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The role of regional government in the development of MSMEs in Cirebon City

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Abstract: In order to support MSME players, the government continues to provide stimulus to accelerate the national economic recovery process and strengthen Bank Indonesia's policy mix related to strengthening financing or credit. Several things have been done in the context of developing MSMEs in the agricultural sector through the development of end-to-end integrated agricultural clusters by utilizing digitalization for superior commodities, volatile foods and export commodities. The development of this agricultural cluster also supports the inflation control program in West Java. Cirebon City, is one of the cities/regencies in West Java which has the target of "Increasing the role of industry, trade, cooperatives and MSMEs in the economic stability of Cirebon City" as reflected in the average achievement of the two performance indicators as measuring tools, namely 98.58%. Therefore, this research aims to describe the role of local government in developing MSMEs in Cirebon City. The research results show that the regional government plays a role as a facilitator which is realized through training activities, capital and technology assistance, the regional government also plays a role as a catalyst which is realized through promotional activities for MSME products in Cirebon City.

Keywords: micro; small and medium enterprises; role of regional government

1. Introduction

In order to support Micro, Small and Medium Enterprises (MSMEs), the Indonesian government continues to provide various stimuli to accelerate the national economic recovery process and strengthen Bank Indonesia's policy mix related to strengthening financing or credit. These various initiatives are expected to increase the competitiveness and resilience of MSMEs in facing global economic challenges. In the West Java region, Bank Indonesia is actively collaborating and synergizing with various stakeholders regarding the development and capacity building of MSMEs, thereby providing wider opportunities for MSMEs to gain access to financing to develop their businesses (Bank Indonesia, 2021).

One of the concrete steps that has been taken in the context of developing MSMEs in the agricultural sector is the development of an end-to-end integrated agricultural cluster using digitalization. This program is focused on superior commodities, volatile foods and export commodities (Ministry of Agriculture, 2020). The development of this agricultural cluster not only aims to increase productivity and quality of agricultural commodities, but also supports the inflation control program in West Java (Bank Indonesia, 2022). Digitalization in agriculture allows for more effective and efficient monitoring of the production, distribution and marketing processes of

products, which can ultimately improve the welfare of farmers and MSMEs in the agricultural sector.

Cirebon City, as one of the cities/districts in West Java, has a significant strategic target to increase the role of industry, trade, cooperatives and MSMEs in maintaining local economic stability. The Cirebon City Government has established various programs and initiatives aimed at developing these sectors in order to increase their contribution to the regional economy. This is reflected in the average achievement of the two main performance indicators as measuring tools, namely 98.58% (Cirebon City Trade and Industry Cooperatives, Small and Medium Enterprises Service, 2021). Data from the Cirebon City Government shows that in 2021, the MSME sector will make a significant contribution to Cirebon City's GRDP with a percentage reaching 45% of the total GRDP. Apart from that, this sector also absorbs around 60% of the local workforce, which shows the important role of MSMEs in creating jobs and reducing the unemployment rate (Cirebon City BPS, 2021).

Although this achievement is considered very good, it has not fully achieved the expected target. Some of the challenges still faced by MSMEs in Cirebon City include access to financing, lack of knowledge and skills in business management, as well as limitations in wider market access. This shows that there is room for improvement and strengthening in the MSME development strategy in Cirebon City. To overcome these challenges, the Cirebon City Government through the Department of Cooperatives, Small and Medium Enterprises, Trade and Industry (DKUKMPP) has formulated several strategies. One of them is increasing access to financing for MSMEs through collaboration with local financial and banking institutions. Apart from that, DKUKMPP also holds training and mentoring programs for MSME players to improve their managerial and technical skills (DKUKMPP Cirebon City, 2022).

Some countries that can be compared in this article are, Local governments in the US that often provide tax incentives, supportive regulations, and financial assistance to MSMEs. Policies such as "Enterprise Zones" offer tax incentives for businesses operating in less developed areas. In addition, the local government of Singapore supports the development of MSMEs through investment in infrastructure and technology. Programs such as "Smart Nation" provide digital platforms that help MSMEs adopt the latest technology, another country that can be compared is Brazil, the local government of Brazil helps MSMEs access international markets through export promotion programs and trade shows. Programs such as "SEBRAE" provide training and marketing support to help MSMEs compete in the global market.

