

Small Medium Technological Enterprises and Local Economic Resources Development to Promote Activities of Industry and Trade, in Solok City West Sumatra, Indonesia

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Abstrak

Tujuan dari penelitian ini adalah untuk menganalisis lingkungan makro dan mikroekonomi Usaha Teknologi Kecil Menengah (SMTEs) di Solok. "SMTE" dalam bahasa Indonesia identik dengan istilah Usaha Industri Kecil dan Menengah yang disingkat oleh IKM, dianggap penting sebagai mesin untuk merangsang pertumbuhan pengembangan sumber daya ekonomi lokal. Ada dua aspek utama yang perlu dianalisis. Yang pertama adalah menganalisis lingkungan makroekonomi SMTE di Solok. Temuan menunjukkan bahwa kontribusi sektor industri terhadap PDRB relatif lebih kecil dari tahun ke tahun selama periode tahun 2010 hingga 2016. Ini menunjukkan bahwa Solok relatif belum berfungsi sebagai Kota sesuai dengan Kebijakan Pembangunan Perkotaan Nasional Indonesia. Hasil perhitungan LQ menunjukkan bahwa sektor perdagangan dan jasa mendominasi kegiatan ekonomi Solo, namun masih lemah di bidang kegiatan industri khususnya dalam industri pengolahan. Daerah di sekitarnya seperti Solok Regency, Kabupaten Solok Selatan, Kabupaten Sijunjung didominasi oleh kegiatan ekonomi di sektor primer. Kota Padang di sisi lain memiliki surplus dalam produk dan layanan sekunder serta tersier. Temuan menunjukkan bahwa lingkungan makroekonomi SMTE di Kota Solok belum begitu kondusif untuk merangsang penciptaan dan pengembangan SMTE. Namun peluang penciptaan dan pengembangan SMTE terbuka dan cukup prospektif. SMTE di Kota Solok selain menggunakan sumber daya lokal yang dimiliki sebagai input produksi, juga dapat mengambil surplus komoditas pertanian dan pertambangan dari daerah sekitarnya. Kota Padang dapat mendukung pertumbuhan SMTE melalui transfer teknologi. Sehubungan dengan OTDA, hasil penelitian menunjukkan bahwa kebijakan ini adalah kebijakan yang menguntungkan untuk pembuatan dan pengembangan SMTE. Yang kedua adalah menganalisis lingkungan mikroekonomi SMTE di Kota Solok. Dalam hal ini, data primer yang diambil dari kuesioner dan survei lapangan dianalisis. Temuan penelitian menunjukkan bahwa SMTE belum begitu berkembang di Kota Solok, oleh karena itu masih memerlukan beberapa "dukungan program" untuk mempercepat pembuatan dan pengembangannya.

Kata Kunci: pengusaha; SMTE; fungsi kota, OTDA, dukungan program

Abstract

The objective of this research is to analyze the macro and microeconomic environments of Small Medium Technological Enterprises (SMTEs) in Solok City. "SMTE" in Indonesian language is identical with the term of Small and Medium Industrial Enterprise which is abbreviated by IKM, are considered to be important as an engine to stimulate the growth of local economic resources development. There are two main aspects which are necessary to analyze. The first is to analyze the macroeconomic environments of SMTEs in Solok City. The findings showed that the contribution of industrial sector to GRDP was relatively smaller from year to year during the period of 2010 to 2016. It indicated that Solok City was relatively not yet functioning as the City in accordance to the Indonesian National Urban Development Policy. The result of LQ calculation showed that trade and service sector dominate the economic activities of Solok City, however it still weak in the field of industrial activities particularly in term of processing industry. The area around it such as Solok Regency, South Solok Regency, Sijunjung Regency were dominated by economic activity in primary sector. Padang City in another side has the surplus in secondary as well as tertiary product and services. The findings indicated that macroeconomic environments of SMTEs in Solok City were not yet so conducive to stimulate SMTEs creation and development. However the opportunity of SMTEs creation and development

was open and quite prospective. SMTEs in Solok City besides using its owned local resources as the input of production, also it can take the surplus of agricultural commodities and mining from its surrounding regions. Padang City can support the growth of SMTEs by technology transfer. In relation with OTDA, the result of studies indicated that this policy is a profitable policy for SMTEs creation and development. The second is to analyze the microeconomic environments of SMTEs in Solok City. In this case, the primary data taken from questioners and field survey were analyzed. The findings of study showed that SMTEs have not been so developed in Solok City, therefore it still requires several "program supports" to speed up its creation and development.

Keywords: entrepreneurs; SMTEs; city functions, OTDA, program supports

INTRODUCTION

In many literatures showed that a City is an area in which its economy dominated by industrial activities, away from the atmosphere of "subsystem economy" that much orientation to the traditional agricultural activity. Hence, the hierarchy of a City in relation to other cities is largely determined by the development of industrial activities and the supporting services. Therefore, talking about the urban economic environment means talking about activities related to the industry and its supporting services. [13] [20]. Viewed from the perspective of location, the economic activities in term of trading and service are quite prospective to be developed due to its strategic location. Solok City is located in the middle of Solok Regency and close to South Solok Regency, Sijunjung Regency, Sawahlunto City, Dharmas Raya Regency (Dharmas Raya), Pesisir Selatan Regency, Padang Pariaman Regency. Moreover, Its location is at crossroads of trading activities among several provinces and inter districts or inter cities, from the south of the cross lane, i.e. from Lampung Province, South Sumatera Province and Jambi Province, the City is the junction point to get to Padang City as the capital of West Sumatra Province which is only about 64 Km from Solok City. When to the north is towards the City of Bukittinggi as the oldest City in the central part of Sumatra island which is about 71 km.

Solok City is a small city with very limited land area, therefore the potentialities of local economic resources are also limited. For the purpose to accelerate the SMTEs growth in this city, of course, the production input should be imported from the surrounding areas. The data showed that the surrounding areas have relatively the abundant sources especially for food crops industries such as food crops and horticulture commodities (rice paddy, cassava, sweet potato, corn, peanut, red onion, chili), smallholder plantation commodities (coconut, coffee, cacao, marica or pepper, turmeric, areca nut, cocoa, cardamom, etc), animal products (beef cattle, buffalo, horse, goat, duck, quail, chicken, poultry, etc.), fishery products (fish seed sinters, fish memory business with various types of fish, etc).

Solok City is also close to the tourist objects of the lake's area, i.e. Danau Diatas and Danau Singkarak which in recent times more famous to foreign countries because the name of this Danau Singkarak was crowned into an international tourist event called "tour de singkarak", this event held every year where Solok City is one of the City that serve as the main cross and also as a destination city. This open wide opportunities the role of SMTEs to create and produce more products and supporting services for tourist activities such as any kinds of tourism accessories, tour & travel agencies, restaurants, cafes, home stays, attraction activities, gifts, and others.

