

UMKM Empowerment Strategy, and Their Effect on the Economy of Village Communities

Zulin Nurchayati Retno Iswati Endang Murti
Faculty of Social and Political Sciences, Universitas Merdeka Madiun, Indonesia
E-mail: zulinnurchayati@unmer-madiun.ac.id

Abstract

UMKM have an important role in driving the people's economy, because most of the business actors are carried out by small communities (villages). However, the existence of village MSMEs has not developed in accordance with expectations because there are still a number of obstacles faced in empowering UMKM. The problems of UMKM themselves have a number of different potentials and characters, so that the government is not so easy in determining the UMKM empowerment program. For this reason, a comprehensive and comprehensive empowerment program is needed that is able to accommodate and overcome the various challenges faced by each UMKM. The village UMKM empowerment strategy focuses more on business development efforts through capital assistance programs, strengthening institutional capacity, education, technology transfer, and developing business networks and cooperation. Ease of access to capital is still a classic problem faced by UMKM, so UMKM are difficult to develop and have low competition. In addition, institutional strengthening such as BUMDES has not been able to become a forum that is able to mobilize and grow village MSMEs, as a result it is difficult to develop and low sustainability, and low technology transfer in producing their products, as a result it is difficult to enter modern markets.

Keywords: Strategy, Empowerment, UMKM, economy, village.

DOI: 10.7176/RHSS/12-22-04

Publication date: November 30th 2022

Background

Globalization has implications for future economic development, ease of access to business activities is a challenge in itself for people's economic development, because there are still many people's economic actors, especially business actors in rural areas who have not been able to take advantage of market access that is wider in scope. For this reason, systematic handling is needed to encourage structural change through efforts to foster initiative, creativity and innovation to maintain its sustainability in the face of global competition. Structural changes involve strengthening institutional capacity, allocating resources, mastering technology, and empowering human resources. Strengthening institutional capacity is very important to be grown and developed as a forum for rural business actors to take advantage of changes in the more modern business sector, and to be able to take advantage of developing knowledge and information technology. Village Micro, Small, Medium Enterprises (UMKM) institutions such as Village-Owned Enterprises (BUMDES) are expected to be the driving force for rural business actors to be able to take advantage of existing business opportunities. However, in its development, the existence of BUMDES has not been as expected, many obstacles are faced in moving village UMKM activities, including: First, some BUMDES managers and/or UMKM do not have a business sense (sense of business), because at first they were not people. professional person. Likewise, business networks can be said to have almost no role, as well as other matters related to the condition of the economic environment and professionalism. Likewise, environmental (external) factors related to government policy issues, as well as the economic business environment developed by many other business actors, cannot be expected to play a role in supporting business success. Second, in building village community participation so far it is still very difficult and has not become an attraction for village communities to become members of BUMDES or UMKM. Likewise, the principle which is the basic principle of business cannot be understood by most members of the board with a level of welfare, and education is still low, and the socio-cultural environment is still not conducive. Another factor that causes inconsistent assessments of the success of BUMDES or UMKM is because there is no clear performance standard for the success of BUMDES business. The success of BUMDES or UMKM will be characterized by the success of the economic development of its members, as a result of the relationship in the economic activities of the village community with the management. In meeting the needs of BUMDES members, they should be able to deal directly with producers. This direct relationship can reduce costs outside of production costs such as packaging costs, and marketing costs so that the basic price obtained by BUMDES or UMKM can be cheaper.

The various problems faced in the development of BUMDES mentioned above, may be used as material to answer questions related to the powerlessness of village UMKM in supporting rural economic development. According to Sun'an and Abdurrahman (2015), that: in the concept of people's economic development, it is necessary to look for synthetic forms, which allow gradual and sustainable qualitative and quantitative

