

## MODEL OF ONE VILLAGE ONE PRODUCT DEVELOPMENT WITH TRIPLE HELIX APPROACH IN IMPROVING THE ROLE OF MICRO SMALL AND MEDIUM ENTERPRISES IN JAMBI CITY INDONESIA

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### ABSTRACT

*This study aims: (1) to analyze the characteristics of MSMEs in the City of Jambi, (2) to analyze the development model of MSMEs in the City of Jambi by combining the OVOP and Triple Helix models in MSMEs in the City of Jambi, and (3) to analyze the factors that influence the income of MSMEs in Jambi City. The analytical method used is qualitative and quantitative analysis. Data collection is done in two ways: (1) library research, namely through literature study, (2) field research, namely by conducting interviews and surveys directly to stakeholders. This method is done to obtain accurate and valid information. The data is then processed using a model to determine the factors that influence the success of MSMEs in Jambi City. The formulation of the strategy will complement this research. The Ovop model has also been running in the city of Jambi which can be seen from the growing development of MSMEs in certain regions. In the context of Triple Helix, each of the three elements, namely government, private / industry, and tertiary institutions have carried out their functions. Although several forms of collaboration have begun, until now there has been no optimal synergy step in the form of integrated joint efforts to encourage MSMEs in Jambi province. The findings also show modes, labor has a positive effect on the development of MSMEs in the City of Jambi.*

**Keywords:** Development Model, MSMEs, OVOP, Triple Helix, and the Economy.

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### I. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have an important role in the economies of various countries. MSMEs have also proven their role as drivers of development in the economies of the countries of the world, both in developed and developing countries (Prawirokusumo, 2011).

In developed countries, MSMEs is not only becoming an important part of a company, but also as a major contributor of the economy of these countries. Piper (in Haryadi, 2014) states that 12 million people around 63.2 percent of the workforce in the United States (US) work in 350,000 MSMEs companies. In America United States, companies that employ up to 500 people are considered as MSMEs. In the US, MSMEs are the core of the country's industrial base because more than 99 percent are MSMEs (Pandya, 2012).

The strategic role of MSMEs can also be proven in Indonesia. This fact can be seen from its contribution to the Gross Domestic Product (GDP) which continues to increase every year. Based on the results of a survey and calculation of the Central Statistics Agency (Jambi City Statistical Bureau, 2017), the contribution of MSMEs to GDP (without oil and gas) has increased from 57.71 percent in 2007 to 64.47 percent in 2017 (Duwi, 2014).

The MSMEs sector has many businesses units. In 2016, MSMEs in Indonesia numbered 44.69 million business units, and this constituted 90.9 percent of national business people. In the same year, this business was able to absorb 76.77 percent of the total workforce in Indonesia, and contributed 14.21 percent of total national exports. (Indonesian Central Bureau of Statistics, 2017).

Danuar (2017) states that in many regions, the development of MSMEs still faces some bottlenecks. He studied the MSMEs In Semarang and his findings show that creative SMEs in Semarang City have limited ability and experience problems in developing their business. This causes creative SMEs not yet able to provide typical characteristics of Semarang. The problems faced by SMEs in the creative city of Semarang include capital, raw materials and factors of production, labor, transaction costs, marketing, and IPR (Intellectual Property Rights). The SME-based economy requires creative cooperation from various parties to achieve progress in the corporate world. Not only the government and SMEs themselves, but also the community needs to participate and develop. The same case also stated by Gamage (2003), Ghatak (2010) and Helen (2009).

One of the cities in Indonesia that was also enthusiastic about encouraging MSMEs was Jambi City. This city is precisely located in the strategic area on the island of Sumatra, near from Batam, close to Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT) and Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT). The city has experienced rapid development in the last 5 years. Although Jambi is also still experiencing obstacles in developing MSMEs, Jambi City is one of the regions that has experienced the rapid growth of MSMEs in Indonesia (Jambi City Statistical Bureau, 2017). Despite constraints in development, in 2013-2018, the Jambi City government was determined to make MSMEs the backbone of the city's economy. The bottlenecks faced by the Jambi city government in developing MSMEs are relatively similar to other regions in Indonesia. These constraints

include: the quality of human resources in managing MSMEs is still low, lack of capital and limited access to finance, lack of market control and lack of transparency. Apart from internal constraints, there are also external barriers to unfavorable business climate, limited facilities and infrastructure, and limited market access and information (Jambi Cooperative and MSME Office, 2017).