Judging from the composition of the population (2017) by age and sex in Solok City, it turns out that female population is more dominant in productive age compared to men. Women is quite suitable for supporting in light industry activities (home industry), micro, small and medium enterprise industry development because the business in this field prioritizes the accuracy and the element of patience in the service.

Viewed from the contribution of business activities by sector to the GRDP of Kota Solok (2010-2016), it turns out that the cumulative sector of trade and services (trade-hotel & restaurant, finance-leasing and corporate services, other services) have a more dominant contribution to coloring activities the economy of the people of Solok City so that serious and consistent attention is required in determining the direction of development policy in this sector of business field. To stipulate a development policy, it is necessary to have a special study so that the planning and implementation of the activity program will be implemented appropriately. According to data published (2016) by the Central Bureau of Statistics in West Sumatra indicated that the economic growth rate of Solok City is 6.33%, the highest sectoral growth rate is in the service sector with an average of 6.38%, utility sector 6.27% and industry 5.61%, while the agriculture and mining business only grew by an average of 3.88%. Even so if it is associated with national target of regional development growth in industry which is expected to grow faster and above one digit, therefore the present growth of industrial development in Solok City still far below the target. It means that the hard work is needed in order to speed up faster the growth of the industrial sector and to increase more its contribution to Regional Gross Domestic Product (RGDP) of Solok City in the future.

In short, Solok City was established and inaugurated on December 16, 1970 by the Minister of Home Affairs of the Republic of Indonesia, almost half a century old (47 years), is a long term, but when viewed from the development of economic activities as a whole, industrial activities, trade and services in this City, it can be said still relatively lagging behind and has not fulfilled expectations as stated in The Long Term Development Plan of Solok City (2005-2025) or LTDP (2005-2025) of Solok City, in Indonesia language abbreviated by "RPJPD (2005-2025) Kota Solok". Such condition is basically due to the still weak the socio-economic capital of the people of Solok City as a result of the following factors: less skilled human resources and mastery of science and technology; lack of adequate infrastructure and supporting facilities for SMTEs creation and development; weak in law of enforcement against abuse of policy; lack of coordination of program implementation among officers; relatively weak intensity of investment in all aspects of urban development, etc. [1], [2].

Urban Development Directives and Research Objectives

According to Indonesian National Urban Development Policy (INUDP), there are two main policies of national urban development that should be realized in 2025: (i) building the City as an engine of regional economic growth, and (ii) building the City as a center of growth to reduce decentralized concentration [3],[2]. The development VISION of Solok City is "Solok becomes the centre for trade, services and education in the central part of Sumatra Island in 2025", it has been stated in the RPJPD of Solok City (2005-2025) [1]. This vision is quite broad in scope and has many related variables which must be studied. It is certainly not a simple process to make it happen. Extensive and profound researches are required to develop appropriate planning. The SMTEs is intended as a business actor which is considered efficiently and effectively be able to create more value-added of local economic resources and areas of influence, this is one of the important strategies as the driving force of Solok City economy. SMTEs is considered be able as the main actor in promoting Solok City as the trade center and service, in the central part of Sumatra island year 2025". It is quite reasonable considering (i) the majority of economic activities in Solok City are still dominated by SMEs, and (ii) the economic scale of Solok City is still at the level as the center of local economic activity. Therefore, in the future has to be extended to be a city which has the capability as the center of regional economic activities. The role of SMTEs in this case is required. If the SMTEs grows, develops well and dynamic, it can be expected to have a very positive

impact on the acceleration of the development of trade and service activities in this City and give automatically a positive influence to the regional economy. Thus, the objectives of this research are to evaluate the macro and microeconomic environment of SMTEs in Solok City in order to understand, in one side, the prospective of SMTEs and in the other side, the program supports needed to stimulate the creation and development of SMTEs. It is in the context to promote the role and function of Kota Solok as a City of trade and services.

RESEARCH METHOD

There are two approaches used in this research, i.e: the approach of macro and microeconomic environment analysis. The first is macroeconomic environment analysis of SMTEs in Solok City. For this purpose several analysis done as follows: (i) to analyze the role of each sectoral activity of development and its contribution to GRDP of Solok City during the period of seven years (2011-2017), it is very important to analyze in order to get feedback about the business environment for creation and development of SMTEs; (ii) to analyze the Indonesian Regional Autonomy Policy (IRAP) or in Indonesian language as called by "Kebijakan Otonomi Daerah" or abbreviated by OTDA (IRAP = OTDA), it is important to understand well in order to see the scope of authority and opportunity given by central government to the provincial government and to the regencial and city government; (iii) to analyze the Coefisien Values of Location Quotients (LQs) of Solok City and the regions surrounding area (Padang City, Sejunjung Regency, Solok Regency and South Solok Regency), LQs help us to well understand about the potentialities of local economic resources which can be used as the production input by SMTEs;

The formula of calculating the LQs is as follows:

$$LQs = (xi/GRDPi)/(Xj/GRDPj).$$

Where: LQs =The Coefisien Values of Location Quotients for certain period of time; xi = the added value of sector i in regency or city; GRDPi = GRDP of regency i or city i ; Xj = the added value of sector j in West Sumatra Province; GRDPj = GRDP of West Sumatra Province; i = the area of the city or regency; j = the area of West Sumatra Province.

The implications are: If $LQ_{ij} > 1$, means that the commodity and the sector of the economy had a more prominent role or have a comparative advantage in the area or sector can be considered as an economic activity basis. If $LQ_{ij} < 1$, implies that commodity and sector of the economy had a much smaller role or have a low comparative advantage in the area. The larger the value of acquired LQs imply the greater the degree of concentration of sector or sub sector's activities in performing GRDP. The coefficient values of LQs can also be used as the indicator to see the potentialities of commodity sources for the processing industry in general and for the production input of SMTEs in particular in Solok City.

The second approach is microeconomic environments analysis. In this case, primary data was collected from stakeholders and the community using participatory planning concept, this method puts forward the relationship between the facts in field with the needs of the community into the future. The essential of this methodology is to put forward the interests of the community as "users", they are encouraged to determine their own destiny and also supervise the development process conducted by government and private policy makers. This means that "Participatory Planning" give priority to the planning process from the bottom needs to the upper needs , often called in many literatures as the concept of "bottom up planning process". The other qualitative methodological instruments used are the desk study and questioners, field visits, Focus Group Discussion (FGD), brainstorming with experts,

workshops and seminars of cross-sector and cross-expertise. All related stakeholders are managed in order to make them to be more active and participatory so that primary data collected becomes very significant and representative to serve as the basic data in drawing up the planning of creation and development SMTEs in Solo City.

