

Determinants of Product Competitiveness in Batu Bara Regency: Case of MSME Featured Product

Paidi^{1*}, Fadli², Kanitsorn Terdpaong³
{paidi@usu.ac.id¹, kanitsorn@rsu.ac.th³}

Universitas Sumatera Utara^{1,2}
Rangsid University³

Abstract. In today's era, the current economic practices carried out by the local government had not been able to significantly improve the overall welfare of the community. The root of this problem still became too vast to pinpoint the exact problem. However, it affected the current economic development of regional economic in which often resulted as low economic competitiveness. In accordance with the implementation of regional autonomy, local governments were required to be able to explore and develop their economic potential independently. The government targetted One Village One Product (OVOP) program to support regional economic potential thus each village must have a competitive product to support their economy. The determination of potential featured products for each region in this study refers to criteria that affect economic development and competitiveness. The results showed that business capital became the strongest factor with a weight-value of 18.3%, followed by business facilities with a weight-value of 12.0%, and the availability of raw materials with a weight of 11.7%. The lowest factors in supporting competitiveness are value added potency and employment rate of business. In order to further increase the potential of its featured products, Batu Bara Regency needs to be more effective and efficient in providing business capital access assistance that can support overall business development. The government also needs to develop various business facilities that support production activities while maintaining the availability and quality of raw materials for superior products.

Keywords: Featured Product, Economic Development, Role of MSME, Weighted Factor

1 Introduction

In the era of regional autonomy, the current economic development carried out by the region is still unable to significantly improve the welfare of the community. This is because the pattern of regional economic development that is being and has been implemented by the regions seems less systematic and in accordance with their economic potential. This condition can be one of the causes of the underdevelopment of regional economic potential and result in low economic competitiveness of the region. The low economic competitiveness of the region ultimately leads to inequality in economic growth and uneven levels of public welfare [1].

As a consequence of the implementation of regional autonomy, local governments are required to be able to explore and develop their economic potential independently [2], [3]. The development of this economic potential is expected to gradually reduce the range of development inequality between regions. Therefore, one of the determining factors for the success of regional development is the ability of each region to utilize and develop the existing

economic potential optimally. In addition to processing the potential economic potential into a real economy, the existing potential must also be able to have competitiveness so that it can compete with other regions and be export-oriented [4].

In order to increase the wheels of the regional economy to be successful and efficient, it is necessary to strive for the development of regional economic potential and one of the efforts that can be done by local governments is through the development of superior products for Micro, Small and Medium Enterprises (MSMEs) in the regions. For this process, it is necessary to identify and map the potential of existing MSME superior products as a process of utilizing and developing local resources as well as optimizing the economic potential in the area [4].

As a regional development strategy, the development of superior MSME products is considered to have advantages because it is considered that regions that implement this development pattern are relatively more independent in their economic development. The superior products of regional MSMEs describe the ability of a region to produce products, create value added, utilize real resources, create job opportunities, bring income to the community and the government, have prospects to increase productivity and investment.

In addition, the superior products of regional MSMEs are superior products that have distinctive characteristics and uniqueness that other regions do not have and are reliable competitive and can provide job opportunities to local communities. The superior products of regional MSMEs are also environmentally friendly and oriented to local and national markets and are export-oriented.

The development of superior products for MSMEs is an effective strategy in developing the regional economy [5], [6]. Therefore, the development of superior products of MSMEs as regional economic potential in the autonomy era is a job that is not easy to carry out. This is because the development of superior products for regional MSMEs is closely related to the political will or policies of local governments. Therefore, the role of local governments is very important in the development and empowerment of superior products of regional MSMEs as an effort to accelerate and expand regional economic development.

Related to the development of the superior products of MSMEs, the Batu Bara Regency Government needs to identify and map the superior products of MSMEs in their area. Therefore, through the Penyusunan Roadmap study for the Acceleration of the Development of Cooperatives and Micro, Small and Medium Enterprises (MSMEs) in 2022-2031, it is hoped that it can become a locomotive for the growth and development of superior MSME products and can be an alternative to sources of economic growth in Batu Bara Regency in the future.

