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Role of the Local Government and Participation of Micro, Small and Medium Enterprises (UMKM) In the Development of Plastic Craft Industry

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ARTICLE INFO

Keywords:

Role of Local Government, Participation of UMKM, Development of UMKM

Article History:

Received: 19/11/2019

Accepted: 12/02/2020

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ABSTRACT

This study aims to describe the role of local government and the participation of Micro, Small and Medium Enterprises in the development of Plastic Woven Crafts in *Karanggebang Jetis Village, Ponorogo Regency*. The theory used in the formulation of the first problem regarding the role of local government uses the theory of Gede Diva (2009) which divides the role of government in three ways, namely the role of government as a facilitator, the role of government as regulator and the role of government as a catalyst. Second, the participation of *UMKM* actors uses the theory of Cohen and Uphoff in Distanto (2016) into four forms of participation, namely participation in planning, participation in implementation, participation in the utilization of results and finally participation in evaluation. This research uses the descriptive qualitative method. The technique of determining informants using purposive sampling techniques and data collection techniques carried out through interviews, observations, and documentation. The results of this research in the efforts to develop *UMKM Plastic Weaving Crafts in Karanggebang Jetis Village, Ponorogo Regency*, in general, there has been no interference from the government and *UMKM* entrepreneurs. So far, plastic woven crafts are still not developed. To develop *UMKM* especially plastic woven handicrafts located in *Karanggebang Jetis*, it is necessary to have the role of government and participation of *UMKM* actors.

INTRODUCTION

UMKM is a potential effort for economic development in Indonesia so that in its implementation it needs to be optimized and explored again the potentials that exist to increase community economic development. Development can be done with the support of the government in providing the facilities needed to support the implementation and progress of the business being run in order to produce good quality products so that it can compete with the international market. According to data from the

Office of Cooperatives and *UMKM*, the high state foreign exchange revenue from *UMKM* actors reached 88, 45 billion rupiahs in 2017 (www.kompasiana.com accessed on November 10, 2018). The *UMKM* sector received special attention from the government, this was proven by the existence of a special forum for *UMKM* along with cooperatives under the auspices of the Ministry of Cooperatives and *UMKM*.

UMKM gets special attention from the government because the number is always increasing every year. The number of *UMKM*

p-ISSN: 2528-6145, e-ISSN: 2541-3198 Accredited Fifth Grade by Ministry of Research, Technology and Higher Education of The Republic of Indonesia, Decree No: 30/E/KPT/2018

Cite this as: Ardyan Firdausi Mustoffa, Ika Farida Ulfah, and lin Wijayanti. (2020). Role of the Local Government and Participation of Micro, Small and Medium Enterprises (*UMKM*) In the Development of Plastic Craft Industry. *JURNAL AKSI (Akuntansi dan Sistem Informasi)*, 5 (1), 52-58. <http://doi.org/10.32486/aksi.v5i1.427>

units up to 2017 reached 62,922,617 units, divided into 62,106,900 units of Micro Enterprises, 757,090 units of Small Enterprises and 58,627 units of Medium Enterprises, while Large Enterprises amounted to 5,460 units.

The percentage of total *UMKM* units in Indonesia is 99.99%, while Large Enterprises only have 0.01% (www.depkop.go.id accessed on 1 November 2018).

Ponorogo Regency is one of the regencies in East Java that can develop rapidly through the advancement of *UMKM*. The number of *UMKM* in *Ponorogo* Regency as of the end of 2016 was 98,489 *UMKM*, while Large Enterprises were 774 units. The percentage of total *UMKM* units in *Ponorogo* Regency is 99.22%, while Large Enterprises only have a percentage of 0.78% (Central Statistics Agency, 2018). In 2016, seen from the percentage of labor absorption by the *UMKM* sector, it made a significant contribution to overcoming unemployment in the *Ponorogo* Regency Region.

