

Is there A Need for MSME Business Incubator at State Finance Polytechnic STAN?

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Abstract. MSMEs play an important role in the Indonesian economy so that developing MSMEs with the aim that MSMEs can survive in competition is crucial. One way to develop MSMEs is through the MSME business incubator. This study aims to examine alternatives if PKN STAN wants to establish an MSME business incubator. This study uses the reduction method from focused discussions with several universities that already have MSME business incubators and comparative studies to business incubators at one of the universities. The results of the study show that the development of an incubator through the several options presented needs to pay attention to important factors, namely those related to the incubation sector, management team, supporting facilities and infrastructure, tenant recruitment, incubation process, funding, and promotion.

Keywords: MSME, incubation, funding, promotion

1 Introduction

Micro, Small and Medium Enterprises (MSMEs) are an important pillar in the Indonesian economy. The Ministry of Cooperatives and SMEs noted that the contribution of MSMEs to Indonesia's GDP was 61.97% or the equivalent of IDR 8,500 trillion in 2020. This contribution is reflected, among others, through employment reaching 97% of the total workforce in 2020 and credit absorption of less than more than IDR 1 trillion in 2018. In addition, the crucial role of MSMEs for the economy in Indonesia is based on several facts, such as the large number of MSMEs spread both in urban areas and remote villages; MSMEs that tend to be labor intensive thereby increasing employment opportunities (including workers with low education levels) and increasing income; MSME's ability to survive in crisis situations; a forum for increasing entrepreneurial capacity as well as a starting point for investment mobility in rural areas[1].

On the other hand, MSMEs are faced with various challenges in developing and increasing their role in the Indonesian economy. MSMEs are required to have a strategy to fill market needs both domestically and abroad[2]. In preparing the strategy, he underlined the

importance of utilizing information technology (IT) while maintaining local wisdom. IT implementation in supporting financial aspects and capital for MSMEs through fintech is even a separate opportunity for the development of MSMEs[3].

However, there are various obstacles to the growth and development of MSMEs that are generally encountered, especially in developing countries. The general obstacles to the development of MSMEs, including limited working capital and investment; constraints in marketing, distribution, and procurement of raw materials; lack of access to information regarding market opportunities and others; low quality of human resources involved; high costs incurred due to the complexity of procedures and bureaucracy; etc[1]. Of these several obstacles, the results of a BPS survey in 2010 showed that difficulties with capital, marketing and raw materials were the main ones[1].

In response to this, various efforts have been made by the government to empower MSMEs to be able to respond to development challenges by eliminating various existing obstacles. One of the steps that is expected to make a real contribution to the development of MSMEs is through the establishment of a business incubator. The legalization of the establishment of a business incubator has actually started since the issuance of Regulation Number 27 of 2013 concerning Development of Entrepreneurial Incubators[4]. Then, in 2015, the Minister of Cooperatives and SMEs further regulated the norms, standards, procedures and criteria for organizing entrepreneurial incubators through the Ministerial Regulation of KUKM Number 24/Per/M.KUKM/IX/2015[5]. The incubation approach is the right step in creating superior MSMEs and has a business model[6]. Business incubator with the network is expected to be able to provide various supports to start-up companies through the provision of resources and services needed to accelerate the successful development of these companies[7].

In principle, incubation is a coaching process for Small Businesses and/or new product development carried out by entrepreneurial incubators in terms of providing business facilities and infrastructure, business development and management and technology support. Furthermore, according to the Ministerial Regulation of KUKM Number 24/Per/M.KUKM/IX/2015 there are several parties that can organize an entrepreneurial incubator, namely the government, local government, the business world and/or the community. Implementation of incubators by the government can be carried out by ministries/non-ministerial government agencies and state universities. In this regard, the Minister of Cooperatives and SMEs encourages the role of universities and colleges as business incubator developers in order to create new entrepreneurs in Indonesia[6]. According to him, several things that need to be facilitated through the incubator are access to financing schemes, markets, and digitalization[6].

