

# Government Capacity Index: Small Medium Industry in Central Java

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**Abstract**— This research aims to explore the factors that influence the development of industry and trade, local government efforts to empower industry and trade, as well as data to support policy making in the development of Small and Medium Industries in Demak Regency. Measuring customer satisfaction uses parameter variables related to the supporting capacity of local government. The primary data collection method uses a mix-method method obtained directly from 306 respondents. The research results show a high level of attribute carrying capacity in terms of commitment (3.08), increased competence (3.22), ease of access to permits (3.32), assistance (3.12), with an overall carrying capacity index of 3.09 and conversion. The carrying capacity index is 77.14 in the good category. The district government needs to carry out a follow-up plan to improve the results of the carrying capacity index for all attributes, in particular: building cooperation networks, providing exhibition venues, providing product promotions, budget allocations and product trademarks. This is an opportunity for related research in the future competence, commitment, cooperation, and collaboration networks.

**Keywords**— Government Capacity Index, Customer Satisfaction, Empowerment, Small Medium Industry.

## I. INTRODUCTION

Based on Law of the Republic of Indonesia no. 5 of 1984 concerning industry, Industry is an economic activity in the processing of raw materials, raw materials, finished goods, and/or semi-finished goods into goods with high value, including design and engineering (Kemenperindag, 1984). Meanwhile, trade is a sector that operates in the field of providing and distributing goods needed by the public, both domestically and internationally.

Dominant sectors forming Gross Regional Domestic Product in Demak are processing industry with a proportion reaching 30.01%, while agriculture, forestry and fisheries contributed 22.14%, trade contributes to GRDP by 15.43% and other sectors by 32.42% include: clean water, electricity, gas, mining, transportation, construction and other services (BPS Jateng, 2024).

Based on scale, the industrial sector is divided into three types, namely large industry, medium or medium industry, small industry and household. In terms of workforce, large industries have a workforce of >100 people, medium industries have a workforce of 20-90 people, while small industries have a workforce of 5-19 people and home industries, or household

crafts have workers <5 people. Several activities for the industry's supporting capacity include organizing training, facilitating permits, equipment assistance, working capital, business matching, as well as exhibitions of industrial product (Wikipedia, 2022).

The development of the industrial and trade sectors is an integral part of regional development and national development in order to realize community welfare, which has a role as a supporter of regional economic strength and growth (Ngumar & Oetomo, 2006; PerMenPANRB, 2017; Vaccaro, 2023; Wati & Arifien, 2019). This research presents an analysis of the District Government's Carrying Capacity Index in the Development of Industry and Trade in Demak Regency.

## II. RESEARCH METHODS

Questionnaires are used as instruments data collection that covers all elements of carrying capacity. The assessment scale uses a Likert scale of 1-4, the scale higher shows better assessment. For Performance, number 4 means the respondent is very qualified with the performance assessment statement, number 1 means the respondent is very unqualified with the performance assessment statement.

Mix-method is used in collecting primary data, namely a combination of quantitative and qualitative methods (Creswell, n.d.). Respondents were chosen randomly according to the coverage area of Demak district. To meet the accuracy of the results, it is used Krejcie and Morgan method (Krejcie, 1970). Of the 1500 industrial players registered in 2022, the minimum number of selected respondents is 306.

The data processing method is based on the weighted average value of 9 service elements studied. The weighted average value approach is used to obtain the carrying capacity index value, as follows:

GCI=	Total Perception Value per element	x	Scale value
	Total elements filled		

Interpretation of the Power Index assessment Support between 25-100 converted to a base value of 25 as follows:

Perception value (PV)	Interval Value (IV)	Conversion Interval Value (CIV)	Service Quality (SQ)	Service Unit Performance (SUP)
1	1,00-2,5996	25,00- 64,99	D	Bad
2	2,60-3,064	65,00-76,60	C	Pass
3	3,0644-3,532	76,61-88,30	B	Good
4	3,5324-4,00	88,31-100,00	A	Very Good

### III. RESULTS AND DISCUSSION

Based on the results of calculating the carrying capacity index, the total value of each carrying capacity indicator is obtained from the average value of each element of carrying capacity (Vaccaro, 2023). Meanwhile, the composite (combined) index value for each unit of carrying capacity is the sum of the average values of each element of carrying capacity multiplied by 0.111 as a weighting the same.

