
**THE EMPOWERMENT OF MICRO AND SMALL INDUSTRY OF WOOD
LATHE BY DEPARTMENT OF INDUSTRY AND COMMERCE :CASE
STUDY AT TANGGUNG VILLAGE, BLITAR, INDONESIA**

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ABSTRACT: *Along with the growth of micro and small industries of wood lathe, there are also some problems in its development. Therefore it is necessary to empowerment effort intensively and integrated executed by related institution which in this case is Department of Industry and Commerce. This paper aims to determine the empowerment of micro and small industries undertaken by the Department of Industry and Commerce, what are the constraining factors in the implementation and the efforts that have been done by the Department of Industry and Commerce in conducting the development of micro and small industries of wood lathe in Tanggung Village, Blitar, East Java. Observation method used is explorative method with inductive approach. Data is collected through observation, interview, and documentation. The results showed that there have been efforts made by The Department of Industry and Commerce in Blitar for micro and small industries of wood lathe. In the implementation of the empowerment activities, we found some obstacles such as difficulties in terms of resources, public responses, communications, and institutional.*

KEYWORDS: Empowerment, SMEs, Department of Industry and Commerce.

INTRODUCTION

Indonesia is a country with abundant natural resources and large population. One of the goals of the Indonesia state is to promote public welfare. This goal have consequences that the government should continue to strive to improve the implementation of the development in all fields and all region in order to achieve a welfare state. To achieve a prosperous country, the government has a challenge to face in the next 20 years. The challenge is to actualize the development mandate "*Indonesia is advanced and independent, fair and democratic, and secure and united as a Unitary State of the Republic of Indonesia*". To achieve that, the national development in the next 20 years is directed to the achievement of the main targets of national development. The main targets of the development are the establishment of a robust economic structure where agriculture (in the broad sense) and mining become the basis of economic activity that produces products efficiently and modern, a global competitive manufacturing industry becomes the driving force of the economy, a service become economic resilience adhesives, income per capita in 2025 can reach about US \$ 6000 with relatively good equity and the number of poor people not more than 5 percent.

The desire to build a sturdy economic structure based on competitive advantage in various region of Indonesia can be achieved through the existence of a development strategy. As the national development strategy implemented during the reign of

President Susilo Bambang Yudhoyono, one of them is the harmony strategy between growth and equity. This strategy is a correction of the previous development policies that we know as Trickle Down Effect or economic growth that can be enjoyed by the lower class through the process of downward propagation (redistribution). What stands out from the development strategy of harmony between growth and equity is the suppression of development through social engineering techniques, one of which is realized through empowerment of small industries. This strategy is to improve and restore the standard of living of the community in the workforce and employers. This is as intended in the Law of the Republic of Indonesia Number 17/2007 which explained not to divert attention only to the large industry or large entrepreneurs but also to protect the small industries or small industries in the region.

Based on the above provisions, the development of micro and small industries is very important because the micro and small industries are carrying out the mission of equitable distribution to the whole region. In addition to having high economic value, micro and small industries and handicrafts are also familiar with the social and cultural life of people throughout the region. Micro and small industry of wood lathe empowerment activities carried out by the Government of Blitar City in cooperation with the Department of Industry and Commerce in Tanggung Village, Blitar, East Java. This is done in order to actualize the mission of the city of Blitar period 2011-2015 "*Strengthening the implementation of the Regional Economy Based on Democracy and Poverty Alleviation*". Blitar city is also famous as the cemetery of proclaimers RI Ir. Soekarno. This makes the city of Blitar as one of the tourist destinations that can bring in thousands of tourists both domestically and internationally every year. A potential area that is able to move the community around the tourist attraction to introduce local products of wood lathe handicraft as a souvenir.

The micro and small industries in blitar city have a big role in increasing the economic growth of the people in blitar city. This is because the industry is able to absorb a lot of labour and able to survive in a global crisis situation. The existence of micro and small industries in the city of Blitar deserve more attention in its development relatively and sustainably in order to compete in the modern market competition. So it is important for us to see how the empowerment of micro and small industries of wood lathe by the Department of Industry and Commerce in Kepanjenkidul, Tanggung Village, Blitar, East Java.

LITERATURE REVIEW

Definition of Empowerment

Empowerment is etymologically derived from the word 'Power' which means the ability to do something or the ability to act. Getting a prefix and become 'empowered' which means powerful, capable, resourceful (way and so on) to overcome something. Getting the prefix and the suffix and become 'empowerment' which can be interpreted as a making effort or process to make able, can act or do something (Indonesia Dictionary: 1995).

