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Venture Capital as an Alternative Capital for Vezara MSMe in PGC East Jakarta

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ABSTRACT

Venture capital is a financing business in the form of capital participation in a company that receives financing assistance for a certain period of time. Venture capital, which is a form of financing institution, can be an alternative and active investment for MSMEs in Indonesia by participating in providing business capital and followed by the involvement of venture capital companies in the management of MSMEs. The purpose of this service is to provide Venture capital counseling as an alternative capital for MSMEs. The weaknesses faced by MSME entrepreneurs in improving business capabilities are very complex and include various indicators, one of which is the problem of capital. Therefore, the PKM Untar team tried to provide counselling on venture capital as an alternative capital for MSMEs. Venture capital counselling is conducted online using zoommetting. The result of this PKM activity is that partners understand venture capital as an alternative to financing MSME businesses.

Keywords: Capitalisation, MSMEs, Venture Capital

1. Introduction

All the successes that have been achieved by MSMEs also have weak points that must be resolved immediately. The weaknesses faced by MSME entrepreneurs in improving business capabilities are very complex and include various indicators, one of which is the lack of capital (Kohar & Tahang, 2023). According to Sari et al. (2022), to develop small businesses, additional capital is needed. If through banking by way of conventional credit applications, small businesses must apply for credit to increase the required capital. Not a few MSMEs have not implemented financial administration, this shows that many MSMEs have not recorded income and expenses for funding operational activities (Baker et al., 2017). Venture capital can therefore be used as an alternative financing in the development of small and medium enterprises in Indonesia. Financing by venture capital companies into a business partner company or in this case to MSME economic actors can be an alternative financing for MSMEs, because venture capital financing is financing in the form of capital participation from venture capital companies into the company to be financed (Khumaidi & Nanda, 2021).

Venture capital is a form of active financing characterised by the involvement of the Venture Capital Company (PMV) in the management of the Business Partner Company (PPU). This involvement is a distinctive characteristic that can be a solution in overcoming the weaknesses generally faced by Small and Medium Enterprises (SMEs), namely the ability to manage company management (Effendi et al., 2022). The involvement of the company is expected to support entrepreneurs to run their businesses and use (Hernita et al., 2021; Irawan & Sukiyono, 2021) and utilise capital optimally and on target so that the goal of empowering SMEs can be realized (Agustina et al., 2024). How the existence of venture capital business financing

institutions as an alternative financing institution for the business world in addition to conventional sources of financing that have been operating for a long time and are familiar in the community, especially for owners of Micro, Small and Medium Enterprises (MSMEs) in supporting the growth of the national economy in Indonesia needs to be questioned. Because there may be some MSMEs that have never used venture capital as an alternative capital.

As in the case of Vezara MSMEs, which is located in the Cililitan Glosier Centre, during the opening of the Muslim clothing business, it has never applied for venture capital to a venture capital company. This is due to the lack of knowledge about venture capital and also the process or stages in obtaining venture capital including the requirements that need to be completed. Therefore, the PKM Untar team wants to help Vezara MSMEs by providing counseling on venture capital as an alternative capital for MSMEs in Indonesia. In connection with the partner's problems described above, a solution is needed. The main weaknesses of small and medium enterprises are lack of capital and management skills. These two things invite the involvement of Venture Capital Companies in small and medium scale Business Partner Companies. Since the development of Venture Capital Companies in Indonesia is still in its early stages, the required experience and skills are still lacking. Businesses are required to be innovative and creative in raising funds to grow their business.

Business or business activities are carried out by companies that are related to financial finance, which includes capital costs in business (Jufri et al., 2024), such as receiving funds that are not used by the owner at any time. In this capital cost, MSMEs generally often encounter obstacles in accessing loans through bank institutions, mainly because they cannot complete the requirements set by the bank (Fadhilah, 2023). The capital constraints experienced by business actors in their business activities are still a fundamental problem that needs to be addressed immediately, which if these results are overcome immediately will make economic improvement and competitiveness of the creative economy (Robby et al., 2022).

The solution needed for the problems of Vezara SME partners is to provide training for MSME players on alternative MSME financing through venture capital. The target of this solution is the ability of partners to understand venture capital as an alternative financing. Venture capital is a form of investment involving investors who provide capital for businesses that have high growth potential. Venture capital is defined as an investment in a company, which is generally newly developed or will start its business, which contains risks (Safrina, 2013). Venture capital financing is different from banks that provide financing in the form of loans or credit, because venture capital provides financing by making direct investment in the company it finances.

