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"Small and Medium-sized
Enterprises Competitiveness"

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AGRIBUSINESS
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HUMAN WELFARE

*“Small and Medium-sized
Enterprises Competitiveness”*



Agribusiness Development
for Human Welfare

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EDITOR FOREWORD

The economic integrations by ASEAN certainly have given a major influence on Small and Medium-sized Enterprises (SMEs). Beside economic integration in the form of free trade area (FTA) that has been going on since the early 2000s, economic integration in the form of ASEAN Economic Community (AEC) has been ongoing since the beginning of 2016. Through this integration, SMEs have opportunity to expand access to markets, technology, and capital. But at the same time SMEs are required to improve their competitiveness in order to survive in the market.

In order to explore ideas, concept, and innovations related to the competitiveness of SMEs, International Conference on Agribusiness Development for Human Welfare (ADHW 2016) was held in Yogyakarta on May 14, 2016. The conference organized by Department of Agribusiness Universitas Muhammadiyah Yogyakarta, in collaboration with Department of Agribusiness and Information System Universiti Putra Malaysia, Department of Agro-Industrial Technology Kasetsart University, Department of Agriculture Socio-Economics Universitas Gadjah Mada, Department of Agriculture Socio-Economics of Universitas Brawijaya, Indonesian Society of Agriculture Economics, Agribusiness Association of Indonesia. Hopefully proceedings of ADHW 2016 provide stimulus for increasing competitiveness of SMEs in ASEAN, especially in Indonesia.

Furthermore, we are grateful to Allah, the Sustainer of all word, who always makes it easy for our affairs. We would like to acknowledge with thanks to all the institution and individual who joined with resources and efforts in organizing the conference that resulted in the papers which are published in this proceeding. Special thanks to all authors and discussants who contributed with their intellectual capital and responded to our call papers. Thanks and acknowledgment are also due to all reviewers of the conference who helped in evaluating submitted papers; and to the members of the Organization Committee, who ensured smooth execution of the event.

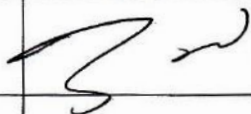
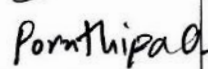

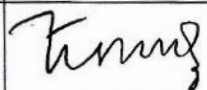
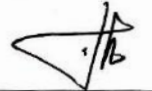
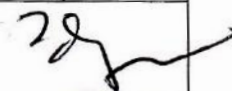
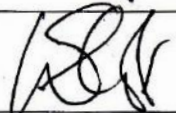
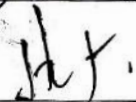
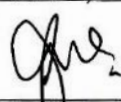

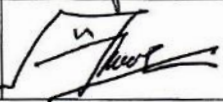
May 30, 2016

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PREFACE

Assalaamualaikum, Warahmatullaahi., Wabarakaatuh.
Dear Honorable Governor of Yogyakarta Special Province
Dear respectable Prof. Dr. Zainal Abidin Mohamed
Dear respectable Asist. Prof. Pornthipa Ongkunaruk
Dear respectable Rector of UMY Prof. Dr. Bambang Cipto, MA.
Dear all invited Guests, Speakers, and Participants of International seminar of ADHW 2016.

Alhamdulillah, all praise be to the Almighty God, so that we can be gathering here today at Muhammadiyah University of Yogyakarta in order to attend the Conference on Agribusiness Development for Human Welfare (ADHW) 2016.

Ladies and Gentlemen,

On behalf of the committee, I would like to say welcome to this International Conference on ADHW 2016 and thank you for attending our invitation.

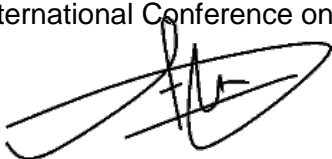
Especially, we are grateful to invited speakers, Prof. Zainal Abidin Mohamed and Asist. Prof. Pornthipa Ongkunaruk, for their willingness to share information and thoughts in this conference. As a bit report, that this conference has been attended by 85 speakers coming from five countries.

This conference entitled "Small and Medium-sized Enterprise Competitiveness". ASEAN Economic Community is the largest economic integration that is going to be implemented at the beginning of 2016 (December 31, 2015). Through this integration, SMEs will have opportunity to expand access to markets, technology, and capital. But at the same time SMEs are required to improve their competitiveness in order to survive in the market. We expect that this seminar is capable of producing thoughts building SMEs within ASEAN, especially Indonesia, to face the free trade.

