

# The Effectiveness of the Empowerment of Small Businesses in Sarolangun Regency, Jambi

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**Abstract:** Small businesses have contributed a great deal on local revenues and state revenues in Indonesia. This research aims to determine the influence of coordination, personnel competence, budget and public participation on the effectiveness of small business in Sarolangun Regency, Jambi. This research used quantitative approach with a sample of 340 respondents. Data collection technique uses observation, documentation, literature study and questionnaire. Based on the statistical result, it was found that all of the dependent variables examined in the study showed significant effect to the effectiveness of the empowerment of small entrepreneurs. Therefore, great efforts to support the development of small entrepreneurs are important for the sustainable economic development in Sarolangun Regency, Jambi.

**Keywords:** small business, coordination, budget, competency of the apparatus and participation, effectiveness, and empowerment.

## I. BACKGROUND

Attention to small business sector in Indonesia has shown an increasing development after the occurrence of national economic crisis in 1998. This is because among the three economic sectors existing when the economic crisis occurred, the small business sector was the most resistant in overcoming the economic crisis. On the contrary, the medium and large business sectors have almost entirely “collapsed”, tossed by the economic crisis. As the result, small business empowerment becomes one of the national and regional economic policies and programs.

Considering their role in the development, small businesses must be continuously developed with the spirit of familiarity, complementing each other, strengthening each other between small and large businesses in the context of even distribution, as well as actualizing the greatest prosperity for all Indonesian people.

However, the reality is, various issues are found on field. Among the issues concerned is that the issues of coordination, budget, competency apparatus, and community participation have not received much attention. While in fact, these four variables are important in affecting the effectiveness of the empowerment of small businesses.

In terms of coordination, for example, it was found out that the coordination system among development agencies, both between agencies at the national and regional levels as well as between agencies in the regions has not been operating properly.

The same issue is also found in terms of competency of the apparatus, indicated by the weak integrity and lack of adequate professional capacity in the form of level of knowledge, skill and attitude of some competent apparatus with regard to the empowerment of Small Businesses so that this has an impact on the effectiveness of the empowerment of Small Businesses conducted. Such issue of competency of the apparatus is, among other things, caused by formation issue, namely the stipulation of formation of employees and structural positions has not used clear and basic standard, and has not placed employees in accordance with their field or education either (the right man on the right place).

The issue of budget in the empowerment of small businesses can be seen from the extremely minimum budget allocation of the Regional Revenue and Expenditure Budget for regional development available for the empowerment of Small Businesses post originating from Regional Revenue and Expenditure Budget of Sarolangun Regency. It can be seen from the prepared activity/program plan, which consists of very few programs, unsustainable programs, and uncompleted program as seen from the activity of training program.

Community participation is also an issue in the empowerment of Small Businesses program in Sarolangun Regency. It can be seen from community non-participation in the process of identifying the existing issues and potentials amid the community.

The importance of research on the effectiveness of the empowerment of Small Businesses in Sarolangun Regency is based on the fact that empowerment of Small Businesses is part of the improvement of people’s competitive economy in order to increase the people’s purchasing power. People’s purchasing power is closely related to poverty. The higher people’s purchasing power is, the lower the poverty level of a region. One of the efforts of improving people’s competitive economy is the improvement of institutional capacity of Small Businesses, namely through empowerment of Small Businesses in Sarolangun Regency.

Based on the abovementioned background, this text is aimed at assessing the Effect of Coordination, Competency Apparatus, Budget and Community Participation on the Effectiveness of the empowerment of Small Businesses in Sarolangun Regency, Jambi Province.

## II. DEVELOPMENT OF SMALL BUSINESSES IN SAROLANGUN REGENCY

The development in the number of Small Business actors, particularly in Sarolangun Regency, is not as planned. Awareness of understanding of a regulation for Small Business actors has not been able to make effective contribution to the improvement in

real economic sector which has an extremely large impact on locally-generated revenues (PAD) particularly from regional retribution sector.

In 2011, the development in the number of Small, Micro and Medium Enterprise (SMME) actors in Sarolangun Regency showed a quite significant number in 10 (ten) Districts, can be seen as contained in Table 1 below.

