



## **SMEs Empowerment Through IbPe (Iptek Bagi Produk Ekspor) Grant Program For Vinyl and Natural Fiber Crafts In Bantul Yogyakarta**

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### **Abstract**

The role of export-oriented SMEs (Small and Medium Enterprises) in Bantul is important. Support for export-oriented SMEs should be given in terms of support for human talents, production, and market expansion. The SMEs partners for this program are: 1) Raffal Craft, located in Bemben Trimulyo Jetis Bantul and 2) Syifa Handicraft located in Bangeran Sabdodadi Bantul. Both SMEs produce boxes, tissue boxes, umbrella containers, stationaries, holders, cup trays, etc. All the raw materials are supplied from the local markets. After preliminary field analysis, we found these following problems specifically to the industry: (1) machineries and equipments layout, MRP/Material Requirement Planning, time and labor scheduling, and cost analysis are not well designed and the production site is not optimum for working condition, (2) many works are done manually and to support demand, they are still in need for more sewing machines, compressors, and ruller cutters. Raffal Craft needs a machine called Hembos (to stamp the brand), (3) all partners are depending on bigger trading companies for the market considering their lack of direct connection with buyers overseas, (4) lack of financial and accounting management, (5) Raffal has no adequate showroom and optimum production site. Their production is still done in the same place as their place for living, (6) Raffal Craft has no online/website management for marketing and has no experience for joining public crafts events, (7) competition is not well managed in the region since there are no standard quality, no standard price, as well as no protection for original designs being copied by others, (8) no legal standing for setting their business, and (9) no membership for association. There are also other problems, such as: bargaining power, price, marketing, and other business problems. The solution for those problems covers (1) equipment and machinery stimulation, (2) layout management for equipments and machineries, Material Requirement Planning, time and labor scheduling, and cost analysis, (3) website building and supervision to increase the market expansion locally and internationally. This will allow direct connection to buyers, cutting the trader's position, (4) producing brochures, catalogs, and designing a showroom. Designed showroom will be managed for Raffal Craft and showroom arrangement will be assisted for Shifa Handicraft, (5) organizing both SMEs for participation in crafts show events, and (6) training in the areas of entrepreneurship, marketing, accounting and finance, export-import management, human resource management, organizational governance, and layout management for machines and equipments including Material Requirement Planning as well as time and labor scheduling.

**Keywords:** Vinyl crafts, natural fiber crafts, export oriented, IbPE program

### **1. Introduction**

Bantul district cannot be separated from the city of Yogyakarta as a city of touring and crafts. The industrial sector scattered in Bantul district vary greatly. The types of industries inventoried include metal, machinery, chemicals industry, various Industry, agriculture industry, and forestry. Grouping of the industries began to be implemented in 1995 or at the same time the Ministry of Industry and Trade were merged. In general, the industries located in the district of Bantul are considered small industries, whereas large industries are still limited. Industrial products produced in Bantul have been able to penetrate the international market. The types of products that can already be exported include textiles products, pottery/ceramics, furnitures, various kinds of handicrafts, vegetables, perfume, sports shoes, paraffin wax, vinyl, natural fibers, and others. The export destination countries include Germany, Spain,



South Africa, and the Netherlands (<http://www.bantulkab.go.id>, 2013).

Department of Industry, Trade, and Cooperatives in Bantul, Yogyakarta are committed to continue to maintain the existence of export-oriented small artisans. In addition to producing the goods created by artisans, craft industries must be environmentally friendly and provide job openings for most of the citizens in the district of Bantul. Craftsmen or small industries are one of the economic activities most residents of Bantul have in some centers, such as wood crafts, pottery, batik, vinyl crafts, natural fibers, and other handicrafts. Therefore, the role of export-oriented handicraft industries needs to be maintained and better yet encouraged to increase their capacity, both in human resources, production, and expansion of the craft market. Based on our data, the export value of handicrafts from Bantul, which has been collected up to October 2012, has reached 44 million US dollars. While the data collected up to January 2013, which has surpassed product exports during 2011 totalled up to 42 million US dollars ([www.metronews.com](http://www.metronews.com), 2013). This is certainly not apart from the role of government in pushing the production. The government has allocated substantial funds to improve the quality of products for export-oriented SMEs. With these funds to repair stimulant production facilities, SMEs product quality is expected to increase so that export sales also increase ([www.antaranews.com](http://www.antaranews.com), 2013). As for the community development activities through IbPE grant scheme, our two SMEs partners ("Raffal Craft" and "Shifa Handicraft") are expected to drive and improve the realization of exporting handicraft industry. This is because both are export-oriented SMEs that produce vinyl and natural fiber. The IbPE activity aims to:

- a. Increase the product quality of vinyl and natural fiber crafts by implementing a good quality standard and determining the right SOP (Standard of Procedure) to stimulate export developments.
- b. Optimizing machinery and equipment layouts, MRP (Material Requirement Planning), time and labor scheduling, and cost analysis.
- c. Increasing the quantity of vinyl craft production and optimizing the utilization of natural fibers with the machineries and dividing work in accordance to their capabilities, motion studies, and time.
- d. Increasing product quantity and expanding export markets by creating and managing a professional website.
- e. Improving the quality and quantity of product marketing with CD catalogue as well as manufacturing and structuring a showroom.