Achieving an effective incubation model is one of the expected goals[8]. From a practical standpoint, organizing a business incubator can be carried out in various schemes and, until now there is no standard business incubator model[9]. INCUBIE, a business incubator center and entrepreneurship development initiated by the Bogor Agricultural Institute (now known as IPB University), for example, uses an incubation model that includes both provision of facilities and infrastructure needed by tenants (incubation participants) in business operations, as well as the mentoring process so that tenants become innovative, independent and competitive MSMEs. The mentoring incubation model is also used by the Industry and Trade Service of the Tangerang Regency Government in collaboration with the Swiss German

University Collaboration through the establishment of a Digital Marketing Center (DMC). Meanwhile, Universitas Sebelas Maret (UNS) carries out an incubation process that aims to develop individual talents, such as through developing ideas, potential, transferring technology and business to building sustainable startups. There are 2 (two) outputs targeted by UNS through its incubation program, namely graduates who are entrepreneurs, and products that benefit society.

Furthermore, the development of a business incubator is inseparable from various obstacles. Wajdi, et al. identified several obstacles encountered and classified them into pre-incubation constraints and during incubation[10]. Problems at the pre-incubation stage include not optimal information regarding incubation activities, as well as low input quality. Meanwhile, problems that occur during the incubation stage can be in the form of training mismatches with the needs of SMEs, constraints on product development in terms of innovation, limited access to capital, and others. Previously, different issues related to optimizing the role of business incubators in tertiary institutions in empowering MSMEs, namely constraints from the financing side from the operational side of business incubator institutions to political economic development issues[6].

Considering the contribution of the incubator which is seen as important as one of the efforts to develop MSMEs, the preparation of research regarding the need for the establishment of a business incubator for MSMEs by the STAN State Finance Polytechnic (PKN STAN) becomes relevant before the initiation of its formation is carried out. Does a business incubator need to be built at PKN STAN? and What factors need to be considered by PKN STAN in establishing a business incubator? Those are something that needs to be explored within the context of the role of PKN STAN under the Ministry of Finance in the establishment of the said MSME incubator. However, with various issues accompanying the formation and development of a business incubator, PKN STAN also needs to identify its significance in the internal context. In the framework of the preparation of the research referred to, data collection through focus group discussions (FGD) with and comparative studies to other tertiary institutions that have previously formed and organized an incubation program is necessary.

2 Literature Review

2.1 MSME Business Development

Micro, Small and Medium Enterprises (MSMEs) are an important pillar in the Indonesian economy. The Ministry of Cooperatives and SMEs noted that the contribution of MSMEs to Indonesia's GDP was 61.97% or the equivalent of IDR 8,500 trillion in 2020. This contribution is reflected, among others, through employment reaching 97% of the total workforce in 2020 and credit absorption of less than more than IDR 1 trillion in 2018. In addition, the crucial role of MSMEs for the economy in Indonesia is based on several facts, such as the large number of MSMEs spread both in urban areas and remote villages; MSMEs that tend to be labor intensive thereby increasing employment opportunities (including

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2.2 MSME Incubation

Growing MSMEs can be done with the franchise model, partnership model, incubation model and entrepreneurship training in universities[8]. As a method for empowering MSMEs, MSME business incubators have their own advantages, namely, MSMEs are provided with facilities, accompanied by incentives and trained in various business aspects. Incubation is growing entrepreneurs through mentoring, training, professional networking and assistance in finding funding until they can survive in a competitive environment. Meanwhile, according to RI Presidential Regulation Number 27 of 2013, entrepreneurial incubation is the process of mentoring, coaching and developing entrepreneurs in a building (business space) even though

partners can do business outside the incubator. The services provided by the incubator include providing space for business activities, office facilities that can be shared, conducting management guidance and consulting, research support and business development, human resource development, provision of start-up funds and provision of business networks[5].

The number of Indonesian business incubators still lags behind European countries[8]. Entrepreneurial incubators in Indonesia are constrained by limited and short-term funding sources, a lack of professional human resources managing business incubators, limited physical facilities in implementing incubator functions and the absence of a coaching model that is considered effective in MSME incubation[11].

3 Methodology

3.1 Research Methodology and Data Sources

This study used qualitative research methods. Qualitative research is research that aims to understand the research subjects regarding the phenomena that occur[12]. It is meant by research data sources is the subject from which data can be obtained. Related to this study, the authors used two data sources, namely primary data sources and secondary data sources.

