

Implementation of Government Policy to Increase Competitiveness Cirebon City SMEs (Case Study of UKM Assisted by DKUKMPP Cirebon City)

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ABSTRACT

The implementation of government policies to enhance the competitiveness of Small and Medium Enterprises (SMEs) in Cirebon City faces various challenges, especially related to the effectiveness of resources. Based on Edward III's policy implementation theory, there are four key elements that influence the success of policy implementation: communication, resources, the disposition or attitude of implementers, and bureaucratic structure. This research uses a descriptive qualitative method, with data collected through in-depth interviews, observations, and documentation. In the context of Cirebon City, the main issue lies in the suboptimal management of resources, including limited access to funding, low labor force, and lack of supporting facilities and infrastructure. This impacts the limited ability of assisted SMEs to compete in an increasingly competitive market. This study aims to analyze the implementation of government policies, identify the barriers faced, and provide strategic recommendations to improve policy effectiveness. Through a comprehensive approach, this study is expected to provide insights to strengthen the competitiveness of SMEs as a driving force of the local economy in Cirebon City.

INTRODUCTION

Small and Medium Enterprises (SMEs) play a crucial role as one of the key foundations in the economies of various countries, including Indonesia. With their ability to create jobs, accelerate economic growth, and drive innovation, SMEs serve as an important engine in promoting inclusive and sustainable economic development. However, SMEs often face various challenges such as limited access to financing, inadequate infrastructure support, and low human resource capacity. In this context, efforts to enhance the competitiveness and resilience of SMEs become critical. This article will examine various strategies that can be implemented to support the development of SMEs, including improving institutional quality, strengthening human resources, increasing business capacity, and expanding access to capital and markets. This research is expected to help formulate more effective policies to empower SMEs in facing global and local challenges.

To face the increasingly fierce global competition, efforts to improve the competitiveness of SMEs have become a necessity. The challenges faced by SMEs in improving their competitiveness include limited access to technology, difficulty obtaining funding, and the need to improve the quality of human resources. Therefore, proactive and effective government policies are needed, such as providing broader access to capital, enhancing training quality for SME workers, and providing supporting technological infrastructure. Through synergy between the government, SME actors, and the private sector, SMEs are expected to become more competitive in both domestic and international markets.

The legal basis for SME empowerment is regulated in Government Regulation Number 7 of 2021 concerning the Guidance, Protection, and Development of Cooperatives and Micro, Small, and Medium Enterprises, as well as in the strategic plan of the Department of Cooperatives, Small and Medium Enterprises, Trade, and Industry (DKUKMPP) of Cirebon City.

According to this study (Kusnadi et al., 2024), the Cirebon City Government, through the Department of Cooperatives, Small and Medium Enterprises, Trade, and Industry (DKUKMPP), recognizes that SMEs are a vital pillar in supporting local economic growth. To enhance competitiveness and community welfare, DKUKMPP runs the SME Assistance Program, designed to provide support and mentoring to SME actors in Cirebon. This program includes business skills training, access to capital, and assistance with the use of technology in business management.

In the implementation of the SME Assistance Program, the main challenge faced is the limitation in effectively applying policies. The Department of Cooperatives, Small and Medium Enterprises, Trade, and Industry (DKUKMPP) of Cirebon City faces various obstacles that hinder the development of SMEs, including a lack of innovation and creativity in products and packaging, limitations in the use of technology, and a lack of licensing equipment that supports business legality. Additionally, problems such as poor financial management, low absorption and

empowerment of the workforce, and minimal promotion also present challenges that need to be addressed. The lack of knowledge transfer and business regeneration also hinders the sustainability of small enterprises in the region. Furthermore, barriers in teamwork, which often involve differing opinions in task completion, also represent an important aspect to research, as the effectiveness of collaboration can influence the success of this mentoring program's implementation. The research gap from the previous study titled "Improving Competitiveness and Product Innovation Through the Application of Appropriate Technology for SMEs of Sitiwinangun Clay Crafts, Jamblang Cirebon" shows that the PKM-PPTTG Program successfully engaged campus communities, the government, and business actors, particularly SMEs in pottery, to develop Sitiwinangun Village into a Pottery Tourism Village. The application of appropriate technologies, such as clay crushing machines, electric potter's wheels, glazing kilns, and online marketing websites, has improved product quality, innovation, and competitiveness, while boosting the productivity and income of pottery artisans (Kartono et al., 2019).