Implementation of society empowerment is actually a real effort that concerns all aspects of life that exist and occurred in the society. One form of society empowerment activities is the empowerment of micro and small industry sectors. According to Oos M. Anwas (2013: 125-126) explained that the empowerment of small businesses is not only done to people who already have business. Empowerment in this aspect is how the society is encouraged to be able to develop their efforts in accordance with their potential. The main empowerment of small business is how to build strong human resources. They need to be fostered from the production process to post-production properly and efficiently. They need to be encouraged to create innovative products that are competitive. The ability to think and behave innovatively is needed. Other skills and capabilities that are needed by small business actors are managerial aspects, financial management, marketing and mutual cooperation. Small entrepreneurs also need to get enlightenment about bank so they can access additional business capital. This requires continuous training and mentoring activities. The instructor may involve relevant agencies in government, business, or community in the region who have relevant experience with the small business. Small business empowerment is done to make business actors able to improve their insight and ability. Mardikanto (2012: 291) suggests several success indicators used to measure the implementation of society empowerment programs:

1. The number of citizens who are obviously interested to be present in every activity.
2. The presence frequency of each citizen in each activity
3. The convenience level of program implementation to obtain citizens' consideration or approval of the new idea proposed
4. Number and type of ideas put forward by the society that is aimed for the smooth implementation of the control program
5. The amount of funds that can be extracted from the society to support the implementation of program activities
6. The intensity of officer activity in problem control
7. The increased of public participation scale capacity in health sector
8. The reduced number of community suffering from malaria
9. The increased of awareness and response to the need to improve health life
10. The increased of public health independence

Definition of Small and Micro Business

Marbun (1996: 49) defines the industry as follows:

1. Activities to process or repair goods with the target and equipment on a large scale
2. Certain business sectors such as petroleum, industry, and etc.

Law No. 20 of 2008 Article 1 concerning about Micro, Small and Medium Enterprises states that:

- (1) Micro business is productive business owned by individual or individual business entity fulfilling the criteria of Micro Business as arranged in this law.
- (2) Small business is a productive economic business conducted by an individual or a business entity that is not a subsidiary or not a branch of a company owned or controlled by medium or large-scale business as referred in this law.

Tambunan (2009: 16) explained that in Law Number 20 of 2008, the criteria used to define Micro, Small and Medium Enterprises as stated in Article 6 are net asset value or asset value excluding land and building of business premises or total annual sales. With this criterion, a micro business is a business unit with an asset value at most Rp 50,000,000.00 or with a maximum annual sales Rp 300,000,000.00. While the criteria for small business is a business unit with an asset value more than Rp 50,000,000.00 up to Rp 500,000,000.00 or having annual sales more than Rp 300,000,000.00 up to Rp 2,500,000,000.00; and medium-sized businesses are companies with net asset value more than Rp 500,000,000.00 up to Rp 10 billion or having annual sales more than Rp 2,500,000,000.00 up to Rp 50 billion.

Empowerment Program of Small and Micro Business

Micro and small business empowerment program is one form of policy undertaken by the government to improve the living standards of the society. Public policy in the definition of Dye is “*whatever governments choose to do or not to do*”. From thus statement, Dye wants to explain that any government activity either explicit or implicit is a policy (Indiahono 2009: 17)

According to Indiahono (2009: 31) the implementation of public policy in accordance with George C. Edward III mention that there are four variables that play an important role in the achievement of successful implementation. The four variables are:

a. **Communication**

Explain that every policy will be well implemented if there is an effective communication between program implementer (policy) and the target. The purpose and targets of the program/policy can be well socialized so as to avoid distortion of policies and programs.

b. **Resources**

Explain that every policy must be supported by adequate resources of both human and financial resources. Both must be considered in the implementation of government programs / policies because without the reliability of the implementer, the policy becomes less energetic, run slowly and patch-up. Meanwhile, financial resources ensure the sustainability of the program / policy. Without adequate financial support, the program can't run effectively and quickly in achieving its goals.

c. **Disposition**

Describe the characteristics that stick to the policy / program implementer. Important characters are owned by the implementer is honesty, commitment and democratic. These attitudes will reduce resistance from the community and foster the trust and concern of the target group towards the implementation and the policy program

d. **Bureaucratic Structure**

Bureaucratic structure is important thing for policy implementation. This aspect includes two things namely mechanism and organizational structure. Program implementation mechanisms are usually established through Standard Operating Procedures (SOP) listed in the program / policy guidelines. A well-made SOPs include a clear, systematic, non-conspicuous and easy-to-understand framework for anyone as it will become a reference in the operation of the implementer. While the organizational structure as much as possible avoid the convoluted, long and complex things.