**Table 1**  
**Development of SMME in Sarolangun Regency in 2011**

No	District	Number of SMME	Value of Assets (Rp)
1	Sarolangun	1,087	75,880,886,000
2	Singkut	508	18,500,271,000
3	Pelawan	83	6,092,767,000
4	Limun	160	9,033,082,000
5	Cermin Nan Gedang	67	1,589,600,000
6	Batang Asai	16	261,225,000
7	Bathin VIII	130	7,010,245,000
8	Air Hitam	116	93,688,712,000
9	Pauh	113	7,596,927,000
10	Mandiangan	118	36,857,769,000
	Total	2398	256,511,484,000

**Source: The Industry, Trading and Cooperatives Service Office of Sarolangun Regency Year 2011**

Data of the development of SMME in Sarolangun Regency in 2011 show that each District has fairly large economic potential and is able to make contribution to the economic growth of Sarolangun Regency.

The development of Small Businesses in Sarolangun Regency is supported by various types of business managed by the community, both in the form of sole proprietorships and home industries. Food and beverages business ranks number one with quite a large number compared to other types of business. Most of the food and beverage businesses sell products processed from agricultural products managed by sole proprietorships or home industries. This type of business absorbs a fairly large quantity of workers so that it plays a role in reducing the number of unemployment and improving the local community's standard of living.

For that purpose, the existence of SMME actors certainly needs a more comprehensive coaching through empowerment, so that micro and small businesses can grow into medium-scale businesses and medium-scale businesses can grow into large businesses which in turn will increase revenue for regional government from the retribution received and absorption of manpower.

### III. RESEARCH METHODOLOGY

In answering the above research question, the analytical method used is multiple regression analysis. Mathematically, the form of intended equation can be written as follows

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

In which:

- X<sub>1</sub> = Coordination
- X<sub>2</sub> = Competency of the Apparatus
- X<sub>3</sub> = Budget
- X<sub>4</sub> = Community Participation
- Y = Empowerment of Small Businesses
- ε = Variable other than X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub>, X<sub>4</sub> which are not examined

Meanwhile, the analytical unit of this study, namely the stakeholders in the empowerment of Small Businesses

### IV. RESEARCH RESULT AND DISCUSSION

Based on analysis of field data by using Likert scale approach and using multiple regression analysis, the following result is obtained:

$$\hat{Y} = 1.286 + 0.158X_1 + 0.131X_2 + 0.390X_3 + 0.185X_4$$

Based on the above multiple linear regression equation, we can pay attention to the following findings. First, that every increase of 1 value in coordination variable has an effect on the increase in the value of the effectiveness of the empowerment of small businesses variable by 1.444 with the assumption that competency apparatus, budget and community participation variables remain constant. Second, every increase of 1 value in competency apparatus variable has an effect on the increase in the value of the effectiveness of the empowerment of small businesses variable by 1.417 with the assumption that coordination, budget and community participation variables remain constant. Third, every increase of 1 value in budget variable has an effect on the

increase in the value of the effectiveness of the empowerment of small businesses variable by 1.676 with the assumption that the coordination, competency apparatus and community participation variables remain constant. Fourth, every increase of 1 value in community participation variable has an effect on the increase in the value of the effectiveness of the empowerment of small businesses variable by 1.471 with the assumption that the coordination, competency apparatus and budget variables remain constant.

### **The Effect of Coordination in Respect of the Effectiveness of the Empowerment of Small Businesses**

Based on the analysis result, it is proven that coordination has positive and significant effect of 80% on the effectiveness of the empowerment of small businesses in Sarolangun Regency, Jambi Province. Therefore, the effectiveness of coordination in respect of the effectiveness of the empowerment of small businesses Sarolangun Regency, Jambi Province, is determined by the role of synchronization and harmony in the implementation of empowerment conducted by the regional government of Sarolangun Regency in order to improve the competitiveness of small business actors.

As stated by Terry in Hasibuan (2007: 85), coordination is a synchronous, orderly effort of providing the right amount in the right time, which directs implementation in order to produce a uniform, harmonious action on a specified target.

In accordance with what is proposed by Handoko (2003: 196) that the requirement for coordination depends on the nature and requirement of communication in the implementation of duties and the degree of interdependence between the various implementing units. Coordination is the synchronization of a matter between two or more people, in which the process of mutual understanding is also included.

### **The Effect of Competency of the Apparatus on the Effectiveness of the Empowerment of Small Businesses**

Based on the analysis result, it is proven that competency of the apparatus has positive, significant effect of 80.3% on the effectiveness of the empowerment of small businesses in Sarolangun Regency, Jambi Province. Therefore, the effectiveness of competency of the apparatus in respect of the effectiveness of the empowerment of Small Businesses in Sarolangun Regency, Jambi Province, is determined by the level of knowledge, skill and attitude of the apparatus in the implementation of the empowerment conducted by the regional government of Sarolangun Regency in order to increase competitiveness of small business actors.

In accordance with what is proposed by Wyatt in Ruky (2003: 106), competency is an ability to carry out work which is supported by knowledge, skill and attitude.

