The Importance of Driving the Growth of Small and Medium-Sized Micro Enterprises in DKI Jakarta Province

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ABSTRACT

This study examines factors that affect the growth of MSMEs which include Information Technology, banking credit, human development index, bank interest rates, and inflation on the growth of small and medium-sized micro enterprises (MSMEs) in DKI Jakarta Province. The research method used is explanatory research with quantitative analysis techniques by applying causal statistical models through multiple linear regression analysis and simple regression analysis with a significance level of 5 (five) percent. The data used is secondary data in the form of a time series. The results showed that partially and simultaneously information technology, banking credit, and Human Development Index (HDI), have a positive effect on the development of MSMEs which means that they can increase the development of MSMEs so that they can be done by increasing the factors that affect them, namely information technology, banking credit and HDI. While interest rates and inflation partially and simultaneously negatively affect the development of MSMEs which means to increase MSMEs must be done to reduce interest rates and inflation. The development of MSMEs has a positive effect simultaneously on the decline in unemployment, this implies that achieving a decrease in unemployment must be done by increasing the development of MSMEs in DKI Jakarta Province.

Keywords: bank credit, human development index, inflation, information technology, interest rates, MSMEs.

I. INTRODUCTION

Indonesia has experienced an economic crisis and today the Covid-19 outbreak is eating away at the joints of the order of all dimensions of life leading to 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. However, Micro, Small, and Medium Enterprises (MSMEs) can survive and shine even though they were dim at the beginning of the Covid-19 pandemic, MSMEs became economic restorers amid the past downturn due to the monetary crisis and currently the Covid-19 outbreak in various economic sectors.

Soaring population growth of a country accompanied by an increase in the labor force can cause complex problems that are due to be solved immediately. If this is not resolved, then there is unemployment to poverty. This is due to the lack of a good order system in all sectors of people's lives and has not evenly distributed development in all fields. The existence of the formal sector is not able to meet and absorb the labor force that continues to increase optimally which may be due to inequality between the rapidly growing labor force growth and available employment so that unemployment arises which therefore the informal sector becomes an important part in overcoming this problem such as small and medium-sized micro enterprises (MSMEs).

Micro, Small, and Medium Enterprises (MSMEs) activities are one of the keys to the creation of productive jobs, provide many benefits and people can get out of the caring lifeline because poverty and various economic downturns can be avoided. MSMEs are labor-intensive businesses that do not require certain requirements such as the level of education, and expertise (skills) of workers, the use of business capital is relatively little, and the technology used tends to be simple. MSMEs (Small and Medium Micro Enterprises) play a very large role in advancing the Indonesian economy. MSMEs also played a role in driving the pace of economic growth after the 1997 monetary crisis when large companies had difficulty in developing their businesses. Not only when the MSMEs monetary crisis is contributing to the Indonesian economy. After monetary crisis MSMEs still play a role even used as the backbone of the economy because it is naturally more dynamic than large companies.

SMEs have contributed greatly to regional income as well as Indonesian revenues. SMEs are a form of the small business community whose establishment is based on one's initiative. Most people assume that SMEs only benefit certain parties. In fact, SMEs play a very important role in reducing the unemployment rate in Indonesia. SMEs can absorb a lot of Indonesian labor which is still disturbing. One of the important factors that will determine the competitiveness of
SMEs is an information technology (IT). The use of IT can improve business transformation through the speed, accuracy, and efficiency of large amounts of information exchange. The presence of Information Technology (IT) is changing the way in business by providing new opportunities and challenges that are different from conventional ways. IT is one of the main pillars of human civilization development today that must be able to add value to the wider community (Wójcik-Karpacz et al., 2021).

The use of Computer Information Technology for MSMEs is important in order to increase competitiveness in the global market. One of the focal points in the empowerment of MSMEs with ICT-based is the improvement of competitiveness. In the current in the competitive era, the role of Computer Information Technology is very decisive in the empowerment of MSMEs. Hope of novelty in innovation with technology to meet the needs of quality, renewal, and price. Therefore, innovative skills are needed to satisfy consumer needs while maintaining consumers as customers. Market changes and technologies are changing very quickly, good ideas can be more easily imitated, requiring information on product usage methods, new and better processes, and continuous faster services.