Empowering *UMKM* is a potential step to improve and strengthen the community's economic base because it can provide jobs and can reduce inequality, unemployment and poverty levels. *Ponorogo* Regency has a lot of potentials ranging from processed food and handicraft products that really need to be developed so that it can increase the income and economy of the community. Economic growth in *Ponorogo* Regency is supported by leading economic sectors and creative economies that can be used as the potential for regional development. This is very necessary because the sector can make two contributions, namely, increase community income, the second can increase demand for local industrial production (Taufik, 2000).

One of the craft *UMKM* centers in *Ponorogo* Regency is a handmade woven plastic bag. The existence of this center can raise the product level higher and wider which can lead to an increase in the degree of both economic and social status. Many craftsmen are found in the village of *Karanggebang*, *Jetis* District, *Ponorogo* Regency. This product has been around for decades and has even been worked on for generations, the home industry of plastic woven bags can penetrate the export market. Exports of bags are usually to the United States, Japan, Malaysia, and Korea. *Murtini*, one of the plastic woven bag businessmen, said that the export needs of this bag are quite large with a turnover of hundreds of millions of rupiah per month. The selling price of each unit for the local market ranges from 10,000 to 75,000 Rupiahs. As for the export market, it penetrates 14,000 to 180,000 Rupiahs. In the process of producing woven bags, the craftsmen's abilities and skills are not in

doubt. From the results of the development of the model so far, it turns out that craftsmen are able to produce a variety of bags, with models that are more interesting than the bag models that have been made, namely bags for shopping needs.

The obstacle currently faced is plastic base material. The available stock is not fulfilling if the order increases. However, in one month, he was able to produce 15,000 to 20,000 plastic bags. It is very unfortunate actually if this craft faltered because of its raw materials. Not only are raw materials an obstacle. Employers also have difficulty getting workers. Labor difficulties usually occur during the harvest season. "Usually when the harvest season arrives, workers prefer to work in the fields. On an ordinary day, around 15 to 20 people work as weavers. "The transfer of knowledge and weaving skills is obtained by craftsmen from interpersonal personal communication and independent learning. Giving and guiding one another among community members at the village level is a social entity that illustrates the culture of mutual cooperation and equality of social positions in the community. This phenomenon is social capital in building a populist economy. The journey of productive economic business so far, the craftsmen in a position "entrusted", the craftsmen do not have bargaining positions and the ability to develop independently. The problem is the dependence of raw materials in the form of plastic woven material which is controlled by one of the entrepreneurs which are the only ones in the neighboring village. An important prerequisite for participation in the opening of the government in all its activities so that citizens can easily access it and create trust between the two parties and not cause mutual suspicion between the two parties. Participation needed is participation with proactive action, namely the strong desire of group members to not only participate but always look for ways for the involvement of group members in a community activity. Group members involve themselves and look for opportunities that can enrich social relationships and benefit the group (Inayah, 2012: 43).

Local government is the administration of government affairs by the regional government and the regional people's representative council according to the principle of regional autonomy. There are several roles of government in economic development, for example, the role of local governments in developing *UMKM*. In developing *UMKM* the effective and optimal role of government is realized as a facilitator, regulator, and catalyst (Musa, 2017).

The Government's role is an action taken by the government in order to carry out its obligations as a public servant who has a goal in the welfare of society. The relationship of the role

of the government in this research is an activity carried out by the government as an effort in developing *UMKM*. To be able to overcome the problems faced by *UMKM* related to technology, capital, and market access issues, the role of government is needed.

UMKM still uses traditional techniques in the form of manual production tools. Limitations of technology such as this not only make the total factor productivity and efficiency low in the production process, but the quality of products made is low (Tambunan, 2017). Thus, the conclusion of *UMKM* is a productive economic activity which is an informal business sector and is established by individuals or small groups with the maximum annual sales of 50,000,000,000.00 (fifty billion rupiahs).

