

Medium Small-Medium Member Group Migration (UMKM) Magetan Regency in Dealing with Asean-Free Market

Bambang Sujono¹ Siti Wardani Bakri Katti¹ FX Sujatmoko²

1.Faculty of Economics, University of Merdeka Madiun, Indonesia

2.Faculty of social and political sciences, University of Merdeka Madiun, Indonesia

Abstract

The purpose of this research are (1) to describe the empowerment of Micro, Small and Medium Enterprises (MSMEs) in Magetan Regency in increasing the competitiveness of industry in order to face ASEAN free trade; and (2) to describe the problems faced by MSMEs in Magetan Regency in improving industrial competitiveness in order to face ASEAN free trade. The target of this research is small and medium business actors, Department of Cooperatives and MSMEs Magetan District and Bappeda Magetan Regency. This research uses Participatory Action Research (PAR) method, is a research that actively involves all stakeholders in reviewing ongoing actions (where their own experience as a matter) in order to make changes and improvements in a more good. The findings of this research are as follows: (1) The empowerment of MSMEs by Dinas Koperasi and MSMEs Magetan can be grouped into 3 phases, namely: (a) Initial Phase, the indicator is the training, counseling and policy formulated related to the development of MSMEs. (b) The Participatory Phase, a process of empowerment originating from the government with the community, by the government and the community, and intended for the community; and (c) the Emancipatory Phase, where at this stage the community has been empowered and has the ability to develop its business; and (2) Some of the obstacles experienced by MSMEs in Magetan Regency in business development include lack of business capital owned by MSMEs, access to capital that is difficult to reach, less professional management, difficulties in rapid business competition, low level of innovation of MSMEs perpetrator, government policies that are less pro- MSMEs, difficult to obtain raw materials and markets that quickly change the appetite so that marketing becomes difficult.

Keywords: empowerment model, micro and small business.

1. Introductions

The era of globalization of the ASEAN Free Trade Area (AFTA) and the ASEAN Economic Community (MEA) effective in 2015 we have felt the impact on the national economy. Small and Medium Micro Enterprises which abbreviated as SMEs as economic actors is a national economic defense bastion. This is a challenge for UMKM. If things are not taken seriously, then the broad impact on national economic growth.

The preparation of a solid economic infrastructure is a necessity before the MSME market is flooded with goods from other countries. Various ease of trade between countries such as import duty exemption and ease of bureaucracy will encourage increased imports of commodities to ASEAN countries.

Trade climate will not only be dominated by ASEAN countries only, but also need to consider the presence of China with its products that have high competitiveness seen from price and technological content. Therefore, appropriate strategies are needed to improve competitiveness and human resources.

In Indonesia the position of small and medium enterprises (MSMEs) has long been recognized as a very important business sector, due to various roles that are real in the economy. Starting from the sharenya in the formation of GDP about 63.58%, its ability to absorb the workforce of 99.45% or very large number of business units involved that is about 99.84% of all existing business units, resulting in sharenya significant in number total export value, which reached 18.72%. (Idris, 2009).

The lack of solid economic fundamentals of Indonesia at this time, encourage the government to continue to empower Micro Small and Medium Enterprises (MSMEs). This sector is able to absorb a large enough workforce and provide opportunities for MSMEs to grow and compete with companies that are more likely to use capital (capital intensive). The existence of MSMEs can not be doubted because it proved able to survive and become the driving wheel of the economy, especially after the economic crisis. On the other hand, MSMEs also face many problems, namely limited working capital, low human resources, and the lack of mastery of science and technology (Sudaryanto and Hanim, 2002). In order for SMEs to excel in international competition, not enough to rely on the availability of abundant natural resources, but also demanded by competitive advantage through good business management and professional, low cost production process, cheap product price, quality and unique and business network which is vast and powerful.