1. Primary Data Source

Primary data sources are data sources obtained from the first person where a data is generated. Primary data collection was carried out using field research and FGD (focus group discussion) methods.

2. Secondary Data Sources

Secondary data is data collected by other parties, both processed and unprocessed. Secondary data collection to complement the primary data that has been collected so that the analysis carried out can be linked to data and theory that exist in society. The method used to collect secondary data is to use documentation.

3.2 Method of Data Collection and Analysis

The data collection techniques used in this study were field studies, FGDs and documentation, with the following description:

1. Field studies

The field study was carried out by visiting one of the existing Incubators to find out the ins and outs of the problems of the MSME Business Incubator. Field studies were carried out by visiting Incubie at IPB University. The field study was carried out on June 27, 2022, 13.00 to 16.00 at the Science and Techno Park-IPB University, Jalan Taman Kencana No. 3, Babakan, Central Bogor District, Bogor City, West Java.

INCUBIE is one of the pioneers in establishing MSME incubators; has been established since 1994; currently has adequate facilities, infrastructure, and an incubation model and is used as a reference in the development and assistance of MSMEs by universities, regional governments, and other agencies both in Indonesia and within ASEAN. The field study method was carried out by conducting in-depth interviews and observations.

Interviews are conversations conducted by two or more people with the aim of obtaining data that can answer research problems[12]. Conversations can be carried out directly or through the media such as the telephone, as well as other communication media in the form of audio and audio-visual. The interview was conducted with Mr. Deva Primadia Almada, Head of IPB University's Business Incubator Sub Directorate. Meanwhile, observations were also carried out which aimed to see the situation and condition of the research object. Observations were made by looking at the tenants under the auspices of Incubie and conducting short interviews with tenant owners to obtain data on the benefits of Incubie felt by the tenants.

2. Focus Group Discussion (FGD)

Meanwhile, FGDs were conducted to better see how the body gestures and how the participants think[13]. The FGD will be held on June 24 2022 with the following participants:

- a. Sebelas Maret University (UNS), Coordinator of Incubation and Business Development, Sarjiyanto, Ph.D
- b. Sepuluh Nopember Institute of Technology (ITS), Senior Manager of the Incubator Unit and Inovativ Business Services, Ir Baroto Tavip Indrojarwo, M.Si
- c. Pamulang University (Unpam), Chair of the Business Development and Innovation Institute, Arif Siaha Widodo, S.E., M.M.
- d. PKN STAN researcher and lecturer

3. Documentation

Documentation is used to trace historical data. Documentation is intended to obtain data directly from research sites and other places in the form of documents both written and pictures as well as data related to research. In this research documentation conducted to collect MSME data in South Tangerang as well as other secondary data to complement the research analysis.

Data analysis uses the following stages: data collection through interviews and FGD, data presentation, data reduction and drawing conclusions.

4. Result and Discussion

The need for MSME Business Incubators at PKN STAN

The STAN State Finance Polytechnic is an official tertiary institution affiliated with the Ministry of Finance and is located in South Tangerang. The existence of PKN STAN as a Higher Education Institution that has the Tri Dharma of Higher Education is expected to have benefits for the surrounding community. Based on data from the South Tangerang City Office of Cooperatives and UKM, in 2022 the number of MSMEs in South Tangerang will be 149,000 MSMEs with details as shown in Figure 1.

UPDATE DATA UMKM/KECAMATAN	
PONDOK AREN 27.772 UMKM	CIPUTAT 23.877 UMKM
PAMULANG 32.893 UMKM	CIPUTAT TIMUR 18.989 UMKM
SERPONG UTARA 14.568 UMKM	SERPONG 18.098 UMKM
SETU 11.371 UMKM	

Fig. 1. South Tangerang UMKM Data per District.

Based on the data shown in Figure 1, Pamulang District has the most MSMEs, namely 32,893 MSMEs followed by the District Coverage of 23,877 MSMEs. Furthermore, East Ciputat District occupies the third position with the most MSMEs in South Tangerang City with 18,989 MSMEs then Serpong District in fourth position with 18,098 MSMEs and Pondok Aren District 27,772 MSMEs. The last position is occupied by Setu District with 11,371 MSMEs.

