EFFORTS TO IMPROVE ECONOMIC SKILLS TO IMPROVE WORKFORCE COMPETENCE IN THE MSME SECTOR OF MALANG DISTRICT

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ABSTRACT

The COVID-19 pandemic that has hit Indonesia since March 2020 is estimated to be a factor that directly or indirectly has an impact on increasing the unemployment rate. One step to improve the quality of the workforce and reduce unemployment is to focus on the Micro, Small, and Medium Enterprises (MSME) sector, which has a crucial role in the Indonesian economy. In Jabung Village, several obstacles MSMEs face include capital, financial management, production, and marketing. Capital is the main problem in Jabung Village, caused by a lack of education and minimal information received by MSME players. To overcome this challenge, it is essential to carry out community service activities through outreach and mentoring. The method applied in this activity is the PAR (Participatory Action Research) method, with the PAR paradigm describing the process in which the community attempts to understand problems scientifically to guide, improve, and evaluate their decisions and actions. The results of this service activity show that the participants were able to improve the condition of their MSMEs from an economic aspect. With the knowledge and guidance provided, participants can improve their businesses. The hope is that this service activity can improve the quality of the workforce in the MSME sector by increasing the knowledge gained by MSME players.

Keywords: **Economic Skills, Labor, MSMEs**

INTRODUCTION

A number of changes in people's lives occurred as a result of the Covid-19 pandemic. Not only does it have a direct effect on population health, but there are also socio-economic impacts resulting from this shock. China, as the origin of the Covid-19 outbreak, recorded a decline of 6.8% in Gross Domestic Product (GDP) in the first quarter of 2020 (Suryahadi et al., 2020). Several macroeconomic parameters in Indonesia also recorded worsening. According to the Central Statistics Agency (BPS), the Indonesian economy in the third quarter of 2022, based on GDP at current prices, reached IDR 5,091.2 trillion or at constant 2010 prices reached IDR 2,976.8 trillion. Spatially, there was an economic increase in all Indonesian provinces in the third quarter of 2022, with the group of provinces on the island of Java being the main contributor, contributing 56.30%, and economic growth of 5.76% (y-on-y) (BPS, 2022).

The Covid-19 pandemic that has hit Indonesia since March 2020 is thought to be one of the causes of increasing unemployment rates, both directly and indirectly (Fahrika & Roy, 2020). Although this estimate requires more in-depth study, including the process of how this impact causes an increase in open unemployment, the areas affected, and the sectors affected. Of course, other factors and regional and societal contexts also play a role in the dynamics of this process, and these also need to be taken into account. Data regarding the working age population in Indonesia in the 2016-2020 period can be found in Table 1.

Table 1. Working Age Population in Indonesia According to Activities 2016-2020

Activity	2016	2017	2018	2019	2020
Workforce	125.443.748	128.062.746	133.355.571	135.859.695	138.221.938
Work	118.411.973	121.022.423	126.282.186	128.755.271	128.454.184
unemployment	7.031.775	7.040.323	7.073.385	1.104.424	9.767.754
Working Age Population	189.096.722	192.079.416	198.126.553	201.185.014	203.972.460
TPAK (%)	66.34	66.67	67.31	67.53	67.77
TPT (%)	5.61	5.50	5.30	5.23	7.07

Source: BPS, 2022

In 2016, the number of people categorized as openly unemployed reached around 7,031,775 individuals. Every year until 2019, the number of open unemployed continues to increase, although at a relatively slow growth rate, finally reaching a total of 7,104,424 people in 2019. This increase looks quite small when viewed from a percentage, with the percentage of open unemployed around 5.61 % in 2016 which then decreased to 5.50% in 2017, 5.30% in 2018, and 5.2% in 2019. However, in 2020, individuals classified as openly unemployed experienced a significant increase , reached around 9,767,754 people or 7.07%, showing a quite drastic increase. The change in the open unemployment rate during the 2016-2019 period was around 0.38%, or around 72,649 people, with an average growth of 0.13% every year (around 24,216 people per year). This change is very different from the change from 2019 to 2020, where there was an increase of 1.84% (around 2,663,330 people) (BPS, 2022).

