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FACTORS DETERMINING THE POLICY IMPLEMENTATION FOR MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMEs) EMPOWERMENT IN INDONESIA

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ABSTRACT

A commitment to actualize Micro, Small, and Medium Enterprise (MSME) governance through public policy intervention is an approach to empower and improve the welfare of a community. The management of MSMEs is a form of policy that is expected to be effective in empowering MSMEs in Gorontalo City. This policy has been implemented annually by allocating resources and program assistance. However, the progress achieved by the MSME actors is still below expectation. This research aims to analyze factors determining the effectiveness of policy implementation for MSME empowerment in Gorontalo city between 2017 and 2019. Based on initial observation results, the research employs a descriptive qualitative method. Findings from the empirical evidence in the field show that seven factors determine the policy of MSME empowerment in Gorontalo City, including communication, resources, disposition, bureaucratic structure, capital, facility and infrastructure, and quality of human resources. In this research, the characteristics of MSMEs are equivalent to the public policy applied by the government. Therefore, the research results provide a useful value as a reference for the government in implementing the policy for MSME empowerment at the regional and national levels.

Keywords : Policy, Empowerment, MSMEs, empowerment

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INTRODUCTION

In some countries, Micro, Small, and Medium Enterprises (MSMEs) are the main source of economic development (Tewari et al., 2013, Erdin& Ozkaya, 2020, Hobohm, 2001). This sector has become an important part of the economic system in Indonesia (T. Tambunan, 2019). Since the 1997 financial crisis, the MSME sector has played an important role in boosting economic growth and is seen as a savior in the process of national economic recovery (Adrian, 2019). Micro, Small and Medium Enterprises (MSMEs) are one of the business fields that are potentially and consistently developed in the national economy (Maman et al., 2019). MSMEs contribute about 87% to a number of business entities in Indonesia (TTH Tambunan, 2011). Micro, Small and Medium Enterprises that is referred to as *UMKM* (MSMEs), is an economics terminology which refers to a productive business venture owned by individuals or business entities in accordance with the classification of the Indonesian government Law Number 20 of 2008. MSMEs consist of three types: 1) Culinary, 2) Fashion, and 3) Agribusiness. Furthermore, this sector offers various strategic roles, for instance: 1) MSMEs are able to help process the natural resources in all regions which substantially contribute to regional and state revenues of Indonesia, 2) MSMEs drive the economic growth after the financial crisis where large companies are not able to operate efficiently. Today, this sector has greatly contributed to both regional and state incomes, 3) MSMEs also play a strong role in declining the unemployment rate in Indonesia as it can absorb numerous unemployed workers. Nevertheless, the MSME sector is also confronted with various problems (Zhou, 2016). MSMEs are essential not only for the developing countries like Indonesia but also for the developed ones as it is the driver of the national economic growth. (Keskgn et al., 2010, Abdin, 2019). Therefore, MSMEs are one of the pillars of the national economy that must obtain the

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widest possible opportunity, support, and protection from the government (Irawan & Chandranegara, 2018).

MSMEs are an important sector for the economy of a country, including Indonesia. With large numbers and spread across regions, this sector undoubtedly absorbs the workforce as it does not require certain educational qualifications to run business activities, which results in its contribution to reducing the unemployment rate in Indonesia.

Table 1. Workforce Number & Absorption in Micro, Small, Medium Enterprises (MSMEs) and in Large Enterprises (LEs) between 2017 and 2019