Based on the reality of MSMEs problems in Jambi City, the government is deemed necessary to encourage the development of MSMEs in terms of both quantity and quality. With a strategy like this, it is expected that MSMEs in Jambi City can contribute not only in this region, but also in the regional sphere. The government can invite universities and large-scale entrepreneurs to collaborate in developing MSMEs in this city. This development model is known as the Triple Helix Model. This model is widely developed in developed and developing countries. The concept of developing MSMEs must be focused on efforts to develop regional superior products. Thus, MSMEs in Jambi City are expected to be able to compete with MSMEs products elsewhere (Mahmood, 2008).

Based on the literature surveyed, it was found a concept of community development and empowerment that allows it to be developed in Jambi City. This concept is known as the One Village One Product Concept (OVOP) (Meirina et.al, 2014). The history of OVOP comes from a small town in Japan named Oita around 2001, which translates as "at least one sub-district produces superior products". This concept spread to Thailand and was known as One Tambon One Product (OTOP), which the Thai government intended to reduce poverty. Besides Thailand, China also adopted this concept with another name, One Factory One Product, in the Philippines known as One Barangay One Product, and in Malaysia known as One Village One Product Movement.

Through this combination of the triple helix and OVOP concepts, it is expected that MSM will not only grow in quantity, but also grow in quality. The regional development chain in the context of rural development must begin by utilizing a database that includes data such as the OVOP approach. OVOP is a community movement that is economically integrated with increased awareness of the potential and wealth of the region by increasing the income of business people and the community (Triharini et.al. 2014, Muafi et.al, 2016).

In general, the purpose of this study is to analyze the development of OVOP and Triple Helix applications in developing MSMEs in Jambi City. Specifically the objectives of this study are (1) to analyze the MSMEs development model in Jambi City by integrating the OVOP and Triple Helix models, and (2) to analyze the factors affecting MSMEs income in Jambi City.

## **II. LITERATURE REVIEW**

### **2.1. The concept of Micro, Small and Medium Enterprises**

In Indonesia, the criteria for MMEs are regulated by law No. 20 of 2008. MSMEs are productive business opportunities that are owned by either individuals or individual business entities that meet the criteria for micro-businesses as regulated by law. MSMEs is a stand-alone productive economic business opportunity, carried out by individuals or business entities that are not subsidized or indirectly owned by medium-sized businesses, or large businesses that meet the criteria for small businesses mentioned in the law. Criteria for MSMEs, micro businesses have assets of up to Rp 50 million, with a maximum turnover of Rp 300 million / year. > Rp. Small Business have assets 50 million - Rp. 500 million with a turnover of > Rp. 300 million - Rp. 2.5M / year. Meanwhile, medium businesses have assets > Rp. 500 million - Rp. 10 M with turnover > Rp. 2.5 M - Rp. 50 M / year.

According to Tambunan (2009), the number of MSMEs in these superpower countries reached at least 99 percent of the total business units of all categories. These companies are the core of the industrial base in the United States. MSMEs are also very important in many European countries, especially Western Europe. In the Netherlands, for example, the number of MSMEs is around 95% of the companies in the windmill country, such as in the United States, as well as in other advanced industrial countries that are members of the OECD, such as Japan, Germany, France and Canada. MSMEs are an important motor of economic growth, innovation and technological progress (Tambunan, 2009).

In developing countries the existing MSMEs have different characteristics from large businesses. According to Anonymous (2008) the characteristics of companies are very far exceeding the number of large businesses, especially from the micro business and small business categories. Therefore, this business group has a local significance specifically for the lower level economy.

### **2.2. Concepts and Theory of Income**

According to Suparmoko (2013), income is something that is obtained from selling something that produces profits. Another opinion says that income is revenue obtained by a trader after deducting costs. Income or revenue is a recipient of various sales of goods and services. Economic income or profit is income earned by an entrepreneur, after being deducted by hidden costs. Revenue is the result obtained from one's business activities in return for the activities carried out.

Employers can produce goods and services with the aim of gaining profits. So it can be concluded that income is the income obtained by the trader from the results he sells goods or services that are expressed with money and has been reduced by costs. Companies that want maximum profit will make decisions in a marginal manner, where companies can adjust variables that can be controlled to allow maximum profit (Nicholson, 1999).