Development is an effort made to advance, improve, existing *UMKM* on a regular and gradual basis to become better. The development of Micro, Small and Medium Enterprises can be done through aspects:

1. Increasing access to productive assets, especially capital, in addition to technology, management, and other aspects;
2. Increasing market access, including market information activities, production assistance, and marketing facilities and infrastructure. Especially for small businesses in rural areas, the basic infrastructure that is very helpful is transportation facilities;
3. Training on knowledge and skills needed for business which also needs to be instilled in an entrepreneurial spirit.
4. The institutional economy in a broad sense is the market. Efforts made to strengthen the market are very important, it must be accompanied by controls so that the market process does not go beyond the expected target which in turn will lead to gaps. For this reason, appropriate interventions are needed and are not in conflict with the basic principles in a free economy, but still, guarantee social equity.
5. Business partnerships are an important and strategic pathway and have proven successful for the development of people's economic ventures. In the process of developing *UMKM* the initial step that needs to be taken is to identify the problem, in order to determine the right strategy in the development process. The strategy in this development relates to the methods or methods used to achieve the objectives set effectively and efficiently.

(Tambunan, 2017), mentions that there are two approaches that influence the development of *UMKM*, including:

1. Natural Development Approach;

Economic development, both directly and indirectly, has both positive and negative impacts on the development of *UMKM*. The rate of development of *UMKM* is influenced by the conditions of economic development. All types of businesses both large and small businesses are part of economic development so that all developments are influenced by the conditions of economic development;

2. Theoretical Approach.

The development of the small, medium, to large businesses, can be seen to what extent the development of the business because these developments follow a pattern that can be explained through a theoretical approach. (Tambunan, 2017) divides these theories into two parts, namely:

- a. Classical Theory.

According to the view of this theory in developing countries, the discussion on *UMKM* focuses on *UMKM* that is involved in the manufacturing sector. The first theory that developed was Staley and Morse (1965). Staley and Morse found that there were three conditions that resulted in the development of *UMKM*. These conditions are:

- a) Market;

Market conditions are an important condition in its role in developing *UMKM*. Supporting market conditions for the development of *UMKM* are markets with a variety of products and serving transactions on a small scale.

- b) Production Process

The production process is carried out separately from one work to another. As in work that is simple, as well as work that is complicated and requires precision.

- c) The location of *UMKM* to carry out activities

The location where *UMKM* conduct production activities is an important local condition. There are 2 conditions in which location is an important factor in its role in developing *UMKM*, namely:

- Locations with fairly high transportation costs
- Construction of different production centers for different types of raw materials

Among the three conditions that support and determine the development of *UMKM* is the production process. Parker (1979)

and Anderson (1982) (Tambunan, 2017) stated that there are 3 patterns that can explain the development of *UMKM*, namely:

1. First phase
UMKM is dominated by micro-businesses focusing on industries that produce consumable products, products such as blacksmiths, clothing, food, and beverages. Without involving workers, or only one person as a worker and owner.
2. The second phase
Micro Business began to be abandoned and shifted into small businesses and medium businesses. The resulting product also began to change which was previously a consumption product, slowly becoming an industrial product.
3. The third phase
Big business dominates the economy. *UMKM* began to be replaced by large businesses, and some have developed into large businesses.

The conclusion of the three phases is that one day the number of *UMKM* will continue to decrease because they will be replaced by big businesses, and big businesses dominate the economy.

b. Modern Theory

The modern theory discusses the development of *UMKM*. Special discussions began to emerge which saw that entrepreneurship or *UMKM* were seen as sources and forms of innovation. The discussion emphasized that *UMKM* that carried out an innovation strategy were *UMKM* that would later be able to create a revolutionary product with high economic value so that *UMKM* could survive and develop into large ones.

