

**THE ROLE OF EMPOWERMENT OF THE COOPERATIVE AND
MSME OFFICE IN THE DEVELOPMENT OF SMALL AND
MEDIUM MICRO ENTERPRISES IN MEDAN CITY**

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Abstract

Medan City Small and Medium Enterprises (SMEs) development still faces several obstacles such as capital, marketing, the use of technology, human resource capabilities, and business licensing. Based on the background of the research, the purpose of this study is; analyzing the empowerment provided by Medan City SMEs to SMEs in Medan; analyzing the development of SMEs in Medan City that have received empowerment from Medan City Cooperatives Service and SMEs; The research method used is qualitative with descriptive. The results showed that the role of Medan City Cooperatives and SMEs office has been able to increase the development of SMEs in Medan City in terms of improving product quality, product diversification, production amount, and business profits. The development occurred mainly due to the empowerment of product marketing and ease of licensing. However, there are some drawbacks in the empowerment of technology utilization and empowerment of HR capabilities in the form of training programs that have not run optimally and evenly. Capital empowerment is also still lacking because the capital of equipment assistance has not been fully able to overcome the constraints of capital funding in SMEs.

Keywords: *Empowerment, Development, Small and Medium Enterprises (SMEs)*

1. INTRODUCTION

Local government plays a vital role in the development of regional potential. The goal of the local government is to identify opportunities for small and medium-sized enterprises (MSMEs) (Sedyastuti, 2018a). This is because MSMEs have placed themselves in the national economy by adding to gross domestic product (GDP), which means that their function in dispersing employees generates revenue and regional exports that have the ability to generate foreign exchange through export activities (Herlina et al., 2021). Accordingly, it is crucial for local governments to carry out their tasks and missions, particularly at the early phases of development of MSMEs (Budiarto et al., 2018). North Sumatra is a region of Indonesia that is rich in both human and natural resources. North Sumatra is a prospective growth area that is geared toward economic development within and around the region.

Among its responsibilities is the coordination of local government programs and the oversight of the smooth operation of local governments in order to assist the growth of critical sectors. Additionally, the North Sumatra Regional Government has constructed an office responsible for the implementation of decentralization, specifically the cooperative and MSMEs office. Growing small and medium-sized enterprises (SME) by strengthening cooperatives and SME in each province / city, as well as increasing the attractiveness of micro, SME stakeholders and investments in the growth of the SME sector in North Sumatra, particularly in Medan, as the state capital.

Small and medium-sized enterprises (SMEs) in the city of Medan continue to grow at a rapid pace. The impact of this large expansion is felt most strongly in the SME sector, as MSMEs generally reinforce local raw resources, improve regional income, create new jobs, and explore local potential, among other benefits.

However, the existence of MSMEs does not need to be questioned, as research by Sedyastuti (2018b) demonstrates that MSMEs thrive and drive the economy, particularly following the economic crisis. Yet, SMEs confront numerous barriers, including a shortage of working capital (Ismanthono, 2003), a lack of human resources (HR) in areas such as information access and capital management (Khusaini, 2013), and unqualified understanding of technology and science (Arifin, 2007a; Cooper & Schindler, 2017). Another barrier that MSMEs encounter is the conflict between uncertain business prospects and a changeable vision and mission. Provision of market knowledge and networks, simple access to funding and support (Kasmir, 2015), and development of information technology capabilities, notably as part of Indonesian MSMEs' competitiveness plan (Majid, 2020), and an unyielding entrepreneurial spirit is equally important (Djakfar, 2012). As a practical matter, all stakeholders, including the economy, government, and microfinance institutions, must be pulled together.

According to the head of the North Sumatra Cooperative and MSMEs Office, Medan City's MSMEs face strategic issues compared to earlier research. Partnership restrictions are a major obstacle to the growth of small and medium-sized enterprises (SMEs), as is the lack of competition between SMEs and co-ops as well as between the two groups' inability to obtain funding (Cooperative and SME Sector, 2018).

The Medan City Cooperative and MSME Office, which has a significant impact on the growth of Medan City's MSMEs, must be strengthened in order to address current issues. The institution's success as a competitive city with a favorable investment climate is seen in its development. As an outcome, Medan City's MSMEs will have a better good picture of Medan City if they provide services to institutions.