Cirebon City Government is also focused on developing markets for MSME products by facilitating participation in trade exhibitions, both at the national and international levels. This effort is expected to open up wider market opportunities and increase the competitiveness of MSME products from Cirebon City (Cirebon City Government, 2022). In efforts to develop MSMEs in Cirebon City, the Cirebon City Department of Small and Medium Enterprises Cooperatives, Trade and Industry (DKUKMPP) plays a very important role. This public organization has the authority and responsibility to design and implement various programs and policies that support the development of MSMEs. For example, training and mentoring programs for MSME players, facilitating access to financing, as well as developing market networks (DKUKMPP Cirebon City, 2022).

This research aims to comprehensively describe the role of local government in developing MSMEs in Cirebon City, as well as identifying the challenges and opportunities that exist in this process. It is hoped that this research can provide useful recommendations for increasing the effectiveness of MSME development programs in Cirebon City and other areas. Thus, it is hoped that the results of this research can contribute to efforts to strengthen local economic resilience and improve community welfare through more optimal development of MSMEs.

2. Materials and methods

This research uses a qualitative descriptive method which aims to comprehensively describe the role of local government in developing MSMEs in Cirebon City. The research sample was taken using a purposive sampling technique, which allows researchers to select informants who are considered to have the most knowledge and experience regarding the research topic. These informants included officials from the Department of Cooperatives, Small and Medium Enterprises, Trade and Industry (DKUKMPP), MSME actors, as well as other relevant stakeholders. Research data was collected through three main techniques, namely observation, in-depth interviews, and documentation (content analysis). Observations were carried out to get a direct picture of the conditions and dynamics of MSMEs in the field. In-depth interviews were conducted with selected informants to obtain more in-depth and detailed information regarding policies, programs and challenges faced in developing MSMEs in Cirebon City. Documentation involves collecting and analyzing official documents, reports, and statistical data relevant to the research topic.

3. Results and discussion

The research results show that the local government has a role as a facilitator which is realized through various training activities, capital assistance, and providing technology for MSMEs in Cirebon City. The Cirebon City Department of Small and Medium Enterprises Cooperatives, Trade and Industry (DKUKMPP) has held more than 50 training sessions involving around 1200 MSME players. This training covers various aspects, such as business management, digital marketing, and improving product quality. Apart from that, the regional government has also provided capital assistance to MSMEs with total funds reaching IDR 10 billion during 2021. This assistance is provided in the form of low-interest loans and grants for MSMEs that have the potential to develop but have difficulty accessing financing from formal financial institutions. It is hoped that this assistance can increase the production capacity and competitiveness of MSMEs in Cirebon City.

Regional governments also play a role as a catalyst in promoting MSME products. One of the initiatives undertaken is facilitating MSME participation in trade exhibitions, both at national and international levels. In 2021, as many as 30 MSMEs from Cirebon City participated in the international trade exhibition with full support from the local government. This effort aims to open wider market access and increase exposure of local products on the global stage. Apart from that, the local government is also developing a local e-commerce platform to help MSMEs market their products online. In 2021, around 200 MSMEs have registered and are actively using this

platform to reach a wider range of consumers. The use of digital technology in marketing is expected to increase marketing efficiency and effectiveness, as well as provide opportunities for MSMEs to compete in a more competitive market. Overall, the role of local government as a facilitator and catalyst is very important in encouraging the development of MSMEs in Cirebon City. Support in the form of training, capital assistance, technology and product promotion are strategic steps that can increase the capacity and competitiveness of MSMEs. Through this effort, it is hoped that MSMEs in Cirebon City can contribute more significantly to the local economy and create more job opportunities.

4. Discussion

Some of the challenges in the development of MSMEs in Cirebon City are that local governments often face budget constraints in supporting MSMEs, which can limit the ability to provide the necessary incentives, training, and infrastructure, MSMEs often have difficulty accessing funding from financial institutions due to lack of collateral, limited credit history, or complicated procedures, Complicated and time-consuming bureaucratic procedures can hinder MSME actors in obtaining business permits or government support.