By knowing the macroand microeconomic environmental conditions of business in Solok City and the potentialityresources of local economy surrounding area, therefore, make us be able to set the policies and strategies that are relevant and appropriate to encourage the creation and development of SMTEs in the Solok City.

RESULTS AND DISCUSSION

Analysis of Macroeconomic Environments of SMTEs

The Implication of business field contribution to the formation of GRDP Solok City (2010-2017)

The vision of urban development in accordance with the Indonesian National Urban Strategic Development Policy (INUSDP) that has been set up, among others: "to guide some Small and Medium Town such as Solok City for example gradually, consistently and continuously towards becoming a city that acts as a driver of economic growth and the welfare of its citizens and the surrounding community. The vision is realized through several policies that include "policy of increasing the role of the city as an engine of economic growth through the optimization of value-added development of regional economic resources. Therefore, it is necessary to promote the processing industry in the economy of Solok City, that is, industries that process potential commodities produced by local communities and communities in the surrounding areas. For that (see table 1), Solok City should focus on processing industries and support services industries based on agricultural products, plantation products, fishery products and forestry, including mining and quarrying products sourced from within the city itself and also sourced from the region surrounding and other areas. This policy is very much in line with the characteristics of a city which in many works of literature says that a city is identified as a region where its economy is dominated by industrial activity, away from things that are traditional agricultural activities. Optimization of value-added development of local economic resources cannot be separated from the role of the processing industry and service industries. [7],[5],[14].

Table 1 shows the contribution of each business field to form Gross Regional Domestic Product (GRDP) of Solok City. From the table, there are 5 sectors of development activities that have a considerable contribution to the formation of Solok City GRDP. On average during the last seven years (2010-2017) the largest contribution is in the business field related to the activities of Car and Motor Repair (25.00%). While the second place occupied the business field associated with Construction, Wholesale and Retail (12.22%). Then in the third position is the business field associated with Government Administration, Defense and Social Security (9.44%). The fourth and the fifth are activities related to Information and Communication (6.96%) and Agriculture, Forestry and Fisheries (6.30%). Other business sectors contribute to GRDP is smaller than 6.30%, the smallest one is in the area of economic activity associated with the Service Company (0.02%). The portion of the

Tabel dituliskan di tengah atau di akhir setiap teks deskripsi hasil/perolehan penelitian/abdimas. Bila lebar Tabel tidak cukup ditulis dalam setengah halaman, maka dapat ditulis satu halaman penuh. Judul Tabel ditulis dari kiri rata tengah, semua kata diawali huruf besar, kecuali kata sambung. Kalau lebih dari satu baris dituliskan dalam spasi tunggal. Sebagai contoh, dapat dilihat Tabel 1.

**Table 1. Contribution of Business Field in the Formation of GRDP of Solok City-
 Based on Constant Price 2010, (2010-2016)**

| No | Business Field (Sectoral Activities of Development) | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Avg | Rank |
|----|--|-------|-------|-------|-------|-------|-------|-------|-------|------|
| 1 | Agriculture, Forestry and Fisheries | 7.06 | 6.82 | 6.63 | 6.34 | 6.14 | 5.96 | 5.75 | 6,38 | 5 |
| a | Agriculture, Animal Husbandry, Hunting and Agricultural Services | 6.85 | 6.62 | 6.43 | 6.14 | 5.94 | 5.75 | 5.55 | | |
| | a. Food Crops and Horticulture | 3.60 | 3.50 | 3.36 | 3.19 | 3.10 | 3.03 | 2.95 | | |
| | c. Plantation crops | 0.35 | 0.33 | 0.33 | 0.32 | 0.31 | 0.30 | 0.29 | | |
| | d. Farms | 2.72 | 2.62 | 2.58 | 2.48 | 2.38 | 2.27 | 2.17 | | |
| | e. Agricultural Services and Hunting | 0.18 | 0.17 | 0.16 | 0.15 | 0.15 | 0.15 | 0.14 | | |
| | b. Forestry and Logging | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | |
| | c. Fishery | 0.21 | 0.20 | 0.20 | 0.20 | 0.20 | 0.21 | 0.20 | | |
| 2 | Mining and Excavation | 0.72 | 0.69 | 0.67 | 0.68 | 0.68 | 0.68 | 0.67 | 0,68 | |
| a | Mining Oil, Gas and Geothermal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | |
| b | Coal Mining and Lignite | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | |
| c | Mining Ore Metal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | |
| d | Mining and Other Quarrying | 0.72 | 0.69 | 0.67 | 0.68 | 0.68 | 0.68 | 0.67 | | |
| 3 | Processing industry | 6.19 | 6.15 | 6.18 | 6.09 | 5.99 | 5.85 | 5.85 | 6,04 | |
| 4 | Procurement of Electricity and Gas | 0.05 | 0.05 | 0.05 | 0.05 | 0.06 | 0.05 | 0.06 | | |
| a | Electricity | 0.05 | 0.05 | 0.05 | 0.05 | 0.06 | 0.05 | 0.06 | | |
| b | Gas Procurement and Ice Production | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | |
| 5 | Water Supply, Waste Management, Waste Recycling | 0.22 | 0.22 | 0.21 | 0.22 | 0.21 | 0.20 | 0.20 | 0,21 | |
| 6 | Construction, Wholesale and Retail Trade | 11.95 | 11.97 | 12.10 | 12.45 | 12.43 | 12.35 | 12.28 | 12,22 | 2 |
| 7 | Car and Motorcycle Repair | 24.81 | 24.82 | 24.90 | 25.03 | 25.18 | 25.11 | 25.08 | 25,00 | 1 |
| a | Trading Car | 2.31 | 2.27 | 2.26 | 2.26 | 2.25 | 25.11 | 25.08 | | |
| b | Large and Retail Trade | 22.50 | 22.55 | 22.64 | 22.77 | 22.93 | | | | |
| 8 | Transportation and Warehousing | 14.82 | 14.90 | 14.88 | 15.13 | 15.48 | 15.85 | 16.13 | 15,31 | |
| a | Rail Freight | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 15.85 | 16.13 | | |
| b | Land Transport | 13.40 | 13.45 | 13.39 | 13.60 | 13.95 | | | | |
| c | Sea Transport | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | |
| d | River, Lake and Crossing Transports | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | |
| e | Air Freight | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | |
| f | Warehousing and Transportation Services; Post and Courier | 1.42 | 1.45 | 1.49 | 1.53 | 1.53 | | | | |
| 9 | Provision of accommodation, food and beverage | 2.03 | 1.95 | 1.90 | 1.90 | 1.91 | 1.93 | 1.96 | 1,94 | |
| 1 | Provision of Accommodation | 0.11 | 0.10 | 0.10 | 0.10 | 0.10 | 1.93 | 1.96 | | |
| 2 | Provision of food and beverage | 1.92 | 1.85 | 1.80 | 1.80 | 1.81 | | | | |
| 10 | Information and Communication | 6.42 | 6.49 | 6.86 | 6.90 | 7.12 | 7.36 | 7.56 | 6,96 | 4 |
| 11 | Financial Services and Insurance | 4.34 | 4.35 | 4.42 | 4.37 | 4.35 | 4.37 | 4.43 | 4,37 | |
| 12 | Real Estate | 2.85 | 2.75 | 2.71 | 2.69 | 2.67 | 2.62 | 2.56 | 2,69 | |
| 13 | Company Services | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0,0 | |

