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# Strategy for Empowerment of Small and Medium-Sized Industries during Pandemic: Study of Endogenous Development in Kolaka Regency, Southeast Sulawesi

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**Abstract:** *This study discusses the economic development strategy carried out by the government of Kolaka Regency, Southeast Sulawesi, especially for small and Medium Industries during the Covid-19 pandemic. Small and Medium Industries have become an integral part of the economic defense in the area. This is a policy study in the form of qualitative research. The primary data of the research is the results of in-depth interviews conducted with various small and medium industry players in the area. With the Endogenous Development approach, it is known that human capital is the main aspect of the economic defense of Small and Medium Industries. Therefore, policies that support the exploration of human capital have become a means of determining economic development during the pandemic. This study contributes to showing that structural patterns, with policy penetration, and cultural patterns, of social conditions that support human capital to grow are elements that cannot be denied in defense efforts or economic development in the regions.*

**Keywords:** *Small and Medium Industries, Economic Development Strategy, Endogenous Development*

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## I. INTRODUCTION

Based on economic development data in 2020, Indonesia experienced contraction in many areas, especially Sumatra, Java, Bali, Nusa Tenggara, and Kalimantan. Economic growth contraction in each of these regions was -1.19% respectively; -2.51%; -5.01% and -2.27%. Meanwhile, the Sulawesi and Maluku Papua regions experienced positive economic growth despite a slowdown. In each region, there was an increase of 0.23% and 1.44% (Statistics Indonesia, 2021, p. 62). This is undeniably happening as a result of the Covid-19 pandemic.

Especially for Sulawesi, an interesting thing happened. This region was able to show a positive economic performance even though it was slower compared to 2019. If examined more deeply, it is known that the economic improvement in the Sulawesi region was driven by the rate of investment and industrial demand (Bank Indonesia, 2020, p. 80). This is also supported by growth in the three Sulawesi provinces.

Central Sulawesi province is the area with the highest economic growth in Sulawesi, even at the national level. The province's economic growth rate is 7.15%. Furthermore, South Sulawesi Province and Southeast Sulawesi Province. The two last-mentioned regions showed an increase in the economy at 6.92% and 6.51% (Statistics Indonesia, 2020, p. 59). These figures show satisfactory conditions, once again, in the midst of the Covid-19 pandemic.

If you are more specific in Southeast Sulawesi, where this research was conducted, you will find important information about economic resilience during a pandemic. Southeast Sulawesi is an industrial area part of the National Strategic project. This is stipulated by Presidential Regulation No. 109 of 2020. The manufacturing industry is one of the potential sectors and has a major contribution to the economy of Central Sulawesi. This sector contributed 6.24% to the Gross Regional Domestic Product (GRDP) of the province's total GRDP in 2019 Statistics Indonesia of Southeast Sulawesi Province, 2020, p. 5).

The Covid-19 pandemic has had an impact on the processing industry. Nationally, this sector experienced a growth contraction of -2.93%. This sector generally affects the country's economy in terms of industry and trade. This is certainly very detrimental considering that both are wheels of the economy (Nu'man, 2005, p. 389). So if we look more deeply, we find that industry players at the most elementary level, such as Small and Medium-sized Industries, are a group that cannot be ignored.

Small and Medium-sized Industries have many advantages in improving the regional economy. Small and Medium-sized Industries have absorbed a large workforce to run their production business. The main strength of Small and Medium-sized Industries lies in their human resources, raw materials, capital, equipment, and local content. Moreover, Small and Medium-sized Industries are not dependent on imported products or assistance from abroad. Small and Medium-sized Industries rely more on the expertise of local actors in managing and developing their industries (Handayani & Yuliani, 2019, p. 143).

The Covid-19 pandemic has inevitably affected Small and Medium-sized Industries and meant the regional economy. This article will show that Small and Medium-sized Industries in Southeast Sulawesi can survive the pandemic storm and become one of the pillars of the regional economy. This is influenced by policy interventions from local governments and aspects of Endogenous Development in the development of Small and Medium-sized Industries in dealing with production competition.

The use and development of potential characterize Endogenous Development through the control of local actors, residents, companies/institutions/local authorities, public and private organizations, and local governments. This idea is based on the view that territories have access to economic, institutional, and cultural resources. Therefore, productive systems can generate resource development and disseminate innovations to improve local welfare (Vásquez-Barquero, 2002, p. 40).