changes, so that the people's economy can become the basis for winning global economic competition, which demands modern industry standard qualifications, which are based on technical accuracy, timeliness, and rational (competitive) prices. Qualitative changes are required to increase knowledge and insight for village business actors to have the ability to utilize the resulting business products into competitive modern products, for example developed in the form of packaging in sales so that they can be accepted in modern markets. While the quantitative changes aim to increase product yields through the use of appropriate technology (TTG), so as to increase the income of rural communities. In addition, the problems faced by rural SMEs, according to Iwantono (2006) in Sri (2007) the problems of SMEs include: (1). Market access. In general, SMEs do not have adequate knowledge of the market. They do not understand and do not have information about the potential market for the goods and services produced. In addition, SMEs also do not understand the nature and behavior of consumers who buy their products and often fail to transact in export activities because they are not familiar with international business practices. (2). Weaknesses in funding and access to financing sources. This is due to the limitations of SMEs in providing financial support sourced from internal businesses. In addition, external financial sources, both from bank financial institutions and non-bank financial institutions, are still not fully in favor of SMEs. The availability of funds through various credits is still limited, the acquisition procedure is complicated and the requirements are quite burdensome such as administrative requirements and guarantees. (3). Weaknesses in organization and management. In this case, the human resources owned by SMEs mostly have a low educational background, do not have adequate management and business skills. This results in SMEs having difficulty interacting and competing with other business people who have modern management skills. (4). Weaknesses in capacity and mastery of technology. SME players have difficulty in producing products that can always keep up with changes in market demand, so that the goods produced are generally conventional, not following changes in models, new designs, developments products and they don't even realize the importance of defending patents. (5). Weaknesses in the business network. Networking or business network is a new element of competitive advantage and market penetration. The quality of human resources is still low in mastering information technology, resulting in UMKM in general not being able to build business networks and take advantage of advances in information technology. Marketing methods and procurement of raw materials are still limited to conventional methods, causing them to be unable to take advantage of market potential through the development of business networks (Endang Murti, et al: 2020).

To address these problems, of course, it must be supported by human resources who have the expertise of village MSME business actors, so that they have competitiveness with other similar business products. The quality of human resources can be done through a tiered and continuous coaching and training program. From empirical research conducted by Suandi and Susilo (2011), Sakur (2011), and Irdyanti (2012) it is known that the weak competitiveness of MSMEs is caused by several factors, including marketing, capital, innovation, information technology and labor. While research conducted by Wihartanti (2017), it is known that the weak competitiveness of MSMEs is due to the lack of capital support from banks. Therefore, the capital factor is important but not the main one in conducting business activities. Capital is used to support the company's ability of good quality and quantity of production in order to have a competitive advantage and to improve the performance of SMEs supported by determination, experience, courage, good knowledge and networking. In general, business capital is an obstacle for the development of micro, small and medium enterprises (MSMEs). To become a consumer attraction, of course, the production must have superior quality with the characteristics needed by consumers (Endang Murti, et al.: 2020). From the results of research conducted by Susilo and Krisnadewara (2007) also stated that: for the development of MSMEs are producing with limited facilities/equipment, producing with a limited amount of raw materials, producing with a limited number of workers, producing with limited financial capital, opening a show-room /outlet, doing side business. Recommendations from the results of this study relate to efforts to accelerate recovery by trying to carry out production activities again that emphasizes additional capital. With additional capital, various limitations in production activities can be overcome, so that production activities will be smoother so that they can increase income (<https://www.esaunggul.ac.id/uploads/2017/01>).

In addition, product quality also reflects all dimensions of product offerings that generate benefits for customers/consumers. Therefore, micro, small and medium enterprises (UMKM) must pay attention to product quality in order to win the competition in the market despite the various limitations they have. From empirical research conducted by Paramasivan & Selvam (2013), Soedorowardi (2008), and Putra, Arifin, & Sunarti (2017), the results show that the quality of the products provided by the company is the right strategy to attract consumers' attention and can become its own competitive edge. for similar industries. Even some research results (Nurhajati, 2005: 7) state that the problems faced by Micro, Small and Medium Enterprises (UMKM) making it difficult to develop include incompetence in management, weak decision-making abilities, lack of experience, and weak financial supervision (Nursalam: 2010).

With the various limitations of UMKM, proper handling strategies are needed so that UMKM have independence, ability, in building more productive and modern businesses. The existence of this MSME needs to

be developed because This development will have an important effect on improving the community's economy to achieve prosperity. Strategy as a tool used to create and develop resources in achieving goals, therefore the implementation of the strategy can determine the results to be achieved. The strategy referred to here is the UMKM empowerment strategy which is more oriented towards developing macro strategies by looking at the current conditions, of course, the role of all stakeholders in the implementation of the empowerment strategy is highly expected.