This event can be done by support and efforts from all sides. Therefore, I would like to say thank you to all committee members having worked hard to conduct this event. We, as the organizer committee, do apologize when there is a shortage in conducting this event.

Wassalamualaikum, Warahmatullaahi., Wabarakaatuh.

Chairman
International Conference on ADHW 2016



Dr. Aris Slamet Widodo, SP., MSc.

WORDS OF WELCOME

Assalamu'alaikum warahmatullahi wabarakatuh

Alhamdulillah, all praise be to Allah SWT, who has given us His blessings so that this International Seminar of Agribusiness Development for Human Welfare (ADHW) 2016 entitled "Small and Medium-sized Enterprises Competitiveness" can be conducted. This International Conference is held in cooperation among Agribusiness Study Program of Muhammadiyah University of Yogyakarta with Putra University of Malaysia (UPM), Kasetsart University (KU), Association of Indonesian Agricultural Economy (PERHEPI), and Agribusiness Association of Indonesia (AAI), Universitas Gadjah Mada (UGM) and Universitas Brawijaya (UB).

Countries of ASEAN members like Indonesia, Malaysia, and Thailand have more than 90% Small and Medium-sized Enterprises (SMEs). In general, SMEs play important role in economic developments such as in terms of employment, added value, improve foreign exchange, and economic growth. For Indonesia, the role of SMEs is limited to employment and added value, while the foreign exchange from SMEs is still low. According to the General Director of SMEs of Industrial Ministry, in 2013 the total SMEs being able to pass through export market is just under 5 percent. For that required many breakthrough and innovation so that the role of SMEs becomes real economic development, especially in Indonesia, and generally in ASEAN countries.

On behalf of Agribusiness Department of Universitas Muhammadiyah Yogyakarta, we would like to express our gratitude Putra University of Malaysia (UPM), Kasetsart University (KU), Association of Indonesian Agricultural Economy (PERHEPI), Agribusiness Association of Indonesia (AAI), Universitas Gadjah Mada (UGM) and Universitas Brawijaya (UB) for all supports, sponsors, and all committee members having worked so hard that this International Conference can be conducted.

Hopefully, these synergies coming from various parties can provide contribution for developing SMEs in Indonesia and other ASEAN countries as well.

Wassalamu'alaikum warahmatullahi wabarakatuh

Head of Agribusiness Department
Universitas Muhammadiyah Yogyakarta



Ir. Eni Istiyanti, MP.



Gubernur

Daerah Istimewa Yogyakarta

Sambutan

KONFERENSI INTERNASIONAL

“*AGRIBUSINESS DEVELOPMENT FOR HUMAN WELFARE*”

Yogyakarta, 14 Mei 2016

Assalamu'alaikum Wr. Wb.

Salam sejahtera untuk kita semua.

Yang Saya hormati :

- Rektor Universitas Muhammadiyah Yogyakarta;
- Para Narasumber;
- Hadirin dan Para Peserta yang berbahagia,

Puji dan syukur marilah kita panjatkan kehadirat Allah SWT karena hanya atas limpahan rahmat serta karunia-Nya, kita dapat hadir pada kesempatan acara **Konferensi Internasional “*Agribusiness Development For Human Welfare*”** ini dalam keadaan sehat wal’afiat.

Pada kesempatan kali ini, secara ringkas Saya akan menyampaikan mengenai industri kecil menengah nasional yang menjadi tema pada pembukaan Seminar Internasional “*Agribusiness Development For Human Welfare*” ini.

Hadirin dan Saudara-saudara sekalian yang Saya hormati,

Berdasarkan data BPS, pertumbuhan industri pengolahan nonmigas pada tahun 2015 secara kumulatif sebesar 5,04%; lebih tinggi dari pertumbuhan ekonomi (PDB) pada periode yang sama sebesar 4,79%. Pada periode Januari-Desember 2015, nilai ekspor produk industri pengolahan nonmigas mencapai USD 106,63 Milyar, dan nilai impor mencapai USD 108,95 milyar, sehingga neraca perdagangan industri pengolahan nonmigas pada periode yang sama sebesar USD 2,32 milyar (neraca defisit).