The Cirebon City Department of Small and Medium Enterprises Cooperatives, Trade and Industry (DKUKMPP) has held more than 50 training sessions involving around 1200 MSME players. These trainings cover various important aspects of business management, such as business management, digital marketing, and improving product quality. The focus on business management aims to provide basic and advanced knowledge for MSMEs in managing their businesses effectively and efficiently. This training covers various aspects, from business planning, financial management, to product and service development strategies. The basic knowledge provided includes how to prepare a good business plan, understand financial reports, and manage daily operations efficiently. Meanwhile, advanced knowledge includes strategies to increase productivity, optimize supply chains, and formulate competitive and sustainable pricing policies.

Digital marketing is one of the important materials in this training considering the rapid development of technology and the need to expand market reach through digital platforms. Digital marketing materials include an introduction to various online marketing platforms such as social media, e-commerce, and websites. MSMEs are taught how to create interesting and relevant content for their target audience, optimize the use of social media to build brand awareness, and utilize digital analytics to measure and improve the effectiveness of their marketing campaigns. Apart from that, this training also discusses search engine optimization (SEO) and search engine marketing (SEM) strategies, which are very important for increasing the online visibility of MSME products and services. MSMEs are taught how to choose the right keywords, write SEO-friendly content, and use paid advertising to attract more visitors to their sites. With a better understanding of digital marketing, it is hoped that MSME players will be more confident in adopting technology and using it to expand their markets, both locally and internationally.

Apart from training, the regional government also provides capital assistance to MSMEs with total funds reaching IDR 10 billion during 2021 (Cirebon City BPS, 2021). This assistance is provided in various forms, including low-interest loans and grants for MSMEs that have growth potential but experience difficulties in accessing financing from formal financial institutions. With this capital assistance, it is hoped that MSMEs can increase their production capacity, so that they are able to meet greater market demand and increase the competitiveness of their products. Capital assistance provided by local governments is divided into several categories, which include low-interest loans and grants. Low interest loans are aimed at MSMEs that need working capital for daily operations or investment in increasing production capacity. Meanwhile, grants are given to MSMEs that show significant growth potential but face serious obstacles in accessing capital.

Table 1. Cirebon City MSMEs data 2020–2022.

Criteria	Years			Total
	2020	2021	2022	
Advanced	742	101	111	954
Developing	307	89	106	502
Less Developed	893	1893	2059	4845
Total per Year	1942	2083	2276	

Source: Department of cooperatives, small and medium enterprises, industry and trade of Cirebon City, 2023.

Table 1 highlights the distribution of MSMEs in Cirebon City from 2020 to 2022, categorized into Advanced, Developing, and Less Developed businesses. The data shows that the number of Advanced MSMEs experienced a significant decline from 742 in 2020 to 101 in 2021, with a slight recovery to 111 in 2022, resulting in a three-year total of 954. Similarly, Developing MSMEs faced a sharp drop from 307 in 2020 to 89 in 2021, followed by a small increase to 106 in 2022, with a cumulative total of 502. In contrast, the Less Developed category saw consistent growth, rising from 893 in 2020 to 1,893 in 2021 and further to 2059 in 2022, culminating in a total of 4845. This growth pattern underscores the dominance of less developed businesses in the MSME landscape.

The total number of MSMEs in Cirebon City grew steadily over the three years, from 1942 in 2020 to 2276 in 2022, reflecting an overall expansion of the sector. However, the disproportionate concentration of MSMEs in the Less Developed category indicates the significant challenges these businesses face in progressing to more advanced stages. These trends suggest a need for targeted support to help MSMEs improve their operational capacity and resilience, ensuring balanced growth and greater contributions to the local economy.

This increase in production capacity is expected to be able to meet increasing market demand, both in local and international markets. In this way, MSMEs can more easily penetrate new markets, increase sales, and ultimately increase their income and competitiveness. This positive impact will also be felt at the macro level, where improving the performance of MSMEs will contribute to regional economic growth and the creation of new jobs, thus supporting the economic stability and prosperity of

the people of Cirebon City. Regional governments also play an important role in providing technology that supports MSME operations. Providing this technology includes access to modern production tools, digital platforms for marketing, as well as management applications that can help MSMEs manage their businesses better. One concrete example is the development of a local e-commerce platform by the local government, which has been used by around 200 MSMEs to market their products online. This platform not only provides a platform for MSMEs to sell their products, but also provides various features that support digital marketing, such as sales analysis, inventory management and promotional strategies.

