

ANALYSIS OF THE EFFECT OF SMALL MICRO BUSINESS DEVELOPMENT MEDIUM TO ECONOMIC GROWTH MSME SECTOR IN INDONESIA

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Abstract

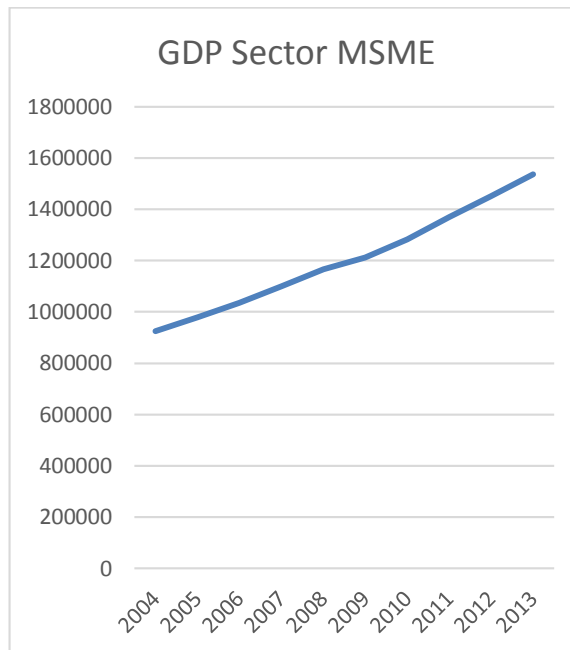
The purpose of research to determine the effect of MSME's growth on economic growth in the sector of MSME's in Indonesia. This study uses descriptive analysis using multiple linear regression method by examining the effect of MSME's export and MSME's investment on Gross Domestic Product of MSME in Indonesia. This study uses sample selection with purposive sampling technique with secondary data sourced from the Ministry of Cooperatives and MSME in Indonesia. The estimation result shows that F-statistic (284,5749) > F-table (4,458), then rejected, it means that independent variable (MSME's eskpor and MSME's Investment) simultaneously have a significant effect on the dependent variable (economic growth in MSME's sector) 95% confidence. And in table R square seen that 98,78 percent of economic growth in sector of MSME's in Indonesia can be explained by amount of MSME's export and investment of MSME.

Key Words: MSME's, Economic Growth, Investment, Export

INTRODUCTION

Economic development is very important in a country, especially in increasing economic income and improving the welfare of its people. Indonesia has experienced an economic crisis that caused the collapse of the national economy. Many large-scale businesses in various sectors including industry, trade, and services have stagnated and even stopped their activities in 1998. However, Micro, Small, and Medium Enterprises (MSMEs) were able to survive and become economic recoverers in the midst of the downturn due to the crisis. monetary policy in various sectors of the economy. Micro, Small and Medium Enterprises (MSMEs) are one of the business fields that can develop and be consistent in the national economy. (Ministry of Cooperatives and SMEs, 2013).

MSMEs are a good forum for the creation of productive jobs. MSMEs are labor-intensive businesses, do not require certain requirements such as the level of education, skills (skills) of workers, and the use of business capital is relatively small and the technology used tends to be simple. MSMEs still play an important role in improving the Indonesian economy, both in terms of the number of businesses, in terms of job creation, as well as in terms of national economic growth as measured by Gross Domestic Product.



Source: Ministry of SMEs and Cooperatives, 2013

Figure 1. GDP of Micro, Small, and Medium Enterprises by Economic Sector in 2004-2013 at Constant Prices (Billion Rupiah)

The role of MSMEs in accelerating economic growth is very important. The fact is that there is an imbalance between the contribution of MSMEs in providing employment and their contribution in creating added value. The faster growth of MSMEs compared to large business groups will improve the business structure and overall income distribution (Ikhsan, 2004).

Figure 1. shows that during 2004-2013 the role of micro, small and medium enterprises in creating added value continued to increase. Judging from the role of SMEs to GDP, SMEs have an important role in business development in Indonesia. MSMEs are the forerunner of the growth of large businesses. Almost all large businesses come from SMEs.