Usaha pemerintah untuk memperkecil defisit di atas, salah satunya dengan cara memberdayakan Industri Kecil dan Menengah (IKM) yang merupakan bagian penting dalam perkembangan industri nasional. Sampai saat ini, Industri Kecil dan Menengah

telah berkontribusi sebesar 34,82% terhadap pertumbuhan industri pengolahan nonmigas secara keseluruhan.

Angka ini dapat tercapai karena dukungan lebih kurang 3,6 juta unit usaha, yang merupakan 90 persen dari total unit usaha insutri nasional. Jumlah unit usaha tersebut telah mampu menyerap tenaga kerja sebesar 8,7 juta orang, yang tentunya berdampak pada meningkatnya ekonomi nasional serta mengurangi kemiskinan.

Industri Kecil dan Menengah (IKM) memiliki peran yang strategis dalam perekonomian nasional. Hal ini sejalan dengan Visi Pemerintah dalam Rencana Pembangunan Nasional Jangka Menengah (RPJMN) 2015-2019 yaitu *“Terwujudnya Indonesia yang berdaulat, mandiri, dan berkepribadian berlandaskan gotong royong”*.

Untuk lebih meningkatkan peran tersebut, Penumbuhan dan Pengembangan Industri Kecil dan Menengah diarahkan untuk memiliki tujuan jangka menengah guna mewujudkan industri kecil dan industri menengah yang berdaya saing, berperan signifikan dalam penguatan struktur industri nasional, pengentasan kemiskinan dan perluasan kesempatan kerja, serta menghasilkan barang dan/atau jasa Industri untuk keperluan ekspor.

Hadirin dan Saudara-saudara sekalian,

Awal tahun ini, kita telah memasuki era Masyarakat Ekonomi ASEAN (MEA). Dengan demikian, perekonomian nasional akan langsung bersaing dengan para pelaku pasar di kawasan ASEAN. Produk dan jasa termasuk investasi negara-negara anggota telas bebas memasuki pasar di kawasan ASEAN.

Dalam rangka menghadapi hal tersebut, Pemerintah mengambil langkah-langkah strategis berupa peningkatan daya saing industri dan mendorong investasi di sektor industri; di mana peningkatan daya saing industri itu sendiri dilakukan melalui penguatan struktur industri dengan melengkapi struktur industri yang masih kosong serta menyiapkan strategi ofensif dan defensif dalam akses pasar.

Pemerintah telah melakukan Penguatan Sektor IKM dengan strategi ofensif dan defensifnya melalui beberapa program pelaksanaan, diantaranya antara lain: Penumbuhan Wirausaha Baru; Pengembangan IKM melalui Pengembangan Produk IKM serta Peningkatan Kemampuan Sentra dan UPT; Pemberian Bantuan Mesin dan Peralatan Produksi; Perluasan Akses Pasar melalui Promosi dan Pameran; Fasilitasi Pendaftaran Hak Kekayaan Intelektual; Fasilitasi Sertifikasi Mutu Produk dan Kemasan; serta Fasilitasi Pembiayaan melalui Skema Kredit Usaha Rakyat (KUR).

Saya berharap agar berbagai program-program pemerintah tersebut dapat didukung secara sinergis oleh seluruh komponen masyarakat. Untuk itu, Saya berpesan kepada Saudara-saudara sekalian agar semua program pemerintah dalam bidang

Industri, khususnya dalam program pemberdayaan Industri Kecil dan Menengah, didukung dengan sepenuh hati, agar dapat lebih bermanfaat bagi masyarakat dalam rangka pengembangan industri kecil menengah.

Hadirin dan Saudara-saudara sekalian yang Saya hormati,

Demikian beberapa hal yang dapat Saya sampaikan. Akhirnya dengan memohon ridho Allah Subhanahu Wata'ala, seraya mengucap "*Bismilahirrahmanirrahim*", **Konferensi Internasional "Agribusiness Development For Human Welfare"** dengan ini secara resmi Saya nyatakan dibuka. Semoga Allah SWT memberikan petunjuk, bimbingan, perlindungan dan kemudahan dalam setiap langkah dan upaya kita. Amien.

Sekian dan terima kasih.

Wassalamu'alaikum Wr. Wb.