MATERIALS AND METHODS

The research method used in this study is a qualitative research method with the type of descriptive analysis research. Because in this study provides an overview of the role of the Department of Trade Cooperatives and Micro Enterprises in empowering Plastic Weaving Craftsmen of *Ponorogo* Regency and trying to tell the current problem solving based on data, so he also presents data, analyzes and interprets it. The research was carried out in *Karanggebang* Village, *Jetis* District, *Ponorogo* Regency as the center of Plastic Weaving Craftsmen of

Ponorogo Regency. Furthermore, in the Department of Trade Cooperatives and Micro Enterprises *Ponorogo* Regency with the address *Graha Krida Praja* 7th floor, Jl. *Alon Alon Utara*, *Ponorogo*, *Mangkujayang*, *Ponorogo* District, *Ponorogo* Regency, East Java.

The technique of determining the informant using a purposive sampling technique. While data collection techniques are carried out through interviews, observations, and documentation. The data used in this study are, primary data referred to are the data that the author obtained directly by conducting interviews (interviews) with the Head of the *Ponorogo* Regency Cooperative and Micro Enterprises Trade Office, and a number of Plastic Woven Craftsmen *UMKM* in *Ponorogo* Regency.

Definition of Variable Operations

1. Role of the Government

It is an action taken by the government in order to carry out its obligations as a public servant who aims to prosper the community. This study looks at the role of government from the theory put forward by (Gede Diva, 2009: 15), namely:

- a. The role of the government as a facilitator in the development of *UMKM*, the role of the government must be to provide facilities for *UMKM* Plastic Weaving Crafts such as providing training and funding.
- b. The role of the government as a regulator is to make policies that have an impact on the Plastic Weaving Craft SMEs unit in developing its business.
- c. The role of the government as a catalyst, the government acts as a stimulant to accelerate the development of *UMKM* with measures such as respect for *UMKM*, creative communities for productive, not consumptive, intellectual infrastructure for *UMKM* and capital including revolving capital.

In this study, the intended role of the government is the *Ponorogo* Regency Cooperative and Micro Trade Office.

2. Participation of *UMKM* Actors

Participation is a form of individual participation in a group involved in activity towards the process of implementing decision making. The relationship between participation and this research is the involvement of the Micro, Small and Medium Enterprises entrepreneurs towards the development efforts made by the local government in the Woven Plastic Craftsmen *UMKM* units. Form of participation according to Cohen and Uphoff in Distianto (Distianto, 2016: 68) in the form of participation in

planning, implementation, utilization of results and evaluation.

3. Micro, Small and Medium Enterprises Micro, Small and Medium Enterprises

It is an economically productive business which is an informal business sector and is established by individuals or small groups with the maximum annual sales of 50,000,000,000.00 (fifty billion rupiahs). So, the *UMKM* referred to in this study are MSME Plastic Weaving Craftsmen, located in *Karanggebang* village, *Jetis* District, *Ponorogo* Regency.

4. *UMKM* Development

It is a process of improving performance carried out by the organization or the parties concerned in an effort to improve quality and quantity. In this research, the development of *UMKM* is defined as an effort made by the government, both central and regional, in order to improve the competitiveness of *UMKM* according to Law Number 20 the Year 2008 through developments in the fields of Production and processing; Marketing; Human Resources; Design and technology

RESULTS AND DISCUSSION

In this study, what is meant by the role of the Regional Government of *Ponorogo* Regency is through the *Ponorogo* Cooperative Trade and Micro Business Agency (*Perdagkum*). To find out the role of the local government in the development of Plastic Woven Craft *UMKM*, researchers classified into three role categories namely the role of the government as a facilitator, regulator, and catalyst. These three roles are the most effective roles of local government in developing *UMKM* (Diva, 2009).

The results of this study, researchers found that the Regional Government of *Ponorogo* Regency, in this case, the Department of Trade Cooperatives and Micro Enterprises (*Perdagkum*) *Ponorogo* has not intervened in the development of *UMKM* especially plastic woven crafts in *Karanggebang* Village, *Jetis* District *Ponorogo* Regency. This is evidenced by the results of interviews with *UMKM* principals of plastic woven crafts that convey the existence of unresolved issues as follows:

- a. In production and processing, there are several obstacles faced by plastic *UMKM* Crafts. The first problem is the plaiting craftsmen have difficulty in obtaining raw materials so that in certain months such as May, *UMKM* plastic matting does not produce matting, secondly, the tools used in the production process especially for cutting raw materials still use makeshift tools such as scissors and knives. It should be able to

use a cutting machine, and the third problem is that plastic woven products made have not varied so far only one model has been made, which is shopping bags for the market.