NO	INDICATOR	UNIT	2017		2018		2019	
			TOTAL	SHARE (%)	TOTAL	SHARE (%)	TOTAL	SHARE (%)
1	BUSINESS UNIT (A+B)	(Unit)	59,267,759		61,656,546		62,928,077	
	A. Micro, Small and Medium Enterprises (MSMEs)	(Unit)	59,262,772	99.99	61,651,176	99.99	62,922,617	99.99
	- Micro Enterprise (MiE)	(Unit)	58,521,987	98.74	60,863,578	98.71	62,106,900	98.7
	- Small Enterprise (SE)	(Unit)	681,522	1.15	731,047	1.19	757,090	1.2
	- Medium Enterprise (ME)	Unit	59,263	0.1	56,551	0.09	58,627	0.09
	B. Large Enterprise (ME)	(Unit)	4,987	0.01	5,370	0.01	5,460	0.01
2	WORKFORCE (A+B)	(People)	127,423,438		116,273,356		120,260,185	
	A. Micro, Small and Medium Enterprises (MSMEs)	(People)	123,229,387	96.71	103,839,051	97.04	116,673,416	97.02
	- Micro Enterprises (UMi)	(People)	110,807,864	8.96	103,839,015	89.31	107,232,992	89.17
	- Small Businesses (UK)	(People)	7,307,503	5.73	5,402,073	4.65	5,704,321	4.74
	Medium Enterprises (UM)	(People)	5,114,020	4.01	3,587,522	3.09	3,736,103	3.11
	B. Large Enterprises (UB)	(People)	4,194,051	3.29	3,444,746	2.96	3,586,769	2.98

Source: (Department of Manpower, Cooperatives and SMEs, 2019)

According to table 1, 99.99 percent of business units in Indonesia are categorized as micro, small and medium enterprises (MSMEs). It is apparent that MSMEs are able to absorb the workforce of around 90 percent and are expected to become the backbone of the economy (Robu, 2013) as they are reliable; able to develop as a business entity as well as to become a healthy, resilient, strong and independent driving force for the economy; able to become an effective platform in mobilizing people's economic strength from all economic activities/sectors.

The MSME sector accounted for 59.84% to Gross Domestic Product (GDP) in 2018 and increased to 60% in 2019. This signifies that this sector contributes a substantial part to the economy of Indonesia. As generally known, GDP is one of the indicators used by the government to measure the rate of economic growth in various regions. This is the reason why the Government continuously strives to grow the MSMEs in Indonesia.

Table 2. Micro, Small, Medium Enterprises (MSMEs) and Large Enterprises (LEs) Contribution to Gross Domestic Product (GDP) between 2017 and 2019

NO	INDICATOR	UNIT	FOR 2017 *)		YEAR 2018 **)		YEAR 2019 ***)	
			TOTAL	SHARE (%)	TOTAL	SHARE (%)	TOTAL	SHARE (%)
1	GDP AT CURRENT PRICES (A+B)	(Rp. billion)	10,141,340.00		11,712,450.50		12,840,858.90	

2000	A. Micro, Small and Medium Enterprises (MSMEs)	(Rp. billion)	6,228,285.00	61	7,009,282.90	60	7,704,635.80	60
	- Micro Enterprise (MiEs)	(Rp. billion)	3,841,836.00	37.9	4,292,287.80	36.7	4,727,989.40	36.82
	- Small Enterprise (SE)	(Rp. billion)	984,489.00	9.71	1,128,056.80	9.63	1,234,210.70	9.61
	- Medium Enterprise (ME)	(Rp. billion)	1,401,960.00	13.8	1,588,938.30	13.6	1,742,435.70	13.57
	B. Large Enterprise (LE)	(Rp. billion)	3,913,055.00	39	4,703,167.60	40	5,136,223.10	40
	GDP AT CONSTANT PRICES OF 2000 (A+B)	(Rp. billion)	2,866,438.00		9,045,739.40		9,504,148.70	
	A. Micro, Small and Medium Enterprises (MSMEs)	(Rp. billion)	1,655,430.00	58	5,171,063.50	57	5,425,414.70	57.1
	- Micro Enterprise (MiE)	(Rp. billion)	848,985.00	29.6	2,736,613.70	30.3	2,856,607.80	30.06
	- Small Business (SM)	(Rp)	395,426.00	13.8	1,123,131.80	12.4	1,191,871.10	12.54
	- Medium Enterprise (ME)	(Rp. billion)	411,019.00	14.3	1,311,318.00	14.5	1,376,935.80	14.49
	B. Large Enterprise (LE)	(Rp. billion)	1,211,008.00	42	3,874,675.90	43	734.00	4,078