Yogyakarta, 14 Mei 2016
GUBERNUR
DAERAH ISTIMEWA YOGYAKARTA



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EFFORTS TO IMPROVE COMPETITIVENESS OF WOMEN FARMERS GROUP "MELATI" IN SENDANGSARI VILLAGE, PENGASIH DISTRICT, KULON PROGO REGENCY

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ABSTRACT

This paper aims to provide in the form of efforts to improve the competitiveness of Women Farmers Group "Melati" to be ready and dare to compete, confront products in domestic and foreign products that enter the Indonesian market. It became a necessity, because it has the approval of the agreement ASEAN Economic Community (AEC), which began in 2015. Women Farmers Group "Melati" is one of the business of Small and Medium Enterprises (SMEs) that process agricultural products locally (cassava, sweet purple, tubers of arrowroot, canna bulbs, breadfruit, and bananas) into processed food products (flours, chips and crackers). In order to remain capable survive and can take advantage of opportunities that should improve the competitiveness of company and product competitiveness. Some of the efforts include the following: (1) the board with an entrepreneurial spirit, innovation, should be able to become a driving force to improve competitiveness, (2) increasing cooperation between SMEs and stakeholders, (3) the government's role as regulator.

Keywords : Competitiveness, Efforts to improve, Women Farmers Group

INTRODUCTION

According to Hafsah (2004), Small and Medium Enterprises (SMEs) have a strategic role in national economic development, besides a role in economic growth and employment, they also play a role in the distribution of development outcomes. In the event of an economic crisis in Indonesia some time ago, many Large Enterprises effort that have stagnated even stopped their activities, the SME sector proved more resilient in the face of the crisis.

Up to now, the number and existence of SMEs in Indonesia are increasing , it indicates that in the structure of the national economy, small businesses still survive even the government's policy on the existence of small businesses are increasingly conducive and positive. Some researches show that small businesses have complementary roles with major companies in the creation of employment opportunities and economic growth. Some observers of SMEs, asserts that small

businesses in Indonesia play an important role in several ways, including: 1) The main players Indonesia's economic activities, (2) providers of employment , (3) a significant player in local economic development and community development , (4) a market maker and innovation through the flexibility and sensitivity of dynamic and associations with a few companies , and (5) contributed to the increase in non-oil exports (Handriani , 2011) .

Development of SMEs need to get the most attention from both government and the public in order to grow more competitive along with other economic actors . Government policies ahead should be pursued more conducive to growth and development of SMEs . The government needs to increase its role in empowering SMEs in addition to developing mutually beneficial business partnership between large businesses to small businesses, and improve the quality of Human Resources. SME development in the future, need to combine the

advantages of a local (internal environment) and global market opportunities, synergized with the era of regional autonomy and the free market. Need to think on a global scale and act locally (think globally and act locally) in making decisions related to the development of SMEs (Hafsah, 2004).

Competitiveness is defined as an ability of a economy to provide its residents with a high living standard and a high employment level for all those who want to work, on a sustainable basis. The central factor of competitiveness is productivity growth (Vuković *et al.*, 2013). According to Hitt, *et al.* (1997) in Handriani (2011), the competitiveness of small businesses are the degree to which a company can meet market demand, both domestically and internationally, in producing goods and services, while maintaining or increasing the company's revenues and employees. This competitive advantage is influenced by internal and external factors of a company that takes the right strategy.

Porter (1992) in Handriani (2011), sets out a strategy in the face of competition known as generic competitive strategies (generic competitive strategies). Strategy is based on analysis of the position of a company in the industry, whether corporate profits are above or below the mean industry average. A good company will have a high level of income despite unfavorable industry structure and the average industry profit level was moderate. If that happens, then the company was able to create a sustainable competitive advantage. To achieve this, the company could have two basic types of competitive advantage, namely low cost or differentiation. Both types when combined with the field of activity is sought to be achieved by a company will be heading towards three generic competition to achieve the performance above the industry average, the cost leadership, differentiation, and focus.