Based on the explanation above, this research aims to examine how far government policies have been implemented to improve the competitiveness of SMEs. Additionally, this study will focus on identifying the strategies and challenges faced in the policy implementation process. This research is expected to provide recommendations that can be useful for improving and optimizing the implementation of government policies in enhancing the competitiveness of SMEs.

LITERATURE REVIEW

Policy Implementation

According to Charles O. Jones in (Siti Khumayah et al., 2020), policy refers to the government's authority to achieve certain objectives for the public interest. In SME development, government policies aim to enhance the potential and participation of SMEs in national economic development, create jobs, increase income, and a series of organized actions involving various parties to achieve specific goals that benefit society. In this context, the policy implementation of Cirebon City's government to improve the competitiveness of its SMEs reflects concrete efforts to address both local and global challenges. The policy includes steps such as managerial skills training, facilitation of access to financing, digital marketing, and strengthening collaboration among business actors. This implementation is carried out through cooperation between the government, the private sector, and the local community to ensure that SMEs can adapt to market and technological changes. With this comprehensive approach, the Cirebon City government is expected to create a competitive,

sustainable business ecosystem that can become the main pillar of local economic growth.

In a study (Setyawan and Srihardjono, 2016), George Edward III emphasized that the main issue in public administration is the lack of attention to implementation. He stated that without effective implementation, the decisions of policymakers will not be successfully executed. To ensure effective policy implementation, Edward recommends focusing on four key issues: communication, resources, disposition or attitudes, and bureaucratic structures.

Policy implementation is a crucial stage that determines the effectiveness of policies for society. This process involves a series of continuous activities. The purpose of the policy is for the implementers and the public to clearly understand and ensure health protection for all Indonesian citizens (Listiani et al., 2022).

COMPETITIVENESS

Competitiveness is a vital element in the development of Micro, Small, and Medium Enterprises (SMEs), especially in facing the increasingly dynamic market competition. In the context of assisted SMEs, competitiveness reflects their ability not only to survive but also to thrive amidst local and global economic challenges. To improve competitiveness, SMEs need to focus on product or service innovation, quality improvement, operational efficiency, competitive pricing, and the ability to understand and effectively meet customer needs. The government and other stakeholders play a strategic role by providing training, access to technology, funding, and broader market networks. With the right policy support, assisted SMEs can optimize their potential, create high-value-added products, and ultimately become a key pillar in sustainable economic growth (Nizhamuddin and Irawati, 2023).

According to another study, competitiveness can be defined as the ability or strength to compete, derived from the root word "compete." Generally, this term refers to how companies, industries, or countries measure their performance in marketing and providing various types of products and services in the market. Competitiveness also functions as an important indicator in supporting business growth and the economy. Additionally, competitiveness reflects one of the advantages or capabilities generated by utilizing the potential resources owned by a country (Maria et al., 2024).

SMEs

According to (Riyandi et al., 2017), Small and Medium Enterprises (SMEs) are productive businesses owned by individuals or sole proprietorships that meet the criteria for Micro Enterprises as regulated in the law. Small and medium-sized enterprises are independent and productive economic enterprises run by individuals or companies that are not subsidiaries, and are neither directly nor indirectly owned or controlled by a medium or large enterprise that meets the criteria of small or medium businesses. According to the law, SMEs have business criteria between IDR

50 million and IDR 500 million, and a turnover threshold between IDR 300 million and IDR 2.5 billion. SMEs play a significant and strategic role in the economic growth of both developing and developed countries. The important role of SMEs is evident in their contribution to national production, job creation, and the national economy. Common issues faced by SMEs include trade systems, record-keeping, and financial reporting, where business owners still rely on manual methods, using paper to archive their data (Argacia et al., 2019).