Using this approach, the producer will benefit when Marginal Cost (MC) is equal to Marginal Revenue (MR). As long as the marginal profit (MR) is positive, the producer may produce more output, and use more inputs, but if the marginal profit has

reached 0 then the producer should stop making additional production because the addition of production will not bring benefits to the producer. The relationship between maximum profit and marginal approach can be seen from the following explanation.

$$\pi = TR-TC \dots\dots\dots (2.1)$$

Where  $\pi$  is net income, TR (total revenue) is the total revenue from the company obtained from the multiplication of the number of goods sold with the price of the item.

$$TR = P \cdot Q \dots\dots\dots (2.2)$$

TC (total cost) is the total cost incurred by the producer in producing output. To find the total cost (total cost) is to add the total fixed cost (total fixed costs) with the total variable cost (total variable costs).

$$TC = TFC + (P1X1+P2X2+\dots\dots+PnXn)\dots\dots\dots (2.3)$$

Or

$$TC = TFC + TVC \dots\dots\dots (2.4)$$

Information:

TC = Total Cost

TFC = Total Fixed Cost

TVC = Total Variable Cost.

Maximum profit is achieved with the first derivative condition of equation (2.1) above equal to zero.

$$\frac{d\pi}{dQ} = \frac{dTR}{dQ} - \frac{dTC}{dQ} \dots\dots\dots (2.5)$$

Or it can be written:

$$0 = MR - MC \dots\dots\dots (2.6)$$

Information:

$d\pi$  = maximum profit

MR = Marginal Revenue or first derivative of TR ( $dTR / dQ$ )

MC = Marginal Cost or first derivative of TC ( $dTC / dQ$ ).

### 2.3 Model of One One Village Product

One Village One Product (OVOP) is a program based on community development, with a market-based economic development approach initiated by Hiramatsu (Elverda, 2016). The uniqueness of this approach is the achievement of regional economic development through increasing the value added of products by using local resources through processing, quality control and marketing. As such, OVOP is a strategic effort to identify local products and market expansion. According to Elverda (2016) the OVOP Movement has three principles that must be owned by regions that will implement local superior products owned by the regions. The principle is to think globally and acting locally, independent business with initiative and creativity, and developing human resources.

#### 2.3.1. Local But Global (Local yet global).

Local but global means that local commodities can become global commodities. Usually people have local characteristics and global commodities have a cosmopolitan nature. In reality this does not happen, the higher the authenticity and distinctiveness of the region, the higher the global value and concern for regional products. However, local commodities must be patented and the quality must be improved. With this effort, local assessments can be marketed globally.

#### 2.3.2. Independent, Creative and Innovative

This is the principle to anticipate capital and government resources that tend to stop at risk and calculate profits so that it is difficult to maintain. Capitalization and independent resources will encourage people to earn income because community initiatives will make people feel comfortable and excited. The government is sufficient to provide support for road infrastructure and ease in supply chain management. In the long run, this movement will form a very extraordinary culture.

#### 2.3.3. Developing Human Resources

Human Resources must be developed by business actors. According to Hiramatsu, human resource development can be achieved in the process of developing OVOP products, but other high-quality products can be produced by qualified and dedicated human resources to contribute to their local communities.

### 2.4. Triple Helix

According to Kadiman (2005), the development of OVOP in rural areas must include academics, B (entrepreneurs), and G (government). Triple helix is often a problem faced by business people, especially in creating collaboration between the three parties involved. It is hoped that more open and mutually beneficial relationships will be carried out between academics and the government, academics with business people, and business people with the government.

The government needs to provide a positive stimulus that can stimulate growth and development of business investment while encouraging a conducive business atmosphere. Tricks for developing business and innovation, protecting the work of business innovation, and implementing government rules for business ethics is to create healthy business competition.

On the other hand, the industry also has an obligation to contribute in creating a good business climate, such as implementing business ethics, committing to corporate social responsibility (CSR), and being a partner of the government to support economic growth nationally. Balancing the role of the three parties namely academics, government, and business people is not easy. Continuous and dynamic efforts are needed, so that each party is expected to always be open-minded and try to do the best for the common interest. The three parties cannot move on their own, therefore synergic and balanced cooperation is needed.