The empowerment of MSMEs should be done as soon as possible by the government, since empowerment is part of an inclusive economy that opens opportunities for anyone to grow and develop, not least for MSMEs. UMKM empowerment can be implemented through cooperation with national, regional and international economic actors in order to improve the quality of production according to the standard of quality and consumer tastes. According to Totok and Poerwoko (2012) the term empowerment can be defined as: Efforts to meet the

needs desired by individuals, groups and the wider community so that they have the ability to make choices and control the environment in order to fulfill their desires, including their accessibility to resources related to jobs, social activities, and others (Martin New, et al: 2017). This shows, the empowerment of SMEs provide opportunities and opportunities to determine the needs that are needed. Further World Bank 2001 in Totok and Poerwoko (2012) defines empowerment as follows: Attempts to provide opportunities and capabilities to community groups (poor) to be able to dare to voice or voice their opinions, ideas or ideas, as well as the ability and the courage to choose the best thing for the person, the family, and the community (Martin New, et al: 2017). By being granted access for MSMEs to convey their aspirations and needs, it is expected that coaching and government assistance can be carried out in accordance with the wishes of the target group. MSMEs are still facing various problems that cause weak competitiveness with imported products. Major issues facing MSMEs include the lack of infrastructure and government access related to licensing and bureaucracy as well as high levels of official and illegal levies. This problem certainly results in inhibited the potential of UMKM to grow and become big and advanced. Although MSMEs are able to deal with the global crisis but the problems faced are many and heavy, such as labor wage, labor management and illegal levies.

In addition to the above problems, the obstacles faced by MSMEs are the difficulty in accessing credit from formal finance institutions due to the absence or incompleteness of documents for loan application and lack of collateral. The results of this research are: (1) The strategy to develop Micro, Small and Medium Enterprises (MSMEs) in Indonesia can not be separated from the banking support in lending. Currently the credit scheme that is very familiar in the community is the People's Business Credit (KUR), which is specifically intended for MSMEs with the category of business feasible, without collateral. In addition, strengthening of UMKM escort institutions can be done through ease of access and capacity building in the form of training and research activities that support the provision of credit to UMKM; and (2) The strategy to anticipate the increasingly open and competitive market mechanism especially in the Asean region is the control of the market, which is a prerequisite for improving the competitiveness of MSMEs. To be able to dominate the market, SMEs need to get information easily and quickly, both information about production market and production factor market to expand marketing network of products produced by UMKM. Information technology applications in micro, small and medium enterprises will facilitate SMEs in expanding the market both domestically and overseas markets efficiently. The establishment of Information and Technology-based MSME Development Center is considered capable of encouraging the growth and development of micro, small and medium enterprises in the current information technology era. Further research Dani (2013) on the Development of Small and Medium Micro Enterprise (SMEs) Based Creative Economy in the city of Semarang, it can be concluded that creative SMEs have not been able to give a special predicate for the city of Semarang because they have limited ability and experiencing problems in the development of business. Some of the problems faced by SMEs creative city of Semarang, among others, limited capital problems, raw materials and the use of simple production equipment, limited marketing media because of the absence of UMKM centers, considerable transaction costs, less skilled workers, and copyright registration issues they.

Thus, the movement of UMKM empowerment should be the government's attention seriously. In order to empower MSMEs to succeed well, it is necessary to cooperate and involve Non Governmental Organization (NGO) and University.

Based on the above background, the problems in this study can be formulated as follows:

1. How is the empowerment of UMKM in Magetan Regency in improving industrial competitiveness in order to face ASEAN free trade?
2. What are the problems faced by SMEs in Magetan Regency in increasing the competitiveness of industry in order to face ASEAN free trade?

This writing has several purposes, among others, as follows:

1. To describe the empowerment of UMKM in Magetan Regency in improving the competitiveness of industry in order to face ASEAN free trade.
2. To describe the problems faced by UMKM in Magetan Regency in increasing the competitiveness of industry in order to face ASEAN free trade.

2. Literature Review

2.1 Micro, Small and Medium Enterprises (MSMEs)

In the Indonesian economy Micro, Small and Medium Enterprises (MSMEs) are the largest business groups and proven to be resistant to various economic shocks. Definition of small business according to the Law of the Republic of Indonesia Number 20 Year 2008 regarding Micro, Small and Medium Enterprises. A small business is a stand-alone productive economic enterprise, carried out by an individual or a business entity that is not a subsidiary or not a branch of a company owned, controlled, or becomes part of the direct or indirect business of a medium-sized or large-scale business that meets the business criteria as referred to in the Act.

