

Empowerment of Furniture Industry in Pasuruan City in Capacity Development Perspective through Capital Strengthening Elements

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ABSTRACT

This study aims to provide an instrument assessment of internal performance factors in retail businesses in traditional Small and medium enterprises in Indonesia have a very important and strategic role to create a strong business structure. The government is trying to improve the ability of small and medium industries to become strong, independent and superior industries. One of the industries faced with the challenges of global competition is the wood (furniture) industry. The phenomenon that occurs, the development of the furniture industry in the City of Pasuruan is not comparable with the furniture industry sub-sector in Jepara City, but the furniture industry sub-sector in the City of Pasuruan has sufficient potential to be developed in the future, for that it is necessary to empower the Furniture Industry in Kota Pasuruan in the perspective of capacity building through the element of capital strengthening. The purpose of this study is to construct capacity building practices in the furniture industry in Pasuruan City. The type of approach used is the phenomenological approach. The location of this research was conducted in Bukir and Randusari Subdistrict. This is because the Pasuruan City Government has focused the activities of this furniture industry in two villages through the construction of the furniture market in Bukir and Randusari Subdistricts. The process of data analysis is carried out simultaneously with the process of data collection and to meet the scientific aspects and this research can be accounted for, then used 4 criteria that must be met in qualitative research, namely: credibility, dependability, confirmability and transferability. This research is expected to be used as a guideline for the Pasuruan City Industry and Trade Office, especially for the furniture industry entrepreneurs in Pasuruan City to get capital in developing their business capacity through strengthening capital.

Keywords: *Empowerment, Capacity Building and Capital*

1. INTRODUCTION

Small and Medium Enterprises in Indonesia have a very important and strategic role to create a strong business structure. The government is trying to improve the ability of small and medium industries to become strong, independent and superior industries. One of the industries faced with the challenges of global competition is the wood (furniture) industry, which is demanded to be able to carry out cost efficiency and product differentiation.

Furniture products have been produced in several areas for generations like Jepara and Pasuruan. Almost 80% of villages in Jepara are furniture-producing villages, while in Pasuruan City only certain areas such as Purutrejo, Purworejo, Pohjentrek, Gadingrejo, Krapyakrejo, Bukir, Petahunan, Gentong, and Randusari villages (informant). The Pasuruan City Government concentrated the activities of this furniture industry in two villages through the

construction of the furniture market in Bukir and Randusari Subdistricts. Industrial products consist of various products including: chairs, sofas, cabinets and various other types of furniture products.

The development of the furniture industry in Pasuruan City is not comparable to the furniture industry sub-sector in Jepara City. From a series of preliminary studies in the field, the results of random interviews pre-survey researchers with furniture industry entrepreneurs in Pasuruan City (January: 2016) provide an overview of the problems faced by furniture entrepreneurs in Pasuruan City including external factors that influence the development of the furniture industry in Pasuruan City, among others: 1) Requirements for bank loans are difficult and complicated. As a result, many small furniture industries find it difficult to borrow capital for business expansion. 2) The business climate is not yet fully conducive, unfair competition is seen between furniture entrepreneurs; 3) Limited infrastructure, lack of

information related to the progress of science and technology causes the infrastructure is not fast developing and does not support business progress; 4) Implications of free trade, where the existence of Asia Pacific Economic Cooperation (AFTA), ASEAN Free Trade Area (APEC) and Asian Economic Community (MEA) has wide implications for the furniture industry to compete in free trade. In this condition the furniture industry is demanded to carry out productive and efficient production processes and produce products according to quality standards. the furniture industry is expected to be able to compete in a comparative and sustainable competitive advantage (Results of random interview pre-survey researchers in January, 2014).

The results of the preliminary study through random interviews can be concluded that the development of the furniture industry in Pasuruan City still faces various obstacles that cause commodity competitiveness to decline, therefore, the empowerment of the furniture industry in Pasuruan City is urgently needed. Empowerment is a concept of economic development that encapsulates social values. This concept reflects the new paradigm of development, which is "people-centered, participatory, empowering, and sustainable. Empowerment is an effort undertaken by the Government, Regional Governments, Business World, and the community in synergy in the form of climate growth and business development towards Micro, Small and Medium Enterprises so that they are able to grow and developed into a strong and independent business.

The empowerment program conducted by the Office of Cooperatives, Industry and Trade of Pasuruan City acts as a facilitator that bridges the relationship or partnership relations between SMIs and the intended partners. If seen in the context of SMI partnership activities facilitated by the Office of Cooperatives, Industry and Trade, the Partnership relationship is carried out in the short term. The role of the Department of Cooperatives, Industry and Trade of Pasuruan City in empowering the Furniture Industry in Pasuruan City is interesting to do a study through capacity building.