Based on Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), the definition of MSMEs is as follows:

1. Micro Business is a business owned by a person or business entity that has a maximum asset criteria of Rp. 50 million and/or a maximum turnover of IDR 300 million.
2. Small Business is a productive economic business carried out by a person or business entity and not a subsidiary company or a branch company with assets criteria of more than IDR 50 million to IDR 500 million and/or business turnover of more than IDR 300 million to IDR 2.5 billion.
3. Medium Business is a business carried out by a person or business entity that is not a subsidiary or branch of a company that has assets criteria of more than Rp. 500 million to Rp. 10 billion and or turnover of more than Rp. 2.5 billion to Rp. 50 billion.

As much as 74% of MSMEs in South Tangerang are dominated by Micro MSMEs so there is still a lot of room to scale up the Micro MSMEs business to become Small or medium MSMEs. Furthermore, based on the Cooperative Service Strategic Plan document and SMEs in South Tangerang City 2016-2021 explained that there are crucial problems experienced by MSMEs including: 1) many MSMEs do not have business licenses and other legalities; 2) limited access to capital; 3) people are less interested in local production; 4) MSME human resources are still weak in business management and development; 5) the limited marketing network for MSME products.

With these MSME problems, I hope PKN STAN as a tertiary institution can take part in solving MSME problems in South Tangerang through the tri dharma of higher education in terms of knowledge, research and community service. The establishment of a Business Incubator at PKN STAN is one of the concrete steps for PKN STAN's participation in empowering MSMEs. The establishment of a business incubator has actually started since the issuance of Regulation Number 27 of 2013 concerning Development of Entrepreneurial Incubators. Then, in 2015, the Minister of Cooperatives and SMEs further regulated the norms, standards, procedures and criteria for organizing entrepreneurial incubators through the Ministerial Regulation of KUKM Number 24/Per/M.KUKM/IX/2015. The incubation approach is the right step in creating superior MSMEs and has a business model[6]. Business incubators and their networks are expected to be able to provide various supports to start-up companies by providing the necessary resources and services to accelerate the successful development of these companies[7].

Incubation is a coaching process for Small Businesses and/or new product development carried out by entrepreneurial incubators in terms of providing business facilities and infrastructure, business development and support management and technology. In addition,

coaching through incubation can also develop access to financing schemes, markets, and business digitalization. The need for a business incubator at PKN STAN can also be a part of learning for students to know the ins and outs of entrepreneurship so that it will be able to assist the work of students who will enter to become part of the State Civil Apparatus in the financial sector. The next problem is what form of business incubator should be formed? For this reason, the next section will discuss options related to the form of a business incubator that can be formed by PKN STAN based on FGDs and field studies that have been conducted.

4.1 Factors to Be Considered in the Formation of an MSME Incubator

Based on the description regarding the results of the analysis regarding the need to establish an MSME incubator at the STAN State Finance Polytechnic (PKN STAN), as well as several possible options in establishing a business incubator, there are several things that need to be considered by PKN STAN in initiating the establishment of an MSME business incubator. The specificity of PKN STAN as a Ministry/Institution higher education institution (PTKL) under the Ministry of Finance makes it different from the characteristics of other tertiary institutions, both public and private.

1) Field of Incubation

Based on the results of the FGDs and comparative studies conducted, the four tertiary institutions have quite a number of study programs so that in terms of expertise and expertise of incubator managers they are also relatively diverse. Furthermore, this advantage is seen as being able to meet the needs of the incubation process being carried out. For example, in a comprehensive incubation process, improving aspects of marketing, finance, product design, technology, etc. becomes important to produce tenants who are independent in entrepreneurship and are able to develop in the following years. However, there are areas of incubation that can be chosen and pursued accordingly with the priority areas of each tertiary institution. IBT IPB University, for example, chose to focus on the fields of food, agriculture, bioscience, maritime affairs, and ICT. Meanwhile, the ITS business incubator emphasizes the fields of ICT Robotics, Automotive, Creative Industries, and Maritime.