This description shows that the empowerment of the Cooperatives & MSMEs Service can hypnotize the development of Medan City SMEs. This is the reason for research on "The Role of Empowerment of The Cooperative and MSME Office in The Development of Small and Medium Micro Enterprises in Medan City (Study on the Office of Cooperatives and MSMEs in Medan City)."

2. THEORETICAL BASE

2.1. Economic Development

According to Schumpeter (Arifin, 2007b), entrepreneurialism is the primary driver of economic growth. Because they are bold and capable of implementing a variety of innovations (new technologies) into production. Economic instability, according to Harrod Domar of (Hikmat, 2001), is unavoidable, unbalanced (full employment), and requires government action.

2.2. Micro, Small and Medium Enterprises (MSMEs)

According to Law No. 20 of 2008, MSMEs are classified as follows:

1. Micro business, which is a productive business owned by an individual business entity or an individual whose standard property \leq Rp. 50 million and gross income \leq Rp. 300 million.
2. Small businesses, namely productive economic businesses that stand alone, are carried out by business entities or individuals who are not branches of the company or are not subsidiaries that are controlled, owned, or as part of either exclusive or non-exclusive terms according to large businesses or medium-sized businesses that meet the parameters of Rp. 50 million $<$ assets \leq Rp. 500 million and Rp. 300 million $<$ gross income \leq Rp. 2,5 billion..
3. Medium-sized businesses, namely productive economic businesses that stand alone, which are carried out by business entities or individuals who are not subsidiaries or branches of companies that are controlled, owned, or as part of either exclusive or non-exclusive use of mini businesses or large businesses that meet the standard of Rp. 500 million $<$ assets \leq Rp. 2,5 billion and Rp. 2,5 billion $<$ gross income \leq Rp. 5,0 billion.

2.3. Role

Roles are dynamic features of a person's ability to perform a task. When people exercise their rights and obligations in accordance with their status, they play a role in the process. It is necessary to distinguish between a person's distinctive role and his or her position in society (Darmanto & Wardaya, 2016).

2.4. Empowerment

According to Hafiluddin (2014) empowerment may also refer to an endeavor to enhance the effectiveness and professionalism of community development entrepreneurs, which may include equipment, non-governmental organizations (NGOs), social organizations, the business world, and community members. It can accomplish this through fulfilling people's desires and expectations in order to overcome obstacles and improve their quality of life for the greater good of society (Djakfar & SH, 2012).

3. RESEARCH METHOD

This is a descriptive form of research that employs a qualitative method (Arifin, 2007a). This research is conducted in order to identify and resolve issues within the research sector (Ginting & Situmorang, 2006). This method was selected based on the author's objective in determining how to gather, search for, evaluate, and process research data.

4. RESULT AND DISCUSSION

4.1. Field Findings Regarding the Empowerment of MSMEs in Medan City by the Medan City Cooperatives and MSMEs Office

During interviews with the leadership of the Medan City Cooperative and the Head of the MSME Service, which stands for the MSME Development, Empowerment, and Conservation Service, the data on empowerment was gathered and analyzed. With the assistance of the Cooperatives and MSMEs Service, information was also gathered from employees and owners of MSMEs, notably from MSME owners and Batik Mardiyah

employees, as well as MSME owners and Irjie Calligraphy employees. The data on service improvement for Medan City cooperatives and small and medium-sized enterprises (SMEs) is presented. Capital assistance, marketing assistance, expanding the use of technology, enhancing staff skills, and simplifying company licenses are all examples of what is available.

4.1.1 Capital Assistance

Improvements to Medan City Cooperative and MSME Service in the field of MSME business capital will be supplied in the form of tools. “Cooperatives and the Medan City MSME Service give financing in the form of equipment support,” noted the Head of the Section for the Guidance, and Protection of Small and Medium Enterprises. MSMEs receiving equipment support must first register as MSMEs receiving support from the Medan City MSME Cooperatives and Services. The service includes equipment assistance in the form of subsidies. Equipment assistance is likewise limited, with the type and quantity of equipment allocated annually and financing provided by the Medan City Government (APBD Fund) based on the recommendation of the Head of the Small Business Section for Development, Empowerment, and Protection. Hence, this empowerment is intended to “assist this small business in progressing further”.