Therefore, investigating Small and Medium-sized Industries by considering aspects of Endogenous Development also means discussing the roles and efforts of local actors, especially the government, as the main actor in Small and Medium Industries policies. It is at this point that this research is carried out. Of course, this research cannot be separated from several previous important types of research, including research discussing the role of social capital on the development of Small and Medium-sized Industries based on local wisdom and welfare conducted by Yudiantara et al. found that social capital and the development of Small and Medium-sized Industries based on local wisdom were Positive and significant effect on the welfare of Small and Medium Industry actors (Yudiantara & Yuliarmi, 2019, p. 935).

In addition, there is also research conducted by Yunanto and Asmara et al. The first name specifically discusses the competitiveness of Small and Medium-sized Industries facing the era of globalization (Yunanto et al., 2016), while Asmara discusses increasing the competitiveness of SMEs through innovation and the use of learning social networks from software industry clusters in India (Asmara & Rahayu, 2013). ). Both show the resilience of Small and Medium-sized Industries in dealing with business challenges.

Other studies discussing the impact of Covid-19 on Small and Medium-sized Industries include Indah et al. They focus on aspects that affect people's purchasing power towards local products of Small and medium-sized products (Indah et al., 2021, p. 76). Likewise, Santosa specifically discusses product promotion with the help of digital technology, and product packaging branding is made to attract consumers' interest (Santosa, 2020, pp. 1261, 1263). Citaningtyas et al., who studied production during the Pandemic-19, did not only rely on marketing through stores but could take advantage of digital marketing through websites and endorsements on social media (Citaningtyas et al., 2021, p. 27). These studies share a common wedge with this research in the relationship between Small and Medium-sized Industries and the Covid-19 pandemic.

However, this research differs from previous research, at least in several aspects. First, some of the discussions only describe the development of Small and Medium-sized Industries in the pre-Covid-19

pandemic. Research that examines Small and Medium-sized Industries during the Covid-19 Pandemic is still minimal and only looks at the impact that Covid-19 has on Small and Medium-sized Industries. This research will discuss Small and Medium-sized Industries during the Covid-19 pandemic.

Second, research on the empowerment of multiple small industries looks at the aspect of empowerment efforts in creating individual and community independence or the development of entrepreneurship itself. This article will focus on policy aspects in empowering Small and Medium-sized Industries, especially during the Covid-19 period. Third. There are not many studies that discuss the empowerment of Small and Medium-sized Industries in terms of Endogenous Development aspects. This article will be an important part of the discussion.

## **II. METHODS**

This study is qualitative research in a policy study conducted in Kolaka Regency. The data in the articles were collected through two techniques, namely the literature technique and the in-depth interview technique. For interviews, data was collected from several Small and Medium Industry actors in Kolaka Regency, ranging from (i) VCO crafts, (ii) Crochet; Bag Crafts, (iii) Plastic Waste Recycling, (iv) Snacks: Palm Sugar, (v) Citronella Oil, (vi) Processed Chocolate, (vii) Processed Ginger and Shredded Fish, (viii) Processed Honey, (ix) Processed Banana Snacks, (xii) Tofu and Tempe, (xiii) Weaving and fabrication (xiv) Wooden Curtains.

The data in this article were analyzed using several stages. First, the data management stage is carried out by transcribing interview data from audio to text. Second, the memoing data stage is carried out through data coding. Third, the display of data is carried out in the form of presenting data in the form of excerpts from interviews. And fourth, interpretation and drawing conclusions..

## **III. DISCUSSION**

### **1. Characteristics of Small and Medium-sized Industries in Legislation**

Small and Medium Industry is a term for small and medium scale industrial activities. In general, the industry itself can be defined as a business or activity of processing raw materials or semi-finished goods into finished goods that have added value for profit. The industry results are not only in the form of goods but also in the form of services.

Small and Medium Industry has similarities and differences with Small and Medium Enterprises (SMEs). For example, goods produced by Small and Medium Industries are usually sold to SMEs whose businesses are located in stalls, wholesalers, building shops, and other places like those usually found around the house. Even so, both are still categorized as industries that carry out production and marketing activities simultaneously.