Source: Department of Manpower, Cooperatives and SMEs, 2019)

This fairly large contribution is in line with the growing number of MSMEs. It then triggers the government to take part in supporting this sector by empowering the MSMEs. Such support can improve the function and role of MSMEs, which are currently conceived to be necessary (De Kok et al., 2011). These significant function and role are also in line with the growing number of MSMEs that are constantly rising. However, Indonesia's current economic fundamentals are not yet solid, prompting the government to constantly empower the Micro, Small, and Medium Enterprises (Iramani et al., 2018, Maksum et al., 2020). The economy is developed through the empowerment of Micro, Small and Medium Enterprises. Community empowerment actually refers to the word *empowerment*, as a means to actualize the potential owned by the community as well as the transition from powerless to be empowered (Appelbaum et al., 1999). In this instance, one crucial thing to be done by the government is to empower the community with a proper economic system (Green & King, 2013) in order to directly prosper the majority of people in Indonesia due to the important part of MSMEs. The empowerment of community itself becomes the source of what political insight is defined as national resilience (Berry et al., 2001, Baviera & Maramis, 2017).

The development of a country is followed by the rising number of educated people along with the unemployed ones, thus, the entrepreneurial world is perceived to be necessary (Kritikos, 2014). Having the alternative of MSMEs empowerment is expected to grow the number of MSMEs, curb the unemployment rate, and escalate equitable distribution of economic development. There are 3 major factors of empowerment; 1). fostering the business climate, 2). fortifying the potential, and 3). protecting community business ventures (Rahim et al., 2018). The role of government in empowering the MSMEs in this instance is by implementing policies that provide a conducive climate in the business world. The downturn of small businesses is inseparable from the lack of policy implementation of the government in the field of management and empowerment in small businesses (Kusumawardhani et al., 2015).

Furthermore, the Government should provide support in the form of policies for MSME activities. The empowerment of MSMEs in Gorontalo City is in accordance with Law Number 23 of 2014 concerning the local government, in which it regulates the division of government affairs in the field of Cooperatives, Small and Medium Enterprises. This signifies that the local government should assist the micro-enterprise-empowerment-related affairs that are carried out through data collection, partnerships, ease licensing process, institutional strengthening system, and coordination with stakeholders. Regency/City Governments are responsible for escalating the micro enterprises into small businesses in order to develop Micro, Small and Medium Enterprises (MSMEs). Therefore, the roles of these local governments are deemed to be important to boost the success of this sector. In an effort to accelerate economic development through decentralization policies, it is important to have a legal instrument to strengthen the existence of local government as a means to drive the local economy (Azfar et al., 1999).

Gorontalo City is the capital city of Gorontalo Province with an area of 64.79 KM². The city consists of 9 districts and 50 sub-districts. The total population reached 210,882 people in 2018. This population becomes the basic capital in the development because having a large and good quality population will be a beneficial prospect in the future. MSMEs are community small businesses whose establishment is based on someone's initiative (Economy, 2004). The empowerment of MSMEs in Gorontalo City is carried out based on Regional Regulation of Gorontalo City, No. 4 of 2018 concerning Micro Business Management. The development of MSMEs data in Gorontalo City between 2014 and 2018 is described as follows. In 2014, the number of MSMEs was 5,962 units and rose to 6,813 units in 2015. It then reached 8,020 units in 2016 and underwent an increase again in 2017 to 10,817 units. Lastly, the data showed that the total units in 2018 rose to 11,640. This means that the percentage increase of MSME units in 2015, 2016, 2017, and 2018 are 14.27%, 17.71%, 34.87%, 7.6%, respectively.

1 The core essence of implementing a policy is to thoroughly comprehend what should happen once a program is declared valid or formulated (Signé, 2017). In the context of public policy, Gorontalo City Government issued the Regional Regulation No. 4 of 2018 concerning management of Micro, Small and Medium Enterprises, aiming to: 1) realize a balanced, developed and equitable economic structure; 2) foster and grow strong and independent Micro Business capabilities; 3) enhance the role of Micro Enterprises in the regional development; 4) create job opportunities; 5) create an equitable distribution of income; 6) increase the economic growth, and 7) eradicate poverty.