PKN STAN has scientific coverage in the field of state finance. In this case it certainly does not have an equivalent capacity when compared to ITS, UNS, Unpam, and IPB University which tend to be able to depend on the capacity of internal lecturers and teaching staff and the existence of alumni networks that are possible in various industrial sectors. If so, PKN STAN needs to limit the incubation area to the fields of state finance if it only relies on internal resources. In this regard, a resource person from IPB University said that PKN STAN could only carry out incubation activities for start-up developers of financial or accounting platforms or applications, and others that are in line with their expertise.

However, one of the informants (from ITS) stated that this should not be a big obstacle in the development of MSME business incubators. PKN STAN can imitate what ITS has done when there is a need from tenants related to certain scientific fields and ITS then works together with other higher education incubators that can fill this gap. In addition, the opportunity for collaboration with Unpam which is also in the South Tangerang area can be an option for PKN STAN so that the scope of the incubation field being carried out becomes wider. In this scheme, PKN STAN can position itself as a coordinator or a party that meets the needs of tenants with the right related parties. In this case, an extensive network and good relations

with the incubator other tertiary institutions are one of the prerequisites, given the limited expertise of PKN STAN lecturers and alumni, who in the majority are not entrepreneurs or industry players.

2) Management Team

As stated by a resource person from IBT IPB University, incubator management is an important key to the successful development of a business incubator. Reflecting on the experience of IPB University, the management of the incubator should be carried out by managers with non-lecturer status, even though they are hierarchically under the position occupied by the lecturer. The number of operational areas that must be handled in managing the incubator was also stated by the resource person from ITS, where dedicated persons are needed to manage the incubator, which consists of senior managers, managers, financial administration and 2 (two) assistants. With a pattern almost similar to that implemented by IBT IPB University, where there are mentors, coaches and companions, resource persons from ITS stated that the current human resources are still lacking.

Therefore, PKN STAN needs to formulate an appropriate organizational structure in incubator management so that it is able to accommodate the needs for coordination and operational handling of incubators which relatively cannot be positioned as a side job, especially in relation to determining who will be appointed as incubator manager. In addition, as stated by a resource person from IPB University, the common perception, vision and mission in developing an incubator is a challenge that PKN STAN must also address before initiating the establishment of an incubator. It is remembering challenges related to the continuity of incubation activities which have been an obstacle to incubator development.

3) Supporting Facilities and Infrastructure

Of the four tertiary institutions that were used as benchmarks, all of them had facilities and infrastructure specifically designated for incubation activities. Some of them are in the form of buildings or office space for incubator managers, meeting rooms, workshops and their supporting equipment, business space that can be used or rented by tenants, and others. In the early stages of establishing an incubator at PKN STAN, the availability of these facilities and infrastructure needs to be identified first. However, the provision of facilities and infrastructure is also inseparable from determining the area or field of incubation to be carried out, as previously described. One resource person (from Unpam) also said that at least each tenant has 1 table and 1 chair that he can use during the incubation process.

4) Tenant Recruitment (Pre-Incubation)

As one of the core activities in developing a business incubator, the recruitment process needs to be designed appropriately and pay attention to the availability of facilities and infrastructure so that the incubation process can run optimally. As previously discussed, this will also depend on how capable PKN STAN is in facilitating tenants with the minimum infrastructure requirements during the incubation process.

Reflecting on the business incubator at IPB University, where there are inwall and outwall tenants, the fact that PKN STAN only has 1 campus complex, namely in Bintaro, Pondok Aren, the existence of inwall tenants who use Dictionary facilities for carrying out business

activities need to be considered carefully. In addition, unlike IPB University, which is already in the mature stage or the fourth generation of business incubators, PKN STAN also needs to consider its status as a beginner, so it does not yet have sufficient experience managing inwall tenants.

Furthermore, regarding the tenant recruitment mechanism, the selection process that is applied tends to be gradual in order to ensure the capability, commitment, and willingness of prospective tenants to participate in the incubation process and be able to become independent entrepreneurs in the end. Similar stages to those implemented by IPB University can be applied, which begin with administrative selection, interviews and site visits. However, beforehand, PKN STAN needs to first determine the minimum criteria whether the tenant must have had business activities running for a certain period of time. Another important thing that might distinguish the tenants who will be managed by the incubator at PKN STAN from incubators at other universities is that there is no target number of graduates who become entrepreneurs so that recruiting students as tenants as carried out by Unpam becomes less relevant in the context of PKN STAN. Potential tenant candidates from surrounding MSMEs are considered more feasible to pursue in the context of developing the MSME business incubator at PKN STAN. What about the possibility of lecturers becoming tenants as found at Unpam? This needs further study considering that there are several regulations that need to be reviewed regarding can or whether the option is opened.