Industrial activities are regulated in the Regulation of the Minister of Industry of the Republic of Indonesia Number 64 of 2016 concerning the Amount of Manpower and Investment Value for Industrial Business Classification. The regulation states that industry is all forms of economic activity that processes raw materials and/or utilizes industrial resources to produce goods that have added value or higher benefits, including industrial services. In terms of scale, the industry is divided into three, namely small industry, medium industry, and large industry, determined based on the number of workers and/or investment value.

In addition, the differences between Small and Medium Industries and Small and Medium Enterprises are also seen in Law Number 3 of 2014 and Permenperin 64/M-IND/PER/7/201, related to assets and income or turnover. It was explained that small businesses have assets from IDR 50 million to IDR 500 million. Meanwhile, a company is categorized as a small business if it earns IDR 300 million to IDR 2 billion. A business is categorized as a medium business if it has assets with a value of IDR 500 million to IDR 10 billion. In terms of turnover, medium-sized businesses have incomes ranging from IDR. 2 billion to IDR. 50 billion.

The ministerial regulation also explains that Small and Medium Industries are industrial activities that process raw materials and/or utilize industrial resources to produce goods with higher added value or benefits. This includes industrial services.

In-Law no. 20 of 2008 concerning Micro, Small and Medium Enterprises, Small and Medium Industries. Small and Medium Industries are classified as small and medium enterprises with the following characteristics:

- a. Utilizing local resources so that raw materials are easily obtained;

- b. The community can master the production technique easily by the community. Easy mastery;
- c. Its production can be marketed in the local/domestic market;
- d. Can absorb a lot of manpower;
- e. Community involvement in the area;
- f. The product can become a regional superior through the development of the existing potential.

## **2. Competitiveness of Small and Medium Industries**

Competitiveness shows how productive a company or industry competes with other similar companies. Productivity is the output produced by the workforce to create competitiveness. Competitiveness then creates advantages for companies to survive, be sustainable, and develop. In competition, the industry is very dependent on the advantages of its resources. This means that competitiveness shows the ability to achieve positive and more meaningful results for the industry in question.

Conceptually, competitiveness can be concluded as the ability to meet market standards and the development of the industry itself, in this case, the Small and Medium Industries (Meliala et al., 2014). On the other hand, to increase national or local/regional competitiveness, industrialization must be carried out in various fields. Increased productivity and added value are the results obtained from production technology. Generally, industrialization is carried out by investors with large capital, but small and medium industries do not require large capital because they take advantage of local potential; this makes regional production superior and competitive.

The existence of national competitiveness is interpreted the same as regional or local competitiveness. National competitiveness and regional/local competitiveness cover an area such as a province, island, or district/city. Regional competitiveness is the ability of a region to compete domestically and abroad by creating job opportunities and high income. The Center for Regional and Urban Studies (CURDS) argues that the capacity of various business and industrial sectors in an area to create equitable welfare for the population and income that tends to increase is the definition of competitiveness (Abdullah et al. 2002).

Based on a study conducted by Abdullah (2002), the indicators that determine local/regional competitiveness are the Regional Economy, Openness, Financial System, Infrastructure and Natural Resources, Science and Technology, Human Resources, Institutions, Governance and Government Policy, and Management and Macroeconomics. Local/regional competitiveness also comes from industrial development. An industry that has good income with a level that tends to rise can be said to be competitive (Handriani, 2011). In addition, local competitiveness can also be interpreted in several forms, such as:

- a. Cooperation, trust and a sense of belonging rather than the availability of pure capital;
- b. Creativity rather than the presence of a purely skilled workforce;
- c. Acceptance for new business ideas and organizational styles more than the business itself;
- d. Connectivity and relationality are more than pure access;
- e. Local identity as well as local efficiency and quality of life. (Stimson et al., 2011)

In addition, there are several other important things that make the competitiveness of local industries important, including:

- a. Stimulate production levels so that productivity tends to increase and independence increases;
- b. Increased economic capacity. This can increase economic capacity, both in the context of regional economics and the quantity of economic actors, so that economic growth increases;
- c. Generating confidence in the efficiency created by the market mechanism.

