

ANALYSIS OF EFFECTS OF GOVERNMENT POLICY AND THE INVOLVEMENT OF STAKEHOLDERS ON THE PERFORMANCE OF MSME

ANALISIS DAMPAK KEBIJAKAN PEMERINTAH DAN KETERLIBATAN STAKEHOLDERS TERHADAP KINERJA UMKM

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Abstract

The important role of MSME in the national development, particularly in economic growth, employment provision, and GDP is the main reason why MSME should be one of the prioritized attention given by the government and public. This study was aimed at assessing the effect of government (central and local) policy and the involvement of stakeholders (educational institution, financial institution, cooperative, business association, and NGO) on the performance of MSME. A quantitative method and analysis of regression and correlation analysis were used. Results showed that the government has given a special attention to MSME through Law No. 20 Year 2008 and regulations of central and local government through the service office of cooperative and MSME. Involvement of stakeholders in training, coaching, mentoring, funding, and partnership had an important role in the improvement of MSME performance. It was expected that the government be able to make or amend laws and regulations which were in favor to MSME and able to create conducive business environment. Sustainable involvement of stakeholders in the empowerment of MSME was needed by MSME.

Key words: policy, involvement, performance

Abstrak

Peran penting UMKM terhadap pembangunan nasional terutama pertumbuhan perekonomian, penyediaan tenaga kerja, dan produk domestik bruto menjadi alasan utama bahwa UMKM menjadi salah satu prioritas perhatian pemerintah dan masyarakat. Tujuan penelitian ini adalah untuk mengetahui bagaimana kebijakan pemerintah (Pusat dan Daerah), dan keterlibatan stakeholders (lembaga pendidikan, lembaga keuangan, koperasi, asosiasi usaha, dan Lembaga Swadaya Masyarakat) terhadap kinerja UMKM. Penelitian menggunakan metode kuantitatif, analisis koefisien regresi dan korelasi. Hasil penelitian menunjukkan pemerintah telah memberikan perhatian khusus terhadap UMKM melalui Undang-undang No. 20 tahun 2008 dan peraturan pemerintah pusat dan daerah melalui dinas koperasi dan UMKM. Keterlibatan stakeholders dalam pelatihan, pembinaan, pendampingan, pendanaan, dan kemitraan mempunyai peran penting terhadap kinerja UMKM. Harapan UMKM pemerintah dapat membuat atau memperbaiki Undang-undang dan peraturan tentang UMKM yang lebih berpihak kepada UMKM dan mampu menciptakan lingkungan usaha yang kondusif. Dan keterlibatan stakeholders terhadap pemberdayaan UMKM secara berkelanjutan lebih dibutuhkan oleh pelaku UMKM.

Kata Kunci: kebijakan, keterlibatan, kinerja.

Introduction

In order to develop micro, small, and medium enterprises (MSME), the government and the parliament have made Law No. 20 Year 2008 on MSME. In Article 3, it is mentioned that the objective of MSMEs is to make their business grow and expand in order to develop the national economy based on equitable economic democracy. This is in line with the content of Article 33 of the 1945 Constitution especially Paragraph 1 stating that the economy shall be organized as a common endeavour based upon the principle of the family system. This means that the economy is from us, for us, and by us. Therefore, in order to develop the national economy, all business units, large and small, have to actively participate. To manifest real participation of MSMEs, the empowerment and development of MSMEs are required.

According to Article 5 Law No. 20 Year 2008, the empowerment of MSME is aimed at 1). Creating the balanced, developed, and equitable national economic structure; 2). Growing and developing MSME capability to make them as strong and independent enterprises; 3). Improving the role of MSME in regional development, employment creation, income even distribution, economic growth, and poverty eradication. Therefore, it can be said that MSME has a very big role, especially in reducing poverty level. As it is already known that poverty level in Indonesia is still high and it needs to be controlled so that it does not get worse.

In order to make MSMEs as strong and independent enterprises, the government is developing a conducive business climate. Accordingly, the government has stipulated regulations and policies covering various aspects including 1) Funding, 2) Facility and infrastructure, 3) Business information, 4) Partnership, 5) Business permit, 6) Business opportunity, 7) Trade promotion, and 8) Institutional support. However, growing this conducive business climate is the responsibility of not only the government but also the business community and public.