2 Literature Review

Micro, Small and Medium Enterprises or abbreviated as MSMEs are real sectors that are in direct contact with the community in their daily business activities. MSMEs are one of the important spearheads for Indonesia to be able to dominate the free market in the coming year. MSMEs have also saved Indonesia's economic condition because they are able to absorb a lot of labor.

The criteria for superior products that have competitiveness are determined based on three main criteria, namely the input, process, and output criteria. Input criteria describe how a product or business obtains all the materials needed to produce a product [7]. These criteria include the availability of raw materials, the availability of skilled labor [8], the availability of access to capital [9] and the availability of business facilities that support production activities.

The process criteria describe how an attempt to process inputs to produce the expected output . The criteria included in this function include business management and the level of technology possessed by the processing of the product. The last criterion is an output criterion that explains how a business can increase the value of its products and support regional development and business development. These criteria include employment, added value and market prospects of the processing business product [10], [11].

3 Research Method

This study examines the preparation of a Roadmap for accelerating the development of cooperatives and Micro, Small and Medium Enterprises (MSMEs) in 2022-2031 in Batu Bara Regency. The respondents who were sampled were 151 people consisting of village officials.

The data sources used in this study consist of primary data and secondary data, both qualitative and quantitative, namely:

1. Primary Data. Primary data were obtained from direct observations in the field by conducting surveys through filling out questionnaires and interviews intensively and in depth through Focus Group Discussions (FGD).
2. Secondary Data. Secondary data is obtained from relevant agencies, such as the Badan Pusat Statistik (BPS) and the Dinas Koperasi dan UKM.

The data analysis methods used in this study using both analysis. First level of analysis showed descriptive quantitative analysis, which is analyzing data obtained from related agencies / institutions presented in the form of tables, figures (charts) and diagrams. Secondly, delphi analysis method is used to find out the opinions of experts in the local area who master the regional field related to the local business field to obtain an overview of the ranking priorities of the future development plan. Rank-based weighting method is used to assess each determining factor of the region's leading business unit based on their respective importance ratings. In the process of giving weight, it is carried out through a questionnaire to each respondent that has been predetermined so that it is expected to be able to provide an overview of the actual conditions

4 Result

4.1 Assessment Weight of Components of Business Competitiveness Preparation

This research involved 100 lecturers from the Universitas Sumatera Utara. The characteristics of the lecturers who participated in this study are summarized as follows:

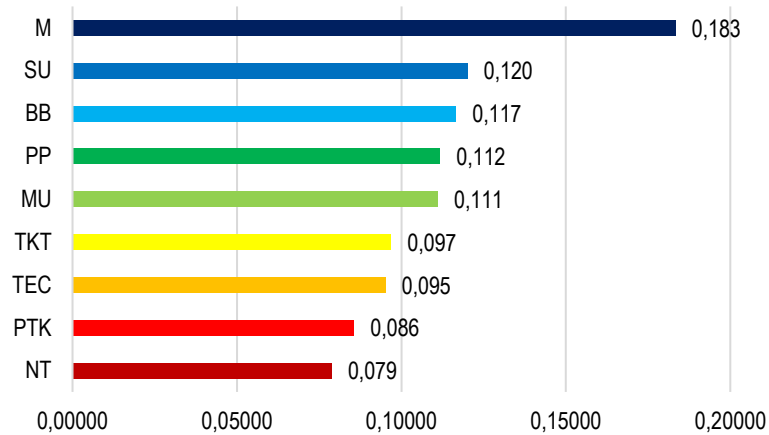


Fig 1. Weight of Coal District Business Competitiveness Component

Figure 1 shows that the competitiveness of a product is still mainly determined in terms of production inputs consisting of Access to Capital, Business Facilities, Access to Raw Materials and Labor Level. In terms of weighting, competitiveness is largely determined by business actors' access to capital with a weight of 0.183, followed by the condition or availability of business facilities that support production activities with a weight of 0.120. The third factor is access to raw materials, related to the smooth quality and quantity of raw materials available for production activities with a weight of 0.117. The fourth factor of the competitiveness of superior products is supported by output factors that indicate the market prospects of the product. These market prospects include the affordability of the product within the market. In the current era, it is hoped that regional superior products will no longer focus on meeting regional needs but an increasingly broad market to the export market. The weighting for the market outlook reached 0.112. The fifth factor is based on the ranking of the importance of the constituent elements of the competitiveness of regional superior products sourced from the process, namely business management related to how business management is carried out by a business. Business management support determines how the business expansion and management of the business is carried out. The sixth factor is the availability of skilled labor that shows the ability of the local community to process and produce the product. Technical skills are the main reference in this criterion. The weight for this factor is 0.097. The seventh factor is technology in running a business. The better the technology owned, the more it supports business competitiveness, including input processing and various other technologies. Currently, there are many automation technologies in supporting increased production. This factor assessment is based on the extent to which the business absorbs and implements technology in its business activities. The weight on this aspect is 0.095. The eighth factor is the absorption of labor that comes from the output side. A product or business that is said to be superior must be able to contribute to the absorption of local labor so as to reduce the unemployment rate in the area. The weight on this factor is 0.086. The factor in the last rank is added value, which is the ability to process products from raw materials so that they become a product that provides added value from production activities to the product to consumers. The assessment of this factor as the last ranking factor shows that many business actors have not assessed the importance of the added value of their products.

Low awareness of added value can indicate that the product has not been optimally processed by business actors but has been sold to consumers. The weight on this factor is 0.079.

4.2 Batu Bara Featured Products

Based on the results of the identification of the business of each sub-district and the assessment of the components of business competitiveness, the featured products of the sub-districts in Batu Bara Regency can be seen in Table 1 below:

Table 1. Featured Product in Batu Bra Regency

| Sub-District | Featured Product |
|---------------------|--|
| Datuk Lima Puluh | <i>Emping Melinjo</i> |
| Datuk Tanah Datar | Tofu & <i>Tempeh</i> Processing, Chips, <i>Batik</i> |
| Sei Balai | Extract Ginger, <i>Pisang Gosong</i> , <i>Batik Ciprat</i> |
| Lima Puluh Pesisir | <i>Jamu</i> , <i>Songket</i> , dan Chili Processing |
| Sei Suka | Palm Sugar, dan <i>Sambal Kepah Serai</i> |
| Air Putih | Tofu dan Traditional Cakery |
| Nibung Hangus | Virgin Coconut Oil (VCO) dan <i>Lidi</i> Handicrafts |
| Talawi | <i>Songket</i> Weaving |
| Tanjung Tiram | Seafood Processing |
| Lima Puluh | Crocodile Skin Processing |
| Medang Deras | Anchovy and Salted Fish Processing |
| Laut Tador | <i>Magot</i> , Chips, and Souvenir Centers |

Table 1 shows an overview of superior or featured products in each sub-district located in Batu Bara Regency. The results of this evaluation are continued to form superior products throughout Batu Bara Regency by considering the assessment of product competitiveness, development and availability of facilities in Batu Bara Regency as well as the potential for future product development. The superior products in Batu Bar A Regency are (1) Coconut Product Processing, (2) Seafood Processing, (3) Handicrafts, (4) Red Chili Sauce, (5) Traditional Packaged Drinks, (6) Various Crackers and Chips, (7) Songket Weaving Products, (8) Batik Fabric Products, (9) Typical Packaging Cakes, (10) Crocodile Skin Processing.