2 This research aims to analyze factors determining the implementation of Government policies for Micro, Small and Medium Enterprises (MSMEs) empowerment in Gorontalo City between 2017 to 2019. Therefore, the beneficial impacts that are expected to be visible in regards to the research field are: 1) significant contribution of the MSME sector to economic growth, 2) rectification and improvement in implementing the policy on empowering MSMEs in Gorontalo City, 3) lack of research on MSME empowerment that is conducted comprehensively, 4) large contribution of MSMEs in reducing unemployment rate and expanding job opportunities, 5) implementation and examination of scientific theory, especially in the field of public policy

MATERIALS AND METHODS

Based on the research problems that have been described previously, the research applies a qualitative descriptive approach to examine factors determining the effectiveness of policy implementation for MSME empowerment in Gorontalo City. The research site is in Gorontalo City and is conducted for six months.

The research data are as follows: a) Primary Data. The primary data collected in this research is from informants who have in-depth knowledge on the research problems, such as public policy experts, apparatus, community groups who are the target of MSME empowerment in Gorontalo City. b) Secondary data. The secondary data is in the form of literature containing data relating to the various determinant factors on the implementation of public policies for MSME empowerment.

The procedure of data collection of this research includes several steps (Techo, 2016), they are namely: 1) Observation. The instrument of data collection is the observation guide. This step is conducted to determine the initial conditions on the research objects regarding various factors determining the effectiveness of policy implementation for MSME empowerment in Gorontalo City, 2) In-depth interviews. The instrument of data collection tool is the interview guide. This step is conducted through non-directive and in-depth interviews according to the determinant factors of the policy implementation for MSME empowerment. 3) Documentation. The instrument of data collection tool is the document recording form. This step is conducted to strengthen and enrich the collected data both from observation and in-depth interviews regarding factors determining MSME empowerment in Gorontalo City.

The data obtained in the field are analyzed descriptively. Descriptive analysis is intended to describe various social conditions determining the policy implementation for MSME empowerment in Gorontalo City. As stated by Miles, Huberman and Saldana (Miles et al., 1994), qualitative analysis consists of three flows of activities that occur simultaneously when analyzing the data, namely Data Condensation, Data Display, and Conclusion Drawing/Verifications.

RESULTS AND DISCUSSION

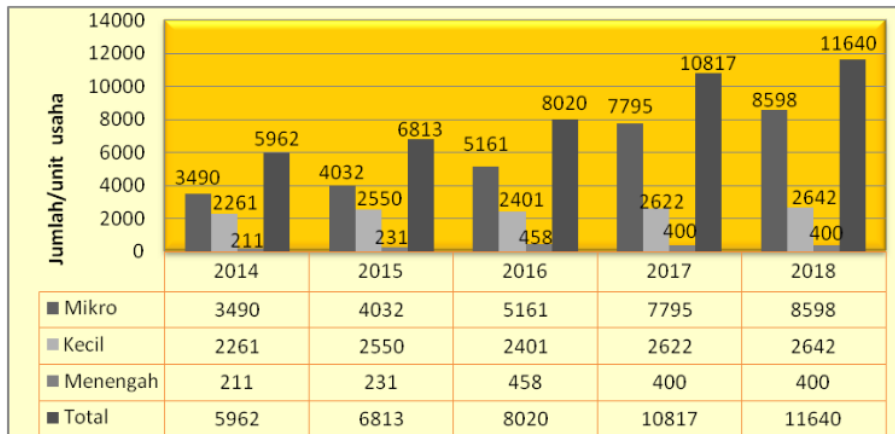
In an effort to foster and empowering MSME, the government defines MSMEs as follows: 1) Microenterprises are business ventures owned by individuals and/or individual business entities that meet the criteria of Microenterprises as stipulated in the applicable law. 2) Small Enterprises are stand-alone productive economic enterprises run by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or that become a part, either directly or indirectly, from Large Enterprise that meet the SE criteria as stipulated in the applicable law. 3) Medium Enterprises are stand-alone productive economic enterprises run by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or that become a part, either directly or indirectly, of Small Enterprise or Large Enterprise, with total net asset or annual sales is in conformity with the applicable law.