4.1.2. Marketing Assistance

Cooperative and MSME services in the marketing sector are strengthened through the opening of bazaars, exhibitions and galleries, and currently MSMEs have created and supported online shops in the form of e-commerce. This was conveyed by the Head of the SME Development, Guidance and Protection Section. According to the Head of the Small Business Development, Promotion and Protection Section, the aim of empowerment in the marketing field is to “encourage MSMEs to go further by making their products available to the public.”

4.1.3 Increase the Use of Technology

A service that Medan City Cooperatives and SMEs provide to SMEs is technical training. Based on the Head of the Development, Empowerment and Protection Section of Small Business, the objectives of technology empowerment are “later, the existence of e-commerce belonging to the institution is expected to be able to increase sales of MSMEs supported by this”.

4.1.4 Improvement of Human Resources Capability

Approval of the department of cooperatives and SMEs for capacity building of human resources in the form of comparative studies and training such as Machine handling training, product management training, management training, accounting training, training to get the Halal label, conducting comparative studies of active and more advanced MSMEs. The purpose of this empowerment is based on the Head of the Small Business Development, Empowerment and Protection Section, which states “In order for these small businesses to grow and prosper.”

4.1.5. Ease of Licensing

Strengthening cooperative and MSME services in Medan City to facilitate licensing. Based on the Head of the Development, Improvement and Protection of MSMEs Section, the permit in Medan City MSME Cooperatives and Services only refers to MSME Development Permits, but Medan City MSME Cooperatives and Services. In particular, Medan City MSME Cooperatives and Services also support MSMEs that handle Halal label licensing for cooked products. Currently, there are approximately 3300 MSMEs in the city of Medan.

4.2. The Role of Medan City Cooperatives and MSMEs Empowerment in the Development of Micro, Small and Medium Enterprises (MSMEs) in Medan City

The government is attempting to enhance the performance of small and medium-sized enterprises (SMEs) in order to spur the country's economic development. It is necessary for the government to work together with local and central governments in order to accomplish national economic development.

The role of enhancing cooperative relationships between the city of Medan and the MSME service is consistent with the role's definition, which includes dynamic factors for resolving a situation. They are involved when individuals exercise their rights and responsibilities in accordance with their status. The unique role of an individual must be isolated from his social position. Because a person's status in society is a static component of function, adaptation, and place as a process, he or she occupies and plays a part in society (Soekanto in Nur, 2017: 4).

With the potential to enhance the quality of human resources, MSMEs can evolve to produce higher-quality products, expand their product range, and generate more revenues for MSMEs. However, this feature is not without flaws, as the type of training available remains limited. Advanced training for businesses who currently have a significant number of MSMEs on the Institute's registry. On the other hand, various other types of MSMEs continue to be classified as MSMEs and lack institutional authority in the form of comparative studies or training.

Empowerment to improve the quality of human resources is rumored to have been carried out optimally and become a driver of the development of MSMEs, and has been based on Presidential Regulation No. 10 of 1999, where empowerment has been completed by the Medan City Cooperative and MSMEs Office. MSMEs. This program is crucial to share information and provide additional information to both the Medan City Cooperative or the Medan City MSME and MSMEs Office.

5. CONCLUSION

The researcher can draw certain conclusions based on the findings of the analysis and discussion described above, including the following:

1. Empowerment provided by the Cooperative Office and MSMEs to SMEs in Medan in the form of capital empowerment, and providing support in the form of business equipment and equipment. Strengthening marketing in the form of exhibitions, galleries and bazaars. Strengthening the use of technology in the form of equipment operation training provided to MSMEs receiving capital support. Capacity to build

- human capabilities in the form of training courses and comparative studies as well as fostering Cooperatives and Urban MSMEs.
2. After being empowered by the Medan City Cooperatives and MSME Service, Medan City has the development of SMEs. This development was realized to improve the quality of MSME products, diversify MSME products, increase MSME profits and increase MSME production.
 3. The role of strengthening cooperation between the City of Medan and the MSME Service has the potential to encourage the development of MSMEs in Medan City in improving product quality, production volume, product diversification, and business profit. In particular, the role of approval is to facilitate licensing, this approval makes it easier for MSMEs to carry out the licensing process, and this approval is in line with government policy.

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