Literature review

People's economic empowerment is very important in supporting the national economy, because the people's economic sector has proven its existence in facing the economic crisis. In addition, people's economic empowerment will be able to reach aspects of economic equality through increasing people's income and welfare. According to Sun'an and Abdurrahman (2015), what is meant by empowerment is an effort to build power (community) by encouraging, motivating, and raising awareness of its potential and trying to develop it. Community empowerment is the basic element that allows a society to survive, and in a dynamic sense develop themselves and achieve progress. Mubyarto in Sun'an and Abdurrahman (2015) empowering the community means an effort to increase the dignity of the layers of society who are in a condition unable to escape the trap of poverty and underdevelopment. Oos M. Anwas (2013), empowerment is a concept related to power. The term power is often synonymous with the ability of individuals to make themselves or others do what they want. This ability is good for self-regulation, managing other people as individuals or groups/organizations, regardless of the needs, potentials, or desires of others. In other words, power makes other people the object of his influence or desire.

While Shardlow in Isbandi Rukminto Adi (2003) sees that the various existing notions of empowerment, essentially discuss how individuals, groups, or communities try to control their own lives and seek to shape the future according to their wishes. Although the objectives of empowerment vary depending on the field of development being carried out, such as in agriculture, the orientation of empowerment can be done through changes in the management pattern from the traditional pattern to the management pattern that utilizes the development of more modern agricultural equipment. Wharton in Totok Mardikanto and Poerwoko Soebianto (2017) economic empowerment is the existence of a continuum of economic behavior that moves from subsistence morals which are generally not responsive to innovations offered towards rational economic morals that are very responsive to change. According to Gunawan Sumodiningrat (1999), economic empowerment is an effort to encourage, motivate and raise public awareness of its potential and efforts to develop it, meaning that it is an effort to accelerate changes in the people's economic structure so as to strengthen the position and role of the people's economy in the national economy. This structural change includes the process of changing from a traditional economy to a modern economy, from a weak economy to a more resilient economy.

The people's economic potential can become a great economic force and adequate support from the government is needed. People's economic development policies must take sides to facilitate various needs in order to be able to access openly and widely, in order to be able to reach market potential independently. According to Sun'an and Abdurrahman (2015), one of the pillars of the people's economy is the existence of small and medium-scale economic enterprises (UMKM) which have been the focus of most of the workforce in Indonesia. These SMEs are mostly done by most economic actors in Indonesia for several reasons, including the relatively small amount of capital, not requiring a high level of skill, and uncomplicated licensing. Such characteristics make the number of UMKM grow very large and automatically donate a lot of employment. Meanwhile, developments in our country, the number of UMKM (Micro, Small, and Medium Enterprises) is relatively large, but the contribution to national economic growth has not been seen significantly, let alone its contribution to improving people's welfare. This means that the added value accumulated by MSMEs is still very limited compared to large businesses, so its contribution to national income is still low. Furthermore, Sun'an and Abdurrahman (2015), that: actually every economic policy produced by the government (central/regional) must consider these two sides, namely the goal of creating social justice and compromising it with economic growth. In some cases, the objectives of social justice and economic growth are trade-offs, so caution is required in making these economic policies. According to Ismail (1995), there are two things to note from this thought. First, people's participation is an absolute element in development with a populist dimension. In this case, the task of the government is only as a facilitator, namely to create conditions that encourage people's initiative in meeting their own needs and in solving the problems they face. Second, what the people want is the best choice for their country, both in terms of its goals and how to achieve it (Sun'an and Abdurrahman, 2015). Meanwhile, according to M.Y Hutomo (2000), there are two efforts so that community economic empowerment can be carried out, including: (1) Preparing people's personalities to become entrepreneurs, by providing training, will be a very important provision when entering the world of work. This coaching program to become an entrepreneur can be carried out through several stages of activities, including: (a). Business Training. Through this training, each participant is given an understanding of the concepts of

entrepreneurship with all the ins and outs of the problems that exist in it. The purpose of this training is to provide a more thorough and actual insight so that it can foster motivation for the community in addition to being expected to have knowledge of entrepreneurial techniques in various aspects. Training should be given more actual, by testing the management of entrepreneurial life practices, both by those who are indeed struggling in the business world, or concrete examples that occur in business practice. Through this kind of training, it is hoped that he will be able to observe certain tips that he must carry out, so that failures in the development of his entrepreneurial activities can be avoided as little as possible. (b). Capital. Capital. in. form. money. is. wrong. one. important factor. in. business world, but no. which. most important. to obtain financial support, whether banking or any other assistance funds channeled through other business partnerships. Additional capital from financial institutions should be given, not for initial capital, but for development capital, after the business is initiated and shows good prospects, because if the business has not shown good profit development, banks will often not provide loans. (2) Education. Ignorance is the root of poverty, therefore to eradicate poverty in the long term is from the education sector, because this poverty is mostly hereditary in nature, where parents are poor so they cannot afford to send their children to school, and this will add to the list of poverty rates later in the future. day. This form of empowerment in the education sector can be channeled in two ways, firstly providing scholarships for underprivileged children, by providing scholarships automatically reducing the burden on parents and at the same time increasing the willingness to learn, secondly providing facilities and infrastructure, the distribution process is by providing a formal learning place process. or non-formal, or at least the funds channeled for this education are not only for scholarships but also for improving learning facilities and infrastructure, because it is very impossible to create a quality student with minimal facilities.