Empowerment of MSMEs in the midst of globalization and high competition has forced MSMEs to be able to face global challenges, such as increasing product and service innovation, developing human resources and technology, and expanding the marketing area. This needs to be done to increase the selling value of MSMEs themselves, especially so that they can compete with foreign products that are increasingly flooding industrial and manufacturing centers in Indonesia, considering that MSMEs are an economic sector that is able to absorb the largest workforce in Indonesia (Sudaryanto, 2011).

MSMEs have such great potential but in reality MSMEs are still experiencing various internal and external obstacles in the fields of production, processing, marketing, capital, and others. One of the MSME strategies is partnerships and financial assistance, so research related to MSMEs is needed which is expected to help and overcome problems in MSMEs so that research results have a positive impact on economic development and further economic growth (Tejasari, 2008).

The role of MSMEs in economic growth in Indonesia is indicated by the GDP growth of SMEs. The GDP growth of SMEs is influenced by several variables related to the development of SMEs which consist of:

1. MSME workforce
2. MSME Exports
3. Number of MSME units
4. SME Investment

The indicators for the development of MSMEs are seen from exports in the MSME sector, the opportunity to develop MSMEs that will enter the export market still has good prospects and has considerable potential, especially in the MEA. MSMEs have contributed up to 16% of export products. This micro, small and medium business sector needs to be fostered and empowered, because it is a driving force for the economy and people's economic development. This potential can be seen since 2003, MSMEs have absorbed as many as 42.4 million business units and 79 million workers with 56.7% of the national GDP.

However, so that MSMEs can develop into UB, more investment is needed. Investment is one of the variables in creating economic growth, therefore the government needs to pay more attention to MSMEs as the wheels of this nation's growth.

In this study, the authors wanted to see the influence of MSMEs on GDP in the MSME sector from 2004 to 2013. With the MSME development variable consisting of MSME exports, and investment in MSMEs.

Scope of problem

Given the limitations of ability, time and to avoid widespread problems in research and to obtain better results, the researchers limit the research problems to:

1. The Effect of Investment on MSME GDP
2. The Effect of Exports on MSME GDP

THEORETICAL REVIEW

Micro, Small and Medium Enterprises (MSMEs)

The monetary crisis in 1997 to 1998 has reopened the government's view of the importance of paying attention to the MSME sector, where when the crisis occurred, MSMEs tended not to experience too serious an impact and even tended to persist, therefore the government has been very serious in fostering and the formation of new MSMEs in Indonesia, because the government is aware that MSMEs have a very large role and contribution to the national GDP. In Indonesia, there are different definitions of MSMEs based on the interests of the institutions that define them:

- a. Central Bureau of Statistics (BPS): MSMEs are companies or industries with between 5-19 workers.
- b. Bank Indonesia (BI): MSMEs are companies or industries with the following characteristics: (a) the capital is less than Rp. 20 million; (b) for one round of business it only requires funds of Rp 5 million; (c) have maximum assets of Rp 600 million excluding land and buildings; and (d) annual turnover of Rp 1 billion.

- c. Provisions of Law No. 9 of 1995 concerning Small Business and then further implemented with Government Regulation Number 44 of 1997 concerning Partnership, where the definition of MSME is as regulated in Article 1 of Law Number 9 of 1995 as follows: 1) Small Business is a people's economic activity that small-scale and meet the criteria for net worth or annual sales proceeds and ownership as regulated in this law, 2) Medium and Large Enterprises are economic activities that have criteria for net worth or annual sales proceeds greater than net worth and annual sales proceeds of business small.
- d. d. Ministry of Industry and Trade: a) The company has a maximum asset of Rp 600 million excluding land and buildings (Ministry of Industry before being merged), b) The company has a working capital of under Rp 25 million (Ministry of Trade before the merger).

From some of the opinions above, it can be concluded that the definition of UKM is a small-scale business activity carried out by individuals or groups with a workforce of less than 100 people, has a net worth of 200 million (excluding land and buildings) with an income of 100 million-200 million.

Meanwhile, according to Law no. 20 of 2008 concerning MSMEs, Chapter I (General Provisions) Article 1 states that Micro, Small & Medium Enterprises (MSMEs) are productive businesses owned by individuals and/or individual business entities that meet the MSME criteria as stipulated in the Act. MSMEs are business units that have assets of at most Rp. 50,000,000, - or with the maximum annual sales of Rp. 300,000,000, - (Tambunan, 2009:16).