Business criteria included in Small and Medium Micro Enterprises have been arranged in the legal umbrella.

Based on Law Number 20 Year 2008 regarding Micro, Small and Medium Enterprises (MSMEs) there are several criteria used to define the understanding and criteria of Micro, Small and Medium Enterprises. According to Rahmana (2008), some institutions or agencies even provide their own definition on Small and Medium Enterprises (SMEs), such as the State Ministry of Cooperatives and Small and Medium Enterprises (Menegkop and UKM), Central Bureau of Statistics (BPS) 16 / KMK.016 / 1994 dated June 27, 1994. The definition of SMEs delivered varies from one to another.

According to the Ministry of Cooperatives and Small and Medium Enterprises (Menegkop and UKM), the meaning of Small Business (UK), including Micro Enterprises (UMI), is a business entity having a net worth of Rp 200,000,000, excluding land and business premises, and has annual sales of at most Rp 1,000,000,000. Meanwhile, Medium Enterprises (UM) is a business entity owned by an Indonesian citizen who has a net worth of more than Rp 200,000,000 s.d. Rp 10,000,000,000, excluding land and buildings.

Central Bureau of Statistics (BPS) provides the definition of SMEs based on labor quantity. Small-scale business is a business entity that has a workforce of 5 s.d 19 people, while medium-sized businesses are business entities that have a workforce of 20 s.d. 99 people. Meanwhile, based on the Decree of the Minister of Finance No. 316 / KMK.016 / 1994 dated June 27, 1994, small business is defined as an individual or business entity that has engaged in activities / business that has sales / turnover per year up to Rp 600.000.000 or asset / as high as Rp 600,000,000 (excluding land and occupied buildings) consisting of: (1) business worms (Fa, CV, PT, and cooperatives) and (2) individuals (craftsmen / home industry, farmers, fishermen, forest encroachers, miners, traders of goods and services).

2.2. Principles and Objectives of UMKM

In Article 2 of Law No. 20 of 2008 concerning Micro and Small Business that Micro, Small and Medium Enterprises are based on family, economic democracy, togetherness, fair efficiency, sustainability, environment, independence, balance of progress and national economic unity. The explanation of article 2 is as follows:

- Kinship
The principle of kinship is the principle underlying the empowerment efforts of Micro, Small and Medium Enterprises as part of the national economy organized based on economic democracy with the principle of togetherness, efficiency fair, sustainable, environmentally friendly, independence, progress balance, and national economic unity for the welfare of all people Indonesia.
- Economic democracy
The principle of economic democracy is the empowerment of Micro, Small and Medium Enterprises organized as a unity of national economic development to realize the prosperity of the people.
- Togetherness
The principle of togetherness is the principle that encourages the role of all Micro, Small and Medium Enterprises and Business World jointly in its actions to realize the welfare of the people.
- Fair Efficiency
The principle of fair efficiency is the underlying principle of the implementation of empowerment of Micro, Small and Medium Enterprises by promoting fair efficiency in an effort to create a business climate to create a fair business climate, conducive and competitive.
- Sustainability
The principle of sustainability is the principle that is planned to strive for the development process through the empowerment of Micro, Small and Medium Enterprises which is done continuously so as to form a tough and independent economy.
- Environmentally sound
The principle of environmental insight is the principle of empowerment of Micro, Small and Medium Enterprises undertaken with due regard to and prioritize the protection and maintenance of the environment.
- Independence
Principle of independence is the principle of empowerment of Micro Small and Medium Enterprises undertaken while maintaining and promoting the potential, capability and independence of Micro, Small and Medium Enterprises.
- Balance progress
The principle of progress balance is the principle of empowerment of Micro, Small and Medium Enterprises which seeks to maintain the balance of regional economic progress in national economic unity.
- National Economic Unity
The principle of national economic unity is the principle of empowerment of Micro, Small and Medium Enterprises which is part of the development of national economic unity.

2.3 Principles and Objectives of UMKM Empowerment

Principles of empowerment of Micro, Small and Medium Enterprises which has been stated in Article 4 of Law Number 20 Year 2008 regarding Micro Small and Medium Enterprises namely:

- The growth of independence, togetherness, and entrepreneurship of Micro, Small and Medium Enterprises to work with their own initiative;
- The manifestation of transparent, accountable, and fair public policies;
- Market development based on regional potential and market oriented in accordance with the competence of Micro, Small and Medium Enterprises;
- Increasing the competitiveness of Micro, Small and Medium Enterprises; and
- Integrated implementation, implementation and control implementation.

