

Prospects of Venture Capital Financing in An Effort to Improve The Welfare of Small and Medium Industries in The Maritime Area of The Riau Islands Province

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Abstract. This Study aims to know the prospect of venture capital financing in the frame enhancement welfare of small and medium industries (SMIs) in the province of Riau islands. The analysis method is qualitative with the technique of semi-structured interview used To explore information from micro industry players in the province Riau Islands. Research results show that venture capital financing has prospects For use by SMIs in the Province Riau Islands because the Province Riau Islands needs financing venture capital does not only give financing but also participates in the management company, so there is no loss of control in granting funds. SMIs in the Province of Kepri have also done so and have some criteria for becoming an investee or company partner venture capital. Venture capital own prospect For used in frame development of SMI's in the Province Riau Islands. Study This gives a recommendation policy to government regions and stakeholders for establishing venture capital company areas in the form of a plan of action for the establishment of a Regional Venture Capital Company in the Province of Riau Islands.

1 Introduction

The condition of Micro, Small, and Medium Enterprises (MSMEs), especially in the field industry processing food grows fertile in the province of Riau Islands. This can seen in total business amounting to 17,031 SMIs, then there are 16,782 SMIs or 98.54% of companies are in industry micro small. Industry micro a small role in the economy of the province of Riau Islands, because the frequency of use of power work, requires capital investment that is not high, and flexibility in facing market changes. The development of small and medium industries (SMIs) is capable of contributing to the creation industry new [1]. So that expected will absorb power work, improve income per capita society and finally increase well-being society, so unemployment reduces. The reality is that SMIs are in the Province of Riau Islands Not yet so developed Because of happen decline number of SMIs in the Province of Riau Islands period 2017 to 2018. This is also not the case regardless of the problems faced by the Provincial SMIs. Riau Islands that is capital issues, innovation, and internet use.

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Based on the results data SMI's survey in the Province Riau Islands SMI's capital structure is still dominated by its capital. According to for development business needs exists financing that not only gives capital financing but also provides direction, and support in matter innovation nor uses technology and follows as well as in management company that is venture capital company. Before separating from Riau Province, the Regional Venture Capital Company (RVCC) was founded in Riau, namely PT. Sarana Riau Ventura in 1996.

Information Financial Services Authority and venture capital companies (VCC) not yet is in the Province of Riau Islands. So that Can connected between the Still Not yet development of SMI'S in Riau Islands especially those who take advantage source economy local with the most potential. Area size Riau Islands consists of 95% waters temporary mainland only 5%. Still minimal use of technology in processing results fisheries, minimal processing results industry fisheries. So This gives a great opportunity for venture capital for established in the Province of Riau Islands and to take advantage source economy local in increasing SMI's growth and prosperity economy the people of Riau Islands.

Research conducted by [2] find that innovation is capable mediate the influence of venture capital on the development of SMIs in Indonesia. Study [3] also argue that venture capital in Indonesia tends to finance businesses micro compared to businesses small, medium, or big.

If connected with huge potential for SMIs and venture capital so second institution Can grow and thrive in a way synergy and mutuality complete the estimated economy community in the Province Riau Islands will experience enhancement with fast and significant. Study This was carried out in the Province of Riau Islands To use know prospect venture capital financing as one of the institution finance alternatives and existence policy related produce innovative and digital SMIs as well How Perception of related SMIs venture capital prospects as financing alternative in the Province Riau Islands?

Venture capital is something business financing through capital participation and or financing over a period of time certain with the objective of developing business partner business or debtor[4]. Draft venture capital financing focuses on concepts of business and prospects worthy of effort for financing. Venture capital is a source important in business to increase the development of economy, and wealth and create fieldwork and innovation.

