguran Island, and Island Serasan. The islands that exist can be grouped into two islands, namely: The first is a cluster of Natuna Island, consisting of islands in Bunguran, Sedanau, Midai, Pulau Laut and Pulau Tiga, and the second is Serasan Barrier Island, consisting of islands in Serasan, Subi Subi Large and Small.

Natuna district history cannot be separated from the history of the Riau Islands, as before stand alone as an autonomous region, Natuna district is part and Riau Islands Region. Natuna district was formed under the Law No. 53/1999 which was passed on October 12, 1999. Based on his physical condition, Natuna is hilly and mountainous land of stone. Lowlands and

ramps are found on the beach. Altitude region between the sub-district is quite diverse, ranging from 3 to 959 meters above sea level with a slope of between 2 to 5 meters. In general, the soil structure consists of a red-yellow *podzolic* soil from rocks that have essentially ground granite materials, and alluvial and *gley* soil and *humus organosol*. Natuna Island and the surrounding region are essentially endowed with a series of potential natural resources that have not been adequately managed or even have not managed at all. The potential of natural resources, namely:

- Marine fisheries resources of more than 1 million tons per year with a total utilization of only 36%, which is only 4.3% used by the Natuna own.
- Agriculture and plantations such as potatoes, coconuts, bananas, rubber, palm oil and clove.
- Attractions: marine (coastal, island diving), mountains, waterfalls, caves and aquaculture.
- D-Alpha gas field, located 225 kilometers north of the island of Natuna (in ZEEI) with total reserves of 222 trillion cubic feet (TCT) and gaseous hydrocarbons that can be obtained by 46 TCT is one of the largest sources in Asia.

Referring to the above description it can be seen that the Natuna waters are a strategic region with many international shipping lines passing through it. In addition to strategic, Natuna waters are also blessed with abundant natural resources, and not all of them can be used optimally by its own population. Natural resources associated with natural gas partly managed by foreign companies that are already cooperating exploration contract with the Indonesian government, such as: Pearl Energy, Energy Star, Lundin Petroleum, Australian Worldwide Exploration, Premier Oil Ltd. and Conoco Philips. Meanwhile a small fraction of natural resources that come from agriculture and plantations, as well as marine fish have started to be used by several people who were involved in the business world, especially micro and small businesses.

There are some products that have been successfully created by businesses in Natuna district which include mats, seaweed cultivation, processing in a simple banana and various marine fish processing products. While efforts in the fisheries sector has generated some kind of sea fish processed products such as; crackers atom, anchovies, shrimp paste, fish fillets, surimi and make certain orders of consumer products. Based on the information submitted by Abdul Halim, (website [bisnisukm.com](http://bisnisukm.com), June, 2014) advocate SMEs in Natuna district, disclosed that the fisheries sector is the main claim of SMEs in Natuna area, so that from the many potentials in Natuna district, source marine fishery resources into a commodity product superior.

According to Abdul Halim, in addition to optimizing the potential of fisheries, SMEs Natuna also began to look at the nutritional adequacy of programs in the area. To realize these expectations, Abdul Halim and SMEs Department of Natuna district has had a program that focuses on nutrition issues raised in Natuna. "We see a tendency program nutritional problems, the first cattle breeding and fattening, dairy cows and breeding cattle for a long period. As for the fruit nurseries we started to develop as *durian musangking*, then *durian Sarawak*, and other superior varieties of durian in the entire this island". Meanwhile, in an attempt to maximize the processed fish products, Abdul Halim said some obstacles, such as an expensive machine, the lack of electricity supply, the limitations in the product packaging as well as human resources that do not understand about the business and how it related to the business management of the fish processed products.

