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**THE ROLE OF BUSINESS INCUBATORS IN ENCOURAGING THE  
DEVELOPMENT OF MSMEs IN THE CITY OF MEDAN**

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**Abstract**

The purpose of this study is to measure the role of business incubation in encouraging the development of MSMEs in Medan City. This research uses qualitative descriptive research methods and the data used is sourced from secondary data obtained from research results, articles, literacy and regulations that discuss topics related to the research theme. The results showed that 1. The role of business incubators is quite significant in creating new MSME players in the city of Medan 2. The role of business incubators is highly defined so that it can increase entrepreneurial creativity and create breakthroughs and new innovations in the development of UMKM in Medan City.

**Keywords:** *Business incubator, MSME, Innovation*

**Introduction**

A business incubator is a specialized group of organizations or programs that help accelerate the growth and success of *startups* or new individual businesses. The business incubator was first introduced in New York where a building that was previously used to incubate chickens was then changed to incubate companies from a business incubator concept then adopted by a number of countries and expanded to various countries, especially in Indonesia and as a medium for take a sustainable business approach with the hope of becoming a high business potential. (Mohammad Habibi, 2022). Definition In addition, the definition of a business incubator as a model for the growth of new business units has its own advantages, namely the SMEs fostered/prospective entrepreneurs are educated to master all aspects of the business, equipped with facilities and working capital, and intensively assisted. As in research (Bismala & Handayani, 2017) that factors affecting core competencies include: people, price, product, performance appraisal, care/maintenance, development, capacity, place, record/administration and promotion. (Bismala et al., 2019). Efforts to encourage entrepreneurship in Indonesia face a number of obstacles and challenges. According to Goenawan and Ari (2015) some of the problems faced include the quality of human resources (HR), management, mastery of technology, capital, competitiveness, and productivity. A business incubator is a model for growing technology-based entrepreneurs. (Arini et al., 2018).

Business Incubators are organized to help develop new businesses so that they can be successfully launched in a region. In some practices, these projects are sponsored and fostered by universities, based on the facilities available on campus. In its development, incubator institutions in

Indonesia joined in the organization (Association of Indonesian Business Incubators). (Entrepreneurship et al., nd)

The purpose of Small and Medium Enterprises (SMEs) is one area that makes a significant contribution in spurring Indonesia's economic growth. The condition of MSMEs in Indonesia is declining, this is due to management errors and lack of government attention. The reason is that the implementation of the UMKM empowerment program along with its very abundant budget every year is considered ineffective. This is evident from the fact that the MSME sector is capable of providing 99.46% of new jobs, yet it contributes only 43.42% of the total transaction value of the Indonesian economy each year (Arini et al., 2018)

The role of the business incubator is to direct small-scale companies so that they can be formed with a good organizational management structure and financial structure. The hope of this program is of course that the business can work optimally and experience significant, sustainable and profitable development. All start-up businesses can join the business incubator program by fulfilling several requirements. The business incubator provides several facilities for all start-up businesses that take part in the program, for example as shown below.

- Business management training, for example managing the *supply chain, stakeholders*, warehouses, business risk opportunities, market demand (*demand*), potential customers (*leads*), business sales, business quality, project work, costs and other business financial aspects, and distribution processes.
- Provision of office facilities and workspaces that have technology, for example internet and telephone networks.
- Connect with *angel* investors for joint venture financing needs.
- Provide assistance to carry out marketing strategies (*marketing management*).
- Assist in conducting market research (*market research*).
- Provision of business communication strategy training.