According to [5] venture capital company is a company very financially relevant To help those who have potency source Power strong human, motivational tall but lack of initial capital For start business new, meanwhile, project business that will execute own product and market potential. The main mission of a venture Capital Company (VCC) is to invest in form equity and accompany company investees to grow and thrive. Very VCC concept is different from institutional finance including banks. VCC runs business on base distribution risks and benefits, however, matters like This No can be found and carried out at the source institution to finance others, including conventional banks. There are some forms of funding provided differently from institution other finances by VCC. Among them is the initial capital For innovation technology, financing bridging For project investment that is not bankable, financing For restructuring credit stuck, capital participation for establishment business news, investment together in a development project, financing For push innovation technology, and diversification products, etc. To minimize risk, VCC also takes part in managing company business partners, or in many kinds of literature are termed "investee companies".VCC also delivers services related in the form of Mentoring, Coaching, Consulting, Guiding, Monitoring, and Supervision.

Venture capital focus sees company small grow become more big. Venture capital is some form of alternative capital funding For SME businesses. Different with type of investment others are inclined to reject risk venture capital and look for significant returns. To obtain compensation for its high risk make a loss from capital investment. Venture capital consists of the words capital and venture. Ventura originates from the word venture which

means something things in it contain risk business. So you can interpret venture capital as an invested capital to something containing business-shaped risks inclusion shares, bonds conversion, or available loans converted become share [6].

Next Venture Capital Company abbreviated as VCC is a business entity that carries out Venture Capital Business activities, venture fund management, activities service-based fees, and activities of other businesses with the agreement Financial Services Authority (Financial Services Authority, 2020) . Unique venture capital financing looks forward, flexible, and high the return obtained by investors so increase the amount of venture capital institutions' commercial operations in China [7].

Venture capital is a pusher for speed up commercialization achievement scientific and technological, growing company technology tall technology high, and pushing growth economy national [8]. That venture capital in China is financing businesses that have large scale, stable operation, level debt, level concentration low ownership, and stable returns, then venture capital capable increase innovation technology and profitability as well as capable SMEs development [9].

Study This uses theory production, where There are several factors of production used in the study This is input namely capital, technology, and innovation that influence total production output. Through an increase in production output, the growth industry is one of them through the enhanced amount of absorption power Work. The relationship between input and output can be explained as follows:

$$q = f(K, L, M, \dots) \quad (1)$$

Where q is the output of goods produced by the company, K is good capital in the form of capital or machine, L is the input of power Work while M is the material used raw in the production process.

Temporary based on function Cobb Douglas production input factors in the production process apart from capital and energy Work there is One addition variable Again that is technology influence aggregate output growth. This is also consistent with the opinion of Mankiw [10] stated that output growth produced by the company is influenced by physical capital, human capital per worker work, source Power nature, and also knowledge technology. Technology used in the process of producing output with objective To use know the best way to carry out the production process. So that through the use of inputs including human capital, physical capital, energy Work technology, and innovation so expected increase as well as push internal output growth something company.

Temporary according to theory Solow growth is the growth that occurs influenced by quality and quantity power employment, increased capital, and improved technology. Enhancement amount of capital through activity investment is also possible to increase output growth because investments are made To buy stuff that isn't for consumption but will used in activity production.

2 Research Methods

Then method descriptive qualitative using primary data from the provincial SMI's Riau islands as a study case. use analysis descriptive qualitative with technique interviews and analysis of SMI'S documentation in the Province Riau Islands.

Study studies case carried out in the Province Riau Islands Because phenomenon in research No regardless of problem research and scope place study. According to [11] studies case is one type of study qualitative, where the researcher explores in a way more deeply related to a program, event, activity, and one or more individuals. Researcher obtain information in a way detailed use of various procedure data collection. [12] define studies case is something investigation in a way empirical investigation phenomenon or case in a way deep with real context, especially If limitation between phenomenon with context Not

yet clear. [13] state studies case produces information from various source facts so that give understanding in a way holistic from something phenomenon.

The stages of the research process are as follows:

- 1) Look for information on SMI perpetrators in the Province of Riau Islands.
- 2) Does confirmation-related availability become an informant in the study?
- 3) Set timetable interview
- 4) Do interview
- 5) Analyze the results interview
- 6) Look for information supporters related economy, HDI (index development humans), venture capital, innovation, internet technology, and the development of SMI in the Riau Islands.

3 Results and Discussion

Province Riau Islands stretches out from the Strait of Malacca to the Natuna Sea, The Province of Riau Islands is a strategic area Because border with Singapore, Vietnam, Malaysia, and Cambodia. This area is also rich in potency source Power nature in the fields of oil, gas, and maritime.