RESEARCH METHOD

This research uses a descriptive qualitative method. In qualitative research, the researcher acts as a human tool and utilizes data collection techniques such as participatory observation and in-depth interviews, which require direct interaction with data sources (Mendoza et al., 2020). A qualitative approach will provide deep insights into government policy, competitiveness, and SMEs. In this research, the focus is on "The Implementation of Government Policy in Enhancing the Competitiveness of SMEs in Cirebon City." The methods used include observation, in-depth interviews, and document studies. Observations were made to directly observe the policy implementation and the response of SMEs to it.

The data sources in this study consist of primary and secondary data. Primary data was collected directly through interviews and in-depth observations with stakeholders involved in the SME development program, including the Department of Small and Medium Enterprises, Cooperatives, Trade, and Industry (DKUKMPP) and SME business actors. Secondary data was obtained from pre-existing sources that can provide context or additional information for analysis. Secondary data sources were obtained from public publications and online databases.

RESEARCH RESULTS AND DISCUSSION

Implementation of Government Policy in Enhancing the Competitiveness of SMEs in Cirebon City

As stated in the Strategic Plan (Renstra) of the DKUKMPP of Cirebon City, the Department of Cooperatives, Small and Medium Enterprises, Trade, and Industry envisions Cirebon as a "creative city with culture and history." The mission of this department is to "realize the competitiveness, cultural, and excellence of human resources in Cirebon in various fields." The main goal of this policy is to strengthen the role of industry, trade, cooperatives, and SMEs in maintaining economic stability. One of the key targets is to optimize the contribution of cooperatives and SMEs in supporting regional economic growth. To achieve this, the strategy used is to enhance

the competitiveness of cooperatives and SMEs. The policy direction includes several important steps, such as improving institutional quality, increasing human resource capacity, enhancing SME capacity, providing access to and assistance with business capital, including financing, facilities, and infrastructure. Additionally, the department focuses on creating opportunities and expanding marketing access for SMEs to enable them to grow more sustainably. A combination of these efforts aims to empower SMEs to become stronger, sustainable, and able to contribute more to the economy.

The researcher conducted interviews and reviewed the data and documents that had been collected to gather information on the implementation of government policies in enhancing the competitiveness of SMEs. The goal is to ensure that the policy is implemented according to existing regulations. According to George C. Edwards III, the implementation of government policies to improve the competitiveness of assisted SMEs can be measured through several factors:

1. Communication

The communication dimension in the implementation of policies to improve the competitiveness of assisted SMEs in Cirebon City is crucial to ensure that the policy runs effectively and achieves its objectives. Key dimensions include the delivery of messages, content, media used, target audience, and the impact of communication. The communication dimension in Cirebon City can be explained as follows:

a. Transmission

Transmission is a key factor in communication related to policy implementation. In transmission, it is important to ensure that the message being conveyed is clear, understandable, and targeted correctly. This includes selecting appropriate communication methods, managing communication channels, and monitoring how the message is received and understood by the target audience. The transmission of policies by the Department of Cooperatives and SMEs to improve the competitiveness of assisted SMEs is carried out through communication via phone, WhatsApp groups, and direct socialization.

b. Clarity

Unclear or ambiguous communication can lead to inconsistent policy implementation, where field implementers may apply the policy in various or incorrect ways. This can hinder the overall achievement of policy objectives and make the policy ineffective. In this study, communication between the department and assisted SME actors has been proven to be clear, as every program provided, including training and other activities, has been successfully carried out.

c. Consistency

Consistency in policy implementation by the Department of Cooperatives for assisted SMEs has been running well. Every year, the programs implemented are consistently followed by the SME actors.