Micro Enterprises are productive businesses owned by individuals and/or individual business entities. Have a net worth of at most Rp. 50 million excluding land and buildings and having annual sales of a maximum of Rp. 300 million.

Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part, either directly or indirectly, of a medium or large business. Have a net worth of more than Rp. 50 million up to a maximum of Rp. 500 million excluding land and buildings or having annual sales of more than Rp. 300 million up to a maximum of Rp. 2.5 billion.

Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part either directly or indirectly with small businesses or large businesses with total net assets or annual sales results. Have a net worth of more than Rp. 500 million up to a maximum of Rp. 10 billion excluding land and buildings or having annual sales of more than Rp. 2.5 billion up to a maximum of Rp. 50 billion.

SMEs cannot stand alone. Efforts to develop and advance MSME actors can be carried out by various elements in the community, both individually and in collaboration. The elements that can take part in advancing MSME actors include: central and local governments, educational institutions (colleges), bank institutions that have the aim of channeling credit as well as intermediary institutions in the financial sector, and non-

governmental organizations (NGOs). NGOs) which specialize in developing SMEs (Moko, 2008:390-391).

According to Nitisusatro (2012: 38-39) with all its limitations, it turns out that MSMEs have a number of strengths, namely:

1. Develop new business creativity
2. Innovate
3. The dependence of large businesses on small businesses
4. Resilience to crisis

MSMEs will still be able to grow and develop, but if we look more closely, the weakness of MSMEs is that they will not be able to develop their business if they do not receive funding assistance as capital in competing, therefore the weaknesses are in the form of lack of capital, managerial ability, competitive competition. unhealthy will result in a limited scope of business. (Suci, 2017:56)

There are a number of problems/obstacles commonly faced by MSMEs in various regions, namely working capital/investment, difficulties in marketing, distribution and procurement of raw materials and other inputs, limited access to information on market opportunities, limited workers with high skills (quality low human resources) and technological capabilities, high transportation and energy costs, limited communication, high costs due to complex administrative and bureaucratic procedures, especially in obtaining business permits and uncertainty due to unclear or uncertain economic regulations and policies (Tambunan, 2009:75).

The role of micro, small and medium enterprises (MSMEs) in the Indonesian economy can at least be seen from: (1) their position as a major player in economic activities in various sectors, (2) the largest provider of employment opportunities, (3) important players in the development of business activities. local economy and community empowerment, (4) creating new markets and sources of innovation, (5) contributing to maintaining the balance of payments through community export activities so as to reduce poverty levels and others (Budianto, 2014).

Economic growth

Definition of economic growth

Basically, economic growth is a long-term macroeconomic problem where in every period the people of a country will try to increase their ability to produce goods and services. The target is an increase in the level of real production (national income) and standard of living (real income per capita) through the provision and mobilization of production factors such as an increase in the number of workers, past investments and new investments that increase capital goods and current production capacity. which is usually followed by technological developments in the means of production, all of which will accelerate the addition of production capabilities. Not every country is always able to achieve economic growth in accordance with the development of its production capabilities in increasing factors of production. Many countries are in a state of actual economic growth that is still far from the potential for economic growth that can be achieved. Thus, deeper attention is needed to make the trend of economic growth continue to increase.

Local resources, including labor and raw materials for export, will generate regional wealth and job opportunities (Job Creation). Location in Lincoln Arsyad (1999:116), states that there are three factors that influence regional economic growth, namely location. The best location is the cheapest cost between raw materials and the market. In addition to labor wages, availability of suppliers, communication and local government responsibilities.

The growth of each development sector also needs to be considered in addition to estimates of the overall economic growth rate (Tjokroaminoto, 1987: 107), it is even necessary to emphasize certain sectors because a change in the economic structure is desired or planned. The preparation of the investment program is also considered on the basis of choices regarding the role of the government in the private sector and the division of labor between the public sector and the private sector. The investment program or plan of each sector or sector consists of various development programs containing various development projects. The entire plan, by the local government, is included in the allocation of development spending.