Province Riau Islands is one of the bordering provinces in Indonesia direct with some ASEAN countries and some Provinces in Indonesia. Next to the north Province Riau Islands borders directly with Vietnam and Cambodia, next door south borders directly with South Sumatra and Jambi, on the western border is directly with Malaysia, Singapore, and Riau Province, while to the east it borders directly with the State of Malaysia and the Province of Kalimantan, namely West Kalimantan. Province Riau Islands was established by Law No. 25 of 2002 with 4 districts and 2 cities that is Regency Karimun, Bintan Regency, Regency Natuna, Regency Lingga, Batam City, and Tanjungpinang City. But in 2008 it happened regional expansion in the Riau Islands based on Law No. 33 of 2008, namely the expansion of Regency Natuna is the formation of Regency Anambas. So that moment This Province Riau Islands has 5 districts and 2 cities [14].

In 2020, the population of The Riau Islands numbered 2,064,564 people, with a density of 252 people / km², and 58% of the population is in the city of Batam. The entire Riau Islands region consists of 5 districts, 2 cities, 52 sub-districts as well as 299 sub-districts / villages with some 2,408 islands big, and small which is 30% not yet named, and inhabited. As for the area, its territory amounts to 8,201.72 km², around 96% is the ocean and only about 4% of the land.

Origin Name Riau Islands originate from the name Riau. Riau is suspected to come from the word "boisterous" which means crowded. This matters because the area of Riau Islands formerly is center of trade and crowds. Then name This develops with it the name Riau in the name Sultanate Phallus In colonial times, the word Riau was written "Riouw", according to the spelling Dutch language.

After the proclamation of independence Riau region (Riau Islands at the time) was put together with the territory of the Siak Sultanate on mainland Sumatra. Previously. This is done Because movement Down with Malaysia so makes it easier to connect from the island region to mainland Sumatra. However, along walking time, the name Riau was used by the Siak Sultanate region on the mainland of Sumatra, while The Riau Islands were expanding self. The word archipelago was added in front of the word Riau because it is a partial area big ocean or shaped Island.

Origin Riau's name is also reaping polemic between cultural figures from Riau and the Riau Islands. Second stronghold This evaluates that the name Riau originates from their respective provinces with version different history. As for the condition of the Provincial

SMI's Riau Islands is happen decline number of SMI and manpower work in the Province Riau Islands during the 2017 – 2018 period, namely as much as 13% and 11%. This matter No regardless of various constraints. There are four constraints The main problems faced by SMI's Kepri that is capital, marketing products, acquisition material standards, and competitors. Capital is a constraint The main problem faced by SMI's Kepri [15].

SMI'S Kepri's main source of capital is Still dominated by your own capital as much 15,642 units of business or around 91.84%, the remaining 1,389 business units or around 8.16% is financed by parties other. Source from other parties like banking, individuals, cooperatives, government programs pawnshops, and so on.

Capital financing from parties outside is dominated by capital from individuals at around 63.3%, then capital from banking at 31.4%, Cooperative amounting to 0.4%, government programs at 4.9%, and venture capital, pawnshops, and others at 0%. There are no SMI in the Province yet Riau Islands uses it for venture capital financing. This matter indicated that venture capital is Not yet a role in developing SMI in the Province of Riau Islands.

Based on the explanation of Not yet some SMI uses venture capital and still make limited use of technology and innovation in activity SMI operations such as the use of the internet that connects communication Good in the company nor outside the company will increase efficiency and finally increase productivity so that SMI'S growth will be achieved. Innovation is very required in the industrialization of industry micro small for example producing something product and protecting product the through intellectual property rights (IPR) in the form of brand trade. The above is one of the obstacles experienced by the Provincial SMI's Riau Islands To grow and thrive.