Based on the above thought, the orientation of the people's economic development program is more focused on empowering UMKM, because most MSME actors are carried out by people's economic actors. For this reason, it is necessary to maintain, maintain, and develop its sustainability so that the existence and role of UMKM is able to form a strong economy. The independence, resilience and resilience of UMKM during a crisis have made UMKM a people's economic activity that is considered capable of empowering the poor and playing an important role in income distribution so as to improve people's welfare. In addition, UMKM are also a savior and driver of national economic growth as well as an alternative policy for equal distribution of opportunities for the community to participate in development. However, the role of UMKM has not been matched by the resolution of various MSME problems that have not yet been completed, both internal and external problems. In addition, increasingly fierce business competition as a result of free trade has also contributed to narrowing the space for MSMEs to move. Such as the entry of products from outside at low prices but have good quality and quality. Even within the country, competition with local products produced by more advanced and modern companies requires UMKM to work even better with all the existing limitations. The main problems faced by UMKM include limited infrastructure and government access related to licensing and bureaucracy as well as the high level of levies. With all the existing problems, the large potential of MSMEs is hampered. Although UMKM are said to be able to survive the global crisis, in reality the problems they face are many and more severe. This is because of the global crisis. Even some research results (Nurhajati, 2005) state that the problems faced by Micro, Small and Medium Enterprises (UMKM) making it difficult to develop include incompetence in management, weak decision-making abilities, lack of experience, and weak financial supervision. Facing the problems of Micro, Small and Medium Enterprises (UMKM) that have been stated above, the government as the state administrator has made various efforts which at the same time demonstrates its commitment to improving the performance and competitiveness of the Indonesian economy. This commitment has been institutionally demonstrated through the establishment of a ministry that handles Micro, Small and Medium Enterprises (UMKM) since the New Order government era (Nursalam, 2010).

In addition, juridically, the Government's commitment is marked by the existence of Law Number: 9 of 1995 concerning Small Business, which aims, among other things, to realize the role of small businesses as the backbone and strengthen the structure of the national economy. This law was followed up by Government Regulation Number 44 of 1997 concerning Partnerships as a form of effort to create a business climate through the cooperation of Micro, Small and Medium Enterprises (UKM) with Large Enterprises (Nursalam: 2010). Therefore, in practice Small and Medium Enterprises (UMKM) are often in a weak position, the Government seeks to remedy this situation legally through Law Number: 5 of 1999 concerning Prohibition of Monopolistic Practices and Unfair Business Competition. The establishment and participation of the Chamber of Commerce and Industry (KADIN) both at the central and regional levels in fostering and developing Micro, Small and Medium Enterprises (UMKM) is also a manifestation of the Government's commitment to Micro, Small and Medium Enterprises (UMKM). Credit policies that are specifically intended for Micro, Small and Medium Enterprises (UMKM) to overcome the weaknesses of Micro, Small and Medium Enterprises (UMKM) in the capital structure and limitations in obtaining access to sources of capital have also been carried out. Many efforts have been made by the Government aimed at improving the performance and competitiveness of Micro, Small

and Medium Enterprises (UMKM)(Nursalam, 2010).