In recent years, CSR has become a favorite concept, although the definition itself is still debated among practitioners and academics. As a concept originating from abroad, the main challenge is indeed to give meaning in accordance with the Indonesian context. CSR is a vehicle that can be used to achieve sustainable development goals. As such, CSR will not be misused only as a marketing gimmick for corporate governance or corporate image fraud.

### 2.5. Previous Study

Triharini et al. (2014) stated that given that the OVOP program was top-down, it would require a deeper effort to make OVOP understandable and interpreted by the people of a region as a spirit or spirit. This can be sought by finding a central figure in the community. The figure in question is a community leader who is heard and respected by the local community, wants to cooperate with the government, and has an awareness of the importance of building a community around him. With the existence of such figures in a society, it allows the OVOP socialization process to be more effective and not merely as a government program.

According to Rahmini (2017) with the title Development of MSMEs (Micro, Small and Medium Enterprises) in Indonesia by using deceptive research methods. It can be concluded that all the successes that have been achieved by MSMEs have weaknesses that must be resolved immediately including lack of capital both in number and source, lack of managerial skills and lack of operating skills in organizing and limited marketing is always faced by all SMEs in starting a business business to grow.

According to Machmud and Sidharta (2013) with the title of the Strategic Management Approach Study Model in Increasing the MSMEs Sector in the City of Bandung. Based on the results of the discussion above, it can be concluded that the development of small and medium enterprises (MSMEs) in the city of Bandung can be done using a strategic approach by first assessing the factors that affect small and medium enterprises (MSMEs) then analyzing the superiority of MSMEs and the success of MSMEs. SWOT weakness, which in the end carried out a formulation of the concept of MSMEs development and the goals and objectives to be achieved so that the UMKM development strategy was obtained by issuing a policy regarding the development of MSMEs, MSME development programs, and MSMEs development activities. This study only focuses on the conceptual model of strategic management studies, so that there are limitations in carrying out the analysis, therefore further research is needed by conducting field research so that it can produce a more comprehensive study on the development of MSMEs in the city of Bandung.

## III. RESEACrH METHODS

### 3.1. Research Objects, Types and Data Sources

This research was conducted on MSMEs in Jambi City, and the data used were primary data derived from respondents' answers through interviews and questionnaires (Soetrisno, 2010). Besides that, secondary data is also used to see the development of MSMEs in Jambi City. Secondary data came from related institutions both in Jambi Province and in Jambi City.

### 3.2. Research Population and Samples

The population of MSMEs in Jambi City is 13.723 MSMEs. Sugiono (2012) mentions one way to calculate the sample size that is capable of representing populations can be done using Slovin techniques. The Slovin formula for determining samples is as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Information:

n = Sample size / number of respondents

N = population size

E = Percentage of allowance for accuracy of sampling errors

still tolerable; e = 0.1

In the Slovin formula there are provisions as follows:

E value = 0.1 (10%) for large populations

E value = 0.2 (20%) for the population in small numbers

So the range of samples that can be taken from the Solvin technique is between 10-20% from the study population. The population in this study was 13,723 MSMEs, so the percentage allowance used was 10% and the calculation results could be rounded up to achieve conformity. So to find out the research sample, with the calculation as follows:

$$n = \frac{13723}{1 + 13723(0.1)^2} = \frac{13723}{138.23} = 99.27$$

Based on the above calculation, the sample that became the respondents in this study was adjusted to be as many as 100 people or around 12% of the total UMKM players in Jambi City.

**3.3. Data Analysis Method**

The analytical method used is descriptive quantitative. To answer the first and second objectives, descriptive analysis is used, while to answer the second purpose quantitative methods are used (multiple linear regression models). Briefly can be seen the following function model:

$$Y = f(\text{Assets, MK, TK}) \dots\dots\dots (3.1)$$

Explicitly can be stated as follows:

$$Y = \beta_0 + \beta_1\text{Asset} + \beta_2\text{MK} + \beta_3\text{TK} + \mu \dots\dots\dots (3.2)$$

- Y = Small Business Income
- X1 = Asset
- X2 = Working Capital
- X3 = Number of Workers
- $\mu$  = Disturbing Factor

To see the validity of the model used and the accuracy of the estimation results of the model, a number of statistical tests were carried out, including the F test, t test, and R2 test. While to test whether or not the simulation results meet the statistical criteria, the classical assumption is used which consists of Multicollinearity Test, Heteroscedasticity Test, Otocorrelation, and serial correlation.

