



DEVELOPMENT OF SMALL AND MEDIUM TRADE IN SEMARANG CITY (CASE STUDY AT THE INDUSTRY AND TRADE OFFICE OF CENTRAL JAVA PROVINCE IN THE FIELD OF TRADE)

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Abstract

This study discusses how the performance of programs implemented by the Industry and Trade Office of Central Java Province related to the development of small and medium trade in Semarang City. The program is designed to address the problems of MSMEs in Semarang. In this study using research design, namely descriptive qualitative research methods. The source of this research data was obtained through two sources, namely primary data and secondary data where primary data was obtained by making observations. Conclusion this research is an effort to develop small and medium trade (MSMEs) in Semarang City, programs carried out by the Industry and Trade Office of Central Java Province have contributed to overcoming problems faced by MSMEs, such as marketing, capital, and human resources

Keywords: MSMEs, Administrative Expenses, Industry and Trade Office of Central Java Province.

A. Introduction

As one of the big cities in Central Java, Semarang is a city that prioritizes small and medium enterprises as one of the economic growth sectors. Semarang is known as the second largest trade and service city after Surabaya in the central part of Indonesia. Modern shopping malls have grown rapidly in Semarang in recent years. Nevertheless,

informal sectors such as traditional markets and street vendors are still the backbone of retail trade activities in Semarang City. Traditional markets such as Johar Market, Peterongan Market, and Fur Market are still crowded every day. The interaction between modern and traditional sectors is what provides its own dynamics in trading activities in Semarang.



The potential possessed by Semarang City needs to be developed in order to realize trade prosperity in Semarang. For this reason, a program is needed to realize this vision. The agency that performs this task is the Central Java Provincial Industry and Trade Office (DISPERINDAG). Based on the decree of the Head of the Industry and Trade Office of Central Java Province Number 487.22/ 2537/ 2023 concerning the Update of the Classification of the Public Information List, the task of DISPERINDAG is to assist the governor in carrying out government affairs in the field of industry and trade which are regional authorities and assistance duties assigned to the regions. While its function is to formulate policies in the fields of domestic trade, foreign affairs, standardization and consumer protection, agro and non-agro industries. Then the policy is also coordinated and then implemented as well as evaluation and reporting. In carrying out this

function, the Department of Industry and Trade also carries out the implementation and guidance of administration and secretariat in all work units within the agency. These duties and functions are written in Central Java Governor Regulation Number 79 of 2016 concerning Organization and Work Procedures of the Central Java Provincial Industry and Trade Office.

The Department of Industry and Trade of Central Java Province consists of domestic trade, foreign affairs, standardization and consumer protection, agro and non-agro industries. If the capacity of one field is not maximized, then surely the vision and mission of the Department of Industry and Trade will be difficult to achieve. So to make it easier for the author to focus this research, the author determines the field of trade to be an observational study in this article. Where this trade sector will handle problems related to micro, small and medium enterprises in



Semarang City. Based on Perpu No. 2 of 2022 concerning Job Creation, Micro, Small and Medium Enterprises are productive economic businesses that stand alone and are carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or become part either directly or indirectly. This type of business has a capital of no more than 10 billion Rupiah and every year the operating income is not more than 50 billion Rupiah. Thus, MSMEs have a great influence in driving economic turnover in Indonesia, especially in the city of Semarang.

But of course, there are various problems that might hinder the development of MSMEs in Semarang. Problems regarding micro, small and medium enterprises in Semarang City are strategic issues in the Central Java Industry and Trade Office Strategic Plan until 2022, such as the lack of domestic trade facilities and infrastructure,

not optimal facilitation of the trade distribution system, lack of use of domestic products, and lack of public and business actors' understanding of the advancement of technology related to e-commerce.

B. Problem Statement

Based on the background exposure that has been described by the author, the formulation of the problem in this article is related to how the performance of the small and medium trade development program in Semarang City in the case study of the Central Java Provincial Industry and Trade Office.

C. Research Objectives

The main purpose of writing this article is to fulfill the assignments of the State Administration Law course and to find out and analyze how the performance of the small and medium trade development program in Semarang City in the case study of the Central Java Provincial Industry and



Trade Office. The introduction contains an overview of the problem.