Improving the skills and expertise of the owners and employees by joining trainings for machinery and equipment layout, MRP, time and labor scheduling, HR, marketing management, accounting and finance, entrepreneurship, work ethics, and export-import management.

## 2. Problems of SMEs

Based on the field survey, the team identified a number of issues for each of the following partners:

### "Raffal Craft" (Partner 1)

- 1) The problem encountered in the production process is that they still have no good division of labor and have a less than adequate production process (narrow, hot). They also yet to have a decent machinery and equipment layout as well as a good MRP, Time and labor scheduling, and cost analysis.
- 2) The equipments supporting their production are still manual and they also lack equipments available in the workspace, especially sewing machine, compressor, hembos engine (for stamping their brand), and cardboard cutting machines (ruller cutters).
- 3) They don't have a good management and they still market their products through a trading company. This strategy cannot make them communicate and relate to their customers directly. They need to implement STP (Segmentation, Target, and Positioning) strategy.
- 4) Financial management and accounting are not optimal.
- 5) They do not have a showroom and inadequate workplace because they still work in the same place to where they live in.
- 6) They do not have their own website and have never participated in exhibitions.
- 7) There is an unfair competition between the owners of SMEs, namely the lack of standards in determining the selling price of products as well as plagiarism on product models and ideas.



- 8) They do not have a business license.
- 9) They have never attended and take part in any association/community to strengthen corporate governance, bargaining power, pricing, marketing, and other issues.

#### "Shifa Handicraft" (Partner 2)

- 1) Problems in the production process. They still do not have a standard SOP, there is no division of labor, as well as machinery and equipment layout, MRP, time and labor scheduling, and cost analysis that are below standard.
- 2) The equipments supporting their production are still manual and they also lack equipments especially zigzag sewing machines, compressors, and roller cutters.
- 3) They don't have a good management and they still promote their products through a trading company. This strategy cannot make them communicate and relate to their customers directly. They need to implement STP (Segmentation, Target, and Positioning) strategy.
- 4) Financial management and accounting are not optimal.
- 5) They only have a blog address, not a professional website, and have never participated in exhibitions.
- 6) There is an unfair competition between the owners of SMEs, namely the lack of standards in determining the selling price of products as well as plagiarism on product models and ideas.
- 7) They do not have a business license.
- 8) They have never attended and take part in any association/community to strengthen corporate governance, bargaining power, pricing, marketing, and other issues.

If these problems can be solved, the main problems faced by both the village and local governments can also be minimized, especially in order to reduce poverty and unemployment through job vacancies (Muafi et al, 2012; Dipta, 2005; 2011; Ministry of Cooperatives and Small and Medium Enterprises; 2005 ; Annisa, 2008).

#### **3. Methods of Implementation**

Based on the problems described, the proposed solution can be explained as follows;

- 1) Stimulating equipments. Both partners have limited equipments to support their production especially Posbed sewing machines (partner 1) and Zigzag sewing machine (partner 2). Besides, they also need other equipments such as cutting boards, Hembos machines, and other equipments.
- 2) Machinery and equipment layout, MRP, time and labor scheduling, and cost analysis that are below standard require an OPC (Object Linking and Embedding for Process Control). OPC is expected to be useful for SMEs to make them more aware about the data of; (a) the type of operations needed, (b) the type and specifications of machines or facilities, and (c) the type of raw materials by taking the efficiency of the operation of each element of the work into account. With this they will be able to know (a) the facility layout and the flow of material transfer and (b) they can provide an alternative data for work correction and the procedures used.
- 3) Creating websites for both partners to increase marketing reach for export-oriented products and creating potentials of direct contact with customers without going through any intermediary (trading companies).
- 4) Creating brochures and catalogs for partner 1 as well as designing and structuring a showroom for partner 2. For partner 1, we put more emphasis on designing showroom and as for partner 2, we focus more on structuring showroom.
- 5) Participating in export-import fairs or exhibitions that support their export orientation.
- 6) Giving training and education related to the aspects of business management (entrepreneurship), marketing management, accounting and finance, export-import management, human resource management, organizational governance, machinery and equipment layout training, MRP, and time and labor scheduling.

