

Local-Based Intervention in the Development of Village MSME Stalls through the Madiun City ProUMKM Program

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Abstract. Economic recovery and tightening of "New Normal" health routines seen after COVID-19 Business actors adapt in various ways to survive. This study analyzes the Madiun City ProUMKM program to answer research questions about how local-based interventions are used in developing MSME villages through the ProUMKM program and what challenges are faced in developing rural MSMEs through the ProUMKM program. The existence of the ProUMKM initiative helped create village MSME booths and provided an overview of government involvement as an effort to improve the economy, especially at the regional level. The results show that the ProUMKM program that has been running has succeeded in improving the community's economy and has been well received by the community. Obstacles in the implementation of the ProUMKM program were inconsistency in the provision of facilities and infrastructure and the lack of experience of ProUMKM traders.

Keywords: Government Intervention-1; Macroeconomics-2; MSMEs-3

1 Introduction

Madiun City is occupied by a variety of industries, including the micro, small and medium enterprises (MSMEs) industry. Based on ADHB's Gross Regional Domestic Product (GRDP) according to business fields, the fields of Large Trade and Retail, Car Repair, and Motorcycles are the largest business fields in Madiun City, covering 25.25% of business fields in Madiun City [1]. MSMEs are catalysts for the regional economy[2]. The business character of MSMEs is unique because it generally targets directly at meeting the needs and demands of the community so that it is an effective regional economic driving force. In addition, MSME actors are producers as well as consumers (Prosumen). MSME actors have an important position for the economy of Madiun City because it is the largest number of workers, which is 85.51% or as many as 73,972 people [1].

The economic activities of MSME actors not only have an impact as providers of products and services and providers of employment, but also as consumers whose economic activities can have a major impact on economic growth and regional inflation rates. In addition, MSMEs also have a big role in the community to provide product and service needs. A study conducted by the Sepuluh November Institute of Technology (ITS) on 123 heads of families in Madiun City showed that the majority of people met their daily consumption needs in ready-to-eat food

at stalls (37.73%) and traveling merchants (15.38%). The demand for ready-made food commodities in Madiun City, such as rice with side dishes, pecel menus, soto menus, and others, has a fairly high level of demand. This is indicated by the inflation rate which reaches 9.23%. However, this figure has decreased during the Covid-19 Pandemic [1].

The Covid-19 pandemic that occurred throughout 2020 to 2021 has previously caused a major economic impact on all business actors, including MSMEs [3]. The implementation of restrictions on community activities (PPKM) and Large-Scale Social Restrictions (PSBB) as an effort to prevent the spread of the Covid-19 virus on the other hand has had an impact on stopping the wheels of the economy at large [4]. The economic impact that is caused is still happening in the Post-Covid-19 with changes in consumer behavior [5] and economic recovery efforts and tightening "New Normal" health protocols [6]. Business actors need to make various adjustments in order to survive.

Madiun City is one of the areas affected by the decline in demand and purchasing power. The Madiun City Government is refocusing in reallocating the government's construction budget so that the budget is prioritized to control the Covid-19 Pandemic. This also leads to a decrease in production, thus affecting regional economic conditions [1].

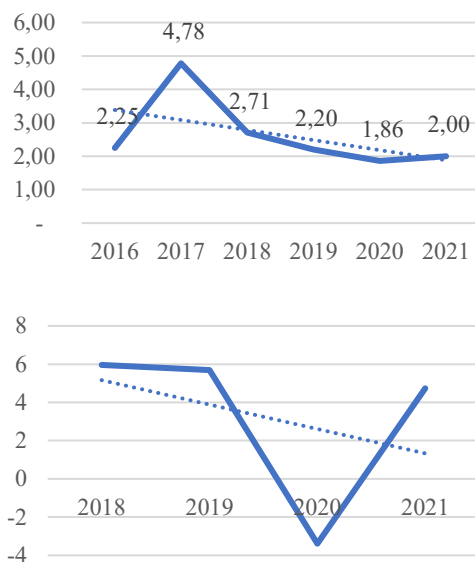


Fig. 1. Annual Inflation (Left) and GDRP (Right) of Madiun City in 2016 – 2021.