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MSMEs are one of the small business types that play an essential role in improving and growing the community's economy. It is due to the resilience of MSMEs in all circumstances to achieve the prosperity of the community. This resiliency was proven when the 1998 financial crisis forced many large businesses to collapse, MSMEs persisted, and even expanded in number. This indicates that the existence of MSMEs is highly expected to support the development of a country's economy in order to achieve public welfare. The establishment of a business in the sector of MSME is able to increase the employment rate as it can absorb the employable people. The growth in the micro business sector will provide more job opportunities which will eventually increase the community income. The reduction of joblessness has shown that the MSME sector recruits more workers, and this is a form of its contribution to the government in reducing poverty. The role of MSMEs is also to help increase the rate of economic growth and absorb the employed number. As a consequence of the past economic crisis in our country, many large businesses experienced large disruption in growth, and even some stopped operating their businesses. Meanwhile, the micro, small and medium enterprises have proven to survive throughout the period. Based on the experience during the crisis in Indonesia, the economic growth through the private sector should be put more concern on the development of MSMEs. In general, MSMEs in the field of economy have roles as: (1) the main actors in economic activity, (2) the job providers, (3) the key players in local economic development and community empowerment, (4) the creators of new markets and source of innovation, (5) contributors to the balance of payments. Besides these five roles, the development of MSMEs must be carried out in a planned, structured, and sustained manner to increase its productivity and competitiveness, as well as to continue generating more resilient entrepreneurs for the sake of community welfare.

The existence of MSMEs in Indonesia continues to develop and grow. Judging by recent years, the rhythm of Gorontalo city development is moving rapidly. Based on the data from the Department of Manpower, Cooperatives, and SMEs of Gorontalo City, the number of Micro business units in Gorontalo City is increasing from year to year. It is evident from the following data obtained from the Department of Manpower, Cooperatives, and SMEs.

Figure 1. The Development of MSMEs in Gorontalo City between 2014 and 2018.



Source: (Department of Manpower, Cooperatives, and SMEs, 2019)

In 2014, the number of MSMEs was 5,962 units and rose to 6,813 units in 2015. It then reached 8,020 units in 2016 and underwent an increase again in 2017 to 10,817 units. Lastly, the data showed that the total units in 2018 rose to 11,640. This means that the percentage increase of MSME units in 2015, 2016, 2017, and 2018 are 14.27%, 17.71%, 34.87%, 7.6%, respectively.

However, the policy implementation for MSME Empowerment in Gorontalo City has not been carried out optimally. The field study results show that many factors determine the policy implementation for MSME empowerment, including: 1) Communication, 2) Resources, 3) Disposition, 4) Bureaucratic Structure, 5) Capital, 6) Facilities and Infrastructure, 7) Quality of Human Resources. The followings are the detailed description of the findings:

Communication

According to Siddique (Siddique, 2016), communication is one of the important variables that influences the implementation of public policy. Communication really determines the success of achieving goals from the public policy implementation. Effective implementation will occur if policy makers know what their roles really are. Information known by the policy makers can only be obtained through good communication. Sutton (Sutton, 1999) pointed out that factors contributing to ambiguity in the implementation of public policies are usually due to the complexity of policies, lack of consensus on the objectives of public policy, political interests, and tendency to avoid accountability for public policies. A policy must be communicated to all related parties prior to its implementation, including the ones who will implement and who will be the objects of the policy implementation. Similarly, prior to the policy implementation for MSME empowerment, outreach must be conducted thoroughly and intensively to both apparatus and community. The outreach should be carried out by providing thorough and intensive information to the community by the apparatus so that both parties have knowledge of their rights and obligations in the policy implementation for MSME empowerment. The government must exert efforts so that the communication factor can play a part in making the policy for MSME empowerment effective. Findings reveal that the communication factor in the policy implementation for MSME empowerment is ineffective. This is apparent from: 1) the lack of outreach programs conducted to the target group, 2) the inadequacy of frequent monitoring and program evaluation, 3) the absence of a measurement standard to examine the program success. Therefore, the research has figured out how the communication concepts of government in policy implementation for MSME empowerment. 1) Conducting regular data collection on MSME actors and providing them gradual guidance. 2) Providing entrepreneurship training to MSME actors. 3) Assisting and facilitating the MSMEs' product through promotion to the wider community e.g., events or exhibitions. 4) Monitoring the running of the business by visiting the business places and conducting outreach to business actors. 5) Providing solutions for MSME actors who are consulting. 6) Providing an ease licensing process. 7) Providing easy access to financing, i.e., loans to the MSME actors.