In general, capacity building is a process or activity to improve the ability of a person, group, organization or system to achieve goals or better performance [1]. Capacity building is the development of skills and capabilities, such as leadership, management, finance and fundraising, programs and evaluations, so that organizational development is effective and sustainable. This is the process of helping individuals or groups to identify and find problems and add insight, knowledge and experience needed to solve problems and make changes [2].

Capacity building has its own activities that enable capacity building in a system, organization, or individual, where there are activities consisting of several general phases. The phases according to Gandara [3] are 1) preparation phase, 2) analysis phase, 3) planning phase, 4) implementation phase and (5) evaluation phase. [4] states that if capacity building becomes a series of strategies aimed at increasing efficiency, effectiveness and responsiveness, the capacity building must focus on the dimensions: (1)

strengthening capital, (2), developing human resources and (3) institutional reforms (4) introduction of technology and (5) development of market access.

Aaram and Shakespear [5] study shows that through the development program the capacity of SMEs in Zimbabwe has succeeded in growing so as to create opportunities for job creation. This has benefited the economic empowerment program in Zimbabwe in the direction of ensuring sustainable SME growth. Rozilla and Patrick [6] show that capacity building programs are very important in promoting agribusiness. Capacity building is used based on the level of education. Farmers with primary and secondary education tend to attend seminars and workshops because of their ability to understand. Farmers who have low education will participate and learn through observation and interact with other farmers.

Yamoah [7] shows that there is a strong relationship between increasing human resource capacity and employee work performance through training and employee empowerment. The level of business capacity development influences the level of economic prosperity of Wedoro Footwear Small and Medium Enterprises. The institutional support in implementing Capacity Building through personnel training, bookkeeping and accounting and business plans has a positive impact on the growth and development of SMEs

Romijn and Albaladejo [8] find that internal factors, such as the level of education and experience of company owners, research and development institutions, technical skills of the workforce and investment in training and human resource development are determinants of organizational innovation. In this study also found external factors, such as financial support from the government for Research and Development, communication/ interaction with external parties (customers, suppliers, competitors, financial institutions, R & D institutions, Industry associations) which are factors that significant determinant of organizational innovation capabilities.

Based on the description above, it is necessary to conduct a study on the empowerment of the Furniture Industry in Pasuruan City in the perspective of Capacity Building through the element of capital strengthening and HR training.

2. LITERATURE REVIEW

2.1. Empowerment

Robbins [9] provides an understanding of empowerment as placing workers accountable for what they do. Davis and Newstrom [10] state that empowerment is any process that gives workers greater autonomy through exchanging relevant information and provisions on supervision over factors that affect work performance. According to Suharto [11], empowerment as a process has five dimensions, namely: enabling; empowering; protecting; supporting and fostering.

2.2. Capacity Building

Milen [12] defines capacity as the ability of individuals, organizations or systems to carry out their functions properly, efficiently and continuously [13]. While Morgan, formulates the notion of capacity as abilities, skills, understanding, attitudes, values, relationships, behavior, motivation, resources, and conditions that enable each individual, organization, work network/sector, and broader systems to carry out their functions and achieve development goals that have been set from time to time [12]. Furthermore, Milen [12] sees capacity building as a special task, because that particular task is related to factors in a particular organization or system at a particular time.

Capacity as a resource that is owned by an organization that is ready for use that can illustrate the potential benefits to be gained by the organization in the future. Harris [14] defines capacity as the ability of an organization to create value where the ability is obtained from various types of resources owned by a company / organization.

The definition of capacity in the context of operational management is defined as, "The amount of resource inputs available relative to output requirements over a particular period of time" [14]. Based on these definitions, it is concluded that capacity is the ability to manage existing resources to produce final results that are in accordance with customer needs within a certain time frame. The definition of capacity according to Hilton, et al. [14], is the capacity is a measure of the ability of the production process to convert the resources owned into a product or service that will be used by consumers.

Capacity building is said to be the capacity development process that is experienced by individuals, groups and organizations to improve their ability to carry out their functions and achieve the desired results (Morgan in [14]). From this understanding, it can emphasize two important things: 1) capacity building is mostly in the form of internal growth and development processes, and 2) capacity building efforts must be results-oriented. [1] defines "Capacity building is a process that increases the ability of persons, organizations or systems to meet its stated purposes and objectives".