D. Research Methods

In this study using research design, namely descriptive qualitative research methods. The source of this research data was obtained through two sources, namely primary data and secondary data where primary data was obtained by making observations in the form of direct interviews with Mr. Ade Cito Tyasto, SE, M.Si as Sub Coordinator in the field of Market Development and UDKM. And secondary data is obtained or collected directly by the author based on notes from interviews, the website of the Department of Industry and Trade which contains documents about performance reports (LKjIP Dinas Perindustrian dan Perdagangan 2022), work plans of the Department of Industry and Trade 2022, classification of Public Information Lists (DIP) at the Department of

Industry and Trade, evaluation reports of APBD & APBN performance programs and activities of the Department of Industry and Trade, and other research-related sources.

E. Research Results and Discussion

As an agency tasked with assisting the governor in carrying out government affairs in the field of industry and trade, the Trade and Industry Office of Central Java Province has formulated policies and implemented several programs related to the development of Micro, Small and Medium Enterprises, especially for Semarang City. But what has been planned certainly cannot always go as expected. There are factors both internally and externally that can hinder the implementation of the program properly. For this reason, the purpose of this study is to analyze how the performance of the program that has been implemented and what are the obstacles that make this program ineffective.



The problems faced in running the program of using and marketing domestic products are certainly not far from the amount of competition, especially the emergence of *gaps or gaps between* malls, modern convenience stores and small traders who are still not keeping up with the times. This competition is often more intense won by malls, so MSMEs find it difficult to compete with big *brands* that have greater financial strength and appeal. This problem is increasingly supported by the use of domestic products which are still very low and unable to compete with imported products that are considered more qualified and prestigious, especially for the community, especially the upper middle class. The latest regulation contained in the Regulation of the Minister of Trade Number 23 of 2021 concerning Guidelines for the Development, Structuring,

and Development of Shopping Centers and Convenience Stores which states *that modern retailers* are required to provide 30% of the total area for MSME products, the¹implementation of this program is considered very helpful in increasing the promotion of MSMEs among the community, but the author assumes that a partnership must also make "rental costs" as partnership tools. The party who is obliged to arrange rental fees according to the ability of MSMEs is the mall manager. The burden of rental costs that tend to be large makes them choose not to market their products in the mall. Meanwhile, if the rental price is specifically lower for MSME players, it will also involve its own challenges for mall managers in spatial planning and potentially affect their profitability.

¹ Minister of Trade Regulation Number 23 of 2021 concerning Guidelines for the Development,

Structuring, and Development of Shopping Centers and Convenience Stores



Quoted from the 2022 Performance Report of the Government Agency of the Central Java Provincial Trade and Industry Office, local businesses tend to reduce their spending in terms of packaging. Even though packaging is the outermost part in a product that is able to attract consumer purchasing power. Foreign products always provide new innovations to expand the reach of their customers, both from creative marketing and other innovations. While local businesses will usually imitate innovations from outside products.²

Debriefing in improving the competence of human resources certainly helps increase productivity, efficiency, and quality of performance, so that these MSMEs can be superior to other competitors in this digital era. But this is not that easy to achieve.

Although this technical guidance is implemented without involving operational costs or service costs, the low human resources make this program has obstacles to bear good fruit. Self-efficacy that tends to be low makes it difficult for entrepreneurs to develop. They have a tendency to avoid risky behavior, avoid uncertainty, and are unwilling to open up to new things. Especially after the COVID-19 pandemic, many people choose not to be productive and do not have enough motivation to learn to improve their competencies. Ade Cito Tyasto, SE, M.Si as Sub Coordinator in the field of Market Development and UDKM believes that the interest of the younger generation to become traders is declining. So in this case, maintaining the level of involvement and motivation of participants

² Performance Report of Government Agencies of the Department of Industry and Trade of Central Java Province, 2022, pp 7-13.



who are targeted by this program can also be a challenge, especially if there is a lack of interest in the training topic.

In an increasingly sophisticated era, digital development in all aspects cannot be controlled. It should be admitted that everything has become easier since the existence of technology, especially for business people. But not all business people think the same thing. There are still many of them who choose not to develop and stick to the same system, even though the times have demanded change. President Joko Widodo targets 30 million Micro, Small and Medium Enterprises to move forward with digitalization by 2024. However, business actors face large cost constraints in digitizing their business. The lack of skills and interest to be skilled in managing digital technology

also makes it more difficult to fulfill this President's goals. Not a few of them consider the existence of *e-commerce* can actually be a tool to hinder their income. This kind of mindset is the big challenge in this program. In addition, some underdeveloped areas that may face digital infrastructure limitations, such as unstable or slow internet access, are also challenges in implementing this program³. This makes them unable to expand their target consumers. MSME players must be able to go hand in hand with digital platforms so that business actors become more creative in marketing products and also expanding partnership networks.