In improving service quality, prioritization is given to elements that have the lowest value, while elements that have a high value must be maintained.

#### Respondent Characteristics.

##### Age.

Most of the respondents were over 36-40 years old, 76 (25%) respondents and 69 (23%) respondents aged 41-45 years. The results of this analysis show that most respondents in this study were adult customers.

##### Gender.

Based on the 306 respondents examined in this study, 77 respondents (25%) are male and 229 respondents (75%) are female.

##### Education.

Based on 306 respondents in this study, most respondents graduated from a High School Education (46%), while the remaining 79 respondents (26%) graduated Junior High School, 37 respondents (12%) had an Elementary School, 10 respondents (3%) graduated Diploma, 36 respondents (12%) had bachelor's degree, and 3 respondents (1%) had postgraduate degree.

##### Type of Work.

All respondents are small medium industry players in Demak Regency.

##### Type of Product.

Based on 306 respondents who took the survey, the majority were Small and Medium Industries of non-fish dry foods as many as 122 respondents (40%), catering and snacks as many as 63 respondents (21%), processed fish foods as many as 41 respondents (13%), craft sector (accessories) as many as 13 respondents (4%), fashion bags as many as 9 respondents (3%), fashion clothing, uniforms as many as 23 respondents (8%), crafts 5 (2%), drinks 13 respondents (4%), and others 1 (0%).

#### Government Capacity Index.

##### Commitment.

Commitment in supporting the development of industry and trade is a very important part of the attention of the Demak Regency Government. The results of the analysis show that the

level of commitment of 196 respondents (65%) are agree, 71 respondents (23%) are strongly agree, 28 respondents (9%) are disagree and 9 respondents (3%) are strongly disagree, as seen in table 1.

TABLE 1. Government Capacity Index: Commitment.

Code	Commitment	%	Total
1	Strongly Disagree	3%	9
2	Disagree	9%	28
3	Agree	65%	198
4	Strongly Agree	23%	71

Source: Processed by Author (2024).

##### Support.

The supporting indicators are the provision of facilities in the form of equipment assistance and financial assistance subsidies provided by the Demak District to business actors for the development of industry and trade. The results of the analysis show that in the supporting indicator, 147 respondents (48%) are agreed, 110 respondents (36%) are strongly agreed, 24 respondents (8%) are disagreed, and 25 respondents (8%) are strongly disagreed, as seen in table 2.

TABLE 2. Government Capacity Index: Supporting

Code	Commitment	%	Total
1	Strongly Disagree	8%	25
2	Disagree	8%	24
3	Agree	48%	147
4	Strongly Agree	36%	110

Source: Processed by Author (2024).

##### Provision of Exhibition Place.

In preparing the exhibition venue, the district government attempted to facilitate the provision of facilities and infrastructure for holding industrial product exhibitions. The results of the analysis show that 169 respondents (55%) are agreed, 118 respondents (79%) are strongly agreed, 38 respondents (12%) are disagreed, and 16 respondents (5%) are strongly disagreed, as seen in table 3.

TABLE 3. Government Capacity Index: Provision of Exhibition Place.

Code	Commitment	%	Total
1	Strongly Disagree	5%	16
2	Disagree	12%	38
3	Agree	55%	169
4	Strongly Agree	79%	118

Source: Processed by Author (2024).

##### Providing Promotion of Product Results.

The provision of product promotion is an effort made by the district government as a form of support for the development of local industry and trade through the provision of promotional facilities, as well as increasing product innovation. The results of the analysis show that 185 respondents (60%) agree, 74 respondents (24%) strongly agreed, 37 respondents (12%) disagreed, and 10 respondents (3%) strongly disagree as seen in table 4.

##### Competency Improvement.

Competency Improvement is one form of local government support to provide training facilities and improve the skills of human resources or business actors. The results of the analysis

show that 197 respondents (64%) are agree, 90 respondents (29%) are strongly agreed, 14 respondents (5%) are disagreed, and 5 respondents (2%) are strongly disagreed, as seen in table 5.