#### **4. Result and Discussion**

IbPE activity seeks to find solutions to overcome the problems faced by the SMEs ("Raffal Craft" and "Shifa Handicraft.") In practice, the first activities carried out were:



- 1) Site preparation and coordination with partners
  - 2) Site preparation was done by the team so that the implementation of the activities planned will go as expected. The team also tried to continue to communicate and coordinate with partners so that partners also have readiness and commitment to make this IbPE activity successful. Apparently, both partners approved this activity with open hands.
  - 3) Field Survey and Work Program Preparation
  - 4) The team conducted a survey into the field. From the results, we were able to identify various problems among "Raffal Craft" and "Shifa Handicraft." Likewise, the work program will be implemented to address problems and find the solutions to the problems.
  - 5) Program Socialization
  - 6) The team socialized the program to each partners to further clarify about the programs that will be implemented, expecting for the program to be useful for both partners. Short-term and long-term programs include business license arrangement, management trainings, creating websites and catalogs, as well as procurement of machines to improve the quality of handicraft products.
  - 7) Giving trainings for both SMEs ("Raffal Craft" and "Syifa HandiCraft"). Training materials include business management (entrepreneurship), marketing management, accounting and finance, export-import management, human resource management, organizational governance, machinery and equipment layout training, MRP, and time and labor scheduling.
  - 8) Stimulating equipments to buy machine tools that support their production process in the form of 2 units of tube sewing machines with a typical GC 2905 brand series, with each partner given one piece of sewing machine. With this sewing machine, they can craft better quality products, making them able to seam to the corners to produce neat products and eliminating any defects, such as disordered stitching and exfoliating glue on the corners of products. The reason for purchasing this tube machine is because both partners found it difficult to sew neatly into the corners when using a regular sewing machine because they have to give a special treatment to reach the corner of the products and often resulting seams that do not make their products look neat, therefore they have a hard time in passing quality tests.
  - 9) In order to participate in the export-import fairs or exhibitions that support their export orientation, they first have to contact the Department of Trade and Industry. Fortunately Pekan Raya Jakarta (PRJ) was held in June-July 2014 and Bantul would include representatives of SMEs to participate in the PRJ exhibition. Syiffa HandiCraft had the opportunity to participate in the PRJ exhibition along with several other SMEs on June 30th-July 6<sup>th</sup> 2014. The team coordinated with both partners by joining the PRJ on July 1<sup>st</sup>-2<sup>nd</sup> 2014. The purpose of SMEs participating in the exhibition is to introduce their superior products as well as a way to get customers or buyers directly, which could open up opportunities for customers, either nationally or internationally.
  - 10) Making brochures and catalogs for partners. The purpose of making brochures and catalogs is to create a means of promotion to outsiders as well as a guide and also to facilitate both partners in selling their products both directly and through social network.
- Once implemented, the results of this IbPe activity can give benefits to both partners. Among them are;
- a. Can find out how to promote their products effectively and efficiently.
  - b. Can figure out how to do the bookkeeping and financial management properly.
  - c. Successfully run entrepreneurship.
  - d. Can find out how to increase work motivation and work ethic.
  - e. Can have the correct production layout.
  - f. Can figure out how to get the right capital/fund for the craftsmen.
  - g. Can have a correct bookkeeping.
  - h. The participants showed positive attitude and high motivation during the activity. It can be seen and demonstrated from the participants with a 100% attendance in every training.
  - i. Can have a machine that suits their needs.



This training activities were carried out well because it was supported by several factors, among others:

- a. Having a high spirit and strong motivation from the participants to move forward and continue improving their knowledge, expertise, and skills.
- b. Having a great support from Raffal Craft and Shifa HandiCraft craftsmen by providing places and facilities.
- c. SME partners cooperated well.
- d. SME partners' employees were very enthusiastic in training.
- e. SME partners were also willing to contribute both in materially and immaterially.
- f. Solid cooperation from the team.

Despite of several contributing factors, IbPE implementation cannot be apart from the fact of having some inhibiting factors, namely:

- a. Limited human resources from the team even after getting assisted by uivnersity students.
- b. Having a relatively long period of time to prepare and perform the activities.
- c. The team had some troubles to finding the right time to implementation the activities because of the work schedule our partners usually have.

Procurement of equipments had a setback, resulted from the funds that are not in accordance with the proposal scheduled.

#### 5. Conclusion

The results from IbPe activity empowerment could infer that:

- 1) The role and support from the government in Bantul to export-oriented SMEs need to be maintained and better yet improved so that SMEs can continue to increase its capacity, both in human resources, production, and market expansion. Technology can be used as a method to empower SMEs in acceleratig business development and help maximize business growth.
- 2) SMEs need to develop their potential in an integrated manner to improve income and well-being of society as well as improving their self-esteem and pride in their own abilities.
- 3) SMEs accepted and supported similar activities, thinking that it is necessary for their business management and development.
- 4) The central and local governments and other stakeholders are needed in order to support similar activities.

#### 6. Suggestion

- 1) SMEs need to utilize its resources while maintaining the wisdom of local communities.
- 2) The government should continue to facilitate the needs of SMEs, especially in terms of capital/funds, training and business mentoring as well as infrastructures to continue to develop products and services in the surrounding areas of SMEs.
- 3) IbPE program can be used as a medium to create a bond in harmony and sustainability of community service education programs with other communities in need. Lecturers in universities can also implement the science and knowledge that they have to further socialize the local communities significantly.

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