From this understanding it can be interpreted that capacity development is a process that can improve the ability of a person, organization or system to achieve the goals to be achieved. Capacity Building is a process to improve individuals, groups, organizations, communities and communities to achieve the goals that have been applied.

According to Keban and Yermias [15] that Capacity Building is a series of strategies aimed at increasing efficiency, effectiveness, and responsiveness of performance. Learning is a process, which flows from the need to make sense out of experience, reducing the unknown and uncertain dimensions of life and building the competencies required to adapt to change. From the explanation above it can be

understood that the purpose of Capacity Building is learning, starting from the flow of the need to understand a thing, reducing ignorance and uncertainty in life, and developing the skills needed to adapt to change.

Grindle [16] states that capacity development is a series of strategies aimed at increasing efficiency, effectiveness and responsiveness, so the capacity development must focus on the dimensions of capital strengthening

In the matter of financing for venture capital, most SMEs in Indonesia develop their business with their own capital and borrow from banks, followed by financing from non-formal financial institutions and funds sourced from others. This shows that government efforts to provide capital assistance through the People's Business Credit (KUR) through banks are still not optimal.

Some MSMEs still consider bank interest to be too high and it is still difficult to get credit for MSMEs that do not have collateral. The MSME sector has difficulty in accessing business capital, this is due to the unpreparedness of MSMEs in meeting the requirements requested by bankable banks. Not to mention the problem of collateral and other costs that must be borne by MSMEs related to getting capital.

The bank in making decisions to provide credit, must go through credit procedures. Credit procedures can be interpreted as an effort by banks to reduce risks in granting credit, which starts with the stages of credit planning, followed by the process of granting credit decisions (initiatives, analysis and evaluation, negotiations, recommendations and granting of credit decisions), preparation of lending, documentation and credit administration, credit disbursement approvals and credit supervision and guidance [17].

3. METHODS

The research method is basically a scientific way to get data with specific purposes and uses. Based on this there are four keywords that need to be considered, namely the scientific way, Data, Purpose and usability.

3.1. Research Approach and Design

This study aims to construct practices of capacity building through the element of capital strengthening with a qualitative approach. The type of approach used is the phenomenological approach. Phenomenology research is oriented to understand, explore, and interpret meaning and events, and relationships with ordinary people in natural situations [18]. The phenomenological approach is a critical research method and explores phenomena systematically [19].

3.2. Research Location

This research was conducted in Bukir and Randusari Subdistricts. This is because the Pasuruan City Government has centered the activities of this furniture industry in two cities through the construction of the furniture market in Bukir and Randusari Subdistricts. The location of this research is in the area of Gading Rejo Subdistrict, Pasuruan

City, because of the strategic geographical location of Gading Rejo subdistrict as a place of economic traffic. About 70% of the people open a business field in the field of handicraft, namely furniture, this area is known as the "Central Furniture Industry"

3.3. Operational definitions Research variable

3.3.1. Small and Medium Industries

Economic activities in processing or processing and producing goods and or services using certain facilities so that the use value of the goods increases.

3.3.2. Empowerment

Efforts that build community power by encouraging, motivating and raising awareness of their potential and strive to develop them

3.3.3. Capacity Building

The process of increasing the abilities, skills, talents, and potential possessed by individuals, groups of individuals or organizations. The ability to strengthen themselves so as to maintain their profession in the midst of changes that occur in the environment of individuals, groups of individuals or organizations. the capacity building must focus on the dimensions: (1) human resource development, (2) organizational (capital) strengthening and (3) institutional reform (4) technology introduction and (5) development of market access.

3.4. Data Analysis Technique

The process of data analysis in this qualitative study was carried out after data collection was completed from each informant. The data analysis process is carried out simultaneously with the data collection process. The stages of the data analysis process carried out in this study are according to the steps of Holloway and Wheeler [20], which are as follows:

Make a data transcript. The results of interviews about Capacity Building through elements of capital strengthening, HR training, technology introduction and development of market access from the aspects of objectives, materials, methods and evaluations are made transcript of the data. To reinforce the results of the interview, it is added with field notes related to the conditions and situations recorded during the interview process.

Reading the results of the transcript repeatedly to identify meaningful statements from the informant, the researcher reads the transcript that has been made repeatedly. Meaningful statements found from interviews and field notes are referred to as keywords. In this case, the researcher chooses word quotations and meaningful statements that refer to the purpose of the study.

Repeat all of these processes for all results of the informant's transcript to then be categorized. Statements that have the same or almost the same meaning are made into categories,

The various categories are then fully understood and the main themes that emerge are explored. Categories that have been obtained from research, become statements that are meaningful and interconnected so that they can be used as sub themes and themes.