According to Susilo (2010), the problems still faced by SMEs is low productivity. This is related to: (i) the low quality of human resources of micro

enterprise, and (ii) lack of entrepreneurial competencies micro enterprises. In addition, SMEs also face the factors that are still a constraint in increasing competitiveness and performance. Those factors are: (i) lack of access to capital, (ii) lack of access to markets, and (iii) limited access to information on resources and technology. By implementation of AFTA and MEA, then SMEs in Indonesia will face a challenge and an opportunity gain. In order to remain able to survive and be able to take advantage of opportunities that SMEs should improve the competitiveness of companies and the competitiveness of its product. The main key is particular themselves, entrepreneurs / owners of SMEs with the support of the workers. Entrepreneurs / owners of SMEs with entrepreneurial spirit, innovation, should be able to become a driving force to improve the competitiveness of enterprises. Of increased competitiveness of the company, in turn, will We encourage the creation of competitive products. Another thing that should be a priority of SMEs is increasing cooperation between SME units or centers between SMEs and also improve the network of cooperation with the government stakeholders. They expected as complementary to encouraging the efforts that have been made to improve the competitiveness of SMEs. A conducive business climate created by the government, it will be easier for SMEs to improve competitiveness. Other stakeholders should improve its cooperation that has been created by SMEs, due to the support of stakeholders in the form of education / training / counseling, promotion and facilitation proven to encourage efforts to improve the competitiveness of SMEs significantly.

How to improve the competitiveness of SMEs in Malang City, according Budiyanto (2014) and CS Bisnis UKM (2014), are: (1) consistently maintain the quality of the product, (2) packaging attractive products, (3) competitive price, and (4) maintain customer loyalty. Policy options that can be done is as follows: program

enhancement of Human Resources of SMEs, the involvement of state-owned enterprises through the program Partnership (the partnership program and community development) and CSR (corporate social responsibility), involvement of the Chamber of Commerce and Industry (Kadin) Malang and the National Crafts Council area (Dekranasda) can increase business contacts between SMEs, and preparation of prospective entrepreneurs SMEs qualified and highly competitive.

Women Farmers Group (WFG) "Melati" initiated by Mrs. Juliana and four mothers Who live in the Village of Sendangsari, District of Pengasih, Kulon Progo Regency. WFG "Melati" begin conducting business together since March 15, 2010, but officially registered and recognized in 2011 with No. Registration 29 / SDS-Pi / X / 2011. WFG "Melati" is one of the SMEs that process agricultural products locally (cassava, sweet purple potato, tubers of arrowroot, canna bulbs, breadfruit, and bananas) into processed food products (flour, crackers of cassava/rengginang, chips and pastries). Currently WFG "Melati" has categorized Advanced Group. It members of 27 mothers, actively fostered by the Regional

Government of Kulon Progo (Implementing Agency for Food Security and Agricultural Extension), often follow the activities of promotion and exhibition (Yuliana, 2016).

This paper aims to provide input in the form of efforts to improve the competitiveness of WFG "Melati" to be ready and dare to compete, confront products in domestic and foreign products that enter the Indonesian market. It became a demand, because it has the approval of the agreement ASEAN Economic Community (AEC), which began in 2015.

METHOD

This article is based on secondary data. "Melati" WFG, a profile and business activities conducted by 2016. Further analyzes several ways to improve the competitiveness of WFG "Melati" with reference to several libraries, such tetxbook and relevant research results.

RESULTS AND DISCUSSION

The profile of "Melati" WFG business can be seen in Table 1.

Table 1. Type of Products, Raw Materials and Markets Processed Products "Melati" WFG

No.	Type of Product	Raw Materials		Markets
		Source	Availability	
1.	Flour of Arrowroot	Local	May- October	Yogyakarta Special Region And Center of Java
2.	Crackers of Arrowroot	Local	May- October	Yogyakarta Special Region And Center of Java
3.	Flour of Canna Bulbs	Local	May- October	Yogyakarta Special Region And Center of Java
4.	Flour of Sweet Purple Potato	Center of Java	January - December	Yogyakarta Special Region And Center of Java
5.	Flour of Cassava	Local	January - December	Yogyakarta Special Region And Center of Java
6.	Mocaf Flour	Local	January - December	Yogyakarta Special Region And Center of Java
7.	Crackers of Cassava	Local	January - December	Yogyakarta Special Region And Center of Java
8.	Flour of Banana	Local	January - December	Yogyakarta Special Region And Center of Java
9.	Chip of Banana	Local	January - December	Yogyakarta Special Region And Center of Java
10.	Flour of Breadfruit	Local	January and July	Yogyakarta Special Region And Center of Java
11.	Pastries	Local	January and July	Yogyakarta Special Region And Center of Java

Source: Yuliana, 2016

Currently, there are 11 kinds of processed products are produced by "Melati" WFG, all of them made from local raw (agricultural produce of Kulon Progo), except the sweet purple potato that are supplied from Central Java (Magelang and Ambarawa) and East Java (Ngawi). Other areas of marketing are all still in Yogyakarta Special Region and Central Java.