While the purpose of empowerment of Micro, Small and Medium Enterprises that have been stated in Article 5 of Law Number 20 of 2008 on Micro Small and Medium Enterprises namely:

- To realize a balanced, expanding and equitable national economic structure;
- Growing and developing the ability of Micro, Small and Medium Enterprises to be a strong and independent business; and
- Increasing the role of Micro, Small and Medium Enterprises in regional development, job creation, income distribution, economic growth, and people's alleviation from poverty.

3. Methods.

3.1 Location and Object of Research

This research was conducted by taking the location in the area of Local Government of Magetan Regency. While the object of this research is small and medium business actors in Magetan regency.

3.2 Sample and Respondent Research

Sampling using multi stage sampling technique, and the object of research is staff and officials of Department of Cooperatives and SMEs, Bappeda, and Economic Division of Magetan District Secretariat officials and actors of SMEs, represented by government apparatus and community of SMEs perpetrators in the District Magetan, Karangrejo Sub and District Kawedanan Magetan District. Further taken part to be sampled / respondents research in "Purposive Sampling".

3.3 Data Collection Techniques

In designing a model of empowerment of SMEs based on the data collected, processed and analyzed until the interpretation and drawing conclusions, reinforced / augmented by various. Data collection techniques that include questionnaires, interviews, observation and documentation.

3.4 Methods of Research Analysis

Methods of data analysis using interactive model. According to Matthew B. Miles and Michael Huberman in Moleong (2000), explaining that in conducting the process of analysis of the main components that need to be considered after data collection are:

- Data reduction, ie the process of selecting, simplifying, abstracting and transforming rough data from written notes in the field until a complete final report is compiled.
- Presentation of data, which is a collection of information arranged in order to provide the possibility can draw conclusions. In the presentation of this data is done after reducing the data that will be used as material report.
- Drawing conclusions or verification, which is the essence of the presentation of data which is the result of analysis conducted in research (Harianto, et al: 2017).

4. Results and Discussion.

4.1 UMKM Empowerment in Magetan Regency

The empowerment of UMKM is directly related to life and welfare improvement for the people of Indonesia. Its strategic potential and role has proven to be a support to the strength and growth of the national economy. The presence of the dominant SMEs as national economic actors is also a vital subject in development, especially in the framework of expanding business opportunities for new entrepreneurs and employment absorption and reducing unemployment.

Business Climate is a condition that the Government and Local Government are seeking to empower Micro, Small and Medium Enterprises synergistically through the establishment of various laws and policies in various aspects of economic life in order for Micro, Small and Medium Enterprises to obtain a favor, protection, and support efforts as widely as possible. Development is an effort undertaken by the Government, Regional

Government, Business World, and communities to empower Micro, Small and Medium Enterprises through the provision of mentoring and retention assistance facilities to grow and improve the capabilities and competitiveness of Micro, Small and Medium Enterprises. UMKM empowerment is held as a unity and national economic development to realize the prosperity of the people.

Based on the principle of kinship, efforts to empower SMEs are part of the national economy which is organized based on economic democracy with the principle of togetherness, sustainable, environmentally friendly, independence, progress balance, and national economic unity for the welfare of all Indonesian people. The principle of togetherness is the principle that encourages the role of all SMEs and business world together in its activities to realize people's welfare. The principle of Efficiency is the underlying principle of the implementation of empowerment of UMKM by promoting fair efficiency in an effort to create a fair business climate, conducive and competitive. Sustainable Principle is a principle that is planned to strive for the development process through the empowerment of MSMEs conducted on an ongoing basis so as to form a strong and independent economy. Environmental Based Principle is the principle of empowerment of UMKM which is done by maintaining and giving priority to environmental protection and maintenance. Principle of Independence is an effort to empower SMEs conducted by maintaining and prioritizing the potential, ability, and independence of UMKM

The effort to empower MSMEs is not a short-term policy commitment, but a long-term political process. In an effort to encourage the acceleration of the process of empowering SMEs during the reform era also looks quite a lot of political issues that should be able to accelerate (the acceleration) process of empowering cooperatives and SMEs. This is where the main problem lies. SMEs as well as stakeholders are required to give confidence to decision makers to be more aligned to the development of such a large group of people.