MSMEs play an important role in the economic development in Indonesia through employment creation and public prosperity improvement. This role of MSMEs can be seen from their position as 1) the main actor in economic activities in various sectors, 2) the biggest employment provider, 3) the important actor in the development of local economic activities and public empowerment, 4) new market creator and source of innovation, and 5) the maintainer of balanced payment through export activities. The role of MSMEs in the national economy is so strategic that they have to be the focus of the national economic development in the future.

On the other side, although there is an increasing trend of the number of MSMEs but it is relatively very small and the number of MSMEs is fluctuating over years. This is suspected to be caused by the fact that the government policy and the involvement of stakeholders in MSME development are not yet optimal. Therefore, this study was done to assess the development and empowerment of MSME, identify the policies (central and local government), and the involvement of other stakeholders (educational institution, NGO, bank, cooperative, and business association). It was also done to determine supporting and constraining factors in the empowerment of MSME and to assess the impact of the government role and the involvement of stakeholders on MSME performance.

Review of Literature

Considering the strategic role of MSME, it is important to empower MSMEs so that they can grow and develop into strong and independent enterprises. In Law No. 20/2008 on MSME, empowerment is defined as efforts done by central government, local government, business community, and public synergistically in the form of conducive business climate creation and business development to make MSMEs as strong and independent enterprises.

According to the Indonesian Central Bureau of Statistics (BPS), a company employing 1-4 man powers is classified as home industry, 5-19 man powers as small industry, 20-99 man powers as medium industry, and more than 100 man powers as big industry.

Referring to Law No. 9 Year 1995, micro, small, and medium enterprises are as follows.

1. Micro/home industry is an industry/business activity with an asset value of up to Rp50 million (excluding land and building).
2. Small industry/business is an enterprise conducting business activity in industrial field with an investment value of Rp500 million excluding land and building.
3. Medium industry/business is an enterprise conducting business activity in industrial field with an investment value between Rp500 million and Rp10 billion excluding land and building.

Prawirokusumo (1999) proposed several aspects that should be given attention in MSME empowerment including (a) policy about healthy competition by reducing market distortion, (b) economic policy giving opportunity to MSME to reduce any cost not related to production process, and (c) policy about the enhancement of partnership based on common principles of interdependence, strengthening, and profiting one to another. In addition, supports are to be given to the improvement of human resources of cooperatives and MSMEs, improvement of technology mastery, improvement of information mastery, improvement of capital control, optimization of organization and management, business site reserve, and business line reserve.

Local government can empower MSMEs by making appropriate regulations. Empowerment is done to make MSMEs as strong and independent enterprises in national economy. This empowerment process involves the government, business community, and public. In this respect, the government should create a conducive business climate and do a development by providing coaching and other assistances. As a matter of fact, non conducive business environment is found as one of the main problems many MSMEs are facing. For example, there are many kinds of permits which are not easy to get and illegal fees which are burdensome for many MSMEs. If the government could overcome these problems, it would be very helpful for the MSMEs to get rid of these internal and external constraints.

Kuswara (2013) conducted a study on the effect of the implementation of policy about people business credit and MSME development on business management and productivity. The methodology used in his study was a qualitative approach on the basis of causal-effectual model analysis. Results of Kuswara's study showed that the implementation of policy about people business credit and MSME development significantly gave positive effect on business management and productivity.

Another study by Handriani (2011) was done in 60 micro businesses by using four dependent variables and one independent variable. Results of Handriani's study showed that internal and external factors, skill of businessmen, strategy, and ethos had significant effects,

both partially and simultaneously, on competitive advantages applied by micro business operators in Semarang Regency.

A study done by Irdayanti (2012) on the role of the government in the development of MSME described the *"Governments' synergy in their attempt to boost the upgrading of pottery in Kasongan using local economic development programs. This synergy can be seen from the craftsmanship policy in which the public and the private sector such as individuals, universities, and banks were involved as a (joint venture) to enhance the upgrading in the effort of gaining the global market. The upgrading concept was a part of Global Value Chain analysis as a method in examining the added value gained from the product distribution in the global market. Results of this research showed that Kasongan's pottery industry center was capable in performing three upgrading processes, namely design upgrading, labor upgrading using labor development, and also marketing upgrading by developing some galleries. This could be seen from the absent of the synergy among the governments, privates, and public"*.