### **The Effect of Budget in Respect of the Effectiveness of the Empowerment of Small Businesses**

Based on analysis result, it is proven that budget has positive, significant effect of 86.6% in respect of the effectiveness of the empowerment of small businesses in Sarolangun Regency, Jambi Province. Therefore, the effectiveness of the empowerment of small businesses in Sarolangun Regency, Jambi Province, is determined by the preparation, implementation, administration and accountability of budget in the implementation of the empowerment conducted by regional government of Sarolangun Regency in order to increase the competitiveness of small business actors.

As proposed by Munandar (2001: 1), budget is a systematically prepared plan covering all organizational activities stated in monetary unit and applicable for a specific future period.

### **The Effect of Community Participation in Respect of the Effectiveness of the Empowerment of Small Businesses**

Based on analysis result, it is proven that community participation has positive, significant effect of 88% with regard to the effectiveness of the empowerment of small businesses in Sarolangun Regency, Jambi Province. Therefore, effectiveness of the empowerment of small businesses in Sarolangun Regency, Jambi Province, is determined by community involvement in the identification, execution and evaluation in the implementation of empowerment conducted by the regional government of Sarolangun Regency in order to increase the competitiveness of small business actors.

According to Isbandi (2007: 27), community participation is community participation in the process of identifying the existing issues and potentials amid the community, selection of and decision making on alternative solution for addressing issues, implementation of efforts of addressing issues, and community involvement in the process of evaluating the occurring change.

### **The Effect Coordination, Competency of the Apparatus, Budget and Community Participation Together on the Effectiveness of the Empowerment of Small Businesses**

Based on analysis result, it is proven that coordination, competency of the apparatus, budget and community participation together have positive, significant effect of 84.7% on the effectiveness of the empowerment of small businesses in Sarolangun Regency, Jambi Province. Therefore, the effectiveness of the empowerment of small businesses in Sarolangun Regency, Jambi Province, is determined by reliability, quality and precision in the implementation of the empowerment conducted by the regional government of Sarolangun Regency in order to increase the competitiveness of small business actors.

According to Wursanto (2003: 16), effectiveness is a measurement in the sense of achievement of the previously stipulated goal or objective. In relation to this theory, in order that the empowerment of small businesses can be effective, it can be done by means of streamlining the process which develops human beings or people by developing people's ability, changing people's

behavior, and organizing people. There are 3 main objectives in the community empowerment namely developing people's ability, changing people's behavior, and organizing people.

## V. RECOMMENDATIONS

Based on research result, it is proven that coordination, competency of the apparatus, budget and community participation have an effect on the effectiveness of the empowerment of Small Businesses in Sarolangun Regency, Jambi Province. The social implication of this research is that positive attitude of the community with regard to the empowerment of Small Businesses through their involvement in the stipulation of mechanism, involvement through manpower and involvement in making assessment, all of the aforementioned indicators, serve as a form of accommodation of their involvement in higher process. Through community participation in the activities of the empowerment of Small Businesses, socially it provides improvement in the social sector with regard to adoption of technology, people's skill, people's independence and group dynamics to the community which receives the empowerment of Small Businesses program in Sarolangun Regency, Jambi Province.

The economic implication of this research is that empowerment of Small Businesses program can make improvement in the economy sector with regard to total revenue, fulfill of community's necessity through its products, strengthen and improve competitiveness of small businesses and tax/retribution payment to local regional government and absorb manpower from the community which receives the empowerment of Small Businesses program in Sarolangun Regency, Jambi Province. Also, in the context of improving the national economic structure, these Small Businesses foster to support each other and benefit each other through utilization of cooperation of available resources.

The implications of empowerment on the establishment of entrepreneurship through Small Businesses are (1) creating an atmosphere or climate which enables the community potentials to develop. Empowerment is an effort of developing such power, by encouraging, motivating, and stimulating awareness of its potentials and through efforts of fostering it, (2) strengthening community's potentials or power (empowering). In this context, it requires more positive measures, more than merely creating climate and atmosphere. Such strengthening includes real measures, and is related to the provision of various inputs, as well as the opening of access to various opportunities which will empower the community. Empowerment does not only include the strengthening of individual community members, but also its institutions, (3) Empowering also contains the definition of protecting. Protecting must be seen as an effort of preventing unfair competition, as well as exploitation of the weak by the strong. Community empowerment is not making the community more dependent on various charity programs. Because, basically anything we enjoy must result from our own effort. Therefore, the ultimate objective is establishing the community, enabling, and developing ability to advance itself towards a better life continuously.

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