1. Gross Domestic Product

Gross domestic product (GDP) is the total national income and expenditure on the output of goods and services. Gross domestic product is often considered the best measure of an economy's performance. The purpose of GDP is to summarize economic activity in terms of a certain amount of money over a certain period of time.

2. Investment

According to Kelana (1997) investment is all expenditure of sources of funds to obtain capital goods (capital expenditure). Investment as a factor of production is a very important factor in increasing regional GRDP capacity.

The characteristics of developing countries are lack of capital, lack of supply and low economic growth and technological backwardness. This can be seen from the high average cost of production but low labor productivity due to unskilled labor and simple capital equipment. Therefore, investment is one of the sources of financing that is needed to support development.

According to Pratiwi (2005:19) investments that have a multiplier effect have an impact on increasing welfare, which is measured by an increase in income. This means that if income increases, the number of goods and services consumed will also increase. If the demand for goods and services increases, it will increase job opportunities. This will reduce the unemployment rate. The decrease in unemployment is due to the absorption of the labor force in investment projects.

All forms of investment for expenditures or expenditures and capital goods that generate added value for economic activity create and automatically increase the purchase of inputs for use in production activities that expand employment opportunities for people in an area and will result in increased income.

The business world in investing is driven by consideration of long-term profit expectations that are influenced by technological advances, population growth and other factors. Investment varies directly with income, this is because investment is

related to profits, and some investments are financed internally from corporate profits, both public and private. If income increases, investment will also increase.

3. Export

Export activity is a trading activity where there is a sale of goods from within the country by meeting the applicable regulations. Exports are the total goods and services sold by a country to another. Included among goods, insurance, and services in a given year.

The export variable is included because there is a foreign trade factor in the framework of the balance of foreign trade in the IS schedule, so net exports in an open economy are a component of aggregate demand (Dorn-Busch and Fischer, in Dewi, 2009). Foreign parties buy a portion of domestic output (exports) and

foreign producers receive some of the domestic community (imports). This causes changes so that domestic spending. Previously, domestic expenditure was a function of consumption, investment, and government spending, but now its function is to become an export and import variable determining domestic output. Mathematically, it can be written in equation (1):

$$Y = C + I + G + (X - M) \dots \dots \dots (1)$$

Where, Y = Total Output; C = Consumption; I = Investment; G = Government Expenditure; X = Export; and M = Import.

Research Concept Framework

The conceptual framework for the research is explained in Figure 1. Figure 1 explains the phenomenon of investment and exports that affect economic growth. Investments consisting of Foreign Investment (PMA) and Domestic Investment (PMDN) are used to build something that can be useful for the community. The better the level of community welfare can be used as a measure of economic growth. Meanwhile, exports have a direct positive effect on the economy. In addition, investment variables can have a direct effect on labor absorption, also have an indirect effect through increasing economic growth,

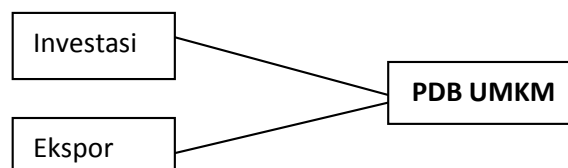


Figure 1. Conceptual Framework

MSMEs on Economic Growth

In Indonesia, we often hear about the hope to revive the people's economy because of the experience during the multidimensional crisis of 1997-1998 that small businesses have been proven to be able to maintain their business, and even play a rescue function in several sub-sectors of activity. This rescue function is immediately seen in the sectors providing the people's basic needs through production and distribution normalization. This evidence has at least given rise to new optimism for the majority of people who

control a small number of resources for their ability to become a growth engine for economic recovery. This hope becomes even stronger when the courage appears to accelerate recovery with the motor of MSME growth. The shift in the contribution of MSMEs to GDP during the crisis that has not been successfully maintained leaves the question of what dominant factors are preventing these expectations from being realized. Talking about MSMEs in Indonesia adheres to a broad understanding of all sectors of the economy, including agriculture.

In macroeconomic analysis, economic growth is defined as the rate of increase in per capita income. Economic growth is used to describe that an economy has developed and reached a higher level of prosperity. Economic growth in a country can be seen from the GDP growth rate. The GDP growth rate which is the level of output is derived from the production function of a good and service (Mankiw, 2003).