Factors affecting the performance of SMEs in Bogor Regency (Harini, 2011) included entrepreneurship mentality, marketing management capability, entrepreneurship attitudes, human resources management capability, and operational management capability, respectively. It was also found that supports from various parties were needed to improve the performance of SMEs in Bogor Regency. These supports could come from academicians through coaching, training and mentoring, sharia financial institutions with their soft financial support schemes, institutions or companies with their CSR schemes in the forms of partnership, coaching, and development, and the government through policies which were conducive for and favorable to SMEs.

Methods of the Study

Objects of this study were MSMEs in Greater Bogor Area (Bogor City and Bogor Regency). Bogor City has 820,707 population distributed in six districts, namely South Bogor, East Bogor, North Bogor, Central Bogor, and Tanah Sereal. Bogor City was selected for its vision as the City of Trade with Productive Human Resources and Prime Service. Bogor Regency covers an area of 298,838,304 Ha divided into 40 districts spread out in its northern, eastern, central, western, and southern parts. Their population and location which is closed to the capital city have given Bogor City and Bogor Regency positive opportunities in economic activities. The study was conducted from March to October 2015.

A descriptive qualitative approach was used in this study. This method was used to reach the objective of this first year study, namely to identify the government policy and the involvement of stakeholders in the empowerment of MSME and to analyze supporting and constraining factors in the empowerment of MSME in Greater Bogor Area. A descriptive correlation analysis was used to assess the effects of government policy and the involvement of stakeholders on the empowerment of MSME and to design a model of MSME empowerment based on people economy and export orientation.

The population selected as the objects of this study consisted of businessmen of MSMEs in Bogor City (35,572 units) and Bogor Regency (10,000 units). Considering the high number of MSME in Greater Bogor Area, a Slovin sampling technique (Umar, 2003) was used to determine the number of targets (200 units). A stratified random sampling technique was used to ensure

that the selected targets were proportionally distributed in 6 districts in Bogor City and 40 districts in Bogor Regency.

Primary data were collected through observation, interview, and questionnaire. Secondary data were obtained from literature study, service office of industry and trade, related institutions, text books, journals, scientific reports, and various relevant regulations. Data analyses were initiated by classic assumption tests (normality, multicollinearity, heteroskedasticity, and autocorrelation). Data were subjected to both qualitative and quantitative analyzes. Qualitative analysis was done to assess the government policy and the involvement of stakeholders in MSME empowerment. Quantitative analysis was done to assess the effects of the government policy and the involvement of stakeholders on MSME empowerment by using a series of statistical tests including correlation, determination, regression, and significance tests. The variables used in this study are depicted in Figure 1.

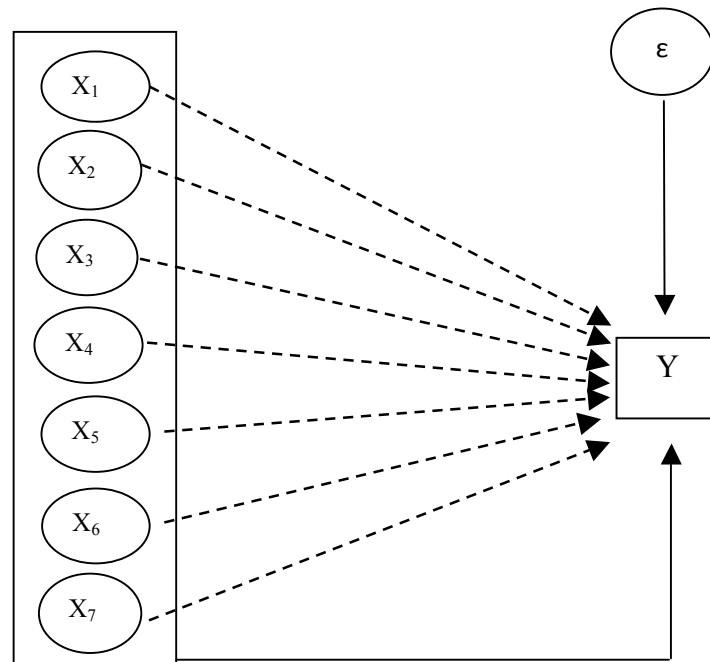


Figure 1 Variables of the Study

Remarks:

- X₁ = Policy of Central Government
- X₂ = Policy of Local Government
- X₃ = Involvement of Educational Institution
- X₄ = Involvement of Financial Institution (Banking)
- X₅ = Involvement of Non Governmental Organization
- X₆ = Involvement of Cooperative
- X₇ = Involvement of Business (Industry) Association

Y = Empowerment of MSME
 ε = Variable error
 -----► Partial Effect
 —————► Simultaneous Effect

Results and Discussion

MSME Development

Data of Ministry of Cooperative and MSME (2013) showed that in 2012-2013 there were 1,361,129 units of MSMEs (2.41%) and 6,486,573 (6.03%) man powers employed in MSMEs. The contribution of MSMEs to constant-price GDP in 2012-2013 was Rp85,458.5 billion (5.89%).