Venture capital in Prov Riau Islands Not yet there is then your capital Still dominate SMI'S capital structure in the Riau Islands. In Table 24 there are 923 or 97% of industries micro and 28 or 3% industry small in the province Riau Islands. Amount industry micro. Lots compared to industry small. The smallest SMI is 1 year old and the largest is 59 years old. Temporary That age the smallest owner of SMI is 21 years old and the biggest is 87 years old. There is no SMI yet using venture capital. There are 32 SMI'Ss or 3% in condition grow temporarily there are 919 SMI or 97% not grow. There are 50 SMI'Ss or 5% who have produced innovation from the brand trade. There are 901 SMI'Ss or 95% who have not produced innovation, there are 141 SMI'Ss or 15% have used internet technology while 810 SMI or 85% have not used the internet.

Based on analysis of documentation data carried out in the Province Riau Islands, obtained results that the Province Riau Islands does Not yet own a venture capital company (CVV). This matter is due to Prov. Riau Islands is a province with new regulations set by the government in 2002. Province Riau Islands is also a result expansion of the Provincial region. Riau. Meanwhile in Riau Province already standing CVV since 1996. Provincial Region Riau Islands is very strategic Because is on track trading internationally. Growth economy from facet field business in industry processing experience enhancement as big as 3.20% of 2020 to the year 2021[1]

HDI value (index development human) Province Riau Islands experienced enhancement during 4 (four) years final. Based on Table 1, HDI values in the Province of Riau Islands that are amounting to 75.8%, 75.59%, 75.79%, and 76.46%. that value is at Far on mark standard i.e. 60%, p This means Riau Islands HDI value is capable give support to the development of SMI in the Province Riau Islands.

Table 1. Provincial Regional HDI Riau islands

Region	2019	2020	2021	2022
Riau islands	75.48	75.59	75.79	76.46
Karimun	71.10	71.44	71.70	72.65
Bintan	73.98	74.13	74.57	74.99
Natuna	72.63	72.72	73.09	73.47
Lingga	64.98	65.29	65.83	66.57
Island Anambas	68.48	68.80	69.23	69.61
Batam	81.09	81.11	81.12	81.67
Tanjung Pinang	78.73	78.91	78.93	79.64

Source : BPS Riau Islands (2024)

There are institutions supportive of the education establishment and constitute an important aspect of the established Regional Venture Capital Company (RVCC) in the Province of Riau Islands which is Raja Ali Haji Maritime Univ. RVCC's stance is in line with the vision fourth university mission which is “ developing Mari- solopreneurs and ventures For increase well-being and life social public coast and islands small. A sociopreneur is something business Where the owner business Not only obtains profit personally but joins in as well as welfare its partners. Then capable dig potency economy area Good from field catch results sea field tourist marine.

The next step is to interview in a way in-depth (in-depth interview) with seven informants who became source information. Informant selected as the representative SMI'S districts/cities in the Province Riau Islands. The goal for to confirm and believe that venture capital own a role in SMI's development and prospects For establishment in the Province Riau Islands.

Results of the interview show that the majority of informants are industry micro that move in the field processing food and beverage, processing clothing, and processing results catch sea. Owner's background behind education last high school, not yet body business, aged 21 to 45 years, business owned is a stub from business Alone No is business down hereditary, long in business between 6 months up to 14 years.

Obstacles faced in operating a business are business capital. Source financing mainly is its capital, SMI'S experiences difficulty in the source of capital, source loans, difficulties in innovation, and no courage borrow to institution Because mandatory installments and interest are paid every month. According to the Provincial SMI's Riau Islands factor main obstacle to external capital acquisition is guarantee.

The majority informant Not yet know venture capital financing and will submit venture capital financing if venture capital is in the Province Riau Islands. Provincial SMI's Riau Islands say venture capital is very important Because the system is the financing form for results and no There are installments monthly so that matters This can relieve SMI'S. This will also allow the Provincial SMI's Riau Islands To more focus on developing his business. Provincial SMI's Riau Islands also needs because it helps managerial Because Can help develop effort, and improve innovation so in the operating business there are quality people so that the business becomes fluent, Venture capital also helps in matter build networking, more connections lots For looking for subscriptions, suppliers and so on so that influential to sale.

Related innovation, the majority of provincial SMI's Riau Islands has done innovation in the form of innovative use material raw materials, products, and production processes. But the innovation that has been done is Not yet registered as right riches intellectual. Obstacles encountered to innovation include an idea or critical thinking from the perpetrator business, business capital, and materials standard. A need exists for help from the government-related provision of capital, facilities, and infrastructure To support the development of SMI'S

business, for example provision of a facility House Knit for the clothing, knitting, and doll industry.