MSMEs are the main providers of jobs and make a positive contribution to economic growth, although economic growth (GDP) is influenced by many factors (Audretsch, Thurik, Verheul & Wennkers, 2002 in the research of aristeidis G. Samisata, Dimitris F. Kenourgiosb. 2005).

The development of the number of MSMEs in the 2010-2011 period increased by 2.57 percent, from 53,823,732 units in 2010 to 55,206,444 units in 2011. MSMEs were the largest business actors with a percentage of 99.99 percent of the total national business actors in 2011. If viewed from the proportion of business units in the MSME economic sector, the largest proportion of business units is the sector (1) Agriculture, Livestock, Forestry and Fisheries; (2) Trade, Hotel and Restaurant; (3) Transportation and Communication; (4) Processing Industry; and (5) services, each of which was recorded at 48.85 percent; 28.83 percent; 6.88 percent; 6.41 percent and 4.52 percent. (Ministry of Cooperatives and SMEs, 2011).

RESEARCH METHODS

The scope of research

The scope of this research is to analyze the influence of several variables of MSME development such as MSME workforce, MSME exports, the number of MSME units, and investment in the MSME sector on economic growth in the MSME sector in Indonesia from 2004 to 2013

Sampling Method

The sample in this study is GDP in the MSME sector in Indonesia from 2004 to 2013

The sample selection in this study is by means of purpose sampling. Purpose sampling is a technique of determining the sample based on the characteristics of the members that are adapted to the aims and objectives of the study.

GDP in the MSME sector is determined as a sample in this study because according to Mankiw (2007) Gross Domestic Product (GDP) data is one indicator to measure a country's economic growth in this case is economic growth in the MSME sector.

The independent variables are limited to several indicators of MSME development such as MSME workforce, MSME exports, and the number of MSME units. All data use annual data.

Method of collecting data

The data used in this research is secondary data sourced from the Ministry of Cooperatives and SMEs in Indonesia.

Data analysis technique

The analysis technique is Multiple Linear Regression

RESULTS AND DISCUSSION

Development of Micro, Small and Medium Enterprises

In economic development in Indonesia, MSMEs are always described as a sector that has an important role, because most of the population has low education and lives in small business activities, both traditional and modern sectors. The role of small businesses is a priority in every stage of development planning which is managed by two departments, namely the Ministry of Industry and Trade, and the Ministry of Cooperatives and SMEs.

In the era of globalization and free trade (MEA), MSMEs have a new, more important role, namely as one of the main factors driving the development and growth of non-oil and gas exports and as a supporting industry that makes components and spare parts for large businesses (UB). . Not only UB, but MSMEs can also play an important role in export growth and can compete in the domestic market against imported goods as well as in the global market. In Indonesia, MSMEs are highly expected to become one of the important players in creating new markets for Indonesia, not only domestically but also abroad, so that they are an important source of the trade and service balance surplus or the balance of payments.

Analysis and Discussion

1. Descriptive Analysis

Descriptive Analysis of Small and Medium Enterprises GDP in 2004-2013 Based on Constant Prices (Billion Rupiah) in Indonesia. Gross Domestic Product (GDP) is the total national income and total expenditure on the output of goods and services. Gross domestic product is often considered the best measure of an economy's performance. The purpose of GDP is to summarize economic activity in a certain money value over a certain period of time (Mankiw, 2007).

There are two ways of looking at GDP. One way is to look at GDP as the total income of everyone in the economy. Another way of looking at GDP is as the total expenditure on the economy's output of goods and services. GDP is presented in two versions of the valuation, namely "at current prices" using current year prices and "at constant prices", using price data for a particular year (base year).

Table 1. GDP of Micro, Small and Medium Enterprises by Economic Sector 2004-2013 Based on Constant Price (Billion Rupiah)

Year	Total GDP of MSME sector (Billion)
2004	924.483,2
2005	979.501,3
2006	1.035.615,3

2007	1.100.670,9
2008	1.165.753,2
2009	1.212.599,3
2010	1.282.571,8
2011	1.369.326
2012	1.451.460,2
2013	1.536.918,8

Source: Ministry of Cooperatives and SMEs

If you look at table 1, it shows an increase in the GDP of the MSME sector from 2004 to 2013. Although the increase in the GDP of the MSME sector is not too significant, it is hoped that the increase in GDP from year to year is expected to be able to encourage the wheels of the economy.