5) Incubation Process

The design of the incubation process also needs special attention if PKN STAN wants to form a business incubator. Preparation of SOPs related to the entire series of activities designed during the incubation process is a must. Referring to the incubation process carried out by ITS and IPN University, the PKN STAN incubator manager will also need to determine the ability of the institution to facilitate the provision of companions, mentors and coaches who will regularly carry out mentoring activities. Thus, the need for HR also needs to be considered whether it will be fulfilled internally, or also involving external parties. Regarding the provision of mentors that can be filled by lecturers (as long as they have the expertise needed in the incubation process) or business practitioners (with the consequence that there are fees or honoraria that may need to be budgeted for, unless this can be fulfilled from alumni who have become industry players or through other parties' CSR programs). However, these various options certainly need to be considered both for and against, especially in terms of financing and compliance with relevant regulations.

With the mentoring model used during the incubation process, the determination of the area or field of incubation by PKN STAN will also influence how the mentoring model is appropriate. In the start-up incubation process for MSME accounting application developers, for example, the mentoring model will certainly be different from MSMEs that are based on physically visible product processing, such as food, cosmetics, and others.

6) Funding

Funding for the development of an incubator also needs to get a portion in the design of the incubator. With PKN STAN's status as BLU, to what extent can this funding be met internally? Is it possible? In this regard, alternative sources of funding need to be identified. On the other hand, the principle of state budget efficiency is also a challenge in terms of

funding. The possibility of getting sponsors from third parties also needs to consider various things such as related regulations, the network that is owned by PKN STAN, both with business/industry actors, policy makers, and other relevant parties. Meanwhile, efforts to collect certain fees from tenants, for example for room rental purposes, are deemed necessary to pay attention to the characteristics of the tenants and the possible benefits that tenants will get from the rent they pay, considering that PKN STAN is at the entry level in the formation of MSME business incubators. In addition, the fact that the majority of MSMEs in the South Tangerang area are micro-enterprises needs attention in determining the right incubator funding scheme. In this case, the formation of BPR as carried out by Unpam is considered to be facing quite a lot of obstacles for PKN STAN considering PKN STAN's status as a BLU with a focus on education and training as well as various obstacles in terms of regulations, human resources, infrastructure, and others.

7) Promotion

Going forward, in order to attract potential tenants and disseminate the existence of the MSME business incubator at PKN STAN, promotional activities need to be carried out. In this case the position of PKN STAN as a new business incubator needs to carry out massive promotional activities so that the existence, programs, and the recruitment that will be carried out can be known to a wider audience of MSMEs, especially those who are domiciled in the South Tangerang area.

5 Conclusion

Taking into account the number of MSMEs in the South Tangerang Region, the majority of which are micro-enterprises, as well as various crucial problems faced by MSMEs, such as in terms of licensing, limited access to capital, constraints in marketing, and management and business development that are still weak, PKN STAN higher education can take part in solving MSME problems in South Tangerang through the tri dharma of higher education. The establishment of a Business Incubator at PKN STAN is one of the concrete steps for PKN STAN's participation in empowering MSMEs. Furthermore, there are several options for establishing and developing a business incubator for PKN STAN as has been done by ITS, UNS, Unpam, and IPB University which had previously initiated the establishment of the incubator. Based on their experiences, in general the incubation model is divided into pre-incubation, incubation and post-incubation stages. However, each has a focus or field of incubation, availability of infrastructure, tenant recruitment mechanisms and other aspects that tend to vary and adapt to the characteristics of the tertiary institution. For PKN STAN, the development of incubators through the several options presented needs to pay attention to important factors, namely those related to the incubation sector, management team, supporting facilities and infrastructure, tenant recruitment, incubation process, funding and promotion.

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