Based on the number of obstacles faced by SMEs with regard to the processing of food made from fish of the sea and agricultural produce (bananas), then in July 2016 the government, through the Ministry of Cooperatives and SMEs has done business development efforts in accordance with their needs, namely in the form providing training in entrepreneurship and cooperatives. **Training was given to bring in instructors from outside the Natuna islands, with the aim that participants gain more economic value through diversification of processed food products from local raw materials in the form of sea fish and bananas. Now after the training, businesses can create other processed products such as: fish nuggets, fish meatballs, banana cake, banana fritters and sale of bananas. Meanwhile, the Department of SMEs Natuna hope that such trainings would do again in the future so that SMEs in Natuna district can be more advanced than it is today.** Therefore, in the development of SMEs, apart from training product diversification, should be given also other types of training such as coaching and mentoring business activities that are applicable, among others, can be focused on:

1. Human factors, can be done through training related to:
  - a. Training builds an entrepreneurial spirit and entrepreneurship in order to be given an understanding of business and the intricacies.
  - b. Business training in the form of learning by doing to prospective entrepreneurs for more rapid understanding of the business to be practiced.
  - c. Provide business management training for entrepreneurs and would-be entrepreneurs to be able to understand and manage the business well. Knowledge of business management can be.
  - d. Developing creativity to produce other products from raw materials that exist on the island and surrounding Natuna
2. Factors packaging products, can be done with following methods:

In cooperation with the Department of SMEs Natuna to submit an application to the Office of SMEs Riau Islands province in order to receive assistance related to the packaging of SMEs, both in the form of training or assistance related software tools or equipment packaging so that SMEs in Natuna can repair or improve the quality of performance of the packaging products it produces. Factors packaging is now becoming important thing that can not be ignored from the existence of the product itself as a good product packaging and attractive appearance will greatly help performance product in the eyes of prospective buyers / consumers.
3. Factors use machines that are expensive, may be circumvented by arranging a time to use, for example, the engine is operated not at the time of the public electricity peak load for the machine is not easily damaged, in connection with the supply of electricity from the government is still limited.
4. Factors lack of electricity supply. This factor is associated with a variety of infrastructure being built today by the government, including electricity infrastructure.

Based on the amount of information and news about the central government's efforts in synergy with the regional government of Riau Islands province that the acceleration of infrastructure development in the territorial waters of Natuna Island has done since the beginning of September 2016. Seen the seriousness of the government to strengthen the boundary area Natuna in various side, such as: building a military base to strengthen the security of the foremost islands, building *Sentra Bisnis Kelautan dan Perikanan Terpadu* (SKPT) to stimulate the economy of the fisheries sector of the sea, to add power capacity and build airports and ports needed to facilitate air transport and sea, from and to the Natuna islands and other places in the vicinity. Thus the physical development Natuna islands are currently being im-

plemented to support the country's leading security boundary Indonesia is expected to have a positive impact to the economy society movement in Natuna and surrounding areas. Not only in the fisheries sector and agriculture that can be maximized, but the potential for its natural attractions are also very open to be developed, due to the potential natural form of mountains, caves, waterfalls and beaches on the island of Natuna very beautiful and interesting to visit the travelers, either domestic tourists or tourists from foreign countries.

Of course if the tourism sector can be developed in the future, then the chances of development of SMEs in this area will be affected, because the growth of the tourism sector will result in demands the provision of services sectors tours to suit the needs of travelers, such as the establishment of a hotel or lodging, , equipment shore excursions, souvenirs and others. Thus the growth opportunities of the tourism sector will be able to open up new employment opportunities to absorb the labor force in this area. Infrastructure facilities of international class that is being built on the island of Natuna hopefully to be followed by the excitement of trying the most out of the public business, because if the MSMEs it forward will have a positive impact on the surrounding community and is able to play a role in economic stability in the Natuna well as to strengthen the pillars the country's economy.

## CONCLUSION

Small Medium Enterprises in Natuna now got the right opportunity to develop themselves in order to become a business more powerful and able to compete with SMEs else in the country, especially to be able to compete in product yield fish processing and agriculture, and generally can trigger the movement of the economy The local people become more powerful and able to encourage economic development in Natuna district, with the introduction of motion *Gerbangdutas* , it is expected the construction of cross-border region is to further strengthen the position of Indonesia in interaction and cooperation with neighboring countries in the area of IMT GT, especially in the economic field.

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