| | | | | | | | | | | |
|----|---|--------|--------|--------|--------|--------|--------|--------|-----|---|
| | | | | | | | | | 2 | |
| 14 | GovernmentAdministration, Defense, Social Security | 9.91 | 10.16 | 9.65 | 9.24 | 8.89 | 8.66 | 8.43 | 9,4 | 3 |
| 15 | Educational Services | 4.49 | 4.52 | 4.66 | 4.73 | 4.71 | 4.77 | 4.81 | 4,6 | |
| 16 | Health Services and Social Activities | 1.37 | 1.39 | 1.43 | 1.44 | 1.46 | 1.48 | 1.45 | 1,4 | |
| 17 | Other Services | 2.74 | 2.75 | 2.73 | 2.72 | 2.71 | 2.73 | 2.75 | 2,7 | |
| | GRDP | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | | |

Source: BPS, data is processed. Note: Avg = Average; Rank = Ranking

Processing industry to GRDP of Solok City is still smaller than the 5 largest, only average (6.04%) during the period of 2010-2017. The implications of the figures in Table 1 indicate that industrial activity is generally undeveloped, and only two service industries tend to grow faster like Car and Motor Repair followed by Information and Communication. As explained in the introduction above that in terms of geographical position, Solok City is located in a strategic location because the city is in the crossing line of trading activities and services in the island of Sumatra. In addition, the economy of Solok City is also supported by its neighboring regions which have big potentiality in term of producing commodities such as agricultural commodities, plantations, fisheries, forestry, including mining and quarrying, and so on. Therefore, trade and services activities, processing industries must be an important part of the economic activities of Solok City. Since industrial sector is relatively slow in its development, therefore, Solok City has not yet fully functioned as a City as expected either by INUSDP or by the theoretical concept of urban development purpose.

The Implication the Magnitude Value of LQs within the Period of 2012 - 2015

Location Quotient (LQs) is a useful way to quantify the concentration of a development sector, a business field in a particular regional economy. If the values of the LQ (LQs) of a sector or business field within a certain period of time is greater than one ($LQs > 1$) then the sector is a basis sector and can also mean that the sector or business field is potentially to be developed in the area and has a better market opportunity compared to other sectors or business fields in the region concerned. On the other hand, if the LQs value of a sector or business field is less than one ($LQs < 1$) indicates that the sector or business field has a smaller concentration ratio in formation of GRDP if it is compared with other sectors or business fields. The implication of ($LQs < 1$) is to indicate that the sector or business field concerned is not profitable if used as the basis of economic development. Similarly, if products produced from this sector or business field, it would also be less profitable if used as a basis product for the creation and development of SMTEs in Solok City for example. Commodities produced in sectors or business fields of LQs less than one if used as a basis product for SMTEs will inevitably require a relatively large investment. The underdeveloped regions are areas where the economy is still dominated by a few sectors, which are largely related to economic activities in the primer sector. There are several important reasons why it is important to know the economic sector basis of a region, among others, are: (i) products generated from the basis sector are profitable if traded or processed so as to generate income for the region of origin; (ii) will be more efficient and productive if the Regional Development Budget Plan (RDBP) focuses more on its use to encourage the acceleration of the development of the basis sector; (iii) the multiplication impact on revenue flows from and outside the region, resulting in increased consumption and investment in regions, and in turn will encourage the growth of basis sector of economic activities, raising new incomes and employment opportunities for communities; (iv) increase in demand for the basis sector will have a positive impact on the increase in demand for products produced by other sectors or non-basis sectors. In short the economic growth of an urban area can be

created if the number of demand continues to increase both because it is caused by changes in consumption patterns of society and caused by the increase in income as a result of increasing investment in the basis sector or business field area concerned.

The Implication the Magnitude Value of Solok City LQs (2012-2015).

Table 2 contains of the average value of LQs during the period of (2012-2015). The LQs of Solok City by business field of development compared with the surrounding areas. i.e.: Padang City, Sijunjung Regency, Solok Regency and South Solok Regency. By analyzing the magnitude values of LQs by business field of economy of Solok City and surrounding area, there are two essential implications that can be used to explain the economic characteristics of Solok City and its area of influence. The important questions are (i) which business field tends to become the economic base of Solok City and which has a more favorable and prospective to be developed; (ii) what products or lines of business might serve as a base of SMTEs creation and development in Solok City; (iii) which economic sectors or business fields in the surrounding area of Solok City (Padang City, Solok Regency, Sijunjung Regency and South Solok Regency) is or are more potential which can supply raw materials as the production input for SMTEs in Solok City.

Table2. LQsin Average of Solok City and Its Influence Areas (2012 - 2015)