- b. The scope of marketing is still not widely known to the public at large, because the marketing of plastic woven products so far is only done directly, namely, the craftsmen sell their products to one collector only.
- c. The quality of human resources is still relatively low because it is only armed with makeshift capabilities so that it influences in every production process that is less varied and innovative, influencing marketing and technology design, as well as Human Resources still, cannot utilize information technology properly.
- d. The design and technology in plastic woven crafts are also still very simple using manual tools and product design is only in the form of shopping bags to the market.

Aside from the problems of the plastic weaved *UMKM* handicraft actors described above from the *Ponorogo* *Perdagkum* Office also stated that his party has yet to intervene for the development of the Plastic Weaving Craft MSME located in *Karanggebang* Village, *Jetis* District.

In this study, the regulatory functions to determine policies that support the development of *UMKM* because the government has a role to make regulations with the aim to provide a legal basis and regulate the mechanism of *UMKM* development.

The results of these observations The Government of the Regency of *Ponorogo* has not yet issued specific regulations to regulate the development of *UMKM* in the Regency of *Ponorogo*. Until now, the regulations that become the reference for the Regional Government of *Ponorogo* Regency in the effort to develop *UMKM* in the Regency of *Ponorogo* are Government Regulation Number 17 of 2013 concerning Implementation of Law Number 20 of 2008 concerning Small, Micro and Medium Enterprises and East Java Regional Regulation No.6 Year 2011 on Empowerment of Micro, Small and Medium Enterprises.

Government Regulation No. 17/2013 states that the Provincial Government and Regency/City Governments are parties that develop *UMKM* prioritizing the development of Micro, Small and Medium Enterprises through:

- a. Providing opportunities to participate in the procurement of goods and services from the Government and Regional Governments;
- b. Reserves of businesses for Micro, Small and Medium Enterprises through restrictions on Large Enterprises;
- c. Ease of licensing;

- d. Provision of Financing in accordance with statutory provisions;
- e. Technology and information facilitation.

From Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, the Governor of East Java was followed up with the issuance of the East Java Provincial Regulation Number 6 of 2011 concerning Empowerment of Micro, Small and Medium Enterprises. In the local regulation, it is stated that Empowerment is an effort made by the Provincial / Regency/City Government, 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 develop into a strong and independent business. The form of empowerment contained in local regulation in article 14 are: Capital facilitation; support for the ease of obtaining raw materials and supporting facilities in the production process; Education and training to improve managerial and production skills and other types of education and training that can support the empowerment of Micro, Small and Medium Enterprises; Involvement in trade shows to expand market access; Involvement in the process of procuring goods and services carried out by government agencies; IPR facilitation.

From the above explanation, the Government of the District of *Ponorogo*, although it has not yet issued a Regulation of the Special Regent of the Regency of *Ponorogo* in an effort to assist the Regional Government of East Java Province, has carried out supervision and empowerment in accordance with the mandate of Law Number 20 of 2008 and East Java Regional Regulation Number 6 of 2011 through the Office Trading, Cooperatives and *UMKM Ponorogo* Regency.

c. The Government's role as a catalyst

The Local Government of *Ponorogo*, namely the Department of Trade, Cooperatives and Micro Enterprises in the Regency of *Ponorogo* actually has several programs aimed at developing in *Ponorogo*. These programs, for example, provide business clinic consultations, so if there are entrepreneurs who want to consult, they can come to the business clinic. In terms of capital, the *Ponorogo* Regency Government provides soft credit facilities that aim to strengthen the *UMKM* capital structure that has not been served by banks and other financial institutions. All forms of development policies undertaken by the *Ponorogo* district government have the full support of the *Ponorogo* Regent. In fact, all forms of activities, constraints, and development of *UMKM* in *Ponorogo* must be reported directly to the Regent of *Ponorogo*.