The four variables above are contained in the model built by Edward. These variables are related to each other in achieving the goals of the program / policy. Here is the conceptual application of the Edward III model in the implementation of public policy:

Table 1. Conceptual Application of Edward III Model: Perspective of Policy Implementation

Aspect	Scope
Communication	a. Who are the implementers and target groups of the program / policy? b. How effective the program / policy socialization is implemented? ➤ Method ➤ Communication Intensity
Resources	a. Impementer Ability ➤ Education Level ➤ Level of understanding of the targets as well as the application detail program ➤ Ability to deliver and direct the program b. Availability of funds ➤ Amount of funds allocated ➤ Predicted strength of funds and the amount of costs for the program or policy implementation
Disposition	Implementor Character ➤ Level of commitment and honesty: can be measured by the level of consistency between the activities implementation with the guidelines set. The more suitable means the higher the commitment ➤ The democratic level can be measured by the intensity of the implementer in sharing with the target group, finding solutions to problems encountered and doing different discretion from the guidelines to achieve the program goals
Bureaucratic Structure	a. SOP availability that is easy to understand b. Organizational Structure ➤ How far is the range of control between leader and subordinate within the organizational structure. The further means the more complicated and the slower the response to the progress of the program.

Source: Indiahono (2009: 31)

Wood Lathe Handicraft

Wood Lathe handicraft is handicraft which is processed using wood lathe machine with raw material in the form of Mahogany Wood. Once finished formed with a variety of models then this wood lathe will be carved, decorated and painted in accordance with market desires. Product of micro and small industry of wood lathe is one of handicraft product of blitar city. This wood lathe handicraft is known only in three countries namely Thailand, Africa and Indonesia. Wood lathe handicraft product is very potential to be developed and has the opportunity to be marketed overseas.

METHOD

The method used in this research is explorative method with inductive approach. Explorative research is a type of research used to search the answer why certain events occurred (Arikunto, 2010: 14). While the inductive approach begin by

presenting statements that have a unique and limited scope in arranging the arguments and end with general statements. In this study the author tries to describe the actual situation in the field by collecting data, analysis, and then formulating the conclusions of the data. Irawan (2011: 34) explained that exploratory research can be done in several ways, namely survey of literature, survey of experiences and studies with specific cases. Data collection is done by interview, observation and documentation. In this study, the authors perform data analysis that has been developed by Miles and Huberman (in Sugiyono, 2011: 246) using interactive model analysis through three procedures, namely data reduction, data presentation, drawing conclusions and verification. The location of the research was conducted at the Department of Industry and Commerce of Blitar City, East Java, Indonesia.

ABOUT THE DEPARTMENT OF INDUTSRY AND COMMERCE

Based on the Regional Regulation No. 07/2008 about Organization and Working Procedures of Blitar City and Blitar Mayor Regulation Number 46/2008 concerning tupoksi and working procedures, the Department of Industry and Commerce of Blitar City is a local government agency headed by the head of Industry and Commerce Department who is responsible to the Mayor through the Regional Secretary. The Department of Industry and Commerce is a part of the government which is also a form of organization because it has a clear structure and tasks. In accordance with Law No. 5/1984 about industry, the role of department of industry and commerce is to create a healthy and steady business climate by conducting guidance for small industries. With this role then every industry needs to be given facilities in accordance with its role.

The Department of Industry and Commerce of Blitar City has the main duties in carrying out the task of decentralization in the field of industry and commerce involving industry, trade, investment and promotion. The functions of the Department of Industry and Commerce of Blitar City are:

1. Formulation of technical policy of program preparation, controlling, coaching and supervising in the field of Industry and Commerce;
2. Implementation of licensing;
3. Implementation of supply, distribution of goods, services and promotion;
4. Implementation of metrology and consumer protection;
5. Improvement of local revenue; and
6. Preparation of evaluation and reporting.

FINDING AND DISCUSSION

Small and Medium Industry in Blitar City provides a big role in increasing the economic growth of the society. This is because the industry is able to independently meet the needs of local and regional markets. In addition, the industry is also able to absorb a lot of labor, as well as survive in a global crisis situation. Therefore, the existence of Small and Medium Industry in Blitar City deserves more attention in the development as a whole and sustainable in order to compete in modern market competition. Guidance and supervision on Micro and Small Industry can be

implemented in accordance with the realization of the vision and mission of Blitar City. This can be achieved if it is supported by the role of National and Regional Government in providing good facilities and infrastructure.