Kartasmita (2019) further explains several aspects that make the Small and Medium Industry sector more competitive, namely:

- a. Utilization of the digital age. This aspect is very useful during the covid-19 pandemic where all activities are carried out virtually including economic activities so that Small and Medium Industries must also innovate;
- b. Creativity. Creativity is an aspect to attract customers' interest in products produced by Small and Medium Industries

- c. Quality Products and Human Resources. To achieve quality products and human resources, this can be done through empowerment programs and machine restructuring and certification facilities at the Domestic Component Level (TKDN) to Indonesian National Standards.
- d. Promotion and marketing. Promotion and marketing by facilitating Small and Medium Industries can be held by holding exhibitions and followed by Small and Medium Industries as a form of promotion and increasing market share
- e. Partnership. Then the development of Small and Medium Industries, namely partnerships in the face of increasingly competitive conditions.

The creation of high added value comes from production and supporting activities. This is an activity in creating competitiveness by tracing the value chain. This implies the strengthening of Small and Medium Industries. Other supporting factors, such as management, research, innovation, and technology, will strengthen this competitiveness (Indiastuti, 2016).

In general, the definition of regional competitiveness is an advantage shown by the capability of a Small and Medium Industry to obtain better work results and earn profits, even in bad and unresponsive situations, such as the Covid-19 pandemic situation. Therefore, in Kolaka regency, the policy of empowering Small and Medium Industries is the determinant and basis for developing strong Small and Medium Industries.

### **3. Factors Affecting the Development of Small and Medium Industries**

Broadly speaking, the competitiveness of production affects the development of an industry or company. This is also influenced by many factors. If grouped, these factors can be classified as follows;

- a. Conditions of production factors, local companies compete in such a way as to encourage the creation of advantages such as skilled labor, infrastructure, and technology;
- b. demand conditions;
- c. Related and supporting industries ;
- d. Company strategy, structure and competition, namely domestic conditions that determine how companies are formed, organized, and managed as well as the nature of domestic competition (Wardani & Mulatsih, 2017, pp. 84–85)

Even so, creating and increasing local or regional competitiveness can be done by applying the right strategy to compete. Managing resources effectively and efficiently is one of the actions taken (Anggraeni, 2017, p. 335). In line with that, the strategy for strengthening competitiveness must be appropriate and adapted to all Small and Medium Industry activities so that the resulting performance is in line with expectations and generates added value.

Furthermore, Porter (1990) states that the basis for carrying out a strategy in growing competitive advantage is human capital and resources, which are available. So that the output produced is of high quality and market demand tends to rise. Human capital comes from quality human resources with the ability, skills, and education. However, in Small and Medium Industries, specific education is not needed because it relies more on skills and expertise in managing existing resources and potential. The production locations of Small and Medium Industries, which are in the domain of local governments, make the government's role strategic in increasing the competitiveness of Small and Medium Industries.

The main factor of competitiveness is the production of the organization itself. Available technology also enables companies to achieve a competitive advantage by specializing in economically significant segments of productive processes. The availability of entrepreneurial and organizational skills is closely related to the productive traditions of each region that lead to company competition in the local market. This, in turn, leads to an increase in the internal and external competitiveness of the local enterprise system.

Local productive systems have historically demonstrated a certain ability to adopt and adapt innovations and technologies. But this is not just using machines and capital goods created outside the productive system. But above all are adaptations and minor modifications of workers and technical personnel make up this capital of goods, which increases productivity and competitiveness. In the local context, the development industry is continually indebted to the capacity of the local environment to learn and acquire knowledge that leads to the introduction and dissemination of innovations (Vásquez-Barquero, 2002, p. 25).

Innovation capital is one of the competitive capitals, including management innovation, marketing innovation, communication innovation, technological innovation, and other information (Manole et al., 2014, p. 124). As Schumpeter (1934) pointed out, innovation involves the production of new goods, the introduction of new production methods, the creation of new forms of corporate organization, or the opening of new products and market factors (Stimson et al., 2011, p. 8).

Therefore, the slightest innovation is very influential on the competitiveness of a product in Small and Medium Industries. Some indicators that determine competitiveness are quality, price, advertising, and promotion, offering the latest product production frequency, packaging, business network, service quality, warranty, technological progress, and product brand. Regarding these indicators, Small and Medium Industries that have small business capital, of course, need the government's role to fulfill the competitiveness indicators.

The process of diffusion of innovation and knowledge is conditioned by the environment (firm systems, institutions, and economic and social actors) in which firms make decisions about innovation. Firms invest in technology and knowledge to increase profits and improve their competitive position, but their needs and responses are conditioned by the context in which their productive activities are carried out (Vásquez-Barquero, 2002, p. 8).