The existence of these facilities really helps start-up businesses to shape all their business ideas into business models that work optimally with lower operational costs. It is hoped that companies in business incubators will play a major role in regional and national economic development. therefore . The Minister of Cooperatives and SMEs, Teten Masduki said, business incubators could be a machine for creating new entrepreneurs from campuses or universities in an effort to increase the number of entrepreneurs in the country. We at the Ministry of Cooperatives and SMEs together with other ministries/agencies (K/L) are working with various universities in presenting a business incubator on campus. This business incubator becomes a machine in creating competitive and innovative new *entrepreneurs* . In addition, according to Teten, Indonesia can make the University of Melbourne a best practice which has presented a *business innovation lab* that focuses on MSME development, as well as *design thinking training* for students to develop their businesses, from business feasibility studies, product development, to *international shipping* or exports supported by alumni as mentors. At the same time, said the Minister of Cooperatives, the government is also pushing for digitalization and the development of internet infrastructure. About 97% of Indonesia's territory can be served by *e-commerce* . The target of 30 million digitally connected MSMEs in 2024 is expected to be realized, because currently there are only 19.5 million MSMEs. On the other hand, many of the products traded on *e-commerce* are imported products. "So, how can education give birth to *entrepreneurs*, not just traders, but also must be strong in the production sector," he said.

Teten emphasized that MSME and cooperative actors must take advantage of Indonesia's digital economy opportunity, which is predicted to be the largest in the world in 2030, with a value of around IDR 4,500 trillion. Observing the problem then systematic steps are needed in developing SMEs, especially those that are still at the pilot stage. In fact SMEs have many obstacles to start and survive on

their own. Therefore the solution offered is by forming a container in an incubator format business. The focus of the main study is to formulate the right incubator concept taking into account various factors supporters and obstacles. As is the right business incubator design, then the incubator can encourage SMEs in the field. Can achieved which will certainly have an impact significant in economic development area and community empowerment.

### **Literature review**

The business incubator is one methods that can be developed for more empower the potential of SMEs. National Business Incubator Association (NBIA) defines a Business Incubator as a process expedited business support startup development success and start-up company by providing various resources and services required for entrepreneurs. this service usually developed or regulated by incubator management and offered both in the business incubator itself and through network owned by the business incubator. The developed Business Incubator concept is a vehicle for the commercialization of research and the creation of new jobs, which in turn creates jobs, which is expected for a business process that has added value and is able to create jobs and close collaboration between industry, society and government. So that this process will be able to change and find new models into innovations, so that a process of value creation occurs which will have a positive impact on the emergence of technology commercialization that is able to encourage the creation and improvement and develop the value of social welfare (social wealth creation and social wealth). improvement) (Mohammad. AS 2012). (Septiana Ayu, 2015). According to the Minister of State for Cooperatives and UKMNo.81.3/Kep/M.KUKM/VIII/2002: (a).Incubation is a coaching process for businesses small and/or new product development carried out by business incubators in terms of provision of business facilities and infrastructure, business development and management support as well as technology. (b). Incubator is an institution engaged in the provision of facilities and business development, both management and technology for Small Businesses and Intermediate to increase and develop its business activities and or new product development to be able to develop into a formidable entrepreneur and or new products that are competitive within a certain period of time. From the understanding above can concluded that the business incubator is business entities and institutions that provide a program designed to foster and accelerate development success business. ( 2020, مقناني).

### **Research methods**

This research is a descriptive research through literature study to find the role of business incubators for MSMEs in Medan. Data collection was carried out by collecting related literature, and related secondary data.

### **Discussion and Discussion**

1. That based on statistics on the growth rate of MSMEs and business incubators in the City of Medan, it shows a significant role with the existence of a business incubator that can accelerate the growth of MSMEs in the City of Medan. (Wajdi et al., 2021)
2. The issue of the existence and sustainability of MSMEs after the business incubator mentoring period is something that must be focused on together. The evaluation monitoring function is very influential.
3. has a big impact on the sustainability of MSME actors because the dynamics of consumers and market tastes greatly determine the resilience of the resources contained in MSME in the city of Medan.
4. The role of Financial Institutions and companies that have social responsibility funds (CSR) in collaboration with Higher Education Institutions through synergy to provide scholarships to prospective business incubators through measurable selection to create new business incubators.

## Conclusion

Based on previous conclusions and literature, an active internal and external network is one of the main sources of a successful incubation program. A successful incubator must be able to promote internal networking among incubats and develop external networks with various actors such as graduates, venture capital, local government. Good policies on small and medium enterprises by the government can have a significant impact on developing a national innovation system. Government policies and its collaboration to support the formation and development of business incubators is an important step towards realizing a business incubator as a catalyst for creating young entrepreneurs.

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