The ineffectiveness of the political issues that developed during the reform era indicated that the political communication process itself has not gone well. Truly effective political communication is expected to be built and grown by the exponents that move in the empowerment of SMEs. With conditions that are still like now do not expect there will be consideration from big entrepreneurs to small entrepreneurs. Learning from past experiences to partner between small entrepreneurs and large entrepreneurs should be coerced and bound by formal rules, as well as not yet effective. Furthermore, Sijabat said the empowerment of UMKM can not be separated from the basic conception of development which becomes the medium of UMKM growth. Designing the basic conception of UMKM is to build a system capable of eliminating all issues related to the success of SMEs business. One aspect that determines the success of MSMEs is the business climate. The aspect itself is closely related to the ability of the built system, while the built system is associated with many actors (actors) and many variables (factors) that have real and long-term effects (multies years). Because of its nature then these factors are difficult to measure its success as the work of an agency or a government regime. Therefore the conduciveness of each of these factors must be nurtured and continually improved. To know the condition of each factor and the actors that play a role in it needs to be evaluated every time, every place and every sector of UMKM business activity.

Micro, small and medium enterprises are business sectors that have been proven to have a strategic role in contributing to boosting the economy regionally to nationally. In addition, the business sector becomes a superior in absorbing labor by using local resources so that it becomes a pillar in supporting the joints of the regional economy. Particularly Magetan Regency has enough opportunity in developing and empowering UMKM as a strategic step to increase PAD. The following research results are classified into several phases according to the research focus. It aims in order to analyze the empowerment strategies taken by the Department of Cooperatives and SMEs Magetan Kabupten in empowering UMKM. UMKM empowerment by Department of Cooperative and UMKM Magetan by researcher can be grouped into 3 phase that is phase of initiative, participative phase and emansipatif phase. Below is a further description of the three phases of empowerment of SMEs in Magetan District.

1) Initiative Phase

Based on the research focus, this phase is divided into several indicators as a benchmark of success in building and developing SMEs in the Magetan region. The indicator in question is the training, counseling, and policies formulated related to the development of SMEs. Training in this case became a strategy of the Department of Cooperatives and SMEs Magetan District in conducting coaching and development of SMEs. Training is an important organizational investment in human resources. Training involves all human resources to gain knowledge and learning skills so that they will soon be able to use them in their business development. Basically, training is needed because of the gap between the skills required and the skills possessed now.

Table 1. Magetan Training Data and Workshop of Magetan Regency

No.	Name of Training	Business Type			Executor	Description
		Micro	Small	Medium		
1	UMKM Development Training	15	7	3	Ministry of Cooperatives and SMEs in cooperation with the Office of Cooperatives of East Java Province	Surabaya
2	Entrepreneurship Training for Entrepreneurs	5	3	1	Department of Cooperatives and SMEs East Java	Surabaya
3	Workshop on MSME Development	37	22	11	Department of Cooperatives and SMEs East Java	Magetan
4	Entrepreneurship training for Entrepreneurs	42	11	2	Department of Cooperatives and SMEs East Java	Magetan

Data Source: Department of Cooperatives and SMEs Magetan District, 2016

2) Participatory Phase

Participatory phase is a process of empowerment that comes from the government with the community, by the government and the community, and is intended for the community. At the participatory stage, the process of empowerment is essentially from the government with the people and is for the people. At this stage the role of the government is further reduced by actively involving the community towards self-reliance. This can be seen at the level of community participation as business actors who are interested enough in every training conducted by the Department of Cooperatives and SMEs Magetan District.