Based on this data, the economic activities of Madiun City showed a weakening indicated by a decrease in inflation and price stability. This condition shows the urgency for the government in carrying out policies that focus on improving the quality of the regional economy after the Covid-19 Pandemic. Keynes (1936) explained that inflation and unemployment are reflective of the aggregate demand gap. Keynesian theory considers that prices are fixed so fluctuations in each component of spending such as consumption, investment, or government spending cause output to change. Based on this theory, if government spending increases and all other components of expenditure remain constant, then output will increase [7]. The ProUMKM program in this case is an intervention policy carried out by the Madiun City Regional Government in driving the community's economy through MSMEs. MSMEs as the

main economic drivers of Madiun City need to be recovered in the Post-Covid-19 by encouraging marketability and accessibility through the digitization of MSME stalls. That way, MSME actors as prosumers can move the wheels of the regional economy.

This research discusses the ProUMKM program in Madiun City specifically to answer research questions how to implement local-based interventions in the development of village MSME stalls through the ProUMKM program? And what are the obstacles in the development of MSME stalls in urban villages through the ProUMKM program? The presentation on the development of MSME stalls in urban villages through the ProUMKM program can provide an overview of government intervention as an effort to stimulate economic movements, especially at the regional level. This research is a structured analysis that can mainly be used by the Madiun City Government to conduct a study of the ongoing ProUMKM program and in the formulation of subsequent policies. In particular, the benefits of this research are expected to provide an overview and input for the Madiun City Government in implementing economic improvement policies so that it can be considered for further policies. The benefits of this research are also to be a learning material for other regions to participate in developing MSMEs for their citizens in improving the local economy.

2 Literature Review

ProUMKM is a form of government intervention in re-stimulating the regional economy in the midst of an uncertain economic situation due to the COVID-19 Pandemic. Restrictions on activities imposed in preventing the COVID-19 pandemic have had a negative impact on the regional economy which has caused a decrease in people's purchasing power. At the same time, there is a change in people's shopping trends from traditional to *online*. People tend to meet various daily needs through online shopping platforms, so local stalls lose a lot of potential buyers. To ensure that the regional economy can continue to run, the Madiun City Government intervenes through the localization and digitization of MSME stalls and encourages purchases from government employees to refresh the regional economic cycle.

The sociological view of the market emphasizes the government as part of the market and has a great influence in shaping the market order [8]. Based on Keynes' economic theory, state intervention needs to be carried out in order to moderate the explosion and decline of economic activity [9]. Keynes stated that the government through various policies can intervene in the fight against depression and economic recession by sacrificing government spending and reducing tax revenues so as to increase consumption [10].

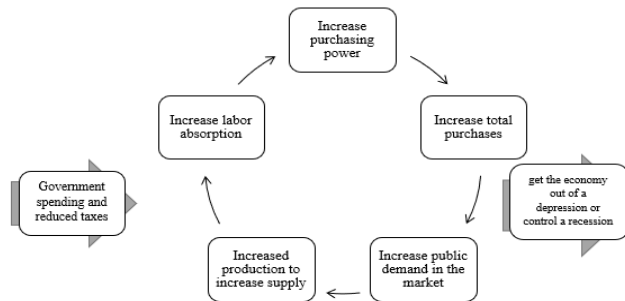


Fig. 2. Plot of Keynes's Economic Theory.

Keynes stated that policies could be used to achieve lower unemployment and higher output at a higher cost of inflation [11]. Government intervention in this regard shows the government as a rule-maker and market regulator who intervenes deeply in transactions between market participants, mobilizing public and private resources to move the wheels of the regional economy. The form of government intervention is usually related to price intervention, but in this study it focuses on government intervention carried out by bringing the market and consumers together and directing consumers to buy in a predetermined market.