Table 1. The Development of Micro, Small, and Medium Enterprises (MSME) and Large Enterprises (LE) in 2012 - 2013

No	Indicator	Unit	Year 2012		Year 2013		Development in 2012-2013	
			Number	Share (%)	Number	Share (%)	Number	%
1	2	3	4	5	6	7	8	9
1	Business Unit (A+B)	(Unit)	56,539,560		57,900,787		1,361,227	2.41
	A. Micro, Small and Medium Enterprise (MSME)	(Unit)	56,534,592	99.99	57,895,721	99.99	1,361,129	2.41
	- Micro Enterprise (MiE)	(Unit)	55,856,176	98.79	57,189,393	98.77	1,333,217	2.39
	- Small Enterprise (SE)	(Unit)	629,418	1.11	654,222	1.13	24,803	3.94
	- Medium Enterprise (ME)	(Unit)	48,997	0.09	52,106	0.09	3,110	6.35
	B. Large Enterprise (LB)	(Unit)	4,968	0.01	5,066	0.01	98	1.97
2	Man Power (A+B)	(People)	110,808,154		117,681,244		6,873,090	6.20
	A. Micro, Small and Medium Enterprise (MSME)	(People)	107,657,509	97.16	114,144,082	96.99	6,486,573	6.03
	- Micro Enterprise (MiE)	(People)	99,859,517	90.12	104,624,466	88.90	4,764,949	4.77
	- Small Enterprise (SE)	(People)	4,535,970	4.09	5,570,231	4.73	1,034,262	22.80
	- Medium Enterprise (ME)	(People)	3,262,023	2.94	3,949,385	3.36	687,363	21.07
	B. Large Enterprise (LB)	(People)	3,150,645	2.84	3,537,162	3.01	386,517	12.27
3	Constant-Price GDP 2000 (A+B)	(Rp. Billion)	2,525,120.4		2,670,314.8		145,194.4	5.75
	A. Micro, Small and Medium Enterprise (MSME)	(Rp. Billion)	1,451,460.2	57.48	1,536,918.8	57.56	85,458.5	5.89
	- Micro Enterprise (MiE)	(Rp. Billion)	790,825.6	31.32	807,804.50	30.25	16,978.9	2.15
	- Small Enterprise (SE)	(Rp. Billion)	294,260,736	11.65	342,579.19	12.83	48,318.5	16.42
	- Medium Enterprise (ME)	(Rp. Billion)	366,373.9	14.51	386,535.07	14.48	20,161.1	5.50
	B. Large Enterprise (LB)	(Rp. Billion)	1,073,660.1	42.52	1,133,396.05	42.44	59,735.9	5.56

Source: Ministry of Cooperative and SME (processed) 2013.

The role of MSME in absorbing man power and its contribution to GDP in 2012-2013 were found to increase compared to the figures in previous years. This indicated the more important roles of MSME in solving the unemployment and in improving the income and welfare of Indonesian people. In 2013 in Bogor Regency there were 13,400 MSME units spreading over 40 districts with their own featured products. These featured products were produced in 24 production centers and they included bag, shoes, jacket, clothing, sweet toffee-like confection (*dodol*), and dried flower. Overall, the number of MSME units in six districts in

Bogor City decreased by -1.9%. However, the number of man powers employed (904 people) increased by 4.8% as there was an increased number of employees in some business units.

Policies in MSME Field

In order to develop MSME, the government and the parliament have made Law No. 20 Year 2008 on MSME. In Article 3, it is mentioned that the objective of MSMEs is to make their business grow and expand in order to develop the national economy based on equitable economic democracy. This is in line with the content of Article 33 of the 1945 Constitution especially Paragraph 1 stating that the economy shall be organized as a common endeavour based upon the principle of the family system. This means that the economy is from us, for us, and by us. Therefore, in order to develop the national economy, all business units, large and small, have to actively participate. To manifest real participation of MSMEs, the empowerment and development of MSMEs are required.