According to Clinton Richardson, Venture Capital is money invested in a company or individual that is high risk for investors. Usually the company is in a condition of not getting credit financing from the Bank. Venture capitalists usually require the highest possible rate of return on investment which of course can only be fulfilled by companies that promise bright prospects and rapid growth. Venture capitalists often include management support packages to add value to their investment. Meanwhile, according to Arthur Young, Venture means risk if your company has bright prospects but has not been able to realise these hopes because it does not have money, so this situation attracts Venture capital. The Venture Capitalist, as the owner of the money, will certainly offer you the money by buying shares in your company, providing loans or through other means. On the basis of this ownership, both parties share the risks, both if the company loses money and if the company experiences profits.

The purpose of this PKM activity is to provide Venture capital counselling as an alternative capital for MSMEs so that partners understand venture capital and its benefits and risks as well as procedures for obtaining venture capital.

2. Methodology

This community service activity was carried out at Pusat bGlosir Cililitan (PGC) East Jakarta, precisely at the Muslim Clothing Store 'Vezara Collection'. In order to achieve the objectives listed above, the implementation of this community service activity was carried out using several methods, namely as follows:

1. Survey method to find out the problems faced by MSME partners
2. Lecture method by providing material on alternative financing materials for MSMEs using venture capital.

3. Discussion method where training participants are given the opportunity to discuss problems related to MSME finance that have been faced. The third step was held for 1 hour.

Stages of implementation:

A. Preparation stage :

- a. Preparation of administrative requirements; correspondence, permission letters, materials, materials.
- b. Preparation of media and supporting facilities
- c. Preparation of participant invitations, power point, template preparation, material modules.
 1. Preparation of letters of assignment, letters of permission to conduct activities and materials
 2. LCD Projector, Laptop, Template (Worksheet)
 3. Invitation sheet for participants
- d. Preparation of community service committee: Division of duties and responsibilities
- e. Methods: 1) literature study, 2) discussion
- f. Determination of Training Location, training conducted via zoom

B. Stages of Implementation

At the training stage, the Community Service team conducted:

- a. Providing material about the problems that are often experienced by SMEs in general to how solutions or suggestions so that participants can face problems like the ones we have expressed
- b. Before the activity ends, we conduct a question and answer discussion so that what we say can be understood and understood and can be applied. So that what we convey and provide can provide benefits for the participants of this PKM activity.

C. Evaluation Stage

This service activity will be evaluated through questions and answers to find out the increase in capital knowledge and venture capital that will be distributed before and after the activity. In addition, through mentoring activities carried out after training, the success rate of this service activity can also be known:

- a. Preparation of the community service committee: Division of tasks and responsibilities
- b. Methods: 1. literature study 2. discussion
- c. Determination of Training Location, training conducted via zoom

D. Stages of Implementation

In the training stage carried out by the Community Service team (PKM), namely:

- a. Provided material about the problems that are often experienced by SMEs in general to how solutions or suggestions so that participants can deal with problems like the ones we have expressed.
- b. Training on preparing simple financial reports for SMEs, recording cash out and cash in and strategies to improve performance.
- c. Before the activity ended, we held a question and answer discussion so that what we conveyed could be understood and understood and could be applied. So that what we convey and provide can provide benefits to the participants of this PKM activity.

E. Evaluation Stage

This service activity will be evaluated through a questionnaire to determine the increase in capital knowledge and venture capital that will be distributed before and after the activity. In addition, through mentoring activities carried out after training, the success rate of this service activity can also be known.

3. Results and Discussion

Community service activities in the form of counseling on venture capital as an alternative capital for MSMEs were carried out on November 25, 2024, through the Zoom Meeting platform at the Vezara Collection store located on the 2nd Floor No. 302, Zona Kuning. This activity took place according to the agreed schedule, where the facilitator delivered the material online, gave explanations, and provided time for discussion with the participants. The activity began with an explanation of the basic concepts and mechanisms of venture capital, which was important for participants to have a good understanding of the concepts. Next, participants were given illustrations of simple financial statements, which included balance sheets, income statements, and cash flows, to clarify their understanding. The material presented also explored the benefits of venture capital in business development, its differences with capital from banks, and its advantages and disadvantages. Although at first some participants seemed confused because they were not familiar with venture capital, after the explanation given by the PKM team, they began to understand more about this alternative form of capital and the procedures and requirements needed to access venture capital.