The use of this technology provides several significant benefits for MSMEs. First, access to modern production tools allows MSMEs to increase the quality and quantity of their products. For example, by using advanced machines, the production process can be carried out more quickly and efficiently, and the product results are more consistent and of higher quality. Second, digital platforms for marketing open up wider and more diverse market opportunities. With e-commerce, MSMEs can reach consumers not only locally but also outside the city and even abroad.

Table 2. Impact of technology use on Cirebon City MSMEs.

Technology Type	Number of MSME Users	Main Impact
Modern Production Tools	120	Increased production efficiency and product quality
Local E-commerce Platform	200	Increased sales and market reach
Business Management Application	150	More effective and efficient business management

Source: DKUKMPP Cirebon City, 2022.

Table 2 illustrates the impact of technology adoption on MSMEs in Cirebon City, based on the use of modern production tools, local e-commerce platforms, and business management applications. Modern production tools were utilized by 120 MSMEs, leading to notable improvements in production efficiency and product quality. These advancements have enabled businesses to streamline their operations and deliver higher-quality goods, enhancing their competitiveness in the market.

The adoption of local e-commerce platforms by 200 MSMEs resulted in increased sales and expanded market reach, allowing businesses to connect with a broader customer base both locally and beyond. Meanwhile, 150 MSMEs used business management applications, which facilitated more effective and efficient business processes, such as inventory management and financial tracking. This data underscores the critical role of technology in driving productivity, market expansion, and operational efficiency for MSMEs in Cirebon City.

Business management applications provided by local governments help MSMEs in managing various aspects of their operations. This application includes features for inventory management, bookkeeping, financial management, and sales analysis. With the help of this application, MSMEs can run their business more structured and efficiently, and make better business decisions based on accurate data. By providing this comprehensive technology, the Cirebon City regional government shows its commitment to supporting the development of MSMEs. The technology provided not

only helps MSMEs improve operational efficiency, but also opens up wider and more diverse market opportunities, so that MSMEs can compete more competitively in the global market. This positive impact is ultimately expected to increase the contribution of MSMEs to the local economy and community welfare in Cirebon City.

Overall, the role of local government as a facilitator and catalyst is very important in encouraging the development of MSMEs in Cirebon City. Local governments have taken various strategic steps to ensure that MSMEs get the support they need to grow and develop. This support includes training, capital assistance, provision of technology, and product promotion, all of which are designed to increase the capacity and competitiveness of MSMEs. Through these efforts, it is hoped that MSMEs in Cirebon City can contribute more significantly to the local economy. The growth of MSMEs not only increases regional income but also creates more jobs, which in turn reduces the unemployment rate and improves community welfare. With sustainable and coordinated support, MSMEs in Cirebon City have the potential to become the main pillars of a strong and sustainable local economy.

5. Conclusion

From the discussion that has been carried out, it can be concluded that local government has a very important role in developing MSMEs in Cirebon City. This role is realized through various strategic initiatives such as training, capital assistance, provision of technology, and product promotion. The regional government's efforts to support MSMEs in Cirebon City show a strong commitment to sustainable local economic development. With a comprehensive and coordinated approach, MSMEs in Cirebon City have great potential to become the main pillars of a strong and highly competitive regional economy. Continuous support from local governments is very necessary to ensure that MSMEs can continue to develop and provide maximum benefits to the community. To further enhance the development of MSMEs in Cirebon City, it is recommended that policymakers to develop more robust channels for MSMEs to access both domestic and international markets through partnerships and trade fairs. Policymaker also can Increase the availability of microcredit and grant programs specifically tailored to the needs of MSMEs. The potential areas for future research include investigate the specific challenges faced by MSMEs in Cirebon City, such as regulatory hurdles, access to finance, and market competition, to formulate more effective policies.

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