TABLE 4. Government Capacity Index: Providing Promotion of Product Results.

Code	Commitment	%	Total
1	Strongly Disagree	3%	10
2	Disagree	12%	37
3	Agree	60%	185
4	Strongly Agree	24%	74

Source: Processed by Author (2024)

TABLE 5. Government Capacity Index: Competency Improvement.

Code	Commitment	%	Total
1	Strongly Disagree	2%	5
2	Disagree	5%	14
3	Agree	64%	197
4	Strongly Agree	29%	90

Source: Processed by Author (2024)

### Building Collaboration Networks.

Building Collaborative Networks is a supporting capacity carried out by local governments through efforts to build networks in the form of cooperative relationships with other local governments to develop performance in the industrial and trade sectors. The results of the analysis show that 65 respondents (21%) strongly agree, 191 respondents (62%) agree, 26 respondents (8%) disagreed, and 26 respondents (8%) are strongly disagreed.

TABLE 6. Government Capacity Index: Building Collaboration Networks.

Code	Commitment	%	Total
1	Strongly Disagree	8%	24
2	Disagree	8%	26
3	Agree	62%	191
4	Strongly Agree	21%	65

Source: Processed by Author (2024)

### Convenience of Business Permits.

Ease of access to licensing is a supportive attitude given by the local government through the provision of easy access facilities in granting industrial business licensing. The results of the analysis show that 3 respondents (1%) are strongly disagree, 10 respondents (3%) are disagreed, 178 respondents (58%) are agreed, and 115 respondents (38%) are strongly agreed, as seen in table 7.

TABLE 7. Government Capacity Index: Convenience of Business Permits.

Code	Commitment	%	Total
1	Strongly Disagree	1%	3
2	Disagree	3%	10
3	Agree	58%	178
4	Strongly Agree	38%	115

Source: Processed by Author (2024)

### Budget Allocation.

Budget allocation is an effort to support the district government in allocating a budget to increase the purchasing power of local/domestic products, the results of the analysis show that 184 respondents (60%) are agree, 66 respondents (22%) are strongly agreed, 30 respondents (10%) are disagreed,

and 26 respondents (8%) are strongly disagreed, as seen in table 8.

TABLE 8. Government Capacity Index: Budget Allocation.

Code	Commitment	%	Total
1	Strongly Disagree	8%	26
2	Disagree	10%	30
3	Agree	60%	184
4	Strongly Agree	22%	66

Source: Processed by Author (2024)

### Product Brand.

Product brand is the supporting power that shows support for products that can be used to create a brand that reflects Demak identity. The results of the analysis show that 65 respondents (21%) strongly agreed, 196 respondents (65%) agreed, 26 respondents (8%) disagreed, and 17 respondents (6%) strongly disagreed, as seen in table 9.

TABLE 9. Government Capacity Index: Product Brand.

Code	Commitment	%	Total
1	Strongly Disagree	6%	17
2	Disagree	8%	26
3	Agree	65%	198
4	Strongly Agree	21%	65

Source: Processed by Author (2024)

## IV. CONCLUSION

The level of local government support in the development of industry and trade can be measured by calculating the Support Value with a Likert scale. Based on the results of the calculation of the level of support, for each attribute, all attributes have a support index in the good categories and acceptable categories, this shows that the overall Government Support Capacity Index is 77.14, in other words it is suitable and good category.

Based on the table 10., it can be seen that Ease of Access to Licensing is the attribute that has the highest capacity index, while Budget Allocation is the lowest capacity index, this means that each attribute still requires continual improvement.

Attributes that need to be improved include Provision of Exhibition Venue (3.04), Provision of Product Promotion (3.06), Building Cooperation Networks (2.97), Budget Allocation (2.95), and Product Trademark (3.02).

This is a challenge to the government's support, as well as an opportunity for future research to follow up on improvements in competence, commitment, cooperation networks, collaboration, empowerment and development of Small and Medium Industries.

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TABLE 10. Capacity Index per category.