According to Article 5 Law No. 20 Year 2008, the empowerment of MSME is aimed at 1). Creating the balanced, developed, and equitable national economic structure; 2). Growing and developing MSME capability to make them as strong and independent enterprises; 3). Improving the role of MSME in regional development, employment creation, income even distribution, economic growth, and poverty eradication. Therefore, it can be said that MSME has a very big role, especially in reducing poverty level. As it is already known that poverty level in Indonesia is still high and it needs to be controlled so that it does not get worse.

In order to make MSMEs as strong and independent enterprises, the government is developing a conducive business climate. Accordingly, the government has stipulated regulations and policies covering various aspects including 1) Funding, 2) Facility and infrastructure, 3) Business information, 4) Partnership, 5) Business permit, 6) Business opportunity, 7) Trade promotion, and 8) Institutional support. However, growing this conducive business climate is the responsibility of not only the government but also the business community and public.

To implement Law No. 20 Year 2008, the government has stipulated the Regulation of the Government of the Republic of Indonesia No. 17 Year 2013 on Micro, Small, and Medium Enterprise. It is stated in Article 2 of this regulation that in line with their authority, the Central and Local Government conduct the empowerment of MSMEs. This can be done through activities to develop business, partnership, permit, coordination, and control.

In business development aspect, Central and Local Government facilitate and conduct business development. The facilitation is done in various fields namely production and processing, marketing and human resources, and design and technology. In other words, the central and local government conduct empowerment in business operation field. MSME development is done through various activities including a. Inventory and identification of potential and problems found; b. Preparation of coaching and development program based on the potential and problems found; c. Implementation of coaching and development program; and d. Monitoring and controlling program implementation. These activities are done by using cooperative, center, cluster, and group approaches.

The priority of MSME development as stipulated in the government regulation includes a. Giving opportunity to take part in procurement of goods and services in the central and local government; b. Reserving businesses for SMEs through limitation of large businesses; c. Simplifying permits; d. Facilitating finance in accordance to prevailing regulations; or e. Facilitating technology and information.

In addition, the priority of large enterprises in the development of MSMEs is stipulated to include a. Business attachment; b. Potential production of goods and services in domestic market; c. Production and supply of goods of basic need; d. Products with export potential; e. Products with added values and competitiveness power; f. Technological advancement utilization potential; and/or g. New entrepreneur creation potential. The stipulation of this priority is expected to make the development of MSMEs run smoothly as there is a clear and effective guideline.

Meanwhile, MSMEs are developing their businesses by a. Developing business network and partnership; b. doing business efficiently; c. Developing innovation and market opportunity; d. Enlarging marketing access; e. Utilizing technology; f. Improving product quality and finding wider business financing sources. These ways need to be done to make MSMEs able to anticipate business competition which is getting tighter over time especially among MSMEs. With their high competitive power, MSMEs will be able to win markets and play an active role in sustainable development of national economy.

To optimize the empowerment of MSMEs, State Ministry of Cooperative and SME is developing cooperation with related institutions, provincial governments, and city/regency governments to conduct various kinds of empowerment programs focusing on:

- a. Institutional empowerment of MSME,
- b. Improvement of MSME access to financial sources,
- c. Empowerment in production through selective business assistance as stimulant,
- d. Development of marketing network,
- e. Empowerment of MSME resources, and
- f. Assessment, research, and development of MSME and cooperative resources.

In order to develop MSME, Bogor Regency Government represented by Service Office of Cooperative, SME, and Industry and Trade have stipulated the following vision and missions. The vision is the Realization of Cooperative, MSME, Industry, Trade in Bogor Regency with Their Most Advanced Service to Improve Competitiveness by Prioritizing Quality and Quantity. To realize these vision and missions, Cooperative, MSME, Industry, and Trade have determined 16 programs and 129 activities.

Bogor City is one of the cities having significant number of MSMEs. Out of 3200 MSME units in Bogor City, 700 units are under guidance of Service Office of Industry and Trade (Antaranews Bogor, 22 January 2015). Similar to Bogor Regency Government, Bogor City Government represented by Service Office of Cooperative and SME has also made policies and various programs. Some activities which have been conducted is facilitating MSME business activities by, among others, distributing capital assistance, coaching, providing market, simplifying permits, and giving assistance in halal certification.