The Micro, Small and Medium Enterprises (MSME) sector has a very important role in the structure of the Indonesian economy. Its nature of not being too dependent on foreign currency, especially the United States, makes the MSME sector a driving force for the Indonesian economy (Ermaya & Fahria, 2019). Experience during the 1998 economic crisis showed that the MSME sector was able to survive amidst these economic difficulties (Sarwono, 2015). The significant participation of the MSME sector in the national economy encourages the government to focus further on empowering and developing this sector through the Ministry of Cooperatives and Small and Medium Enterprises. These steps involve various programs, such as entrepreneurship training, facilitation of certification and standardization of MSME products, assistance in people's business credit, facilitation of notarial deeds for micro businesses, provision of micro and small business permits, holding special promotions and exhibitions for MSMEs, development of partnerships and investment cooperation for MSMEs, as well as assistance in land rights certification for MSMEs (Coordinating Ministry for the Economy, 2022).

According to records from the Ministry of Cooperatives and Small and Medium Enterprises (KUKM), in 2019, the workforce associated with Micro, Small and Medium Enterprises (MSMEs) reached 119.6 million people. This figure shows an increase of 2.21% compared to the previous year which reached 117 million people. This number is equivalent to 96.92% of the total workforce in Indonesia, while the remaining 3.08% comes from large businesses. In detail, the workforce in micro businesses reached 109.8 million people or around 89%, while 5.93 million people or 4.81% of the workforce came from small businesses. Meanwhile, 3.79 million workers come from medium-sized businesses, which accounts for around 3.07% of the total workforce in Indonesia. Meanwhile, the total number of MSMEs in Indonesia reached 65.47 million units, which is equivalent to 99.99% of the total business units in Indonesia. The contribution of MSMEs to Gross Domestic Product (GDP) at current prices reached 60.51%, while to GDP at constant prices, the contribution of MSMEs reached 57.14% (Ministry of KUKM, 2021).

Even though it is the backbone of the national economy, the Micro, Small and Medium Enterprises (MSME) sector is not free from a number of problems (Singgih, 2020). Several obstacles or obstacles faced by MSMEs in their business development efforts have been identified. One of them is the difficulty in getting access to financing from banking institutions (Syamsulbahri, 2018). This challenge arises due to the lack of implementation of an effective financial administration system in managing MSMEs. Apart from that, business management methods that are still manual and traditional are also an obstacle (Ulfa & Sari, 2022). MSME owners are often unable to differentiate between operational money for household needs and money used for business needs. Technical obstacles like this make MSME owners pay less attention to long-term strategic goals and plans for their business (Halim, 2020).

The role of Micro, Small and Medium Enterprises (MSMEs) is very vital in supporting the economy of Malang Regency. As of July 2020, the number of MSMEs in

Malang Regency reached 425,561 businesses. In the same year, the Regent of Malang, Sanusi, highlighted that the growth in the number of cooperatives and MSMEs must be accompanied by an increase in their quality. This can be realized by strengthening the capacity of Human Resources (HR) in the cooperative sector by providing good managerial skills. One strategy and effort to strengthen the cooperative and micro business sector is through training (Rizal et al., 2021). In Jabung Village, which is located in Malang Regency, the majority of the population still depends on the MSME sector as a source of livelihood. According to Dicky, the group leader in the village, knowledge about MSME development still needs to be improved. Business development through economic literacy is one way to ensure that MSME actors (partners) can manage their businesses efficiently, productively and independently. This is considered to be the main problem for MSME players in Malang Regency, so that due to lack of knowledge, productivity in the MSME sector is also less than optimal.

Some of the problems faced by Micro, Small and Medium Enterprises (MSMEs) in Jabung Village include capital, financial management, production and marketing. Capital is one of the main obstacles faced by MSMEs in Jabung Village, because according to them, the availability of capital will automatically have a positive impact on solving other problems. In general, micro entrepreneurs often face difficulties regarding the capital needed to develop their business. Although many of them have the ability to manage their business, lack of capital can be an obstacle to developing the business further. This problem shows that capital is the main factor that influences the direction of business development. As is known, capital has two main functions, namely according to Bustan (2017):

Capital has a crucial role in supporting production and sales activities by filling the time gap between expenditure on purchasing necessary materials and services and income from sales. Capital also helps cover fixed expenses and costs that are not directly related to production and sales. In other words, capital becomes a bridge that allows a company or business to operate smoothly. It is clear that capital is very necessary for the development of a company, and without adequate capital, a company or business cannot operate effectively. Capital not only supports operational sustainability, but also enables companies to overcome challenges, develop innovation, and respond to market changes. Therefore, it is important for business actors, especially MSMEs, to understand the crucial role of capital in supporting the growth and sustainability of their businesses.