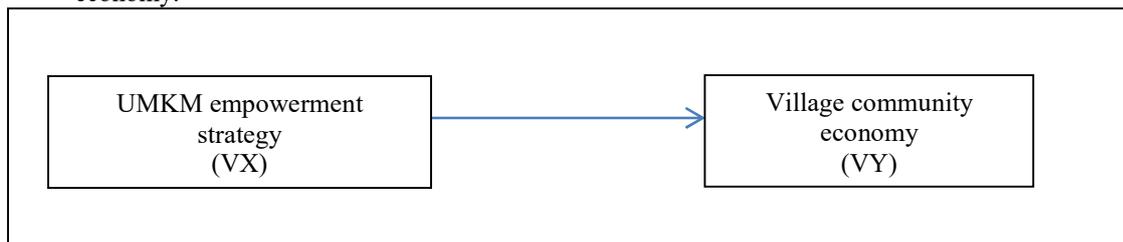
According to Jafar (2004) by looking at the problems faced by UKM, it is necessary to strive for the following: (1). Creating a Conducive Business Climate. The government needs to strive to create a conducive climate, among others, by seeking peace and security in business as well as simplifying business licensing procedures. (2). Capital Assistance. The government needs to expand a special credit scheme with conditions that are not burdensome for UKM, to help increase their capital, be it through the informal financial services sector, guarantee schemes, leasing and venture capital funds. Financing for UKM should use existing Microfinance Institutions (LKM), as well as non-banks. What must be done now is how to encourage these LKM to run well, because so far non-cooperative LKM have had difficulties in their operational legitimacy. (3). Business Protection. Certain types of business, especially traditional types of business which are classified as economically weak businesses, must receive protection from the government. Such protection can be in the form of laws or government regulations that lead to a win-win solution. (4). Partnership Development. It is necessary to develop partnerships that help each other between UKM, or between UKM and large entrepreneurs at home and abroad to avoid monopolies in business. Besides that, it is also to expand market share and more efficient business management. Thus, UKM will have the strength to compete with other business actors, both from within and from abroad. (5). Training. The government needs to improve training for SMEs in terms of entrepreneurship, management, administration and knowledge and skills. Besides that, it is also necessary to be given the opportunity to apply the results of the training in the field to practice theory through the development of pilot partnerships. (6). Establishing a Special Institution. It is necessary to form an institution that is specifically responsible for coordinating all activities related to efforts to develop UKM and also to function to find solutions in order to overcome both internal and external problems faced by UKM. (7). Establish Association. Existing associations need to be strengthened, to increase their role, among others, in the development of a business information network which is very much needed for business development for its members. (8). Develop Promotion. In order to accelerate the partnership process between SMEs and large businesses, special media are needed in an effort to promote the products produced. Besides, it is also necessary to hold a talk show between the association and its business partners. (9). Developing Equal Cooperation. There is a need for harmonious cooperation or coordination between the government and the business world (UKM) to take an inventory of various current issues related to business development. Meanwhile, according to Abdul Azis and Herani Ruslan (2009), based on experience so far, MSME empowerment programs carried out by many countries cover several aspects, namely the existence of clear and supportive government policies, the availability of financing sources and easy access, accompanied by technical assistance. and adequate institutional development. (1). Government policy. A clear and supportive government policy is an important factor for the development of UMKM and this policy is needed to create a conducive business climate for the growth of the business sector. A conducive business climate is urgently needed to ensure business certainty, increase efficiency, create healthy competition, and ensure the effectiveness of the guidance provided to UMKM. From the perspective of industrial organization theory, it is said that clear and directed policies are crucial for achieving a balance in the distribution of owned resources, such as abundant natural resources, human resources, institutions and technology. For example, the policy of providing excessive subsidies to MSMEs tends to create distortions in the allocation of existing resources and can even hinder the growth of business units. In general, the direction of government policy in developing UMKM is different, in Indonesia it is more associated with job creation, income distribution, poverty alleviation, developing a climate of business independence, and economic growth. However, in the era of globalization and free trade, the development of UMKM can prioritize increasing competitiveness, especially small and medium enterprises, by increasing efficiency and productivity on various lines. The concrete form of government policy is to create a conducive business climate, including the existence of legislation that can guarantee business certainty, such as the law on UMKM, the law on mandatory company registration, and easy, cheap and fast business licensing; the existence of an institution that functions to coordinate policies and develop UMKM; the availability of adequate infrastructure; providing various incentives, for example, fiscal incentives; and the presence of competent UMKM supervisors. (2) Source of Financing. Financing is one of the important aspects in the series of management and development of UMKM as business actors. Meanwhile, in the UMKM sector, sources of financing rely more on bank credit, and complaints are often heard of the difficulty of getting credit from banks because there are too many requirements that are asked for with long procedures carried out by financial institutions. MSME business financing has so far been carried out using a credit pattern known as program credit, including the Small Investment Credit scheme and Permanent Working Capital Credit (KIK/KMKP), Farm Business Credit (KUT) and Candaq Kulak Credit (KCK). Furthermore, MSME financing is the responsibility of the government. To that end, the government issues government bonds (SUP) to be channeled to micro and small businesses through banks. Meanwhile, the pattern of financing for micro and small businesses that purely uses funds from credit-giving banks and is market-oriented, for example, is the Rural General Credit (KUPEDES) which is distributed by Bank Rakyat Indonesia. (3) Technical Assistance. The problems faced by