**IV. RESULTS AND DISCUSSION**

**4.1. The Role of Academics, Government and Business Actors in developing MSMEs in Jambi City**

In the OVOP movement, the UMKM Kota Jambi developed a product that would become a distinctive product and the pride of their local area and have competitive values both in national and global markets. In the context of this research, products, not only in the form of goods but also in the form of services.

UMKM actors work with local entrepreneurs and with the help of technical assistance from the government to develop this product, which is then marketed locally, nationally and internationally. Although in this study using "One Village, One Product" but in reality the product developed is not limited to only one product. One sub-district can develop two or more products.

Based on the three principles of model development, the products that are created must not only reflect the pride of local culture but also be accepted globally by the international community. The city of Jambi has taken this development seriously. For example, batik craft in Jambi City is one of the handicraft symbols in Jambi City which is marketed overseas.

The second principle, namely Self-reliance and creativity, has also been carried out by the Jambi city government. That is, the MSMEs actors actively manage their businesses independently, while the government only has the role of providing the assistance needed for them to develop their businesses. Furthermore, the third principle in the form of Human Resource Development has been developed, although not yet optimal.

However, the involvement of other parties such as businessmen and universities has not been integrated with the government. The government should collaborate with universities and big business parties, so that the program carried out has a synergy with what is proclaimed by the government. During this time, activities from universities and private sector in encouraging MSMEs have been running. But their activities are still running partially. The results of the study also showed that the OVOP program had already been running even though it was not optimal.

**4.1.1. The Role of Academics**

Academics who are part of the scholars are described in 3 forms of roles, namely: The role of education is aimed at encouraging the birth of Indonesia's creative generation in a mindset that supports the growth of initiative and work in creative industries. The role of research is to provide input on the policy models for developing creative industries and instruments needed, and to produce technology that supports efficient work methods and resource use and makes the national creative industry competitive. The role of community service is carried out with the aim of forming a society as an institution / social order to support the growth of the national creative industry.

Based on the results of the field survey (Table 4.1), 17 respondents stated that they received guidance from the tertiary institution, while the rest stated that they had not received guidance and guidance from the university (Table of interviews revealed that from 17 respondents only 5 respondents received regular training.

**Table 4.1. Number of Respondents Who Get Coaching and Training in Jambi City**

No	Respondent	Amount
1	Who Gets Coaching	17
2	Who have not received coaching	83

When the question continued with the type of coaching obtained by respondents from the academics, 12 from respondents answered was in the form of bookkeeping guidance and additional insight into business entrepreneurship, while the other 5

mentioned that the training they had received from universities (academia) was training in improving product quality Their MSMEs. One form of training obtained by respondents is appropriate training in processing fruits into extracts.

#### **4.1.2. The Role of Entrepreneurs / Industrial Sectors**

Entrepreneurs are business people, investors and creators of new technologies, and creative industry consumers. a) Creator, as a center of excellence for creative products and services, new markets that can absorb the products and services produced, and creators of jobs for creative individuals or supporting individuals. b) Forming communities and creative entrepreneurs, namely as a motor that shapes ideas of public space, mentoring that can create creativity in business in the creative industries, business training or training in business management in the creative industry

The results showed 12 respondents had fathers for their business, while I had never been touched by entrepreneurs / industries. These results are: industries in encouraging MSMEs are still relatively not optimal. This condition really needs to be encouraged so that MSMEs can grow and develop. Some MSMEs even stated that they were ready to become permanent suppliers of modern markets such as malls, hotels and restaurants. The problem is whether entrepreneurs, such as restaurants, are ready to accept these MSMEs products.

Industrial sector readiness can be done as long as MSMEs can produce products in accordance with the standards set by the industry. However, not all respondents stated that their products could be accepted and entered into the modern market. One of the causes is because the products they sell are still below the quality required by the modern market.

The survey results also show that there are only two MSMEs that have received capital assistance from large-scale businesses. This finding also shows that the role of entrepreneurs is still relatively not optimal in encouraging the growth of micro, small and medium enterprises.