Therefore, an active role is needed from various parties to support the recovery and development of the Micro, Small and Medium Enterprises (MSME) sector in Jabung

Village, Malang Regency. One approach that can be taken is to provide knowledge and increase capabilities through economic training for every MSME actor. Many entrepreneurs in Jabung Village, Malang Regency, face obstacles in economic literacy to develop their businesses. Many of them complain about their lack of information or understanding about business management, which is caused by limited educational background and lack of access to information. In this context, it is important to carry out community service activities through material outreach and mentoring. This mentoring activity aims to provide a strong foundation for every MSME actor in developing their business and help deal with various problems that arise. The aim is to achieve increased efficiency in business management, understanding economic policies and regulations, which in turn will encourage innovation among MSME players.

METHOD

The method applied in this activity is the Participatory Action Research (PAR) method, with the PAR paradigm which is a process in which the community seeks to study problems scientifically with the aim of guiding, improving and evaluating their decisions and actions (Chevalier & Daniel J. Buckles , 2013). PAR theory includes a cycle that is used as a benchmark for the success of an empowerment-based community service process. This cycle is known as KUPAR (to Know, to Understand, to Plan, to Action, and to Reflection) (Afandi, 2013).

The number of respondents involved in this research was 15 respondents. The method used to determine respondents is the Cluster Random Sampling method, namely sampling is carried out based on certain groups or areas (Sugiyono, 2018). In this context, the focus group or area is the Malang Regency area, especially Jabung Village, with an emphasis on three MSME sectors, namely culinary, fashion and business (TNP2K, 2021). Each sector is represented by 5 MSMEs. This service program will be implemented in March 2023. By using the Cluster Random Sampling method, it is hoped that the research results will reflect a balanced and representative representation of various MSME sectors in Jabung Village, Malang Regency.

RESULTS AND DISCUSSION

Jabung District is one of the sub-districts located in Malang Regency, East Java Province. Astronomically, the location of Jabung District is at coordinates 112°43'78″ – 112°49'24″ East Longitude and 7°59'67″ – 7°54'48″ South Latitude. The altitude in Jabung District ranges from 450 to 700 meters above sea level. The area of Jabung District reaches 13,568.55 hectares or around 4.56% of the total area of Malang Regency (Jabung in Figures, 2022). Jabung Village, as part of this sub-district, has experienced a significant increase in population density, which of course has an impact on increasing labor potential (TNP2K, 2021). The implementation of this service aims to support efforts to develop Micro, Small and Medium Enterprises (MSMEs) in Jabung Village, Malang Regency, as well as helping guide MSME actors so they can understand economic concepts. The main goal is to make a positive contribution to the economic development of local communities and direct MSME actors towards a better understanding of economic concepts.

Planning

The initial stages in implementing this service began with observation and discussion of activities with the hamlet head, heads of Micro, Small and Medium Enterprises (MSMEs), and the community of Jabung Village, Malang Regency. Previously, the service team visited the hamlet head to discuss problems related to economic literacy activities with the aim of improving the quality of the workforce in the MSME sector in Malang Regency. The discussion activity at the village head's office was attended by the village head, village secretary, head of MSMEs, and several MSME representatives. The results of the discussion showed that the needs of MSMEs regarding economic literacy were very high, as seen from the requests from MSME representatives who wanted to deliver more than one material, as well as wanting assistance to achieve certain targets. One day of observations and discussions with the hamlet head, MSME head, and the community of Jabung Village, Malang Regency, concluded that the village head, village secretary, MSME head, and MSME representatives agreed with the service agenda organized by the service team. Some of the economic literacy material that will be presented includes creating transaction systems, creating financial reports, credit capital (proposals), and digital marketing literacy. This meeting also found that this service activity was approved and considered relevant by the relevant parties.

Action

Community service activities began with a speech from the Head of Jabung Village, attended by the Village Secretary and other village officials. In the initial stage of implementing the socialization, Micro, Small and Medium Enterprises (MSME) groups were formed in accordance with the three existing fields, namely the culinary field, the fashion field and the business field, each consisting of five people. The aim of forming this group is to enable each participant to communicate more deeply about the products they are developing and have the same vision and mission. After the participants were divided into each MSME sector, the service team began socializing economic literacy. The presentation was started by Mohammad Rizal SE. ME with material about transaction systems, financial reports and credit capital. Material regarding digital marketing was then delivered by Arini Fitria Mustapita SE. M.E. The socialization of the material went smoothly for 120 minutes, and could be considered a success considering the high enthusiasm of the participants as seen from the many questions and in-depth discussions regarding economic literacy aimed at improving the quality of the workforce in the MSME sector. Details of socialization can be seen in Figure 2.