The further diffusion of innovation and knowledge will strengthen the competitiveness and profitability of enterprises and productive systems. Innovation leads companies to create larger units and build smaller, more economically efficient factories, strengthening internal economies of scale. In addition, innovation leads companies to design and carry out strategies to expand the scope of entrepreneurial operations, either through horizontal or vertical integration or through more product variety and product differentiation. In short, the introduction of the diffusion of innovation and knowledge increases the stock of technological knowledge in an industry or productive system (Stimson et al., 2011, p. 8).

Product innovation expands productive activities and improves company competitiveness. Process innovation leads to standardization, reduced production costs, and product prices. Innovation in the organization will make transaction costs lower. While additional innovation will reduce production costs to bring the product closer to the market and stimulate the wider scope of the economy.

#### **4. *Endogenous Development and the Role of Local Government***

Endogenous development is a model of regional internal potential development. This model prioritizes human resources with the strength of science, natural resources, technological assets, and institutions. This model is also used as the basis for the analysis of this research. This is because, in developing and increasing productivity, the social and cultural dimensions cannot be ignored (Vásquez-Barquero, 2002, p. 34).

The basic core of this method is the idea that localities and territories, which are made up of human, natural, institutional, and cultural resources, have hidden economies of scale. Therefore, the right system will successfully process the available resources to further increase local welfare (Vásquez-Barquero, 2002, p. 40). In this case, several processes are known, namely:

First, the economic dimension is characterized by a production system that enables local entrepreneurs to use productive factors efficiently and achieve a level of productivity that makes them competitive in the market. Second is the institutional dimension in which economic and social actors are integrated into local institutions so as to form a complex relationship system, which incorporates social and cultural values into the development process. And third, the political dimension instrumented in local initiatives leads to the creation of a local environment that stimulates production and brings about sustainable development. (Vásquez-Barquero, 2002)

In the process, it is known that this concept is in line with the concept of Resilience. Resilience rests on the idea that the human environment tends to achieve internal stability during change. This refers to the ecology model, which assumes that in a natural setting, an ecosystem continually returns from disturbance to its original configuration or equilibrium (Hayashi & Walls, 2019, p. 2). The concept of Resilience proposes actions and strategies for communities and influencing the policies that ultimately affect them is necessary to build local needs and perceptions of the future (Hayashi & Walls, 2019).

Christopher Ray (2000) stated that endogenous development should not only be considered as local knowledge and technology, which is only the antithesis of external dependence and the like, but also from enabling participation in the local management of the public and private sectors in addition to residents.

In this case, the government is an actor that plays an important role. In many countries, the government plays an important role in changing the mindset of its citizens to maximize the potential of their environment. Through active interaction, the government can develop an awareness of its citizens to protect the environment and local culture. Suppose it is built with the right strategy and timing. In that case, it is possible that the collaboration of the government and its citizens can fulfill their needs and even preserve their area in a sustainable manner (Yamashita et al., 2010, pp. 281–283).

In addition to emphasizing the important role of government, endogenous development also provides a wide space for innovation and technology. Both play a strategic role not only in the process of economic development but also in local productive systems. Innovation occurs, for example, when local actors can adopt technology in production processes and systems. Thus local industries can maintain their market (Vásquez-Barquero, 2002, p. 38).

Moreover, endogenous development refers to economic development and social transformation (Vásquez-Barquero, 2002, p. 48). Local economic development can be defined as a process of growth and structural change, which provides more welfare for the inhabitants of a city or region due to the transfer of resources from traditional to modern activities, the use of external economies, and the introduction and diffusion of innovations. In contrast, the goal of the local economy itself is to meet the basic needs of the community through centralized development and promotion of their own skills.

In line with that, local economic development planning is an effort to manage local resources in the right way so that they can be positioned, organized, and reorganized to meet the needs as well as community changes at the regional, local and global levels (Stimson et al., 2011, p. 79). Therefore, if further detailed, local economic planning should at least consider the following: (i) entrepreneurial ability; (ii) local production actors (labor and capital); and (iii) relational skills of local actors (Stimson et al., 2011).