4.3 Future Recommendations

Based on the analysis and results of studies in this study, the recommendations given, namely:

Table 2. Follow-up Recommendations

| Aspects | Officials | Follow-up Recommendations |
|----------------|-----------------------------|--|
| Legality | Department of One | 1. Socialization of the importance of licensing for business actors |
| | Stop Investment and Capital | 2. Socialization of the use of online single submission (OSS) for licensing arrangements |
| | Investment Service | 3. Assistance in making NIB for leading businesses in Batu Bara Regency |

| Aspects | Officials | Follow-up Recommendations |
|--------------------------|--|--|
| | Department of Cooperatives and Small and Medium Enterprises | 1. Facilitating business actors in micro-business licensing |
| | | 2. Facilitating superior product business actors for halal certification, BPOM, SNI |
| | Department of Communication and Information | 1. Improving the quality of government websites to support OSS |
| | | 2. Increased licensing applications for coal regency business actors |
| Technical and Production | Department of Agriculture and Plantation & Department of Fisheries and Livestock | 1. Procurement of infrastructure in supporting the processing of agricultural and fishery products into superior products of Batu Bara Regency |
| | Department of Cooperatives and Small and Medium Enterprises | 2. Increasing the capacity of farmers and fishermen to support superior products of Batu Bara Regency |
| | | 1. Manufacture of facilities that support superior production activities, such as drying houses |
| Human Resources | Department of Human Resources, Industry and Trade | 2. Development of Product Centers and Production Houses to help improve the quality of superior business products in Batu Bara Regency accompanied by an increase in product competitiveness |
| | | 3. Development of packaging centers for superior products of Batu Bara Regency |
| | | 1. Pemetaan permasalahan kualitas tenaga kerja terampil produk unggulan Kabupaten Batu Bara |
| Raw Materials | Department of General Work and Spatial Planning | 2. Improving the quality of skilled labor to develop superior products of Batu Bara Regency |
| | Department of Agriculture and Plantation | 1. Pembangunan infrastruktur fisik, khususnya akses jalan untuk meningkatkan akses distribusi bahan baku dan produk |
| Market | Department of Cooperatives and Small and Medium Enterprises | 1. Development of superior seeds as raw materials for regional superior products to improve the quality and quantity of production raw materials. |
| | | 2. Providing incentives for farmers and fishermen for raw materials for superior products in Batu Bara Regency |
| Market | Department of Agriculture and Plantation | 1. Website management to help marketing regional MSME products |
| | Department of Cooperatives and Small and Medium Enterprises | 1. Training of MSME actors in marketing products through applications such as e-catalogs or other e-commerce |
| | | 2. Training and assistance for export-oriented |

| Aspects | Officials | Follow-up Recommendations |
|---------------------|--|---|
| | | superior product business actors |
| | | 3. Development of online applications to help market superior village products throughout Batu Bara Regency |
| | | 4. Building partnerships in an effort to market the superior products of Batu Bara Regency (Example: modern market) |
| | Department of Transportation | 1. Management of cargo warehouses and warehousing of superior MSME products that are ready to be marketed and distributed to consumers. |
| | | 2. Integrating goods distribution channels through ports in supporting the marketing of superior products of Batu Bara Regency |
| Capital | Department of One Stop Investment and Capital Investment Service | 1. Making a book profile of the investment potential of superior products of Batu Bara Regency |
| | | 2. Publication of a book profile of the investment potential of superior products of Batu Bara Regency through various media such as websites |
| | | 3. Capital incentives for export-oriented leading product business actors |
| | Department of Cooperatives and Small and Medium Enterprises | 1. Assistance for business actors to gain access to capital to financial institutions |
| Business Management | Department of Cooperatives and Small and Medium Enterprises | 1. Establishment of regional superior business cooperatives to support activities to utilize regional potential |
| | | 2. Establishment of MSMEs Fostered by sub-district superior products to obtain guidance and development as well as improve the quality of business products |
| | | 3. Training in making financial reports and business management |

5 Conclusion

Featured products in Batu Bara Regency include the processing of coconut products such as VCO, seafood products such as anchovies, lidi-based handicrafts, red chili processing such as chili sauce, traditional packaged drinks such as ginger wedang, various chips and chips such as caramelized bananas, songket and batik weaving products, packaged cakes such as village sagon and crocodile skin processing.