| | Business Field (Sectoral Activities of Development) | LQs | | | | |
|----|--|--------------------|--------------------------|-------------------|----------------------|----------------------------|
| | | Padang City | Sijunjung Regency | Solok City | Solok Regency | South Solok Regency |
| 1 | Agriculture, forestry, fisheries | 0,199549 | 1,294751 | 0,262379 | 1,643303 | 1,368967 |
| 2 | Mining and Excavation | 0,664067 | 3,400191 | 0,153145 | 1,278754 | 1,811218 |
| 3 | Processing Industry | 1,447889 | 0,306023 | 0,531497 | 0,512542 | 0,537017 |
| 4 | Procurement of Electricity and Gas | 1,097136 | 0,348174 | 0,530855 | 0,241040 | 0,216834 |
| 5 | Water Supply, Waste Management, Waste Recycling | 1,627647 | 0,416752 | 2,052212 | 0,594287 | 0,500200 |
| 6 | Construction, Wholesale and Retail Trade | 1,074460 | 1,369346 | 1,463680 | 0,915200 | 1,278370 |
| 7 | Car and Motorcycle Repair | 1,132876 | 0,757980 | 1,631417 | 0,663295 | 1,200735 |
| 8 | Transportation and Warehousing | 1,426382 | 0,642763 | 1,389611 | 0,978176 | 0,531302 |
| 9 | Provision of accommodation, food and beverage | 1,036642 | 0,622963 | 1,931812 | 0,702872 | 0,691087 |
| 10 | Information and Communication | 1,301511 | 0,567343 | 1,148049 | 0,968491 | 0,754210 |
| 11 | Financial Services and Insurance | 1,707629 | 0,803027 | 1,451469 | 0,588060 | 0,739229 |
| 12 | Real Estate | 1,606663 | 0,646182 | 1,369629 | 0,409510 | 0,417868 |
| 13 | Company Services | 3,419040 | 0,043490 | 0,038858 | 0,156969 | 0,033319 |
| 14 | Government Administrations, Defense, Social Security | 1,090735 | 0,824856 | 1,572071 | 0,951360 | 0,778730 |
| 15 | Educational Services | 1,241024 | 1,049012 | 1,370412 | 0,789879 | 0,574124 |
| 16 | Health Services and Social Activities | 1,127928 | 1,232814 | 1,125768 | 0,930479 | 0,842555 |
| 17 | Other Services | 1,302309 | 0,935446 | 1,780200 | 0,586721 | 0,672855 |

Source : BPS of Solok City (data processed)

From the average value of LQs in Table 2 can be explained some indications about business field potency in Solok City and surrounding area as follows:

1. The economy of Solok City in the period 2012-2015 is dominated by economic activities in the field of "TERTIER ECONOMY", especially in activity of trade and services. This condition is indicated by the

value of $LQs > 1$ for most tertiary business field except for business field of Company Service which has its $LQs < 1$. The business fields in question where its ($LQs > 1$) are: Water Supply, Waste Management, Waste Recycling, Construction, Wholesale and Retail Trade, Car and Motorcycle Repair, Transportation and Warehousing, Provision of accommodation, food and beverage, Information and Communications, Financial Services and Insurance, Real Estate, Government Administration, Defense and Social Security, Educational Services, Health Services and Social Activities; Other Services. There are five business fields which have $LQs < 1$, i.e.: Agriculture-Forestry and Fisheries; Mining and Excavation; Processing industry; Procurement of Electricity and Gas, Company Services.

2. While in the SECONDARY ECONOMY, it turns out until 2015, is still quite weak, this is reflected by the LQs value of the business field in the "Processing Industry" is smaller than one ($LQs < 1$), as well as the business field in the Company Services also its $LQs < 1$. What is interesting and needs to be considered in the future development policy is that the sector of Industrial Processing and Procurement of Electricity and Gas, including Company Service ought to be as the main characteristic of an urban economy, but it turns out $LQs < 1$. If this business fields can dominate the economic activities of Solok City, therefore the economy of that City can be said relatively in advanced and growing economy. Although there are quite a number of sectors that have the value of $LQs > 1$ so that it can be said as the base business field which have better opportunity to be developed, but as a city if the business fields in term of Processing Industry and Company Services are still weak, meaning there are indications that the economic condition of Solok City is relatively less dynamic and less influential on the economy of surrounding area. All business fields in the PRIMIER ECONOMY in Solok are obtained its LQs smaller than one ($LQs < 1$), in average is equal with 0.30. It is certainly a natural thing as a city because the main characteristic of a developed city if its economy continues to thrive in the industrial activities rather than non-industrial activities.

The Implication LQs of Solok City in Relation with LQs of Neighboring Regions (2012-2015)

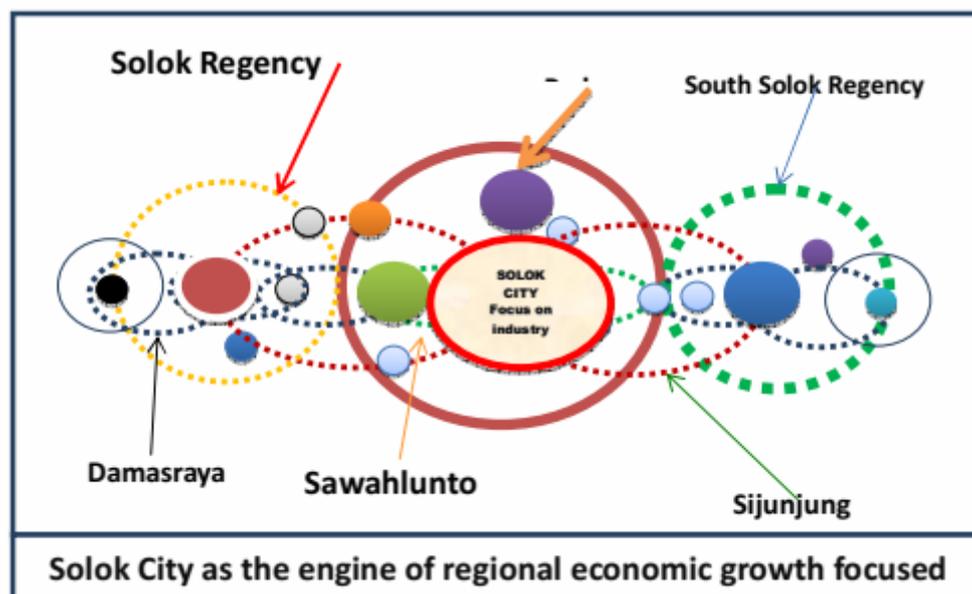


Fig 1. Solok City In Relation to Areas of Influence

When compared with the areas of influence such as Sijunjung Regency, South Solok Regency and Solok Regency, the conditions are contradictory. In those regions, the economy is more concentrated in the PRIMER ECONOMY, such as food crops, plantation crops, livestock, forestry, fisheries, mining and quarrying, etc. Solok City economic development can not be separated from the influence of neighboring areas, including the influence of the capital city of Padang and vice versa. Neighboring areas are requested or not, regulated or not, will automatically give effects to the economic growth of Solok City, and vice versa. From the values of LQs, it can be seen that Sijunjung Regency, South Solok Regency and Solok Regency turns out that the economy is dominated by the activities in the PRIMER ECONOMY. The implication is that the surplus of primary products or commodities in these regions can flow into Solok City as the production input for supporting the secondary economic activities in Solok City. In this case, these commodities can be used as the raw materials for enlargement of SMTEs in Kota Solok. Conceptually speaking, a City like Solok City must be prepared as an engine of regional economic growth. Therefore a city does not necessarily have to develop its economy based on the products or commodities of the premier sector. Commodities from the primary sector in neighboring areas or from other regions may be processed in the Solok City in this case and marketed through the services of firms owned by the residents of Solok City, see Fig 1. Therefore a City should be directed as a center of trade activities, industrial processing and industrial services. This means that the city's economy should be more driven by secondary and tertiary economies.