Judging from the aspect of its emergence, local endogenous development arises from potential development that is accelerated by the existence of efficient institutions and regulatory mechanisms. Institutions, structures, and social and cultural behavior become part of the development process that determines the dynamics and development of a city and region. This development concept combines various characteristics and characteristics to provide a unique configuration, namely:

- a. Local economic development refers to the process of capital accumulation in certain cities and regions;
- b. Factors that contribute to the accumulation of capital in local productive systems are the supply of a labor force that is sufficiently skilled for the task to be performed and with a low level of conflict;
- c. Entrepreneurial and organizational capabilities and productive systems in which technical innovation and knowledge are spread. (Vásquez-Barquero, 2002, p. 48)

Regional-based endogenous development is then carried out by considering the following points, namely:

- a. citizens must learn to plan and lead on their own initiative;
- b. Regional development has the objectives (combined objectives) of improving welfare and culture as well as protecting human rights;
- c. Regional development should encourage local industry associations to add value;
- d. The existence of a system of citizen participation and regional development that regulates capital and land use for local governments reflects the will of the population. (Kochi, 2017)

Furthermore, in creating effective institutions and regional infrastructure, the following criteria are needed:

- a. Ability to adapt to changing circumstances;
- b. Ability to adapt to market conditions; and
- c. Utilize resource endowments to maintain institutional sustainability (Resource endowments)

From the description above, it can be concluded that endogenous development is a development originating from local initiatives in practice; development is carried out with the accumulation of available potential. This approach focuses more on local needs and community participation in development. Endogenous development includes local communities' economic, welfare, social, and cultural issues. Therefore, this development approach aims to increase production in agriculture, industry, or services, as well as introduce local society and culture.

Thus local economic policy is a bottom-up approach to development, one in which local actors play a central role in design, implementation, and control. In its most advanced form, local actors organize into networks. As a result, they acquire knowledge and learn about the dynamics of productive systems and institutions, reach agreements on initiatives and take action on local development strategies (Vásquez-Barquero, 2002, p. 15).

In the context of Small and Medium Industries, especially at the regional development scale, a policy of empowering Small and Medium Industries is needed so that there is attention and control from the local government to maintain the existence of SMEs from economic problems due to the COVID-19 pandemic so that they show positive behavior and will shape optimal performance behavior to improve performance, performance and production system.

#### **5. Human Capital and Empowerment Strategies for Small and Medium Industries during the Covid-19 Pandemic**

Human capital is important in creating economic and business value (Rahmi, 2019), no exception for Small and Medium Industry players. Within its scope, human capital includes all processes capable of triggering a higher level of knowledge and the ability to run a more effective business (Anwar, 2017). Another definition states that the concept of human capital is education or intellectual skills and work experience (Saepudin, 2013).

On that basis, human capital can be understood as quality human resources that have the ability, skills, and education for the workforce and the workforce. In the context of IKM actors, the knowledge possessed is obtained from structural lines or formal education channels. Knowledge can also be obtained from cultural channels, which are the basis for distinguishing Small and Medium Industries from business people. They can rely on skills and have several expertise in managing the resources and potential of the existing locality. This study finds two patterns of Small and Medium Industry actors in producing business-related knowledge developed by Small and Medium Industries players, respectively, namely structural patterns and cultural patterns.

The structural pattern in question is the knowledge possessed by IKM actors obtained from institutions or agencies related to business development, such as the Tourism Office, the Industry and Trade Office, the Manpower and Transmigration Office, and the Cooperative Service. As important capital for Small and Medium Industry players, human capital, namely knowledge, is transmitted by the relevant agencies through empowerment programs and training programs. These programs are specifically for Small and Medium Industry players to get ideas and develop ideas for the business products they want to work on.

Initially, yesterday there was training related to ginger processing in Wundulako District, held by the Manpower and Transmigration Office. Continue to follow from PT. Antam's facilitation for the production of shredded rice continued to emerge after three months from a green economy consortium growing ginger from abroad, based in Cilengsih, Bogor. Twenty-five villages are mobilized for us to plant ginger, so we use a little land. So we use a polyback for one person, that's 50 polybacks. Finally, Alhamdulillah, now it is developing to be able to produce processed ginger (Yuyun, Interview, Small and Medium Industry Players from Ginger and Shredded Fish).

Small and Medium Industry actors who gain knowledge in this pattern call themselves the target group. When being fostered by Small and Medium Industry players, adequate space and facilities are provided.