Batu Bara Regency has a coconut processing cluster in Tanjung Tiram and Nibung Hangus Districts, a fish and marine products processing cluster in Tanjung Tiram and Medang Deras Districts, a Batik and Weaving Cluster in Fifty Coasts, Talawi and Datuk Tanah Datar and a souvenir center in Laut Tador District. Roadmap for accelerating MSME development in 2022 – 2031 through seven phases, including (1) identification phase, (2) input strengthening phase, (3) process optimization phase, (4) output expansion phase, (5) digitization and globalization phase, (6) acceleration phase, and (7) Independent MSME phase.

References

- [1] P. Hidayat and R. L. Sari, "Linkage between financial inclusion and Indonesian welfare: a recent evidence," *Cogent Business and Management*, vol. 9, no. 1, pp. 0–12, 2022, doi: 10.1080/23311975.2022.2108299.
- [2] S. H. B. Harmadi and A. Adji, "Regional inequality in Indonesia : Pre and post regional autonomy analysis," *The National Team for The Acceleration of Poverty Reduction*, no. December, pp. 1–35, 2020.
- [3] D. Krmpotic, M. Ileš, and D. Bicvid, "The impact of fiscal autonomy on regional development in the republic of croatia," *60th International Scientific Conference on Economic and Social Development – XX International Social Congress (ISC 2020)*, no. October 2020, p. 2020, 2020.
- [4] A. Safari and A. S. Saleh, "Key determinants of SMEs' export performance: a resource-based view and contingency theory approach using potential mediators," *Journal of Business and Industrial Marketing*, vol. 35, no. 4, pp. 635–654, 2020, doi: 10.1108/JBIM-11-2018-0324.
- [5] Y. Mulya Isabhandia and L. Setiartiti, "Basic Sector Analysis and Development Strategy of Regional Economic Potential in Kulon Progo District 2013-2017," *Journal of Economics Research and Social Sciences*, vol. 5, no. 1, pp. 77–87, 2021, doi: 10.18196/jerss.v5i1.11037.
- [6] X. Ye, L. Ma, K. Ye, J. Chen, and Q. Xie, "Analysis of regional inequality from sectoral structure, spatial policy and economic development: A case study of Chongqing, China," *Sustainability (Switzerland)*, vol. 9, no. 4, 2017, doi: 10.3390/su9040633.
- [7] S. Yıldız and A. Karakaş, "Defining Methods and Criteria for Measuring Business Performance: A Comparative Research Between the Literature in Turkey and Foreign," *Procedia Soc Behav Sci*, vol. 58, pp. 1091–1102, 2012, doi: 10.1016/j.sbspro.2012.09.1090.
- [8] M. Binkley, "Defining Twenty-First Century Skills," in *Assessment and Teaching of 21st Century Skills*, 2012, pp. 17–66.
- [9] S. N. Grigoriev, J. Y. Yeleneva, A. A. Golovenchenko, and V. N. Andreev, "Technological capital: A criterion of innovative development and an object of transfer in the modern economy," *Procedia CIRP*, vol. 20, no. C, pp. 56–61, 2014, doi: 10.1016/j.procir.2014.06.144.
- [10] World Bank, "Global Economic Prospects 2018: Trade, Regionalism, and Development."
- [11] V. Victor, J. J. T. Robert, J. Nathan, and F. F. Maria, "Factors Influencing Consumer Behavior and Prospective Purchase Decisions in a Dynamic Pricing Environment — An Exploratory Factor Analysis Approach," *Soc Sci*, vol. 7, 2018, doi: 10.3390/socsci7090153.