Here are the results of interviews with Head of MSME that explain as follows:

"The entrepreneurship training that has been carried out so far has received a positive response for business actors. This can be seen from the number of trainees who attended more than expected committee. Besides, the participants are generally serious and actively listening to each material presented by the speakers brought in from practitioners and academics. In every training the committee also always gives transport costs to each participant, and maybe this is one of them which leads to high participation rate of participants." (Interview of SME Head, July 13, 2017)

Training carried out by the Department of Cooperatives and SMEs in several sub-districts, such as District Magetan, Karangrejo and Kawedanan, Plaosan, Sukomoro can run effectively. This can be seen from the high level of public participation of business actors in the training. In addition, in the implementation of the training the Department of Cooperatives and SMEs Magetan District provide transportation allowance costs to participants so that the public enough to participate and so enthusiastic. Furthermore, he elaborated a fairly good response from the community, more details and the following excerpts:

"From the results of the musrenbang at the sub-district level, it can be seen that the number of requests from all sub-districts is the average he asks for training, so the whole district in Magetan district is on average he asks for training, because the response of business actors is very big." (Head of UMKM, July 13, 2017)

While the level of community enthusiasm is also quite high in training and counseling from the Office of Cooperatives and SMEs. It can be seen from the results of musrenbang there are several districts that ask and ask for the implementation of training and counseling in each kecamatan. One of the training ever conducted by the Department of Cooperatives and SMEs Magetan District and successfully met researchers is training on skin crafts. The training aims to provide education on increasing production to marketing. Here are the results of the interview of Mr. Siswanto one of the residents (leather business players) who become trainees:

"Iye, the government has conducted training on skin crafts. This craft training is conducted for one day, which is training on business management, from production to product marketing. In the activities undertaken by this government I was actively involved and coincidentally I also as chairman of leather craftsmen." (Business actors SMEs, July 14, 2017)

Furthermore, Mr. Siswanto explained the following:

"So we expect from the government how the government's efforts to help in terms of promotion and marketing, so that this UMKM products can compete with local and foreign products, this is considering similar products from abroad also flooding the domestic market." (Perpetrators of MSMEs, July 14 2017)

The hope of the community as a business actor, especially leather, both shoes, bags and sandals is in terms of promotion and marketing for UMKM products can be recognized by the community and have a competitive price and able to compete with local products and overseas products. Based on the research results can be seen

also that the UMKM empowerment program that has been done by stakeholders (stakeholders) such as Government, Financial Institutions, Educational Institutions have been still behave separately and less integrative. Thus needed a pattern of relationship that synergy between stakeholders (stakeholders) in making empowerment efforts that will determine success in the development of SMEs. The empowerment of MSMEs can mainly be done with the empowerment system of MSMEs themselves. The success of empowerment is highly dependent on the participation of MSMEs as actors and other stakeholders who participate and play a role in the development.

3) Emancipation Phase

At this stage the community has been empowered and has the ability to develop its efforts. Therefore, the empowerment conducted by the Office of Cooperatives and SMEs Magetan District should be adjusted to their conditions. In order to empower these efforts there needs to be the fullest, broadest support, protection and development of the relevant agencies. The current condition of the trading business has not been able to use this phase, as most of the existing businesses still have not found the ability to empower their own business in terms of the number of businesses that have been inactive. The research results in this phase are less clear due to the limitations of information and data provided by related parties. However, the following data obtained from the Office of Cooperatives and SMEs Magetan Regency regarding assets, business volume, and the rest of the business results.

4.2 Obstacles or Constraints of UMKM Empowerment

MSMEs still have some constraints such as production and processing, marketing, human resources, design and technology, capital, and business climate. In the APEC meeting in 2013, the Minister of Transport and Micro, Small and Medium Enterprises Syarif Hasan revealed three obstacles faced by MSMEs: capital, technology and marketing. So that the constraints do not continue, efforts should be made empowerment of SMEs. Although Micro, Small and Medium Enterprises have demonstrated their role in the national economy, it still faces many obstacles and constraints, both internal and external. As an effort whose scope of business and its members are (generally) small people with limited capital and limited managerial capability, SMEs are very vulnerable to economic problems. Based on the research results in Magetan Regency related to the empowerment of micro, small and medium enterprises, the obstacles faced by the Office of Cooperatives and SMEs Magetan District in the development of SMEs more to the role of business actors who are not serious and simultaneous in the training. This means that entrepreneurs are interested in attending training that is conducted just to obtain honorarium, but not apply the results of innovation from the training activities. So the training that was held was impressed mere formality and made land waste of local budget.