Table 2. Exports of Micro, Small and Medium Enterprises by Economic Sector in 2004-2013 at Constant Prices (Billion Rupiah)

Tahun	Jumlah Ekspor sektor UMKM (Milyar)
2004	95.548,2
2005	110.338,1
2006	123.767,9
2007	140.363,8
2008	178.008,3
2009	162.254,5
2010	175.894,9
2011	187.441,82
2012	166.625,5
2013	182.112,7

Source: Ministry of Cooperatives and SMEs

Export activities experienced a significant increase in the period 2004-2013. Although in 2009 and 2012 there was a decline in exports, the following year the value of exports rose again. Overall, the table also shows that export opportunities are increasing and opening up, especially exports of non-oil and gas goods, and demands increased government attention considering that when the economy is starting to improve, such as today, foreign exchange income from exports is one of the country's most reliable sources of income. Although the description of Indonesia's export opportunities above shows signs of improvement, we still need to look at some of the obstacles faced by SMEs in accessing global markets.

Table 3. Micro, Small and Medium Enterprises Investment by Economic Sector Year 2004-2013 Based on Constant Prices (Billion Rupiah)

Tahun	Jumlah Investasi sektor UMKM (Milyar)
2004	154.381,8
2005	178.269,5
2006	181.699,3

2007	199.090
2008	218.121,4
2009	224.008,7
2010	247.139,5
2011	260.934,8
2012	300.175,7
2013	341.341,6

Source: Ministry of Cooperatives and SMEs

When viewed during the period 2004-2013, the investment climate at the business scale level has not changed much. During that period, the group with the lowest absorption of investment was the micro business group and the medium business group being the one with the most investment absorption. This can be caused by the lack of information by micro business actors to get financial assistance to develop their businesses, and there are still many micro business actors who are not registered as members of cooperatives. For this reason, it is necessary to socialize by the government as well as guidance and training to micro business actors.

Hypothesis Test

Table 4. Calculation Results of Multiple Linear Regression Data Estimation

Dependent Variable: PDBUMKM
Method: Least Squares
Date: 04/09/18 Time: 22:23
Sample: 2004 2013
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	347569.2	40599.33	8.560961	0.0001
EKSPOR	1.233483	0.434081	2.841599	0.0250
INVESTASI	2.908868	0.243610	11.94066	0.0000

R-squared	0.987850	Mean dependent var	1205890.
Adjusted R-squared	0.984379	S.D. dependent var	204025.7
S.E. of regression	25499.90	Akaike info criterion	23.37406
Sum squared resid	4.55E+09	Schwarz criterion	23.46484
Log likelihood	-113.8703	Hannan-Quinn criter.	23.27448
F-statistic	284.5749	Durbin-Watson stat	2.171493
Prob(F-statistic)	0.000000		

Source: Eviews

a. Analysis of the Development of Micro, Small and Medium Enterprises on Economic Growth in Indonesia in Partial (individual)

This test is carried out to test whether the independent variables (SME exports and MSME investment) have a partial effect on the dependent variable (economic growth in the MSME sector), namely by comparing the t-statistical value of the regression with the t-table in rejecting or accepting the hypothesis. At the level of confidence = 5% df = 7, then obtained t-table 1.89

Information:

EXPORTS = 2.841599

INVESTMENT = 11.94066

Based on the results obtained above, it can be seen that:

1. EXPORT Variable > t-table which means rejected

2. INVESTMENT Variable > t-table which means rejected

The MSME export variable has a positive and significant impact on economic growth in the MSME sector. This means that the increasing number of MSME exports, the economic growth in the MSME sector will increase. The export variable regression coefficient of 1.233483 means that every 1 percent increase in MSMEs will cause an increase in economic growth in the MSME sector by 1.233483 percent, *ceteris paribus*. Empowerment of MSMEs can increase macroeconomic stability, because it uses local raw materials and has export potential, so that it will help stabilize the rupiah exchange rate and inflation rate. The empowerment of MSMEs will drive the real sector, because MSMEs generally have a fairly high linkage. In other words, empowering MSMEs will provide job opportunities and increase income so that they can support economic development and growth (Kemenkop, 2004).