Formulating themes that emerge from sub themes. Similar and related sub themes are formulated in a structured and conceptual form called themes.

Next, the researcher integrates the overall results into a complete, systematic and clear narrative description form of the analysis. The purpose of the translation is to communicate the structure of meaning that has been successfully identified.

Clarifying the results of the descriptive analysis of the data that has been made by returning it to the informant to ascertain whether it is in accordance with what was said. In this study, researchers have conducted direct validation by coming back to the informant's house, before the study asked for the time and place from the informant. After validation, there are several things added by an informant

4. RESULTS AND DISCUSSIONS

Industry and Trade of the City of Pasuruan provided information on how to get capital to a third party, namely banks and provided information on how to prepare a good proposal for capital. and more quality and to meet other needs.

Develop a network of cooperation for SMEs. Small and medium Enterprises in collaboration with the Department of Industry and Trade of Pasuruan City (DISPERINDAG) and private parties, the collaboration aims to facilitate the promotion needs for furniture crafts in Pasuruan City.

Introduction of Pasuruan City furniture handicraft products through exhibitions and promotions. With this exhibition and promotion, Pasuruan City furniture handicrafts can expand its marketing and provide opportunities to collaborate with other furniture crafts and larger furniture entrepreneurs.

SMEs are increasingly developing, because the greater the business opportunities that can be accessed. Under these conditions, SMEs cannot develop their business due to lack of financial support, so capital strengthening is urgently needed. The purpose of strengthening capital is to advance and develop the business that is used to buy production equipment to be able to produce a maximum output and higher quality and for other needs. On the other hand, it is important for institutions to provide capital as well as to earn income. A number of mechanisms can be carried out in accordance with the diversity of conditions faced by SMIs relating to financial access. Microfinance financing as capital strengthening usually requires the development of microfinance institutions and the availability of accessible credit. Microfinance institutions can be in the form of banks or non-banks, including cooperatives. Business development through capital strengthening can be measured through. 1) The level of easy access of credit by entrepreneurs to banks

and other financial institutions. 2). Significant level of support from informal institutions to entrepreneurs 3). Loan intensity level.

The existence of financial institutions is very helpful for the furniture industry in Pasuruan City in meeting the lack of capital for its business. The bank in making decisions to provide credit, must go through credit methods or procedures. The credit method can be interpreted as a bank's effort to reduce the risk in granting credit, which starts with the stages of preparing credit planning, followed by the process of granting credit decisions (initiatives, analysis and evaluation, negotiations, recommendations and granting of credit decisions), preparation of credit, credit documentation and administration, approval for credit disbursement and credit supervision and guidance [17].

The provision of credit that does not pay attention to existing policies and procedures will invite the emergence of other irregularities, the further the lending from the guidelines that have been compiled, the greater the percentage of bad loans. One of the most important things in granting credit is to do an early detection (re-evaluation) of the credit that is suspected to be problematic, so that credit can be saved and avoid traffic jam.

5. CONCLUSION

Based on the results of research and discussion conclusions can be formulated as follows: Capital access assistance. The Office of Cooperatives and SMEs in Pasuruan City provides information on how to get capital to third parties, namely banks, and provides information on how to prepare good proposals in proposing capital. and more quality and to meet other needs. Developing a cooperation network for SMEs. The Department of Industry and Trade of Pasuruan City in collaboration with the private sector, the cooperation aims to facilitate the promotion needs for furniture crafts in Pasuruan City. Introduction of Pasuruan City furniture handicraft products through exhibitions and promotions. With exhibitions and promotions, Pasuruan City furniture crafts can expand its marketing and provide opportunities to collaborate with other furniture crafters and larger furniture entrepreneurs.

Suggestions for various parties can be formulated as follows: Theoretically, as knowledge constructs conceptually and theoretically the practice of capacity building practices through strengthening capital through the level of easy access of credit by entrepreneurs to banks and non-bank financial institutions. Entrepreneurs of the Pasuruan city furniture industry need to utilize the efforts that have been made by the industry and trade department in the empowerment of the Furniture Industry in Pasuruan City through capacity building practices for furniture industry entrepreneurs in Pasuruan City. For the industry and trade department of the city of Pasuruan to make efforts in empowering the furniture industry in the city of Pasuruan through capacity building practices through strengthening capital in the furniture industry businessman in the city of

Pasuruan. For students and researchers in the field of economic education it is advisable to conduct research on the same topic with different problems such as market access and technology introduction.

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