Resources

Resources do play an important role as it determines the success of the policy implementation. In the context of public policy, resources consist of: 1) human resources, 2) financial resources, and 3) facility resources. Hence, it requires adequate apparatus, adequate qualifications (quality) of the apparatus, adequate facilities and infrastructure, and adequate level of operational funds to support the implementation of public policy. In addition, the policy implementation for MSME empowerment should be supported by competent apparatus as well as adequate level of facilities and operational funds. Qualified resources are crucial to foster and empower MSME sector. However, in policy implementation for MSME empowerment in Gorontalo City, findings show that this factor is ineffective. This can be seen from: 1) the unfulfilled need for human resources to the MSME empowerment program. The required human resources contradict the education and competence from the concept of MSME empowerment. 2) Inequitable distribution of capital resources from government to MSME target groups. Access to capital from government policy to MSME actors is usually through a bank loan program, i.e., *Kredit Usaha Rakyat (KUR)*. 3) Physical and non-physical resources are not properly managed, especially the ones that support the empowerment of MSME. In an effort to empower the MSME sector, the government should assist the MSME actors by providing facilities such as production machines. This kind of policy is supposed to increase the productivity of MSMEs. However, the inability of human resources to operate and the inadequacy of financial resources to finance have led to the ineffectiveness of MSME actors in using these government aid facilities.

Disposition

A well-implemented policy is supposed to be supported by apparatus. The positive behavior of apparatus that is in accordance with the procedures in implementing the policy, placement, and preparation is based on the principle "the right man is in the right place". The motivation of the apparatus in the working environment is quite high, and so is the attitude of the community. Similarly, the MSME empowerment can be successful in its implementation if there is support from the apparatus and positive behavior of the apparatus that is in accordance with procedures. The disposition factor relates to the government's commitment to run every program of MSME empowerment in a structured and sustained manner. The disposition also deals with the ability of the MSME supervisory apparatus in providing guidance on MSME management in order to develop and grow independently. However, the disposition factor in implementing the policy for MSME empowerment in Gorontalo City is found to be ineffective. This is apparent from: 1) Bureaucratic apparatus, as the implementing apparatus, has not been equipped with adequate knowledge. They should at least have competency in MSME management in fostering the MSME actors. 2) The lack of technical guidance on MSME empowerment for apparatus as supervisor. In this case, the bureaucratic apparatus often transfers its position from one unit to another. This has impacted the inefficiency of bureaucratic apparatus that has just been transferred in this field. 3) The incompetence of the bureaucratic apparatus in understanding instructions given by the head and the insufficiency of technical regulations. As a consequence, the policy program of MSME empowerment has not been able to achieve the desired goals.