Analysis of Microeconomic Environments of SMTEs

The tools of research used are questionnaire and Forum Group Discussion (FGD). Target focus of the respondent and participants in FGD are entrepreneur candidates of small and medium entrepreneurs (SMEs). The results of questionnaires and FGDs were analyzed by considering the opinion of respondents and participants in FGD. For those purposes, the analysis must be concerned with 4 target groups: (i) the first one is an Awareness-Nascent person to create self-employed, then followed up by establishing business entities, preparing business operations, and establishing " core business " or products which it serves as a business base for development, such individuals are referred to as start-up entrepreneurs; (ii) the second is a person who has a new business existing or just beginning to operate it for (1-2 years). This is called a new entrepreneur or young entrepreneur (early post-start up enterprise); (iii) the third is a person who has own business which has been developed and has existed relatively long time in the market for more than two years (2-3 years), usually this class of business has been categorized as self-employed and self-sufficient entrepreneur or can fulfill banking requirements if he wants to borrow or ask for working capital loans (bankable enterprises). This is called self-employed (take off enterprise). The development cycle (i-iii) starting from the idea of establishing business to operational and then business development reaching to the period of "take off" must be run in an integrated relationship with each other. This is synonymous with the process sequence in raising a chicken that is started from the egg and then followed by the process of incubating the egg, then incubate the eggs so that give the birth of chicks, grow them into young chickens to become an adult chicken self-sufficient and able to fly freely. Such a process can be illustrated by Fig.2; (iv) the fourth is the Solok City government agency responsible for the establishment and development of SMEs and SMTEs.

Program Supports Required by Candidate and New Entrepreneurs

Results of questionnaires and FGD data processing show that the candidate and new entrepreneurs of SMTEs need several program supports. Those program are classified into six group

namely: (i) detection, promotion, partnership and consultation (DPPC); (ii) business establishment, mentoring, access creation and training (BMAT); (iii) accommodation, offices and logistics (AOL); (iv) evaluation, idea creation, innovation and seed capital (ECIS); (v) animation, stimulation of business activities (ASBA); (vi) access development of information and product technology transfer (AITT). Those 6 (Six) program supports according to the most of respondents can be used as a driving force to accelerate the birth of new entrepreneurs and the development of entrepreneur capacities of SMTEs in the City of Solok. How important of each those programs from point of view as the candidate and new entrepreneur, can be read in Fig. 2 and 3. In average it can be said that almost of students (53%) in the final year of Vocational High School revealed the importance of six program supports for encouraging the acceleration of growth of new entrepreneurs in Solok City (see, Fig.2 and 3). Then almost of students (49%) in the last year of his or her study in college or university said that it is necessary those six supporting programs for pushing the acceleration the growth of new entrepreneurs in economy of Solok City. For the purpose of efficiency and highly productivity rate therefore those six groups of programs (DPPC, BMAT, AOL, ECIS, ASBA, AITT) should be run in an integrated system between one and another. Moreover, as expressed by most of SME entrepreneurs who have (2-3 years) experience as business actors, almost 48% of them stated how important those six group of the program supports in accelerating the birth and the growth of new entrepreneurs (Fig.2). However, the related agencies within the Local Government of Solok City realized that those program supports required, are very important and making easier in process of creation and growing SMTEs in Solok City. Unfortunately, according to them those program supports just around 25% are already available in Solok City. It indicates that there was lack of supply the program supports available around 75%, it is quite big in values. They consider in this case that the agencies of local government Solok City should take the responsibility on it and put those six program supports be a priority program in Solok City development policy (see, Fig 3).

Program Supports Required by Entrepreneurs 2-3 Years of experience in business

From the results of the questionnaire show that those who are classified as developed entrepreneurs who have already existed for 2-3 years in business activities can be concluded that they also still need helps, although not 100 percent, but still need program supports provided by the Government of Solok City. The results of study indicate that there are eight (8) groups of Program Supports which are required by them, considered as an important help in order to stimulate and to accelerate the birth and the growth of entrepreneurs of SMTEs. Those programs are consisted of the following program supports, i.e.: (i) increasing the quality of Human Resources; (ii) developing innovation and improving Product Quality; (iii) creating and developing Network Marketing; (iv) accessing Non-Regional Revenue and Expenditure Budget (Non-RREB) financing sources; (v) selecting and establishing the legality of the business; (vi) increasing the availability of supporting facilities for the acceleration of business progress; (vii) carrying capacity of the RREB to foster a socioeconomic economy and SMTEs creation and development; (viii) increasing SMTEs business competitiveness both at regional and national level up to the international market.

How important of each of those programs supports from point of view as the entrepreneurs who have developed and already exist (2-3 years) in business, can be also called as a take-off enterprise. The Fig 4 and Fig 5 are two kinds of graphic which provide the different implication of research results. The results of the questionnaire show that almost respondents who answer the questions, affirm the importance of the legality aspect of a business (74%), then the program supports in term of the availability of supporting facilities for growing and developing SMTEs are considered by 73% of

respondents as a very important program supports. The program supports related to the promotion of business competitiveness are considered by 72% of respondents so important as well, then the program supports for development of marketing system are considered important by 69% of respondents, the development of Human Resources Skill and their technical know-how are considered by 69% of respondents as a very important program supports to create and to stimulate the development of SMTEs, while improvement of Regional Revenue and Expenditure Budget role in creating and developing the program supports for creation and development of SMTEs is considered by 59% of respondents as a very important program. In case of product development or product innovation, around 55% of respondents said as an extraordinarily importance. And in term of program supports related to finance assistance, about 53% of respondents are considered as a very important program, especially to help start-up enterprises. The eight programs supports mentioned, according to the most of respondents and participant of FGD are important and very important, are in the weight categories B and C, note Fig 4. However, the all of respondents and participant in several FGD conducted also observe that those eight program supports required are not yet an adequate amount in Solok City. Those eight program supports are not much in progress till the year of 2017, especially to support the realization of creation and development of SMTEs in Solok City. The availability of those eight program supports are still mostly in the category of 0-20%, meaning that it is far below from 50%, notice Fig 5. The implication is that there are still many aspects needed to be created and improved in relation to the eight programsupports for acceleration of development process of SMTEs in Solok City. If compared between the graphic posture in Fig 4 and 5, seen the graphic posture in Fig 4 tend in position on the right sidebut the graphic posture in Fig 5 tend in position of left side. This condition implies that in one side the eight program supports are considered by most of respondents and participants of FGD as the important and very important programs, however the availability of program supports are still far from requirements.