Figure 2 Material Socialization and Mentoring

Assistance activities for Micro, Small and Medium Enterprises (MSME) workers in Jabung Village, Malang Regency, are focused on preparing financial reports for each MSME and preparing proposals for applying for credit capital. Mentoring was carried out after the delivery of the socialization material, because participants showed high enthusiasm and wanted direct assistance from the service team. This activity aims to provide a strong foundation for each MSME in developing its business, as well as helping to deal with various problems that may arise for each MSME. This assistance is designed to provide practical guidance and concrete solutions related to preparing financial reports and preparing credit capital proposals. By involving the service team, it is hoped that MSMEs can better understand and apply the economic literacy concepts that have been conveyed in socialization activities. This assistance not only aims to increase knowledge, but also to support practical implementation so that MSMEs can manage their businesses more effectively.

Observation

The next stage is observation, which aims to observe and analyze the success of the participants. This activity was carried out to measure the effectiveness of the entire training program. The success indicators of this activity are determined based on a significant increase from before mentoring to after mentoring (Makhfirah, 2016). In this mentoring activity, participants are expected to be able to understand economic literacy material and be able to apply these concepts in their daily lives better after participating in the mentoring program. In this observation, it will also be evaluated to what extent participants can develop new skills and competencies relevant to economic literacy. This evaluation will help determine whether the training program is successful in achieving its goals and providing significant benefits to participants. The results of this evaluation can also be used to improve future training programs so that they are more effective in providing a positive impact on participants.

At the final stage of service, an evaluation was carried out using a simple questionnaire to the participants regarding economic literacy and mentoring. This evaluation is also carried out before the mentoring begins. aspects of understanding economic literacy have experienced a very significant increase and are relatively very good. The percentage of understanding of economic literacy includes transaction systems reaching 80%, financial reports 70%, credit capital 75%, and digital marketing 85%. However, in the assessment related to improving skills, making transaction systems reached 70%, making financial reports 60%, and making credit proposals 55%. Even though there has been improvement, there are differences in the level of improvement between certain aspects. This evaluation provides an illustration that the training and mentoring program has had a positive impact, increasing participants' understanding of economic literacy, and increasing skills in certain aspects, such as creating transaction systems, financial reports, and credit application proposals.

Reflection

At the end of the activity, an open discussion session was held to discuss responses to the presentation of the material. In this session, several follow-up questions regarding economic literacy were asked, and the participants also provided suggestions and criticism for improvement and sustainability of this mentoring activity. Open discussion sessions are very valuable moments to get direct feedback from participants. Follow-up questions and responses from participants can provide additional insight and assist the service team in understanding needs and areas of improvement that may be needed in the future. Suggestions and criticism submitted by participants can also be a basis for improving the quality and effectiveness of similar activities in the future. Open discussions promote active participation of participants and strengthen collaboration between the service team and the community

CONCLUSION

Economic literacy activities aimed at improving the quality of the workforce in the MSME sector in Malang Regency must be integrated into sustainable activities. The socialization and assistance that has been carried out provide positive contributions and opportunities to improve the performance of MSMEs. Lack of economic knowledge has caused confusion in managing business finances for the participants. Before carrying out the activity, a questionnaire was administered as a form of economic literacy mapping to support the preparation of material and activity plans. Participants are given systematic planning, starting from disseminating material to assistance in making transaction books, financial reports and proposals. The results of the questionnaire showed a significant increase before and after socialization and mentoring. Direct practical experience also helps participants realize the shortcomings in their MSME economic system.

It is hoped that this economic literacy material can help participants to improve the economic conditions of their MSMEs. With the material and assistance provided, it is hoped that participants can improve their businesses. The hope of this service is to improve the quality of the workforce in the MSME sector, because participants gain broader knowledge. Follow-up steps in service related to developing economic literacy and improving the quality of the workforce in the MSME sector in Malang Regency could include increasing training and education programs, collaboration with educational institutions and industry players, as well as establishing an information and consultation center for empowerment and capital. With these steps, it is hoped that the positive impact can be sustainable and make a significant contribution to the development of the MSME sector in the region.

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