Bureaucratic Structure

Bureaucratic problems in Indonesia continue to rise over time and have become increasingly complex, dynamic, and diverse. This is due to the inability of Indonesian people to control the bureaucracy itself, along with the poor quality of the apparatus. This has resulted in the inability of the apparatus to control the development of the bureaucracy that is so fast and uncontrollable. The public deems the performance of Indonesian apparatus has not met the standard yet. The lack of qualified apparatus and the misconducted law enforcement, even the practice of corruption, collusion, and nepotism (KKN) are still becoming major issues that often occur in the bureaucratic process in Indonesia. As an organization, the mission of the government is to implement the true meaning of public service; however, the practice does not show as expected. Typically, there are two variables that play a very important and influential

role that the government should not ignore when implementing the concept of public service, namely: 1. the commitment factor to implement the existing policies; 2. the apparatus factor (bureaucrats) who provide the service. Once these two factors function as guidelines in providing the public service, they will automatically form an ethic that is used as a reference for every bureaucrat's behavior in performing their duties. The bureaucratic structure in policy implementation plays an essential part as it relates to the procedures, work system, work division, authority, and coordination between agencies. Likewise, the empowerment of MSME must be implemented in accordance with proper procedures, work system, work division, as well as authority and coordination between agencies that is in accordance with applicable regulations. In the policy implementation for MSME empowerment, the bureaucratic structure should be designed straightforwardly. By that, bureaucratic decisions can be delivered to the related parties who are responsible for fostering the MSMEs. The factor of bureaucratic structure in relation to the policy implementation for MSME empowerment is ineffective, especially in achieving the desired business development goals in Gorontalo City. This can be seen from: 1) the fairly long bureaucratic span, 2) the work transfer of bureaucratic apparatus from one unit to another, 3) the ineffective coordination within internal and external parties.

Capital

Capital is an essential aspect of running a business. Therefore, a certain amount of funds is needed as a basis to measure the financial activities. Sources of capital for business owners can be obtained from their own savings, government assistance, and financial institutions (either from banking or non-banking institutions). Capital is a business factor that must be possessed before starting a business. The amount of capital will surely affect the business growth, particularly in gaining profit. Capital can be defined as assets in the form of money and commodities. The capital factor often becomes the main problem among the MSME actors as it has a role in responding to their business needs, including raw material supply, worker cost, marketing cost, and other business costs. The difficulty in accessing capital leads to the fundamental problems that affect the process of innovation and transformation of MSMEs. Capital has always been the main reason for MSMEs to run business activities. In this instance, the government has provided support in the form of access to capital, yet without any assistance on the capital utilization. The capital factor in implementing the policy for MSME empowerment in Gorontalo City is still ineffective and needs to be improved to reach more MSME actors. Factors influencing MSME actors to overlook credit loans from banking institutions are: limited information given by banking institutions. Most MSME actors tend to gain access to capital from non-banking institutions beforehand. The level of education of MSME actors is relatively low, making it difficult to understand the banking information. b) The absence or incompleteness of documents for the loan application. Most actors do not have a business license or other legal requirement i.e., Taxpayer Identification Number (NPWP). c) The absence of credit collateral. Most MSME actors have not arranged any simple financial administration and have not separated family and business finances. d) Uncertainty on credit loan repayment. The human resources (entrepreneurs) typically have inadequate entrepreneurial spirit.

Facilities and Infrastructure

Facilities and Infrastructure factor has an important role in achieving the effectiveness of MSME empowerment. Facilities and infrastructure can be seen from two aspects, namely the existing facilities and infrastructure in the working unit of the Department of Cooperatives and SME and the existing facilities and infrastructure owned by MSME actors in running their daily business activities. The facilities and infrastructure in the government working unit include: 1) two-wheeled and four-wheeled vehicles, 2) computers and internet, 3) adequate working space, 4) a business incubator laboratory, 5) other facilities for operational support. On the other hand, the existing facilities and infrastructure in the group of MSMEs include: 1) adequate business space, 2) display windows, 3) computers and internet, 4) three-wheeled vehicles, 5) other supporting facilities. Factor of facilities and infrastructure is a form of support to the policy implementation as for tutoring activities by the government or assisting the operation of MSME activities. Findings reveal that the facilities and infrastructure factors in the policy

implementation for MSME empowerment in Gorontalo City are still ineffective and in need of improvement. This is apparent from: 1) the unfulfillment of facilities and infrastructure required, 2) the lack of utilization on the existing facilities, 3) the lack of maintenance on facilities and infrastructure in fulfilling the need to foster and empower MSMEs.