The unhealthy competition between business actors in Semarang has made the percentage of the number of goods that are not up to standard increase. This is also

³ Performance Report of Government Agencies of the Department of Industry and Trade of Central Java Province, 2022, pp 7-13.



supported by the flood of imported products that are not in accordance with the provisions. Business actors are considered too focused on winning the competition without considering whether the products they have are up to standard or not. Many consumers feel aggrieved because of this. In addition, consumers also lack understanding regarding the Consumer Protection Law and related regulations. Other obstacles also come from internal. The implementation of this program should prepare good product quality testing and certification services. Quoted from LKjIP 2022 DISPERINDAG of Central Java Province, testing and certification services for superior export-oriented products and commodities are considered not optimal. This is because the calibration process for several types of commodities or testing instruments requires a long turnaround time. In addition, the testing laboratory equipment is also limited.

Various obstacles that have been described show that this program has not run optimally. As a policy maker, the government should pay more attention to the conditions of the program targets, namely in this case MSME actors. The government must ascertain from the perspective of the community whether the program imposed provides an administrative burden for the community. *Administrative burden* refers to the collective impact of *learning costs*, *psychological costs*, and *compliance costs* experienced by individuals or communities in their interactions with the government. This theory was analyzed through an article entitled "*Administrative Burden*" published in the *Journal of Public Administration*



Research and Theory.⁴ These three burdens determine whether the program designed will affect the community in accessing it, whether the program and policy have reached the targeted community group, and whether the program burdens the community from a psychological aspect.

1. Learning Costs

Learning cost refers to the time, effort, and resources required by an individual or group to understand and follow administrative procedures, requirements, and information related to the policy. In this case, MSME players should understand what and how the objectives of the Industry and Trade Office program are. Human resources that tend to be low create a learning burden for them. The author

argues that there are still many business actors who are not skilled and have no interest in managing digital technology. This is also driven by the number of underdeveloped areas that experience limited digital infrastructure. Because of this, government programs do not run effectively and provide a learning load to the community, which in this case is an MSME actor.

2. Psychological Costs

Psychological costs include the emotional and mental burden experienced by individuals or groups in the interaction that society has with government programs or policies. With high competitiveness, business actors have anxiety about losing the

⁴ Moynihan, Donald, et al, "Administrative Burden: Learning, Psychological, and Compliance Costs in Citizen-State Interactions," Journal of Public

Administration Research and Theory, February, 2014, pp 45-51.



competitiveness of their products in marketing, causing the quality of sales products to decrease. The existence of regulations that stipulate that 30% of the total space of the *mall area* must be given to MSMEs also puts a psychological burden on business actors where they have to continue to pay rent fees that tend to be expensive. Although in the Minister of Trade Regulation No. 23 of 2021 concerning Guidelines for the Development, Structuring, and Development of Shopping Centers and Convenience Stores, it is explained that rental fees are charged according to the ability of these MSME actors, in reality related to rental costs are the result of agreements between *mall* managers and business actors. This certainly provides confusion and uncertainty for business actors, resulting in a psychological

burden that makes business actors choose not to market their products in malls.

3. Compliance Costs

Compliance Costs refers to whether the individual or group complies with the administrative requirements of the program provided by the government. Compliance costs can also affect community participation in the program. Ade Cito Tyasto, SE, M.Si as Sub-Coordinator in the field of Market Development and UDKM revealed that there is still a low level of participation of MSME actors to attend training from programs provided by the government. This happens because of the tendency of business actors who prefer to run their business rather than attend training. This proves that complex and time-consuming



administrative requirements can be a major cause of compliance costs.

F. Conclusion

In an effort to develop small and medium trade (MSMEs) in Semarang City, programs carried out by the Industry and Trade Office of Central Java Province have contributed to overcoming problems faced by MSMEs, such as marketing, capital, and human resources. However, these programs also face constraints such as cost, lack of skills, and unfair competition. Program performance evaluation and policy adjustments are needed to improve the effectiveness of these programs. In addition, MSME participation in government programs also requires bearing burdens such as learning loads, psychological burdens, and compliance burdens, which can affect the success of government programs.

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