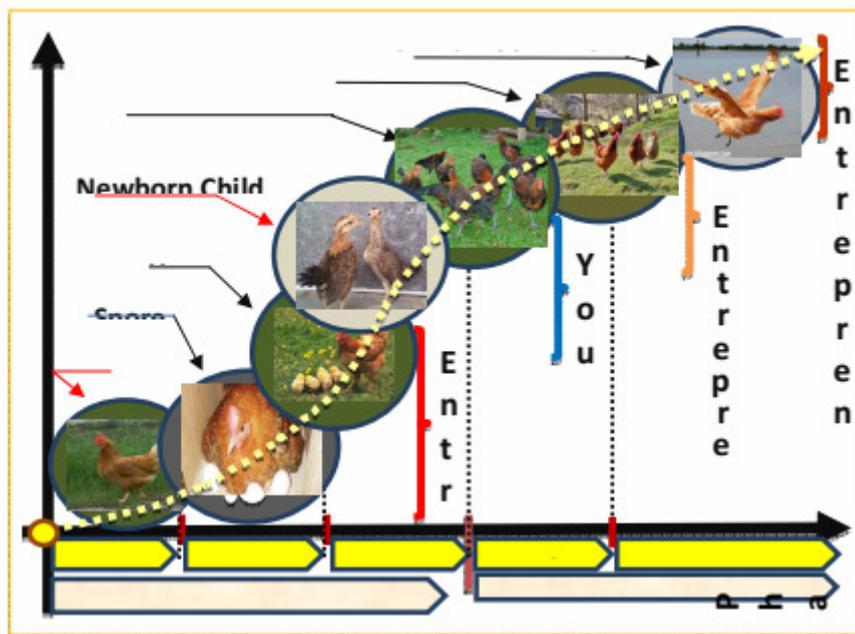


Fig 2. Illustration of The Development Process of Entrepreneurship

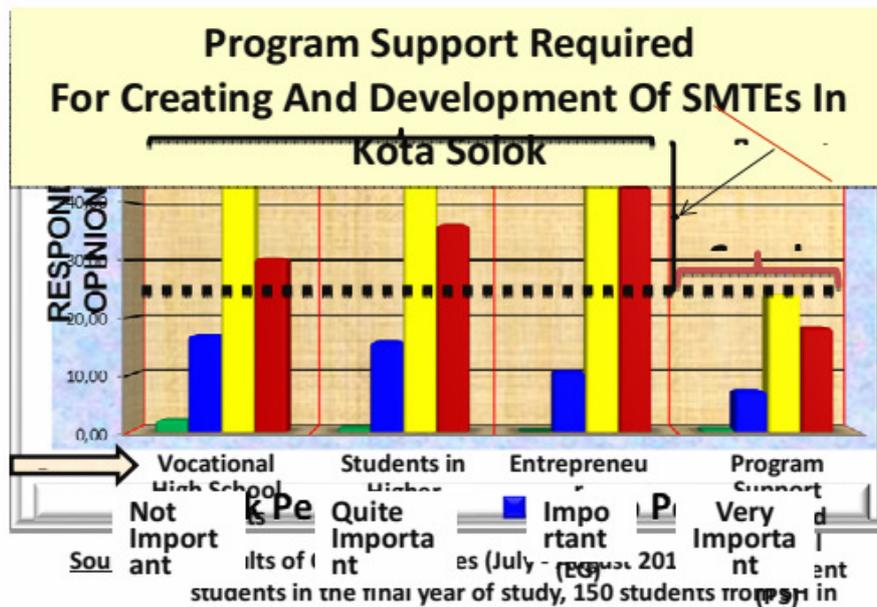


Fig 3. Respondent's Opinion on Program Supports and Solok City Government Readiness¹

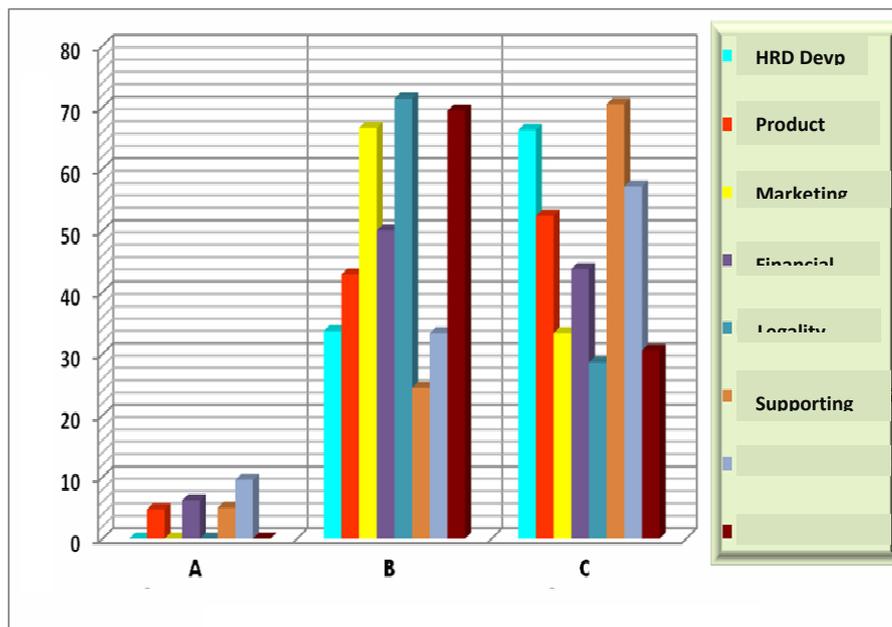


Fig4. Program Support Needed in Business Development for Entrepreneurs (2-3 Years) Running Business in Solok City, 2017

¹ Source: Results of Questionnaires (July - August 2017) of 63 VS students in the final year of study, 150 students from SH in the last year of study, 50 students from EG in the final year of study, and 20 PS (Local Government Institutions responsible for the establishment and business development) in Kota Solok

Notes: Six Program Supports Required: 1=Detection, Promotion, and Consultation; 2= Enterprise Creation; 3= Temporary offices equipped with adequate logistics equipments; 4=Animation; 5=Innovation; 6=Technology Transfer