II. THEORY

According to stating that "Micro, Small, and Medium Enterprises or commonly called MSMEs is a form of productive business owned by individuals or business entities that usually move within the scope of trade activities that have different characteristics or characteristics". A productive business owned by individuals or business entities engaged in a scope of trading activities that have different characteristics or characteristics. According to micro, small, and medium enterprises MSMEs) is a business activity that is able to expand employment, provide broad economic services to the community, play a role in the process of equalization and increase community income, encourage economic growth, and play a role in realizing national stability" MSMEs as business activities that are able to expand employment, provide broad economic services to the community, and play a role in the process of equalizing increasing people's income and encouraging community economic growth, and realizing the national stability of MSMEs (Kalyan, 2020; Blommerde-Winters, 2022).

Based on several opinions and understandings about MSMEs above, it can be concluded that MSMEs are popular businesses that currently receive attention and privileges mandated by law, including business credit assistance with low interest, ease of business license requirements, business development assistance from government agencies, and several other facilities. The types of MSME businesses include various businesses in various fields of fulfillment of life needs. There are several examples of types of micro-businesses such as, farming, food, trade businesses, animal husbandry and service businesses. Some examples of small businesses such as: agricultural businesses that have labor, wholesalers or agents, craftsmen, small-scale farms, and small-scale cooperatives.

The use of technology in the business field today is not only in large businesses or companies that are growing rapidly but in MSMEs now use it to increase the number of customers, achieve turnover targets, find information on competitors and so on. It argues that the use of IT provides positive value to management strategies related to aspects of communication, access to information, decision making, data management and knowledge management in an organization. Various business land has now been entered by MSMEs. Not only on the retail side but also in the big business sectors. Unfortunately, of these, more than 90 percent are still playing in the offline realm. Sure, it's not a small amount, if we look at it from the lens of the digital world (Julianty Surasma Surung, 2020).

In addition to Information Technology, a bank is a financial institution that has a large contribution to the economy of a country, when the development of the banking industry is good, the better the economic growth of a country, where banks as a financial institution that serves to raise funds and distribute funds to the wider community to improve national stability towards the promotion of a prosperous society and a better economy. As a financial intermediary, the bank will benefit from the interest provided to the depositor with the interest received from the borrower. The amount of interest rates that banks charge for various credits, is largely determined by forces that are beyond the control of the bank, namely interest rates in the market and the strength of competitors. Economic progress is the most important factor in a development process, but it is not the only factor that can drive the progress of an economy. However, human development must also be an important part of development that is usually only viewed in terms of finance and material. Therefore, a human (Hatcher & Hammond, 2018; Kostis, 2021) development index should be viewed as a multi-dimensional process involving the reorganization and reorientation of the entire existing social and economic system (Schwalenberg, 1994). The human development index is intended to measure the impact of efforts to improve basic abilities, so an indicator is used to determine the impact as a basic component of calculation, namely the number of life expectancy at birth of the achievement of education can be measured by literacy and average school length and consumption.

The next variable is the corresponding interest rate conveyed in Muliadi et al. (2020), Siddiqui (2018). In this case, people who lack funds have an alternative to borrow funds from banks. Likewise, previously people who are overfunded will save funds to banks or other financial institutions. People who borrow funds are charged with interest as the price of borrowed funds. So, the interest rate is the price to be taken into account from the loan. Cashmere (2006: 133) and the interest rate is the price that must be paid by the customer to the bank. In addition, those that can affect MSMEs tend to be the inflation rate (Romadhoni et al., 2020). Inflation is a very scary situation, especially for developing countries such as Indonesia, because of the widespread impact of inflation on the economy. Therefore, Bank Indonesia as a monetary authority cannot play its own role in maintaining the rate of inflation to remain stable and requires the role and cooperation of other parties such as from the private sector, citizens, and other parties, either directly or indirectly.
III. METHOD

In this study the authors used secondary data with a quantitative approach, the sample used in the study was time-series data for 30 years (1989-2019). This model seeks to predict the influence of independent and variable dependent variables using historical data. Method analysis uses multiple linear regression with the help of Eviews 10 software. To obtain the expected research model, all variables have conformed to a classic assumption test called the BLUE test. Model feasibility met conformed to a classic assumption such as multicollinearity test, heteroscedasticity test, and autocorrelation. While the research model is as follows:

\[ Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon_1 \]

Transformation to \( \ln \) to be:

\[ \ln Y = \alpha + \beta_1\ln X_1 + \beta_2\ln X_2 + \beta_3\ln X_3 + \beta_4\ln X_4 + \beta_5\ln X_5 + \varepsilon_1 \]

Description i:
- \( \ln X_1 = TI \)
- \( \ln X_2 = Bank Credit \)
- \( \ln X_3 = HDI \)
- \( \ln X_4 = Interest Rate \)
- \( \ln X_5 = Inflation \)
- \( \ln Y = Growth of MSMEs \).