3 Method

This is qualitative research to evaluate government program. This research focuses on the implementation of the ProUMKM program in Madiun City. Based on this, the researcher focuses on discussing the following:

1. Law Number 32 of 2004 concerning Regional Government.
2. Government Number 38 of 2007 concerning the Division of Government Affairs between the government, provincial governments, and reGENCY/city local governments.
3. Vision and mission of Madiun City Government in 2019-2024.
4. Madiun City Statistics 2019 – 2022.
5. Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises.
6. Government Regulation Number 7 of 2021 concerning the Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises.
7. Madiun City Regional Regulation Number 31 of 2017 concerning the Empowerment of Cooperatives and Micro-Enterprises.

The location of the study was carried out in Madiun City at the points of construction of MSME stalls. MSME stalls in Madiun City were established in all existing sub-districts, consisting of Taman District, Kartoharjo District, and Manguharjo District. The advantages of madiun city

The informant determination technique is carried out by *purposive sampling* technique. The parties who are research informants are sub-district heads, lurah, and MSME sellers who are included in ProUMKM. Researchers gathers data from observations, interviews, and documentations. Observation was conducted as preliminary analysis of the ProUMKM program

in Madiun City. Interviews was conducted to gather in-depth information related to the implementation and obstacles that occur in ProUMKM implementation.

Data analysis has been carried out since the beginning of the study and during the research process is carried out until the conclusion is drawn. Researchers apply data analysis techniques [12] which consists of four analysis processes, including data collection, data condensation, data presentation, and drawing conclusions/verification. Researchers check the validity of the data by carrying out qualitative data validation in the form of triangulation of data source techniques. Triangulation of data sources is a form of validity where researchers check certain information from several sources or informants. In this study, researchers collected information from various sources or informants who could provide and examine information related to the implementation of the ProUMKM program and its obstacles.

4 Results and Disucssion

4.1 Implementation of Local-Based Interventions in the Development of MSME stalls through the ProUMKM Program

ProUMKM is a government intervention program in order to improve the economy through the empowerment of MSMEs in villages in Madiun City after economic declined in Covid-19 restriction. This program represents the government's participation in increasing people's purchasing power in the midst of the COVID-19 pandemic. ProUMKM is provided to all Madiun City MSME sellers without age limits and easy requirements. The ProUMKM program includes three steps in growing MSMEs in Madiun City. The three steps consist of facilitating capital, coaching, and marketing. This program is one of the programs of the East Java Provincial Government in strengthening the MSME-based people's economy. All people in Madiun City who have ID cards and have products to sell can register themselves to join this program. In its implementation, the government acts as a provider of facilities and infrastructure as well as digital services that can bring merchants together with consumers. Offline, local governments provide stall localization in strategic areas in each sub-district and sub-district. Stall locations are placed in strategic areas with the support of local governments. The government carries out various government activities such as socialization so as to increase the traffic of these MSME stalls. Online, the government provides access through <http://umkm.madiunkota.go.id/> website.

The government also intervened by imposing an obligation for ASN employees to meet their needs for MSMEs that have been registered with the ProUMKM program. The implementation of this rule is carried out through an application specifically intended for use by the ASN. The Mayor of Madiun City requires asns in Madiun City to shop at the nearest MSMEs from their homes. Transactions made at MSME stalls or stalls are then recorded in the application. ASN can log *in* by entering the NIP and recording the transactions that have been made. The information in this application is like who is shopping, where they are shopping, the type of goods purchased, as well as the amount of money spent on shopping purposes. This application also improves the provision of information and promotion as well as the accessibility of MSMEs by providing information on the availability of products around their area. This encouragement has succeeded in increasing transactions in MSME stalls and improving the economic condition of the community, as conveyed by the Manguharjo Sub-District:

"In terms of results, the majority of God willing, have shown results that are in accordance with the objectives of the program. For example, the MSME community in the local area is more empowered, because the person concerned can sell in the stalls of each village. Two, improving the economy to be able to increase the daily income of his family. Three, it can increase community empowerment..." (Danang Novianto as Manguharjo Sub-district Head)

Traders enrolled in the ProUMKM program can enjoy the facility without being charged any fees. This is in accordance with what was conveyed by the Chairman of the MSME Community in Madiun City:

*"The procedure between the village manager and the pelapak against the stall facility is free. In the future, it will be re-poked. "*Wisang as the Head of the MSME Community in Madiun City

The products provided in this program include the daily needs of the community and local products to the region. In particular, the products sold under the ProUMKM program are categorized as Food & Drink, Furniture, Handycraft, Convection & Fashion, Agribusiness, Batik, Culinary, Dekranasda, and others.