Since encouraged by the National Food Security program, each region explore and develop local food,, including Program Desa Mandiri Pangan. The positive impact of the program is the emergence of SMEs that produce a variety of processed local food, which is supervised by the Department of Industry and the Food Security each region. Similarly "Melati" WFG which started in 2010, received Social Assistance in the form of a set of tools can process the raw material of local flour worth 49,000,000 rupiahs in 2011. So far it's been evolving and being the only SME in Kulon Progo Regency which process a variety of tubers into flour. Even now, it is more developed, namely the manufacture of processed another by use of other parts of raw materials that do not (can) be processed into flour such as Crackers of Arrowroot and Banana Chips, or process from flour into Pastries.

"Melati" WFG must improve its competitiveness, in order to be ready and dare to face the products of domestic and foreign products that enter the Indonesian market. To improve their competitiveness can be done several ways, namely:

1. Trying to consistently maintain product quality.

To deal with the onslaught of imported products from neighboring countries whose popularity is taken into account by the people of Indonesia, Indonesian SMEs in general should be bold, as long as it remains consistent to maintain the quality of products that they marketed. It can be reached by creating a standard operating procedure (SOP) that is evident in every process of

production, so that goods produced/marketed have quality or standards of quality-assured.

2. Interesting packaging of products to be marketed.

Enhance the competitiveness of SMEs through packaging an attractive product. Until now packaging products becomes a factor for potential customers to make purchases. In addition to maintaining the quality of the product, other things that need to be considered for SMEs is an attractive packaging design, and include the logo and name of the product in each product packaging.

3. Dare to compete in terms of price.

One of the advantages of Chinese products on world markets is the selling price less expensive than products from other countries. This step can be imitated, by making the cost of production as efficient as possible so that the selling price could be cheaper than similar products on the free market in 2015.

4. Maintain customer loyalty.

SMEs has many loyal customers is the key factor for the success of free-market competition 2015. When consumers have a high enough loyalty to the products that are marketed, so as SMEs do not have to worry about left consumers when the products from neighboring countries started to come to Indonesia.

As a business potential of SMEs should continue to work hard to improve competitiveness in order to compete. The government set several national strategy to face the ASEAN Economic Community (AEC), namely: strengthening the competitiveness of the economy, Program ACI (Aku Cinta Indonesia), Strengthening the SME sector, improvement of infrastructure, and improving the quality of human resources (HR). Although it has imposed a free market and business competition began was getting crowded, but we have to remain optimistic in order to improve the

competitiveness of Indonesian SMEs into the global market.

CONCLUSION

In order to remain able to survive and be able to take advantage of the opportunities it "Melati" WFG should improve the competitiveness of businesses and their competitiveness. Some of the efforts include the following: (1) the board with an entrepreneurial spirit, innovation, should be able to become a driving force to improve competitiveness, (2) increasing cooperation between SMEs and stakeholders, (3) the role of government as regulator, create a favorable weather improvement the competitiveness of SMEs.

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DISCUSSION FROM PARALLEL SESSION

PAPER TITTLE	Efforts to Improve Competitiveness of Women Farmers Group "Melati" in Sendangsari Village, Pengasih District, Kulon Progo Regency
AUTHOR	Siti Hamidah and Indah Widowati
DISCUSSION	
QUESTION	<ol style="list-style-type: none"> 1. What is the detail of technology for better quality? 2. How the output from 3 efforts of KWT? 3. How to expand the market?
ANSWER	<ol style="list-style-type: none"> 1. The technology made by standard. 2. This is suggestion only, we have not tested it yet
SUGGESTION	<ol style="list-style-type: none"> 1. Beside SOP it would be better if SOM also teach to KWT to improve their competitiveness. 2. There is a good KWT in Kulonprogo, the name of KWT is KWT Pamong Gendhis.



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