However, it was found that MSME development and empowerment programs arranged by Service Office of Cooperative and MSME in Bogor City and Bogor Regency were still lacking compared to the number of MSME units in both Bogor City and Bogor Regency. There were many MSMEs which had no access to and had never been touched by activity programs from the service offices. This was one of the reasons why the number and performance of MSMEs did not develop well as expected. Therefore, to overcome these problems, programs arranged by the government are expected to match with the need of MSME actor especially the beginners in order for them to survive. Even distribution of programs to each region is

important. This finding was in line with the results of a study by Suryana (2001) who found that MSMEs that could survive until year 3 and 5 were only 50% and 30%, respectively.

Involvement of Stakeholders

The empowerment of MSME is not merely the responsibility the government. Other related stakeholders including educational institutions through their *Tridharma*'s activities, finance institutions with their affordable loan and financing schemes, cooperatives with their MSME business programs, non governmental organizations with their activities controlling and evaluating the government policies, and business associations with their CSR programs are expected to play active roles in MSME empowerment in Indonesia.

Results obtained from interviews and questionnaire distribution in this study are listed in Table 3.

Table 3. The Involvement and Forms of Activities done by Stakeholders in MSME Empowerment in Bogor City and Bogor Regency.

No	Stakeholders	Involvement	Activity
1	Service Office of MSME, Bogor City	Various programs done by Local Government Work Unit (LGWU) Service Office of Cooperative and MSME	Improvement of MSME human resources quality and product expo/business meeting
2	Service Office of Cooperative and MSME, Bogor Regency (LGWU Program)	Realizing balanced, developed, and equitable economic system . Developing MSME into strong and independent enterprises. Improving the role of MSME in local development, employment creation, and local revenue increment, economic growth, and poverty eradication	Training on technology Regulation Partnership with businessmen through CSR Product promotion/expo Gallery
3	NGO	Cooperation with Ministry of Agriculture, Ministry of Manpower, and Donor agency to facilitate the development of MSME in various regions and institutional and technical assistance	MSME development <i>Capacity building</i> (institutional) <i>Technical building</i> (production, management, and marketing techniques) Legalization into cooperative
4	Business Association	Facilitator	Training Facilitation in access to

			technology, Human Resources, and market
5	Cooperative	Training Capital Consultancy	Training, consultancy, fund
6	Educational Institution	<i>Peduli</i>	Training according to competence Mentoring Free supervision and consultancy
		Special MSME coaching by Institute of Research and Community Service UIKA/empowerment post in economic field	Coaching
		MSME coaching is done partially/only certain faculty/individual	Training and coaching on product diversification, training on financial report making
7	Financial Institution	Leasing, Credit	Credit limit 5 million to 5 billion with tenure of 6 months to 4 years with quick process

Source: Processed Data, 2015.

There are some alternative strategies which can be used in the empowerment of MSME (Sriyana, 2010), namely simplified access to capital, infrastructure development assistance, business scale development, human resources development, technological access improvement, and realization of conducive business climate. Tambunan (2012) suggested that in developing countries like Indonesia, MSMEs are very important as they have main characteristics which are different from those of large enterprises. They also have several advantages including (1) the number of small and micro enterprises is much higher than that of larger enterprises so that the economic advancement, especially in villages, is really affected by the advancement in MSME development, (2) MSMEs are highly labor intensive with high potential as employment creator so that MSME growth can be included as an important element in the national policy to increase work opportunity and create income especially for people in poverty, and (3) MSME can be a starting point for mobilization of savings/investment in rural areas and, at the same time, this business group can function as a place for assessment and improvement of business capability for people in rural areas.

Supporting and Constraining Factors of MSME Empowerment

Although MSMEs are facing many problems in marketing, capital, manpower, management, and mentality, they have some potential that make their existence deserve to be noted.

In this study, it was found that there were factors supporting the empowerment of MSME in Bogor City as follows.

- a. Employment reaction that help overcome unemployment, one of the biggest problems of the country.
- b. Income increment for MSME owner and his/her employees.
- c. Improvement of people prosperity and reduce poverty level.
- d. Strengthening of the economy of Indonesia.