#### **4.1.3. Role of the Government**

The government's main role in developing creative industries is a) Catalysts and facilitators and advocates who provide stimuli, challenges and encouragement, so that business ideas move to a higher level of competence. The support can be in the form of the government's commitment to use its political power proportionally and by providing good public administration services in addition to financial assistance, incentives or protection, b) Regulators, which produce policy policies relating to people, industry, institutions, intermediation and resources and technology.

The government can accelerate the development of creative industries if the government is able to make policies - policies that create a conducive business climate for the creative industry, c) Consumers, investors and even entrepreneurs. The government as an investor must be able to empower State assets to be productive in the scope of the creative industry and be responsible for industrial infrastructure investment, d) Creativity will thrive with cities that have a creative climate. In order for the development of the creative economy to run well, it is necessary to create creative cities that are able to make an attractive magnet for individuals to open businesses in Jambi City.

The survey results showed that 48 MSMEs stated that they had received capital assistance from the government, while the rest said they had never received assistance. The majority of respondents stated that information about assistance was often late until the UMKM party, besides the requirements dimit by the government were quite strict and difficult to fulfill. However, there are also MSMEs that intentionally do not take advantage of government assistance, considering that the capital needed is not too large and the requirements requested are relatively difficult for MSMEs to fulfill.

Besides capital assistance, the majority of respondents (68%) stated that they had received training from the government. In addition, 78 percent said their MSMEs had been included in the activities of related institutions both in the form of workshops and in the form of seminars at City and provincial levels. In addition, 12 respondents stated that their MSMEs had also been included in exhibitions both at the city, provincial and national levels.

In the development of MSMEs there are still many shortcomings in the program carried out by the Department of Industry and Trade of Jambi City where the guidance programs provided have not touched many MSMEs in Jambi City where there are still many MSMEs that have not received optimal guidance on how to do good . It can be seen that there are still many MSMEs that have not applied the results of the guidance provided by the Department of Industry and Trade as for example MSMEs have not implemented good management in production, which in the supervision carried out by the Jambi City Office of Industry and Trade Consumer Protection which in many industrial supervision is still obtained by goods which are not good enough for small and medium industries circulating in the market where many small and medium industry goods do not lead to training given examples in fostering GMP (Good Manufacturing Practices) in which many goods are does not have a label applied by the Department of Industry and Trade such as label production, expiration, etc.

With the existence of good and optimal guidance and supervision by the Department of Industry and Trade, small and medium industries will run and grow and develop to create a good economy in Jambi City. And also as the achievement of the Vision and Mission of the Department of Industry and Trade will be achieved and create the City of Jambi City Modern with small and medium industrial centers.

The empowerment of MSMEs carried out by the Jambi City Education Office and UMKM as policy implementers. Two stages were implemented in empowerment, namely Enlightenment carried out to provide motivation and enthusiasm in doing business and the second was the form of efforts by the regional government.

#### 4.2 Factors Affecting MSMEs income in Jambi City

To analyze the factors that influence MSMEs Income in Jambi City, the authors tried to analyze the effect of independent variables of assets, working capital, labor and education on income-dependent variables with the regression results (Table 4.2).

**Table 4.2 Regresi Result**

Variables	coeficient	t-statistic	Probability
Constants	0.371564	2.08E+11	0.0000
LOG(AS)	4.095192	3.836388	0.0010
LOG(MK)	0.999999	2.83E+12	0.0000
LOG(TK)	9.897951	3.472568	0.0641
PD	6.247803	2.663058	0.0149
R2	0.957723		
ADJ R2	0.942667		
F STAT	36.46325		0

#### 4.3 Economic Analysis

##### 4.3.1 Effect of Assets on Income of MSMEs in Jambi City

From the results of asset analysis, it was found that the probability was 0,0001. This figure shows that assets significantly and positively affect the income of MSMEs in Jambi City. Every 1: MSMEs in Jambi City are 4.095192 percent. The income of MSMEs in Jambi City is significant and has a significant influence on MSME income in Jambi City. MSMEs in Jambi City are the highest income achieved in running a business. The success of MSMEs in Jambi City can be seen from the increasing number of profits. The findings of this study are not in

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line with Winarko's research (2014). Wijnarko's meeting shows that assets do not have a significant effect on increasing residual income from operations in cooperatives in the City of Kediri.