Partners only know the types of capital that have been channeled by the government through banks such as KUR, small micro credit etc. With this explanation from the PKM Team, partners understand more about other types of capital, namely venture capital. The next stage of the PKM team also provided an explanation of how the procedure for obtaining venture capital and the requirements that must be met by MSMEs to obtain this capital. The mechanism for implementing venture capital financing is preceded by an agreement between PMV and PPU. In general, PPUs take the initiative to apply for business capital loans, either to start or to develop a business. However, sometimes PMV is also active in offering capital loans, especially for businesses that already have a name and need additional capital for business development. Also the type of venture capital proposed.

The partners followed well the explanation given by the PKM team regarding venture capital. In addition, they also asked several questions related to the risks that may arise from venture capital, as well as various other aspects that were considered interesting to them. The question and answer sessions and discussions carried out during this activity succeeded in providing additional insights for partners regarding venture capital as an alternative source of capital for MSMEs. As a result, partners have a better understanding of how venture capital can be used to support their business development.

The implementation of this PKM was carried out through a zoom meeting, first discussing the stages of venture capital financing, it was seen that there were divisions in several categories, such as business development, tangible assets, and business expansion. This shows that venture capital does not only focus on financing at the beginning of a business, but can also support sustainable growth, just like what Vezara needs. For example, if Vezara is in the early phase of product development or market expansion, venture capital can provide support through flexible financing, allowing the company to continue to grow without being hampered by capital constraints.

Furthermore, discussing the forms of financing in venture capital also provides important information on the types of financing that can be received by companies such as Vezara. Equity participation gives the company the opportunity to raise funds with a return in the form of shares, which means that the investor also has a stake in the company. This can be an advantage for Vezara as they do not have to pay interest or repay the loan as in the traditional financing model. Meanwhile, low-interest or flexible loans are also an option for companies that need additional capital to accelerate business expansion.

Venture capital, as described in this presentation, offers a range of financing solutions tailored to a company's growth phase. In the context of Vezara, which may face difficulties in accessing capital from traditional sources such as banks, venture capital can be an effective alternative to drive sustainability and innovation of their venture. This research is important because it explores how venture capital can be optimally utilized by MSMEs in East Jakarta, such as Vezara, to overcome funding challenges and strengthen their position in an increasingly competitive market.

The PKM conducted by the Untar team at Vezara Collection has run smoothly, with partners appreciating the contribution in providing financial management counseling and alternative capital for MSMEs. This activity succeeded in increasing partners' understanding of venture capital as an alternative business

financing. The success of this activity demonstrates the effectiveness of an educational approach through counseling that integrates aspects of theory and application. This approach is important given the low financial literacy of MSMEs, which is often an obstacle in accessing non-conventional financing. The counseling not only discussed the basic concepts of venture capital, but also included practical illustrations such as simple financial statements and operational strategies, which are relevant to the needs of MSMEs. Furthermore, the questions and discussions that arose during the sessions demonstrated partners' increased awareness of the risks and benefits of venture capital. This discussion has the potential to build partners' critical mindset towards financing options that they have not previously explored. For example, comparing venture capital to kredit usaha rakyat (KUR) provided insights into the flexibility, level of risk, and management involvement in venture capital financing.

4. Conclusion

Based on the results of community service activities carried out by the PKM team with Vezara Collection partners, it is concluded that counseling on venture capital as a financing alternative provides a significant new understanding for MSME players, including Vezara Collection. Many MSMEs were previously unaware of venture capital options so they were limited in exploring alternative funding sources. The outreach successfully provided important insights on the types of venture capital and how it can support MSME business development.

To increase the effectiveness of similar programs in the future, it is recommended that extension activities be conducted in direct collaboration with venture capital companies. With this collaboration, MSMEs can directly identify challenges in accessing venture capital and get more specific guidance as needed. In addition, advanced training programs on simple financial administration and business management strategies are also important to help MSMEs be better prepared to meet venture capital requirements.

This activity has significant implications for the empowerment of MSMEs, especially in improving access to capital that is more flexible and supports business growth. By understanding the concept of venture capital, MSMEs can expand their funding options beyond conventional banking. This also encourages businesses to be more professional in financial management and business strategy, which in turn can increase the competitiveness and contribution of MSMEs to the national economy.

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