Initially, we were assisted by the Department of Industry and Trade, where we were given, then slowly, we were monitored and guided and guided by assistance so that communication was established. If the Department of Industry and Trade provides a place for Small and Medium Industry Centers. Before Covid-19, we were given a



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place there, meaning that the facilities there were good, only when Covid-19 emptied the place (Amir, Interview, Small and Medium Industry Actors, Edede Snack).

As Small and Medium Industry players in Kolaka Regency, sugar snack industry players also experience the same pattern. In developing ideas and ideas for the business they are engaged in, the knowledge they have comes from training conducted by the Manpower and Transmigration Office at the Group Training Center). The training for making palm sugar is from the Job Training Center for the Manpower and Transmigration Office. Because the Job Training Center also knows which sugar is good for palm sugar and which is not. Because not all palm sugar can be processed into palm sugar (Ida, Interview, Small and Medium Industry Players Edede Sugar Snack).

Not only from government agencies or agencies but human capital, such as knowledge, is also obtained by Small and Medium Industries actors from private, non-governmental organizations (NGOs). This pattern is partly felt by several Small and Medium Industries in Kolaka Regency, one of which is the Small and Medium Industry of Processed Banana Snack Serasi.

My business was initially fostered by Non-Governmental Organizations (NGOs) but now he has moved to Jakarta (Andi Ahyar, Interview, Small and Medium Industry Processed Banana Snack Actors).

In addition to the knowledge of Small and Medium Industries actors in Kolaka Regency through structural patterns, this study also found Small and Medium Industry actors who gained knowledge through cultural patterns. The cultural patterns referred to in this study are local knowledge of ideas and ideas for product development, obtained through various existing instruments, and are close to social life. This study found that this pattern has three kinds of variants. First, knowledge is obtained from personal creativity/innovation; second, knowledge is obtained from the family; third, Knowledge is obtained from social media such as Youtube.

First, the knowledge of Small and Medium Industry actors obtained from creativity has an important role for Small and Medium Industry players in developing the business that will be undertaken. At the concrete level, knowledge in the form of creativity will have implications for developing products and goods (Tri & Darwanto, 2013) owned by each Small and Medium Industry actor. This was done by one of the Small and Medium Industries in Kolaka Regency, which is engaged in the production of Plastic Waste Recycling. In the discussion, the Small and Medium Industry players said.

I used to have a gallon depot at home. I also made another new gallon of water from there. I saw this, the gallon cover was a lot, but there was no buyer; there must be a buyer for this. So from there, I started collecting, and then I bought and sold the used gallons; I originally bought 1000/kilo (Closed used water gallons). Because people are lazy to collect used gallon covers and other depots as well (Dodi, Interview, Small and Medium Industry Players Recycling Plastic Waste).

Knowledge of the creative ideas and innovations of Small and Medium Industry actors is largely shaped by various conditions, situations, and various economic experiences experienced. Experiences such as participating in exhibitions, events, and other economic activities have become a medium for generating ideas and ideas for Small and Medium Industry players engaged in Wood Curtain production in Kolaka Regency. The perpetrators of the Small and Medium Wood Industry Curtain tell their experiences.

The story goes like this. Right from Jogja, the exhibition from Jogja 2010 ended, so we bought curtains from the curtains exhibited there. I bought four curtain noodles, then from there, we learned the pattern, including the skills to make the product I taught myself (Interview, Mr. Asrifudin, Small and Medium Industry of Wooden Curtain.).

Second, knowledge from the family. The purpose of this knowledge is the knowledge gained by Small and Medium Industries actors that are specifically controlled personally and only known by certain parties (Kusuma,

2015). Tàpies (2010) explains that the transfer process for this type of knowledge is not mechanical but an interactive process related to social relations between the two and can attach to the capabilities possessed by information sources (Tàpies, 2010) well as Small Medium Industry actors themselves. As experienced by one of the Small and Medium Industry players engaged in Tofu and Tempe processed products in Kolaka Regency. The Small and Medium Industries Actors recounted.

I have never attended the training. If you learn to make tofu and fermented soybean, your parents in the village selling tofu and fermented soybeans can learn from your parents (Mariati, Interview, Small and Medium Industries of Tofu and Fermented Soybean).

Third, knowledge of online media. During the Covid-19 pandemic, online media such as Youtube became an alternative reference for MSME actors (Asharudin & Dewi, 2021), and Small and Medium Industries are looking for ideas and ideas to develop their businesses (Hajatina et al. 2021). Several groups of Small and Medium Industries in Kolaka Regency, such as Small and Medium Industries of Handbag Crafts, Small and Medium Industries of Citronella and Honey Processed Small and Medium Industries.