Average informants say that deep internet technology to promote the product via email and social media will used To obtain material default, do promotion, and sell the product.

Venture capital Can overcome problems, the informant starts with limitations it has like collateral, while venture capital has no prioritized guarantee, The informant states that Afraid will risk No capable refund due to failed pay but in the matter this is venture capital Can overcome Because venture capital financing based on risk sharing, This means If the business failed, yes distribution risk between SMI'S and venture capital. Venture capital is also different from investors or institutions financing others who have provided funds but lose control of existing funds invested the Difference with venture capital that is not only gives financial assistance but also assistance with monitoring, management, and so on. This matter very help SMI's Kepri perpetrators. Because they are, they influence the environment through frequent business changes, the perpetrator business needs input in the form of suggestions, criticism, and assistance from venture capital for the development business.

Answer Neither did the informant regardless of the results study quantitative that has been conducted by [2] who found that venture capital has proven in a way empirically influential to innovation and use of internet technology as well development business. Based on the explanation from SMI above, for capital financing in the future, they will choose venture capital financing. This matter caused venture capital financing capable give solutions to problems experienced by SMI.

Based on qualitative data collection through in-depth interviews with SMI in the Province Riau Islands related perception, confirmation, and prospective venture capital financing. In analysis, the descriptive qualitative there were 7 (seven) informants who sourced necessary information. Informants the taken as Regency/city SMI'S representatives in the Province of Riau Islands.

The result of the interview majority of informant is industry micro that moves in the field processing food and beverage, processing clothing, and processing results catch sea. The majority of informants are SMI'S owners who have a background behind education last high school, not yet body business, aged 21 to 45 years, a business owned is a stub from business Alone No is business down hereditary, long in business between 6 months up to 1 4 years.

Obstacles faced in operating a business include business capital, source financing is own capital, on average ever experience capital difficulties, and obstacles For obtain the capital is The guarantees you have are almost all informant Not yet know venture capital financing, the majority interested For obtain venture capital financing because venture capital financing different with financing other so that informant feel that financing such as venture capital needed by the informant. Venture capital has Already proven a way empirical influence innovation and the use of internet technology. The informant says that For development efforts that will come suitable financing is venture capital financing.

The majority of informants have done innovation but innovation the Not yet registered as the right intellectual property. Obstacles encountered for innovation are an idea or critical thinking from the perpetrator business, business capital, and materials standard. A need exists for help from the government-related provision of capital, facilities, and infrastructure to support the development of SMI's business. Average informants say that they have used deep internet technology to promote the product via email and social media to obtain material default, do promotion, and sales of the product. The financing model desired by the informant is venture capital.

This matter is caused by venture capital that has been provide funds but No loss control towards existing funds invested. This matter very helps SMI'S perpetrators because according to SMI perpetrators exist to influence the environment through frequent business-

changing. The perpetrator business needs input in the form of suggestions, criticism assistance from venture capital For the development business.

Venture capital financing prospect For used by Industry Micro and Small in the Province Riau Islands, because based on analysis qualitative through interviews and documentation SMI needed venture capital, and SMI had to do innovation although innovation the Not yet protected by law in the form of patent rights and SMI'S have use the internet in activity business. That matter is some must criteria owned by SMI'S for obtaining venture capital financing [3]. So venture capital owns prospects For use by SMI'S in the Province Riau Islands so it is hoped that SMI'S will experience development in the future come.

4 Conclusion

If seen from the characteristics of SMI'S in the region Province Riau Islands own prospect For getting venture capital financing Because own similar characteristics with SMI'S getting venture capital in Indonesia. Study This supports the theory of production, one factor affecting production is capital. So expected activity production walks smoothly and finally influences the development of micro-industrial businesses small in the province of Riau Islands. Venture capital own prospect For used in frame development of SMI'S in the Province Riau Islands. Study This gives recommendation policy to government regions and stakeholders for establishing venture capital company area in form plan action establishment of Regional Venture Capital Company (RVCC) in the Province Riau Islands.

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