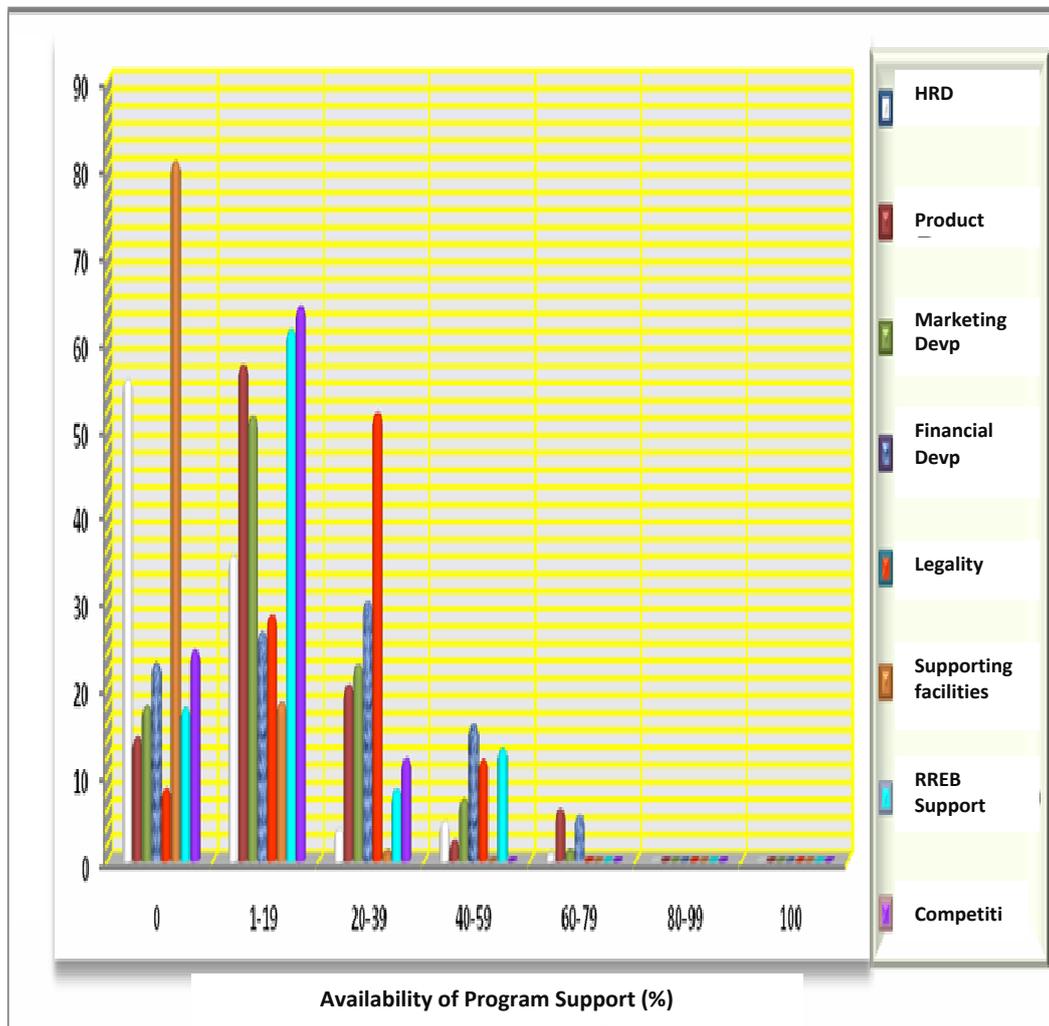


Fig 5. Availability of Program Support in Business Development for Entrepreneurs (2-3 years) Running Business in Solok City, 2017

CONCLUSION

1. City is an area in which its economy dominated by industrial activities, away from the atmosphere of "subsystem economy" that much orientation to the traditional agricultural activity. Hence, the hierarchy of a City in relation to other cities is largely determined by the development of industrial activities and the supporting services.
2. Since the implementation of regional autonomy policy (OTDA) in Indonesia had indicated certain positive impacts on the regional economic development strategy. Some regional leaders have intention to create breakthrough policies to differentiate fascination on their own region in order to make it to be more specific and valuable, interesting and differing from other regions.
3. Although there are quite a number of business fields that have the value of LQs > 1 so that it can be said as the base business field which have better opportunity to be developed, but as a City if the

business fields in term of Processing Industry and Company Services are still weak, meaning there are indications that the economic condition of that City such as Solok City is relatively less dynamic and less influential on the economy of surrounding area. All business fields in the PRIMER ECONOMY in Solok City are obtained its LQs smaller than one (LQs <1), in average is equal with 0.30. It is certainly a natural thing as a City because the main characteristic of a developed City if its economy continues to thrive in the industrial activities rather than non-industrial activities.

4. The SMTEs is intended as a business actor which is considered efficiently and effectively be able to create more value-added of local economic resources and economic resources in areas of influence, this is one of the important strategies as the driving force of Solok City economy. SMTEs are considered be able as the main actor in promoting Solok City as the trade center and service in the central part of Sumatra Island.
5. The problems and constraints of the creation and the development of SMTEs are considered so complex by many practical businessmen, hence it requires a significant ability and skill beside of a high individual motivation, and it must also be supported by a conducive and effective operational infrastructure and system. However, as experiences in many developed countries indicated so costly and risky if creation and development of SMTEs, organized without existence of a special “programs supports” or “institutional actor of technology transfer” which provide consultant and advisor working team, consisted of all experts and practitioner owning different skill, and capacity but each other work are synergetic to one another on the “learning by doing basis”.
6. There are six (6) main program supports according to the most of respondents can be used as a driving force to accelerate the birth of new entrepreneurs and the development of entrepreneur capacities to create and to develop SMTEs in the Solok City. Those program are classified into six group namely: (i) detection, promotion, partnership and consultation (DPPC); (ii) business establishment, mentoring, access creation and training (BMAT); (iii) accommodation, offices and logistics (AOL); (iv) evaluation, idea creation, innovation and seed capital (ECIS); (v) animation, stimulation of business activities (ASBA); (vi) access development of information and product technology transfer (AITT).
7. Those who are classified as developed entrepreneurs who have already existed for 2-3 years in business activities can be concluded that they also need helps in term of program supports provided by the Government of Solok City. There are eight (8) groups of Program Supports which are required by them, considered as an important help in order to stimulate and to accelerate the growth of entrepreneurs and their skills, technical know-how to create and to develop SMTEs. Those programs supports are: (i) increasing the quality of Human Resources; (ii) developing innovation and improving Product Quality; (iii) creating and developing Network Marketing; (iv) accessing Non-Regional Revenue and Expenditure Budget (Non-RREB) financing sources; (v) selecting and establishing the legality of the business; (vi) increasing the availability of supporting facilities for the acceleration of business progress; (vii) carrying capacity of the RREB to foster a socioeconomic economy and SMTEs creation and development; (viii) increasing SMTEs business competitiveness both at regional and national level up to the international market.[]

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