Most of these ideas I get from the internet, such as Youtube. Indeed, since I was a child, I have been able to make handicrafts like this, so I developed a reference product from Youtube. Meanwhile, I have never participated in any training here (Kolaka Regency) (Zaenab, Interview, Small and Medium Industry Crochet Bag Crafts).

Other Small and Medium Industry players added that;

We study together. At most, we look at references via the internet, Youtube, books, and so on; that's all, plus information from other informants (Nino, Interview, Small and Medium Industries of Sereh Wangi).

What if I don't have any formal education? I only learned from references, for example, on Youtube, and from reading references to journals about honey processing, I learned from there. So after I read the references, I chose the dehumidification system (Sumardin, Interview, Small and Medium Industries of Processed Honey).

Apart from using social media platforms, Small and Medium Industry players also use various literature such as books and journals in developing their businesses. For example, this kind of knowledge process is carried out by Small and Medium Industries of Citronella Wangi and Processed Honey in Kolaka Regency.

The data above shows that human capital is an important capital for SMEs in developing their business, especially during the Covid-19 pandemic. The findings of this research are the discovery of two strategic patterns of IKM in gaining knowledge related to business development during the COVID-19 pandemic. The two patterns in question are structural patterns and cultural patterns. In structural patterns such as empowerment and training held for Small and Medium Industry players, government and private institutions are central actors in maximizing the potential of Small and Medium Industry actors in Kolaka Regency. Through the programs held, various government and private institutions can indirectly awaken IKM actors to develop local potentials and wealth.

Within the framework of endogenous development, local potential can emerge from accelerated potential development with the existence of efficient institutions and regulatory mechanisms. Institutions, structures, and social and cultural behavior are part of the development process that determines the dynamics and development of a city and region. So if this pattern continues and is taken into account, it is possible that the collaboration of the government and its citizens can realize the fulfillment of needs and even sustainably preserve the area. They (Yamashita et al., 2010, pp. 281–283) are following what Christopher Ray (2000) stated that endogenous development should not only be regarded as local knowledge and technology, which is only the antithesis of external dependence and the like, but also allows for participation in local public sector management.

In addition to emphasizing the important role of government, endogenous development also provides a wide space for relations, innovation, and technology. In this article, the pattern is called the cultural pattern. All three play a strategic role, not only in the process of economic development but also in local productive systems.

Innovation occurs, for example, when local actors can adopt technology in production processes and systems. Thus the local industry can maintain the market (Vásquez-Barquero, 2002, p. 38) is no exception during the Covid-19 pandemic.

This is what is meant by Endogenous development, which is a model for developing Small and Medium Industries by using the internal potential of the region that prioritizes human resources with the power of science, natural resources, technological assets, and institutions for the development and improvement of productivity that does not deny the social, economic, and cultural dimensions. (Vásquez-Barquero, 2002, p. 34).

#### IV. CONCLUSIONS

The Covid-19 pandemic has hit industrial developments in various fields, including Small and Medium Industries. The characteristics of Small and Medium Industries, on the one hand, with smaller capital and production compared to large-scale industries, further complicate the development. But on the other hand, Small and Medium Industries have aspects that can be a defense space and the development of Small and Medium Industries. These spaces are the relationship of Small and Medium Industries with the local conditions surrounding them.

This research shows that by using human capital, Small and Medium Industries can survive during the COVID-19 pandemic. At the same time, Small and Medium Industries still have potential as agents of economic growth in the region. Structural patterns, which include assistance from the government in the form of policies or socialization of human capacity building, and cultural patterns, which consist of potential in the social and cultural environment, have helped SMIs in these efforts.

This social capital is also a means to determine the competitiveness and productivity of Small and Medium Industries. With strong human capital, Small and Medium Industries can get around the obstacles they encounter in production to marketing their products. From this, it can also be drawn to an understanding that the ability of Small and Medium Industries to encourage economic improvement in the regions, as happened in Kolaka Regency, Southeast Sulawesi, is largely determined by the extent to which this human capital is utilized, processed, and developed. Without it, efforts to maintain the potential of Small and Medium Industries can be partly because they do not directly touch their internal aspects and characteristics.

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