The findings of this study are not in line with Winarko's research (2014) which states that assets do not have a significant effect on increasing income. This finding can be caused by the management of fixed assets carried out by MSMEs in Jambi City is still not optimal. In fact, every year several MSMEs in Jambi City have large fixed assets, but all of that depends on the production capacity determined by the number of sales. Thus, if sales decline, the value of fixed assets will decrease. Another fact is caused by an increase in expenditures for fixed assets not comparable to production activities so that the profits obtained are not optimal.

##### 4.3.2 Effect of Working Capital on UMKM Revenues in Jambi City

The findings of this study indicate that working capital has a positive and significant effect on MSMEs income in Jambi City. The higher the working capital used in running a business, the higher the income achieved by MSMEs in Jambi City. Working capital is the most important element in the sustainability of a company, which is the initial source used to carry out operating activities so as to achieve the expected profit. The owner or manager of MSMEs in Jambi City in running its business needs to have cash. The cash is stored in cash or saved in a bank. The size of the working capital owned by MSMEs in Jambi City will certainly affect the ability of entrepreneurs to spend on daily operational activities.

Based on the findings of this study, the use of working capital has a positive and significant effect on MSMEs income in Jambi City, each 1 percent increase in working capital will increase MSMEs income in Jambi City by 0.999 percent, so an increase in working capital has an effect on MSMEs income in Jambi City. In carrying out business activities, of course, it needs costs or

expenses (capital), both for production costs, for purchasing raw materials and so on in conducting business operations to expect income as remuneration. If the provision of capital is sufficient in accordance with the amount needed, the production process will run smoothly and this will greatly affect increasing income or income for business development.

The findings Sukesti & Nurhayati (2015) that working capital has a significant effect on the financial performance of MSMEs in the city of Semarang. The findings of this study also support Muhdin's (2010) research that working capital has a significant effect on the operating profit of PT Indosat Tbk and Paranesa et.al. (2016) that sales and own capital have a significant effect on operating income at UD Aneka Jaya Motor in Singaraja.

#### 4.3.3 Effect of the Number of Workers on UMKM Revenues in Jambi City

The results show that there is a positive and significant influence between labor and MSME income in Jambi City. Every addition to one workforce, income will increase by 9.89 percent. Labor is part of the production factor that is used as a driving factor for the production of goods and services (output). The more production (goods and services) allows the income received will increase. These findings are consistent with previous findings in different locations. Ganitri et. al. (2014) also shows that labor, working capital, and business volume have a significant effect on income. In addition, the results of this study are also in accordance with Saragih & Nasution (2014) who found that labor has a significant effect on the income of MSME entrepreneurs in Toba Samosir Regency. The same effect is also stated by Priyandika (2015) that working capital and labor have a significant influence on the income of street vendors in Central Semarang Regency, Semarang City.

#### V. CONCLUSION

Based on the results of the analysis and discussion above, some conclusions can be found that can be translated into several things as follows:

- 5.1. Majority of respondents were > 41 years old, female, educated people, and mostly married.
- 5.2. The problem faced in the development of MSMEs in Jambi City is that the low competitiveness of MSMEs business actors makes the lack of entrepreneurial spirit appear so that the business is less able to develop. The market share is declining, this is due to the low competitiveness among entrepreneurs which causes low market share and decreased buyer interest. The prices and forces of unstable materials cause saturation of employers because of uncertain profits and limited quality control due to the unqualified quality of human resources due to not fulfilling the established procedures.
- 5.3. The Ovop model has also been running in Jambi City which can be seen from the growing development of MSMEs in certain areas. In the context of Triple Helix, each of the three elements, namely government, private / industrial, and tertiary institutions has carried out their functions. Although several forms of cooperation have begun, but until now there has been no optimal synergy step in the form of integrated joint efforts to encourage MSMEs in Jambi province.
- 5.4. From the results of the analysis on asset variables, it is found that the probability is perfect and close to 1. This number shows that assets significantly and positively affect the income of MSMEs in Jambi City. Working capital variables have a positive and significant effect on MSMEs income in Jambi City, any increase in working capital will increase MSMEs income in Jambi City. The workforce has a positive and significant effect on the income of MSMEs in Jambi City. Every addition of a workforce of one person, the income will increase by 9.89 percent.

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