The micro and small industry of wood lathe in Tanggung Village has been running slowly since the 1980s. Micro and small industry of wood lathe has been involved many people around Blitar City, especially in Tanggung Village. The micro and small industries are more or less accomplished with the help of various parties. The development of this industry can generally be described through several aspects, namely the establishment, the wood lathe processing, the number of industries, the number of labor and the marketing process of micro and small industry of wood lathe. The micro and small industry of wood lathe is expected to increase the income of the local people by absorbing labor from every craftsman in Tanggung Village. With the guidance and development conducted on micro and small industries, it is expected to support the development carried out in Tanggung Village.

The empowerment of micro and small industry of wood lathe conducted by the Department of Industry and Commerce of Blitar City is related to several aspects, namely resources, communication, public response and institutional. Here are the research results about the development of these four aspects:

Resources

Implementation of empowerment of micro and small industry of wood lathe by The Department of Industry and Commerce of Blitar City certainly need a fund and human resource which expert in industrial field. For industrial empowerment implementation by industrial sector, the budget is Rp 700,000,000.00 (seven hundred million rupiahs) per year used for the provision of education, training and coaching to industry owners. In addition to training and coaching, the fund is also used to provide equipment supporting industrial production. The equipment and production machinery accommodation is directed to the owners of micro and small industries and as the initial capital of industry for people who are willing to start the wood lathe business. Furthermore, regarding the competent human resources in the industry field at the Department of Industry and Commerce of Blitar City is still very less. In the field of industry there are only 7 civil servants, where there is only one who is the technical personnel in the field of industry that acts as an empowerment assistance. Therefore, until now it still needed industrial technical personnel to launch and facilitate the implementation of all programs and activities in the field of industry.

Communication

Communication in the implementation of industrial empowerment can be done by socialization through a talk show, seminars, and training for industry owners. With the socialization, seminar, talk show and training for the community and the owners of micro and small industries of wood lathe so it is expected to make the community more empowered and have skills in producing wood lathe. Implementation of training activities is basically an effort to improve the knowledge and skills and attitudes and behavior of the community of micro and small industry entrepreneurs. This activity is intended for them to act dynamically, creatively, productively and efficiently in

processing and developing their business so they can utilize every opportunity available in order to improve welfare.

To develop wood lathe craft several steps have been done as follows:

- (1) Provide counseling to business units through regular meetings with topics about production, quality, marketing and so on.
- (2) Provide financial administration guidance and practical bookkeeping techniques.
- (3) Provide support to the owners of business units to innovate and create and improvise in producing new types of products so the businesses can be more developed.
- (4) Build networks with the potential buyers.
- (5) Conducting guidance to the center of wood lathe industry.

Based on interview with The Head of Industry and Commerce Department of Blitar City on February 18, 2014, it is known that:

"Technical training and development of micro and small industry of wood lathe conducted by the Department of Industry and Commerce of Blitar City comprise training of wood lathe production aimed to improve the product quality and the creativity of wood lathe craftsman. Furthermore there is a wood batik training where the coach is a wood batik craftsman from Krebbe village, Bantul, Jogjakarta. In addition, there is a painting training with instructors from The Prophan Paint Company Sidoarjo. A comparative study was conducted in Cipacing, Sumedang, West Java to study and to see the product of wood lathe and for comparison with the products produced in Blitar."

Technical training and coaching activities that has been done can provide benefits to the development of micro and small industries of wood lathe such as follows:

- (1) The development of micro and small industries of wood lathe from total of 50 business units in 1997 up to 120 business units in 2013.
- (2) The absorption of labor up to 414 people in the year 2013 and even more that now every house in Tanggung Village has become wood lathe craftsman.
- (3) The sales turnover of wood lathe production also increased from 108,100 in 2011 to 163,000 in 2013.

The problems that occurred are even though the wood lathe craftsman and community has been given various training that is useful to improve the quality and quantity of production, their mindset still pragmatic and do not want to change. They still think traditionally and do not want to go forward. For example, a small and micro industry owner who makes "yo-yo", from the beginning until now he just made yo-yo and do not want to switch to other goods such as making a tambourine or kendang that the selling price is higher and generate more profit. Many craftsman only accept their circumstances without resorting to the greater things. This is what the Department of Industry and Commerce of Blitar City will attempt to change.