UMKM are very complex and broad, covering all aspects of business activities, namely limitations in business management, marketing, production, accounting, and finance. These constraints are mainly due to the low quality of human resources and limited information so that they have a major impact on the ability to manage businesses and access to productive resources. In this context, international institutions, such as the World Bank, Asian Development Bank and other international institutions, in providing assistance for the development of UMKM to developing countries, including Indonesia, generally group the assistance into 2 (two) types, namely technical assistance (technical assistance) and financial assistance (financial assistance). Both types of assistance are usually provided in one aid package, which is a single unit. In providing guidance to UMKM, the provision of both types of assistance must be carried out simultaneously. Even in the event that UMKM are deemed not ready, the priority given is technical assistance first, to prepare UMKM' capabilities in managing the financial assistance received. The experiences that have occurred so far have shown the impression that some people demand more or place the financing aspect above other assistance in developing UMKM. This can be seen, among other things, from the complaints of some people in general against banks in lending to the business sector. The target of providing technical assistance to MSMEs is more focused on increasing the capacity of human resources and expanding information relevant to the development of the business sector. Meanwhile, the purpose of technical assistance is to help improve the capacity of MSMEs in business management and access to productive resources. Meanwhile, the scope of technical assistance activities, based on the assistance received by several countries from the World Bank and other international institutions, consists of providing training, studies/research, and consulting. The scope of the training includes internships, workshops, and seminars, which are carried out in various fields needed by UMKM, including in the fields of business management, marketing, production engineering, finance, and accounting. UMKM Empowerment Program The Role of Bank Indonesia in Supporting the Development of Micro, Small, and Medium Enterprises Similarly, research activities are carried out according to the needs of the business unit, for example, research related to market opportunities, product development, bank financing, research on superior UMKM products/commodities in certain areas, business feasibility studies, potential studies of UKM in the regions, and so on. The results of this study are information needed both for UMKM themselves and for other parties with an interest in developing UMKM. Meanwhile, technical assistance through consultancy is usually carried out to discuss certain cases faced by UMKM, for example, difficulties in repaying loans, and so on. In general, this consulting activity is carried out post-training, related to the implementation of the results of the training in the daily operations of the company. In addition, UMKM also need to be given various relevant information, which affects the development of the business, for example, market information; policies in the fields of trade, investment, banking both domestically and abroad, information on the development of new technologies, and others. To ensure the effectiveness of technical assistance provided to UMKM, it is necessary to have competent assistants in their fields, especially to direct the assistance to achieve its targets. For example, in the field of agriculture, the assistants are known as agricultural extension workers who provide counseling to farmers in their fields; and in finance/banking, known as partner bank financial consultants (KKMB), whose roles include bridging UMKM with banks, directing proper financial management, and monitoring business development, as well as credit repayment. This large number of assistant staff is needed with adequate quality because there are many UMKM that require guidance. It is not yet known how many assistant staff are currently available nationally. At the very least, every relevant institution/agency that provides technical assistance to UMKM usually has prepared such personnel. In providing technical assistance to UMKM, almost all relevant institutions/agencies in various sectors carry out this task, by providing guidance to UMKM that are under the authority and responsibility of their agencies. (4) Institutional Development. The existence of UMKM is spread across remote areas and in heterogeneous conditions, including in rural areas, especially micro and small businesses. Meanwhile, institutions that play an important role in providing guidance and assistance to UMKM, which consist of government agencies/institutions, business development service providers, research and development institutions, universities, and financial institutions, both banks and non-banks, and other supporting institutions are generally located in big cities. In general, these institutions are relatively limited in number and have varying capacities and capabilities. Under these conditions, it is difficult to provide guidance and deliver various assistance, both technical and financial assistance to UMKM effectively and efficiently, as expected. For this reason, in addition to the well-designed and well-prepared aid packages, it is necessary to develop professional and competent coaching/supporting institutions, as well as having a network that is widely spread in the regions. These institutions are expected to provide good services, by adhering to the principles of good governance, expanding UMKM access to productive resources. The UMKM Empowerment Program, the role of Bank Indonesia in supporting the development of Micro, Small and Medium Enterprises, has basically been an effort from the Ministry of Cooperatives and UKM to strengthen institutions in providing technical assistance to UMKM. For example, cooperative institutions and UKM have developed cooperative institutions, as a forum for fostering UMKM, in addition to forming and training assistant staff, known as Field Consultant Officers (PKL) whose task is to assist UMKM in solving various problems they face (Abdul Azis and Herani

Ruslan: 2009).