The local government also routinely carries out *Ponorogo* expo activities as a means to promote the *UMKM* products of the *Ponorogo* Regency. As a means of promoting products in the country and abroad, the local government also makes documentaries about the profile of *UMKM* in *Ponorogo*. The active efforts of the *Ponorogo* government in developing *UMKM* make *UMKM* in *Ponorogo* able to develop well especially this plastic woven craft. Therefore the local government feels the need to actively provide protection and encouragement to businesses in *Ponorogo* Regency to be able to compete.

However, these programs have not been felt by *UMKM* Plastic Weaving Crafts in Karanggebang *Jetis* Village, bearing in mind that there are still a number of problems that have not yet been resolved, such as raw material problems that are difficult to obtain and also limited marketing.

For the development of *UMKM*, plastic woven craftsmen in *Ponorogo* do not only rely on the efforts of the local government, but also the need for participation from business actors. According to Cohen and Uphoff in Distianto (2016) participation in the process of community involvement into 4 types, including:

In this study, researchers found that MSME plastic weavers in *Karanggebang Jetis* village had not participated in the planning that referred to the law. No. 20 of 2008, *UMKM* plastics craftsmen do not participate in *Musrenbang*, so they cannot express their opinions relating to the progress of their business to the government. This is due to the lack of active *UMKM* in plastic woven crafts in seeking information-information related to the progress of their business.

In this study, researchers found that *UMKM* plastic weavers in *Karanggebang Jetis* village had not participated in the implementation referring to the law. No. 20 of 2008, have not followed the programs of the government. In the financing of *UMKM* perpetrators, plastic woven crafts have not utilized the soft credit funds disbursed by the government towards *UMKM*. In developing products and processing of *UMKM* plastic handicraft practitioners, they still use a monotonous and less varied design, meaning there is also no participation of *UMKM* actors in programs that are proclaimed by the Government, and in the development of human resources *UMKM* Plastic woven has also never attended training to develop their skills.

From the explanation above it can be seen that the *UMKM* of plastic handicraft crafts in *Karanggebang Jetis* village has never participated in programs that have been pursued by the government, this is due to the lack of access to information received by *UMKM*.

CONCLUSIONS AND SUGGESTIONS

The Department of Trade, Cooperatives and Micro Enterprises Ponorogo Regency (*Perdagkum Ponorogo*) has not been involved in the development of *UMKM* Plastic woven crafts in *Karanggebang Jetis* Village. This is not the government's fault but *UMKM* of plastic woven crafts are also less active in developing their businesses so that the Ponorogo government also does not know or know the plastic woven *UMKM* in *Karanggebang* Village. Until now, the problems faced by *UMKM* of plastic woven crafts have not been resolved, the problems in question such as difficulties in getting raw materials, Human Resources problems that are less creative and innovative, and that is no less important is the marketing problems of *UMKM* products.

UMKM of plastic crafts from *Karanggebang* *Jetis* village have never participated in programs that have been pursued by the government, this is due to the lack of access to information received by *UMKM*.

Based on the results and discussion that has been presented for the next stage plan, namely: Researchers introduce *UMKM* Plastic Weaving Crafts in *Karanggebang Jetis* to related agencies, namely the *Ponorogo Perdagkum* Office in order to get further guidance. Researchers provide information or input relating to the *UMKM* business of Plastic Woven Crafts such as information on government programs, information relating to marketing, advice or input on product innovation, etc. to business actors

Based on the above conclusions, the recommendations or suggestions for the future are *UMKM* must be more active in finding information related to the development of their businesses, for example training information for Human Resources and also marketing training so that the products produced can be of higher selling value and wider suppliers.

The government must record *UMKM* that requires attention such as *UMKM*. Plastic woven crafts in order to remain to exist and develop, given the role of *UMKM* in overcoming the problem of poverty and unemployment.

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