The MSME investment variable is indicated by the statistical t value (11,94066) . t table (1.89), then this variable has a positive and significant effect on economic growth in the MSME sector in Indonesia. This means that as investment increases, the tomb of economic growth in the MSME sector will increase. The regression coefficient of the investment variable is 2.908868, which means that for every 1 percent increase, it can lead to an increase in MSME economic growth of 2.908868 percent, *ceteris paribus*.

b. Analysis of the Development of Micro, Small and Medium Enterprises on Economic Growth in Indonesia Simultaneously (together)

To test whether the independent variables have a simultaneous effect on the dependent variable, the F-test is used by comparing the F-statistics with the F-table. From the results of the regression obtained F-statistic value 284.5749. At the level of confidence = 5%, K = 7 and n = 10 then the obtained F-table 4.45897 Based on the estimation results, it can be seen that F-statistics (284.5749) > F-table (4.458), then it is rejected, meaning that the independent variables (MSME exports and MSME investment) simultaneously have a significant effect on the dependent variable (economic growth in the MSME sector) in 95% confidence level.

c. Coefficient of Determination Test (adjusted R-squared)

Based on the results of data processing in table 4 the adjusted R-square is 0.9878. It can be seen that 98.78 percent of economic growth in the MSME sector in Indonesia can be explained by the number of MSME exports and MSME investment. Meanwhile, 1.22 percent of the variables of economic growth in the MSME sector are explained by other variables.

Sector Analysis of Micro, Small and Medium Enterprises Development on Economic Growth

Understanding the characteristics of businesses in Indonesia, strategies for business groups that can be taken to improve company productivity in small and medium enterprises can be directed with three main focuses, namely:

a. Processing industry sector

- b. Financial services sector, leasing and corporate services
- c. The agricultural sector is mainly the livestock sub-sector, marine cultivation plantations and the horticulture sub-sector. (Infokop Number 25 Year XX, 2004, Noer Soetrisno)

The processing industry is the first major focus because there are many available business units with a large absorption of labor, so that the processing industry contributes added value to the balance of payments through exports.

Economic discussion to see the suitability of the analysis results with economic theory

a. MSME Exports

For this MSME export variable, there is a significant and positive influence on the MSME economy with a significant level of 0.05. This is in line with the theory of several economists David Ricardo, Adam Smith and Mill who have shown that foreign trade can provide several contributions that will ultimately accelerate the economic development of a country. If the views of the three economists are combined, it can be said that classical economists put forward three important contributions to trade. The first advantage, stated by Ricardo, states that when a country has reached the point of full employment, foreign trade is possible to reach a level without this activity. Meanwhile, Smith and Mill put forward two other advantages, namely (1) using a country to expand the market for its products, (2) enabling the country to use technology developed abroad, which is better than that found at home (Sadono Sukirno). , 2007)

b. MSME Investment

The MSME investment variable has a significant and positive effect on the economic growth of MSMEs. This is in line with Harrod Domar's theory that investment has a significant effect on economic growth, increasing investment will increase added value for the future because the added value of an investment will always rank from year to year. An increase in GDP cannot be explained by an increase in investment. Investments invested in the MSME sector can encourage an increase in output or input demand so that it affects an increase in income.

CONCLUSIONS AND SUGGESTIONS

In this study all dependent variables have a positive and significant effect. In line with the theory of several economists, David Ricardo, Adam Smith, who has shown foreign trade can make a contribution that will ultimately accelerate the economic development of a country. This can be seen in the MSME investment variable indicated by the statistical t value (11,94066). t table (1.89), then this variable has a positive and significant effect on economic growth in the MSME sector in Indonesia. And also based on the estimation results, it can be seen that F-statistics (284.5749) > F-table (4.458), then it is rejected, meaning that the independent variables (MSME exports and MSME investment) simultaneously have a significant effect on the dependent variable (economic growth in the MSME sector).) at the 95% confidence level. And in the R square table it can be seen that 98.78 percent of economic growth in the MSME sector in Indonesia can be explained by the number of MSME exports and MSME investment.

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