IV. RESULTS AND DISCUSSIONS

The method of analysis used in hypothesis testing is Regression Analysis. Structural equations that indicate causative relationships between variables after logarithmic transformation are as follows:

\[ \text{LnUMKM} = 1.628 + 0.0449\text{LnTI} + 0.388\text{LnCr} + 1.874\text{LnIPM} + 0.167\text{LnIr} + 0.009\text{LnInf} + \varepsilon(3.880347) (2.222152) (1.909865) (3.063449) (0.521133) + \varepsilon \]

Regression Equation of Information Technology Influence Model, Human Development Index, Bank Credit, Interest Rate and Inflation on MSME Growth. The magnitude of the responsiveness of MSME growth to changes in IT, HDI, Bank Credit, Interest Rates and Inflation in more detail is outlined as follows:

1. Constant 1.628; if the natural logarithm of all variables causes = 0 (zero) then the mathematical value of the natural logarithm of MSME growth is 1.628 units.

2. Regression coefficient for Information Technology variable 0.045 has a significant effect on MSMEs, meaning that if Information Technology increases by 1 unit, under the condition of other factors of constant value, then the growth of MSMEs tends to increase by 0.045 units.

3. The regression coefficient for Bank Credit 0.388 has a significant effect meaning that if Bank Credit increases by 1 unit, under the condition of other factors of constant value, then the growth of MSMEs tends to increase by 0.388 units.

4. The regression coefficient for the Human Development Index of 1.874 has a significant effect below 10% meaning that if the Human Development Index increases by 1 unit, under the condition of other factors of constant value, then the growth of MSMEs tends to increase by 1.874 units.

5. The regression coefficient for the Interest Rate of 0.168 has a significant effect on the fact that if the Interest Rate increases by 1 unit, under the condition of other factors of constant value, then the growth of MSMEs tends to increase by 0.168 units.

6. The regression coefficient for Inflation 0.010 is insignificant. Therefore, there is no need to discuss it anymore.

In research Anggraeny & Baihaqi (2021), Babajide et al. (2020), Candraningrat et al. (2021), and Waryuny et al. (2021), information technology has a relationship with the growth of MSMEs, while according to Anggraeny & Baihaqi (2021); Babajide et al. (2020), Candraningrat et al. (2021), Information technology is the development of information systems by combining computer technology with telecommunications. According to the research Mphuka et al. (2014), that trade credit can grow MSMEs. It's research to Julianty (2020) that ipm has a good influence on the growth of MSMEs. So, this study got the idea that mikro kecil and menengah can be influenced by variable information technology, banking credit, human development index and interest rate. While the inflation variable is not significant to micro small and medium enterprises.

V. CONCLUSION

1. Information Technology has a significant effect on MSMEs, so if Information Technology increases by 1 unit, under the condition of other factors of constant value, then the growth of MSMEs tends to increase by 0.045 units. This means that information technology needs to get the attention of parties concerned with the growth of MSMEs.

2. Bank credit has a significant effect so if Bank Credit increases by 1 unit, under the condition of other factors of constant value, then the growth of MSMEs tends to increase by 0.388 units. This means that the amount of bank credit needs to get the attention of parties interested in the growth of MSMEs.

3. The Human Development Index has a significant effect below 10% so if the Human Development Index increases by
1 unit, under the condition of other factors of constant value, then the growth of MSMEs tends to increase by 1,874 units. This means that the size of the Human Development Index needs to get the attention of parties concerned with the growth of MSMEs.

4. Interest Rates have a significant effect so that if the Interest Rate increases by 1 unit, under the condition of other factors of constant value, then the growth of MSMEs tends to increase by 0.168 units. This means that the amount of interest rates needs to get the attention of parties interested in the growth of MSMEs.

REFERENCES