Based on the explanation above, the products provided in the ProUMKM program have a wide and varied variety. With the availability of a variety of products and services, the people of Madiun City in general benefit.

"In the majority, it can provide maximum results, for example, local MSMEs are more empowered because the person concerned can sell in each region so that it adds income while also empowering the community such as being a place for community gatherings." (Addi Tri Nurwahy as Head of Economy and Social Affairs)

ProUMKM *offline* stalls are available in strategic areas and with interesting and recreational facilities, providing varied culinary products so that ProUMKM stalls become tourist and culinary attractions for the community. The ProUMKM program targets people in the MSME stall area but benefits the community as a whole, especially from the side of traders who can sell directly at the stall, as well as from the side of MSME traders who need to market their products without selling directly. The stall area can also be used by the local community to carry out activities or promote sustainable activities.

4.2 Obstacles in the Development of MSME Stalls through the ProUMKM Program

ProUMKM has been part of the implementation of Government Regulation Number 7 of 2021 concerning the Ease, Protection and empowerment of Cooperatives and Micro, Small and Medium Enterprises article 81. Based on this regulation, the government is required to allocate 40% of the value of local government goods/services spending through MSME actors. But in particular, there is still no local government regulation that regulates the implementation of ProUMKM. This has caused the implementation of the ProUMKM program to be inconsistent, as stated by the Chairman of the MSME Community in Madiun City:

"There are many obstacles such as the example of building and stalls where we were previously involved in every development. But in this one year we were rarely involved so later it was not as needed to have a leak. " (Wisang as Chairman of the MSME Community in Madiun City)

The City Government previously opened a discussion room for pelapak to express the needs of implementing ProUMKM to be effective so that the facilities provided can meet the needs of sellers for selling. Based on this information, there is a change in the 'attitude' of the government

so that the procurement of facilities no longer involves MSME traders who participate in the ProUMKM program so that there are inconsistencies in terms of the quality of providing facilities for traders. As stated by the Head of the Economic and Social Affairs Division:

"... Budget constraints from both pure budgets and PAK to meet facilities and infrastructure to improve the quality of MSME stall facilities. This has been the case since 2020 until now. " (Addi Tri Narwahu as Head of Economy and Social Affairs)

Based on this, the ProUMKM program that has been running has shown satisfaction at the community and merchant level. Consistency in facilitating facilities and infrastructure is one of the important things to fulfill in order to maintain the existing business cycle.

The ProUMKM program on the other hand also experienced obstacles from the merchant side. MSME traders who are participants in the ProUMKM program generally still have limited sales, marketing and distribution capabilities so that the quality of services and products offered still requires a lot of room for improvement. New merchants are still not able to provide inconsistent products, services. The lack of business knowledge from new merchants also causes inaccuracies in determining prices, so often the products offered become too expensive for consumers.

5 Conclusion

The implementation of the ProUMKM Program in Madiun City has succeeded in empowering local MSMEs. Through this program, MSMEs get stalls to sell and market their products in the Madiun City area. This increases the income of MSMEs as producers. This program also creates community space within the community so as to improve community management through deliberations and bring up routine community activities. On the other hand, the programs that have been running actually show inconsistencies in the provision of facilities and infrastructure. In addition, traders who are registered with ProUMKM have fairly easy requirements. This creates barriers in terms of individual trading abilities. Based on this, the discussion space between local government and kiosk traders needs to be rebuilt to improve the quality of the existing ProUMKM program services. In addition, it is necessary to carry out intensive training for sellers to be able to carry out product innovation and product distribution. Various inputs from consumers also need to be properly accommodated, for example, through assessments on existing digital platforms.

Acknowledgments. The author would like to thank the Public Administration Masters Study Program, Faculty of Social and Political Sciences, Sebelas Maret University, for helping facilitate this research.

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