In addition, the narrative of UMKM Head of Department of Cooperatives and UMKM of Magetan Regency related to the development and empowerment of UMKM for the last 5 years experiencing constraints, as follows:

"One of the types of empowerment of our UMKM is to include MSMEs in the event or exhibition activities of superior products area, both at the level of Magetan itself, and at the level of East Java province and the National level in Jakarta. Only our constraints here our product problem is less competitive with the product there is a typical product we are orange pamelos, for example if the skin product problem we have the advantage and can compete with similar products from other places .. "(Interview Kabid UMKM, July 13 2017)

In addition to training, there is also a useful counseling to increase insight from human resources related to the development of UMKM. Counseling conducted by the Department of Cooperatives and SMEs Magetan District aims to improve competitiveness in the market, both in the form of packaging and product content. In addition, counseling also aims to coordinate to local markets. Even according to the Head of SMEs Department of Cooperatives and SMEs Magetan explain the existence of SME paradigm shift is as follows.

"So the change in the paradigm of SMEs so far that rely on only capital is now a new paradigm of capital is not everything but now with the existing skills is capital, that SMEs need integrity that I can, capital factor there are 2, that there is a real and there are not, which is real that is capital or money that is not real ie skill or ability. "(Interview Kabid UMKM, July 13, 2017)

In addition to training and counseling, government policy is very influential in empowering UMKM. Policies issued by the government in this case the Department of Cooperatives and SMEs Magetan District serve as a direction and guidance in the development of SMEs. One of the policies issued by the government is Government Regulation No. 23 of 2015 on the Change of Authority of the Regent to the Camat. According to Head of SMEs Department of Cooperatives and SMEs Magetan district currently licensing micro, small and medium enterprises directly handled by the Camat. As for the capital of all types of MSMEs who have funded training that usually obtain the facilities and prasarananya in the form of money is now changed into products or goods. Thus it can be understood that in general the obstacles or difficulties of SMEs Magetan District in the development of business such as lack of business capital owned by SMEs, access to capital that is difficult to reach, less professional management, difficulties in rapid business competition, low level of innovation

perpetrators SMEs, government policies that are less pro UMKM, raw materials difficult to obtain, market tastes that quickly change so that marketing becomes difficult.

5. Conclusion.

1. UMKM empowerment by Dinas Koperasi and UMKM Magetan can be grouped into 3 phases that is phase of initiative, participative phase and emansipatif phase. Below is a further description of the three phases of empowerment of SMEs in Magetan District.
 - a. Initiative Phase. Based on the focus of research in this phase is divided into several indicators as a benchmark of success in building and developing SMEs in Magetan region. The indicator in question is the training, counseling, and policies formulated related to the development of SMEs. Training in this case became a strategy of the Department of Cooperatives and SMEs Magetan District in conducting coaching and development of SMEs. Training is an important organizational investment in human resources. Training involves all human resources to gain knowledge and learning skills so that they will soon be able to use them in their business development.
 - b. Participatory Phase. Participatory phase is a process of empowerment that comes from the government with the community, by the government and the community, and is intended for the community. At the participatory stage, the process of empowerment is basically from the government with the people and is for the people. At this stage the role of the government is further reduced by actively involving the community towards self-reliance. This can be seen at the level of community participation as business actors who are interested enough in every training conducted by the Department of Cooperatives and SMEs Magetan District.
 - c. The Emancipative Phase. At this stage the community has been empowered and has the ability to develop its efforts. Therefore, the empowerment conducted by the Office of Cooperatives and SMEs Magetan District should be adjusted to their conditions. In order to empower these efforts there needs to be the fullest, broadest support, protection and development of the relevant agencies. The current condition of the trading business has not been able to use this phase, as most of the existing businesses still have not found the ability to empower their own business in terms of the number of businesses that have been inactive.
2. Obstacles or constraints of SMEs Magetan in the development of business among others is the lack of business capital owned by SMEs, access to capital that is difficult to reach, less professional management, difficulties in rapid business competition, low level of innovation SMEs actors, government policies are less pro UMKM, raw materials are difficult to obtain, market tastes are rapidly changing so that marketing becomes difficult.

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