The Head of Department of Industry and Commerce in Blitar City also explained that in the implementation of technical training and coaching, there are some obstacles faced. The obstacles are the lack of trainers or experts in the implementation of technical training and coaching or we can say that the trainers still lack of quality and quantity so it still less convenient with the proper needs. Furthermore, the participants themselves are still less responsive and less persevering when they were given

training. They consider themselves already capable with such training. The last obstacle is the characteristic of the raw material of wood lathe (mahogany) that can not be painted (batik). This is known only after being practiced by wood lathe craftsman when designing the wood lathe products. So the batik training of wood lathe felt less efficient to be held.

Public Response

The public response in Tanggung Village about the empowerment activities undertaken by the Department of Industry and Commerce of Blitar City is very great. They received well all the directions, guidance, education and training provided by the Department of Industry and Commerce of Blitar City. However, there are still some things that need to be changed by the community and the owners of the micro and small industries of wood lathe. It is their mindset who still think pragmatic and traditionally in running their production. This is evident from the lack of wood lathe products variety. This is because the craftsman are only fixated on one type of goods without trying to be creative to create another goods that more attractive to the consumers.

Another problem is about the production management especially financial management. The owners of micro and small industries today still don't have good financial management. They still don't have a bookkeeping system in their production activities so they only measure their profits through items they can buy like a new car or a bigger house. Those who have financial bookkeeping of production are only the owners of large industries of wood lathe. In fact there has been training about wood lathe production goods, how to design and the production management training especially financial management. But it's still poorly absorbed by the owners of micro and small industries of wood lathe.

Institutional

Blitar City Government together with The Department of Industry and Commerce of Blitar City launched the One Village One Product (OVOP) program where one area has one type of goods or production. This activity aims to improve the society welfare. The concept of OVOP is a regional revitalization movement to develop original products of the region in order to be able to compete in global market. The product can be a superior product of a region or product that is a characteristic of local culture.

OVOP program in Blitar City was held through the inauguration of Tanggung Village as "Tourism Village" in 2005 which was triggered by Blitar Mayor period 2004-2009. However, this has not been significantly implemented in improving the development of micro and small industry of wood lathe in Tanggung Village. This is because the capacity and capability of human resources in the micro and small industries of wood lathe is still not good enough. In addition, facilities and infrastructure supporting this village also not well organized like the unavailability of outbound location and homestay for the visitors.

The readiness of supporting technology also hasn't spread evenly yet in some micro and small industry craftsman in Tanggung Village. The wood lathe craftsman are still not ready when visited by tourists, so it needs a continuous synergy between government and business actors for preparing this tourism village in Blitar City. The government is expected be able to encourage the movement and development of micro and small business sectors with the distribution of technology as well as sustaining aspects of product promotion.

Starting in 2011, the implementation of micro and small industry's empowerment in Tanggung Village is collaborated with the PNPM Tourism program which aims to revive and develop tourism village in Tanggung Village which had been dead and undeveloped before. In this case there is a coordination between the community of Tanggung Village, Department of Cooperatives and SMEs Regional, Department of Communication, Informatics and Tourism Regional, and the Department of Industry and Commerce of Blitar City in preparing everything needed to develop the tourism village back. Among them is the preparation of educational tour packages, outbound locations and homestay around Tanggung Village for the tourists who want to visit the city of Blitar. In addition, they also prepare the mental readiness of the community in Tanggung Village in running the tourism village. Currently the Tanggung Village Tourism Village has become a member of the East Java Tourism Village Association (ASIDEWI). With the program conducted by the Department of Industry and Commerce so it can help the owners of industry and the craftsman in improving the production quality of micro and small industries of wood lathe in Tanggung Village.

CONCLUSSION AND RECOMMENDATION

Based on the discussion that has been done in the previous section, it can be concluded that the empowerment conducted by the Department of Industry and Commerce to micro and small industries in Tanggung Village has grown quite well. This is indicated by the increase of production, sales turnover, innovation and creativity of craftsman, income and living standards of the community in Tanggung Village. Moreover, Village Tourism of Tanggung Village also began to grow.

Factors inhibiting the empowerment of micro and small industries of wood lathe are:

1. Human Resource Factors ie the lack of competent technical personnel;
2. Communication Factor ie quantity of trainers that are still lacking;
3. Community Response Factor ie (a) the mindset of the craftsman and community who are still pragmatic; (b) the lack of innovation and creativity of craftsman; and
4. Institutional Factors ie village tourism of Tanggung Village that has not run in accordance with the planning.

Therefore, it is expected that the Department of Industry and Commerce can increase the number of competent human resources in the field of industry so the industrial activities can grow better; it is also suggested to the Department of Industry and Commerce to conduct an annual evaluation related to the empowerment activities of micro and small industries of wood lathe based on indicators of empowerment by the government and the community.

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