1. Resources

According to George C. Edwards III, as explained by Nugroho, resources are crucial in policy implementation. These resources are divided into two:

a. Human Resources (Staff):

Competent and skilled personnel are essential. The implementation of policies by the Department of Cooperatives, SMEs, Trade, and Industry in Cirebon City requires adequate and expert human resources to implement these policies. The human resources in question refer to the employees of the Department of Cooperatives and SMEs in Cirebon City. However, the human resources in the field of assisted SMEs are still limited.

b. Non-Human Resources:

Adequate facilities, technology, and infrastructure are crucial. The Department of Cooperatives and SMEs in Cirebon City provides facilities to improve the competitiveness of assisted SMEs, such as socialization and training. The training provided includes product design and digital marketing.

1. Disposition

Disposition, or the attitude of the policy implementers, plays a key role in the success of public policy implementation. To ensure effective policy implementation, implementers must not only understand the necessary steps but also possess the skills to implement them. The research findings show that the attitudes of the implementers are very good. Department employees understand what is needed by business actors, such as providing digital marketing training to promote products or services. Therefore, the attitudes of the policy implementers are positively evaluated.

2. Bureaucratic Structure

Public policies involve many parties, which is why a strong bureaucratic structure is necessary for implementation. To assess the strength of policy implementation, it is

evaluated based on the bureaucratic structure using various sub-indicators put forward by Edward III, which include:

a. **Standard Operating Procedures (SOPs):**

SOPs are regulated in Law No. 20 of 2008. In this study, the policy implementation by the Department of Cooperatives and SMEs for assisted SMEs aligns with the procedures set out.

b. **Fragmentation:**

Fragmentation refers to the division of responsibilities across various units within an organization. In this study, the division of responsibilities for activities has been carried out through the organizational structure established by the Department of Cooperatives and SMEs in Cirebon City.

A. Strategies of DKUKMPP Cirebon City in Enhancing the Competitiveness of SMEs

DKUKMPP of Cirebon City has adopted various strategies to enhance the competitiveness of SMEs, such as organizing exhibitions to promote products, expand business networks, and obtain consumer feedback. Packaging training is conducted to help SMEs create attractive and functional designs. In the digital era, e-commerce and digital marketing training are prioritized so that SMEs can take advantage of online platforms to reach broader markets. DKUKMPP also provides information on access to capital, facilitates business licensing, and offers financial management training. In addition, SME bazaars are organized to bring business actors closer to consumers. All of these efforts aim to increase the capacity and competitiveness of SMEs to support regional economic growth.

B. Challenges Faced in the Implementation of Cirebon City Government Policy in Enhancing the Competitiveness of SMEs

The implementation of policies to support SMEs faces several challenges that may hinder their development. The main challenges include the lack of innovation in products and packaging, which reduces market appeal, and the minimal use of information technology, such as e-commerce and social media, which limits market access and operational efficiency. Other issues include incomplete licensing, which hampers legality and access to support. Poor financial management is also an obstacle, making cash flow management and access to funding difficult. On the other hand, low absorption of the workforce and the lack of employee training hinder productivity and product quality. The lack of promotion also limits opportunities to expand markets and increase brand awareness. All of these challenges need to be addressed to ensure the success of policies supporting SME growth.

CONCLUSION

Based on the research, it can be concluded that the implementation of policies to enhance the competitiveness of SMEs in Cirebon City (Case Study of Fostered SMEs) has not been optimal. This is evident from the analysis of four indicators of public policy implementation, one of which is the lack of staff at the Department of Cooperatives and SMEs handling the SMEs sector, where the number of employees is not proportional to the large number of SMEs that need to be managed. However, other indicators show relatively effective results.

Furthermore, the research indicates that the improvement of SME competitiveness largely depends on the SMEs themselves, particularly the role of the entrepreneurs or owners supported by their employees. SME owners with entrepreneurial spirit and innovation skills must act as the driving force in enhancing competitiveness.

So, what is the role of the government? The government is expected to be a supporter in strengthening the efforts of SMEs to improve their competitiveness. By creating a conducive business climate, the government can facilitate SMEs in strengthening their competitiveness, both from the company perspective and the products produced. Additionally, other stakeholders must also strengthen their cooperation with SMEs, as their support through education, training, counseling, promotion, and other facilitation has proven to be effective in driving the improvement of SME competitiveness.

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