The above efforts are broadly part of the government's strategy to improve the economy as well as the welfare of the community. Strategy as a tool used to create and develop resources in achieving organizational goals, therefore the implementation of strategy can determine the result to be achieved. The strategy referred to here is a management strategy in empowering UMKM which is more oriented towards macro strategy development. Seeing the current conditions, of course, the role of all stakeholders in the implementation of the empowerment strategy is highly expected. Thus, the UMKM empowerment strategy becomes an integral part of the people's economic development, and as an effort for equitable economic distribution. For this reason, the hypothesis can be constructed between variables, namely:

1. Ho = There is an influence between UMKM empowerment strategies on the economy of rural communities,
2. Ha = There is no influence between the UMKM empowerment strategy on the village community economy.



RESEARCH METHODS

This study uses a quantitative approach to determine respondents' assessments of the UMKM empowerment strategy, and the economy of rural communities. The UMKM empowerment strategy is seen from the creation of a conducive business climate, capital assistance, business protection, partnership development, training, institutional development, strengthening associations, developing promotions, and developing equal partnerships. Meanwhile, the community's economy is viewed from increasing income, business mobility, nutritional adequacy, health, and education. Data were collected by distributing questionnaires to 120 randomly selected respondents in 6 villages, Kabupaten Ngawi. Each village was assigned 20 respondents by random sampling, consisting of: 2 elements of the village government, and 18 UMKM actors. Respondents' assessments were measured using a Likert scale with gradations from very positive to very negative, in the form of words, including: a) Strongly agree with a score of 5, b) agree with a score of 4, c) Doubtful with a score of 3, d) No agree with a score of 2, and e) Strongly disagree with a score of 1. While the data analysis method uses a regression analysis model with processing through SPSS.

RESULTS AND DISCUSSION.

Correlation Test

To test the hypothesis, a correlation test was conducted between the variables of the UMKM empowerment strategy (VX) as the independent variable on the rural community economy (VY) as the dependent variable. The results of the correlation test are as follows:

Table. 1
 The Relationship between UMKM Empowerment Strategies and the Des
 Community Economy

Correlations		UMKM empowerment strategy	the rural community economy
UMKM empowerment strategy	Pearson Correlation	1	.983**
	Sig. (2-tailed)		.000
	N	120	120
the rural community economy	Pearson Correlation	.983**	1
	Sig. (2-tailed)	.000	
	N	120	120

** . Correlation is significant at the 0.01 level (2-tailed).

From the table above, the correlation r value between the UMKM Empowerment Strategy variable and the Village Community Economy variable is 0.983 with p-value = 0.000. When compared with the value of = 0.05,

it is known that $p\text{-value} = (0.000) < (0.05)$. Thus, the hypothesis H_a is accepted, namely that there is a correlation between the UMKM Empowerment Strategy and the Village Community Economy.

Regression Test

The results of the regression calculation between the variables of the UMKM Empowerment Strategy on the Village Community Economy are:

Table. 2
 The Influence of the UMKM Empowerment Strategy on the Village Community Economy

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	-3.249	1.066		-3.048	.003
UMKM empowermentstrategy	1.208	.021	.983	57.853	.000

a. Dependent Variable: the rural community economy

From the regression equation ($Y = a + bX$), it can be identified: (1) The constant value is 3,249; shows that the Village Community Economy will be constant if the UMKM Empowerment Strategy variable is equal to zero (none), assuming other factors remain or do not change in value. (2) The Village Community Economic Variable with a value of 1,208 (positive) indicates the influence of the UMKM Empowerment Strategy. If the UMKM Empowerment Strategy increases by 1 unit, the Village Community Economy will also decrease by 1,208. Thus the UMKM Empowerment Strategy has a positive effect on the Village Community Economy.

Determination Test.