3 Quality of Human Resources.

Human resources play a pivotal role in the policy implementation of MSME empowerment. This factor can be seen from two aspects, namely, the human resources of the MSME supervisory apparatus and the MSME target group. From the supervisor's perspective, the enhancement of human resource quality should become the overriding concern. It is because the improvement of human resource (supervisory apparatus) capacity, either quantitatively or qualitatively, will increase the capacity of the MSME group, especially in terms of increasing the performance of MSME actors as the target group. A range of efforts is conducted to improve the human resource capacity, such as training for MSME supervisors and technical guidance for MSME actors. Findings indicate that the disposition factor in the policy implementation of MSME empowerment, especially achieving business development targets in Gorontalo City, is still ineffective and in need of improvement. This can be seen from: 1) the lack of education and training for MSME supervisory apparatus, 2) the lack of human resource improvement activities for the MSME groups, 3) the lack of human resource quantity in accordance with the needs of the apparatus and the target group.

In summary, there are many factors determining the policy implementation for MSME empowerment in Gorontalo City that can be described as follows

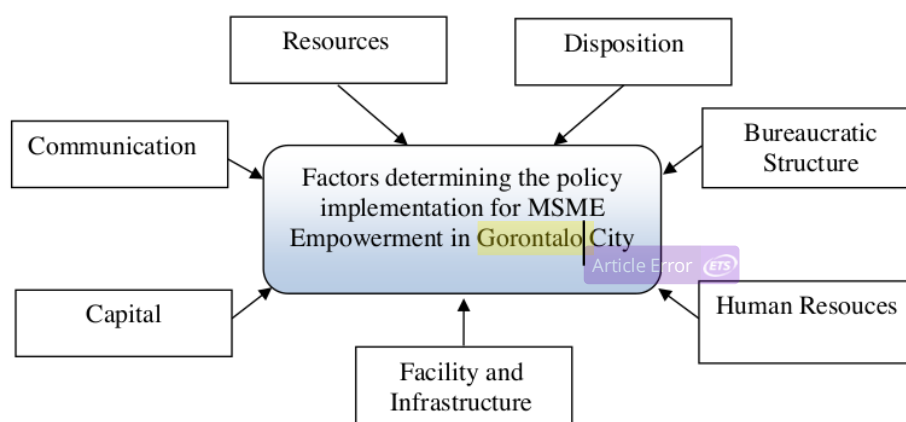


Figure 2. Factors determining the policy implementation for MSME Empowerment in Gorontalo City

CONCLUSION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in driving the community's economy as it is able to mitigate the gap between the rich and the poor. In addition, the role of MSMEs has a pivotal part in the lives of the impoverished as a means to lift them out of poverty and improve their conditions as well as to the country as a means to provide the state income. The MSME empowerment in Gorontalo City is conducted based on Regional Regulation No. 4 of 2018 concerning Micro Business Management. Based on the empirical evidence in the field, it shows that the policy implementation of MSME empowerment in Gorontalo City is determined by seven factors. Those are namely: 1) Communication. 2) Resources. 3) Disposition. 4) Bureaucratic Structure. 5) Capital. 6) Facility and Infrastructure. 7) Quality of Human Resources. Based on the aforementioned findings and conclusions, several recommendations are made as follows: 1) strengthening the implementers' and

stakeholders' commitment to MSME empowerment, 2) expanding the scope of partnership with SOEs, 3) strengthening the government policies regarding the monitoring and evaluation team for MSME empowerment. This research is expected to be used by the local government to improve the competitiveness of micro, small, and medium enterprises in Gorontalo city as a driving force of the economy in a gradual and sustainable manner along with to become a reference for local government policy makers in other countries. Furthermore, other suggestions are: a) the government should continuously provide guidance and training to foster new young entrepreneurs and enlarge the presence of MSMEs for the welfare of the community; b) facilitating easy access to capital; c) the MSME actors are expected to continuously improve their entrepreneurial competence independently or through the government assistance in order to be well-developed either from its capital or commodities.

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