Lores (2014) indicated some constraining factors in shoe craftsmanship business in Medan. These included difficulty in getting capital for production process equipment, cash availability to cover operational cost, limited number of skilled manpower, and difficulty in marketing because there was no trusted sales forces. These problems could be overcome by conducive policies of central and local government such as credit provision with low interest rate and loose requirements, activities to increase MSME actors such as technical training, partnership program with larger companies for product marketing.

In general, constraining factors in MSME empowerment can be classified as internal and external factors. Internal factors include (1) limited amount of capital which is the main constrain in business development in MSMEs in Banyumas Regency as most of them use their own capital, (2) Limitation in human resources in formal education, knowledge, and skill which significantly affects business management and make the business uneasy to develop optimally, (3) weak business network and market penetration ability of small businesses which in general are family business units with less competitive product quality (Adawiyah, 2012).

Meanwhile, the external constraining factors of MSME empowerment include (1) business climate which is not completely conducive as a result of limited government policies made to make SMEs grow, (2) limited business facilities and infrastructure, limited information related to the development of science and technology, (3) various kind of fees which are burdened to MSMEs as a result of the implication of Regional Autonomy which has enacted Law No. 22 Year 1999 on Regional Autonomy which give local government to regulate and take care local people, (4) the implication of free trade areas including AFTA since 2003, MEA in 2015, and APEC in 2020 in the form of requirements for MSMEs to compete in free trade. In this case, like it or not, SMEs are required to have their production efficient and be able to make products which are compliant to global market frequency with quality standards related to quality (ISO 9000), environment (ISO 14000), human rights, and manpower issues. These issues are often used by developed countries in an unfair way as *a Non Tariff Barrier for Trade*. Accordingly, SMEs are expected to prepare themselves to get ready for the competition with both comparative and competitive advantages, (5) most MSME products are fashion and craftsmanship with short lifetime, and (6) access to the market is limited causing the products they made unable to compete in national and international markets.

In general, results of this study were in line with those of previous studies (Urata, 2000; Hafsa, 2004; Ariawati, 2005; Sulistio dan Mansur, 2010, Okpara, 2011; Adawiyah, 2012) which suggested that problems commonly faced by MSMEs in their business development were weak financial aspect, bad management capability, illegal business practices (cheating and corruption), inadequate facilities and infrastructure, weak accounting, weak network, weak market access, less conducive business climate. These problems were classified into internal and external factors.

The development of SMSE faces some constraints such as weak human resources managerial capability which can be categorized into two aspects, structural and cultural. Structural aspect includes weaknesses in company's structure such as weaknesses in managerial and organizational field, quality supply, technology adoption and mastery, difficulty in capital obtainment and limited access to market. Cultural aspect includes inadequate information access and other weaknesses in other requirements to get access to capital, marketing, and raw materials (Harjanto, 2010).

Role of Stakeholders Involvement in MSME Performance

Results of regression and correlation coefficient analysis showed that policies of government (central and local) and the involvement of stakeholders (educational institution, financial institution, cooperative, business association, and non governmental organization) played a role in MSME performance in Bogor City and Bogor Regency.

Table 5. Analysis of Correlation Coefficient
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.912^a	.832	.826	3.562

a. Predictors: (Constant), X1, X2, X3, X4, X5, X6, X7

Source : Processed primary data, 2015.

Conclusions and Recommendations

It was concluded that:

1. In general, there was a good development of MSME, both in national and local levels, particularly MSMEs in Bogor City and Bogor Regency which experienced improvement in number, employment rate, and contribution to GDP in 2010-2015.
2. Policies of central and local government were identified and these included laws, governmental regulations, ministerial regulations, and regional regulations in the levels of province, Bogor City, and Bogor Regency represented by the Service Office of CMSME.
3. The involvement of stakeholders consisting of educational institution, financial institution, cooperative, business association, and NGO was found although each stakeholder had different level of involvement.
4. Supporting factors of MSME included pro MSME policies of central and local government and balanced and sustainable involvement of stakeholders.
5. Roles of government and stakeholders were able to improve MSME performance.

Recommendations that can be given to central and local government and stakeholders are as follows:

1. Empowerment of MSME should be done comprehensively by it needs the involvement of stakeholders (educational institution, financial institution, cooperative, business association, and NGO) in addition to central and local government as the main role holder (through their policies).
2. Government policies should be more in favor of MSME for the improvement of MSME performance in manpower absorption and contribution to GDP.

3. Involvement of stakeholders should be done with coordination and sustainability through institutional, training, financing, and partnership programs.

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