The coefficient of determination (R^2) is used to measure how far the model's ability to explain the variation of the dependent variable (Ghozali, 2006). The results of the coefficient of determination test are:

Table 3
 Determination Test Results between the variables of the UMKM Empowerment Strategy and the Village Community Economy

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.983 ^a	.966	.966	1.61892

a. Predictors: (Constant), the rural community economy

The amount of the Multiple Coefficient of Determination (R Square) is 0.966 or 96.6% which means that the Village Community Economy can be explained by the UMKM Empowerment Strategy variable, while the remaining 3.4% is explained by other variables not explained in this study. The UMKM empowerment strategy must always consider the profile and character of each UMKM. Several strategic choices were made in empowering UMKM, namely: (1). Creating a conducive business climate, where the government must have a commitment to protect UMKM by providing convenience in the business licensing process. Indeed, so far there are still obstacles in the process of obtaining business permits, as a result, many village UMKM feel less comfortable doing their business. (2). Capital Assistance. The government needs to expand the reach of access to capital for village UMKM through the development of special credit schemes with conditions that are not burdensome for village UMKM. With easy access to capital, it is hoped that it can encourage and mobilize rural UMKM to develop their business units. (3). Business Protection. The government must protect the existence of UMKM through provisions that are oriented towards supporting small businesses. (4). Partnership Development. The existence of partnerships for UMKM is needed so that there is continuity and sustainability of their business. For this reason, the government must be able to facilitate the creation of partnerships for UMKM. (5). Training. The training is intended as an effort to improve skills in business, especially in the aspects of entrepreneurship and management. (6). Institutional development. Institutional development such as BUMDES is needed so that village UMKM actors can coordinate, so that it can be easier to develop market access and promotion. By implementing a comprehensive strategy, it will grow and move village UMKM to become more established and independent business actors. With the growth of village UMKM, it will have an impact on improving the economy of rural communities and ultimately the realization of prosperity.

Conclusion

The empowerment of UMKM is an integral part of the economic development program. Given the heterogeneous conditions and characteristics of each UMKM, which are located in all economic sectors and the complex problems faced by various related parties, this UMKM sector empowerment strategy must be approached with a fairly broad dimension. There are several strategies for empowering UMKM that can be used as references, namely: Creating a Conducive Business Climate, Capital Assistance, Business Protection, Partnership Development, Training, Institutional Development, Strengthening Associations, Developing Promotions, and Developing Equal Cooperation. Of the several strategies above, the implementation of which is very dependent on the character of each UMKM, the research results show that not all of the empowerment programs are effective in empowering village UMKM. Capital assistance is a prominent aspect of the obstacle factor for empowering village UMKM, because they still do not have easy access to capital so it is difficult to develop their business. Institutional strengthening such as BUMDES is still very much needed so that there is synergy in business products from village UMKM actors, so that they become more effective in accessing market reach and promotion, and partnership development is still relatively limited so that it becomes difficult to maintain business continuity and sustainability.

REFERENCES

- Abdul Azis dan Herani Ruslan, 2009, *Membangun Industri Berbasis Ekonomi Kerakyatan Guna Mendorong Pertumbuhan Ekonomi Dalam Rangka Pembangunan Nasional*, Kertas Karya Perorangan (TASKAP), Kursus Singkat Angkatan (KSA) XIV LEMHANNAS RI.
- Endang Murti, et.al: 2020, *Strategi Penanganan Kemiskinan Sosial, Melalui Pemberdayaan Ekonomi Berbasis OVOP (One Village One Product)*, Jengala Pustaka Utama, Surabaya.
- Ghozali, Imam, 2006, *Aplikasi Analisis Multivariate Dengan Program SPSS*, Badan Penerbit Universitas Diponegoro, Semarang
- Isbandi Rukminto Adi, 2003, *Intervensi Komunitas Pengembangan Masyarakat Sebagai Upaya Pemberdayaan Masyarakat*, Jakarta: Raja grafindo Persada.
- Mardi Yatmo Hutomo, 2000, *Pemberdayaan Masyarakat dalam Bidang Ekonomi*, Yogyakarta: Adiyana Press.
- Nursalam. 2010. *Pemberdayaan Usaha Kecil Dan Menengah (UKM) Masyarakat Desa Melalui Program Nasional Pemberdayaan Masyarakat (PNPM) Mandiri*. Malang. Skripsi
- Sumodiningrat, Gunawan. 1999, *Membangun Perekonomian Rakyat*, Yogyakarta: Pustaka Pelajar.
- Sun'an, Muammil & Abdurrahman Senuk. 2015. *Ekonomi Pembangunan Daerah*. Jakarta: Penerbit Mitra Wacana Media
- Strategi Pengembangan UMKM Pedesaan Menuju ..., <https://www.esaunggul.ac.id/uploads/2017/01>
- Totok Mardikanto, Poerwoko Soebiato. 2017. *Pemberdayaan Masyarakat*, Bandung: Alfabeta.
- Oos M. Anwas, 2013, *Pemberdayaan Masyarakat Di Era Global*, Bandung: Penerbit Alfabeta.