
THE CONTRIBUTION OF SMALL AND MEDIUM ENTERPRISES (UMKM) TO ECONOMIC GROWTH IN BANTEN PROVINCE

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ABSTRACT

Small and medium enterprises (UMKM) are the most strategic national economic sector that concerns the livelihoods of many people, thus becoming the backbone of the national economy. The Indonesian economy has proven to be a safety valve for the national economy during times of crisis, as well as a dynamo for economic growth after the economic crisis. This study aims to determine the contribution of UMKM to economic growth in Banten Province. This is a qualitative study with the research location in Banten Province. The data sources for this study are primary data obtained directly through interviews with UMKM actors in Banten Province, and secondary data obtained through articles, books, and references related to the problem of UMKM's contribution to economic growth. Data collection techniques use interviews and documents. Data analysis techniques use three adopted stages: reduction, data presentation, and verification. The results of this study are that the contribution of UMKM to economic development can be through UMKM's contribution to the formation of GDP/GDRP, UMKM's contribution to job creation to measure poverty, contributions to exports that are useful for measuring the competitiveness of local UMKM, the role of UMKM in investment, and entrepreneurship.

Keywords: Small and medium enterprises (UMKM), and Economic Growth.

INTRODUCTION

Indonesia, as a developing country in economic development, cannot be separated from development planning in its efforts to improve economic growth and the welfare of the people (Hariyono, 2010). Economic development is related to economic growth in various sectors, one of which is Micro, Small, and Medium Enterprises (MSMEs). Indonesia's economy will have a strong foundation if MSMEs become the main productive and competitive actors in the national economy. Therefore, the development of micro, small, and medium enterprises needs to be a top priority for national economic development in the long run (Setyawati, 2009).

The more advanced a country becomes, the more educated people it has, and the more unemployed people there are, the more important the world of entrepreneurship is felt. Development will be more solid if it is supported by entrepreneurs because the government's ability is very limited. The government will not be able to develop all aspects of development because it requires a lot of budget, personnel, and supervision. Therefore, entrepreneurs are a potential for development, both in quantity and quality of the entrepreneurs themselves to develop the ability and solutions to reduce unemployment rates. Efforts to improve the standard of living of the community can involve the community directly in the development process, one of which is their participation in contributing to the development of the MSME sector.

MSMEs are one of the pillars of national economic development. The number of active cooperatives in Banten Province in 2018-2020 experienced ups and downs, such as in 2018 there were 4,557; in 2019 there were 3,881; and there was an increase in 2020 to 4,047. In 2019, MSMEs and cooperatives experienced a decline, which also impacted the increase in poverty rates and high unemployment rates (Melati, et al., 2022). With the intention or desire to become an entrepreneur, it will be at least a leap as a hope for the realization of development and the welfare of the people (Putra, 2016).

The ability of MSMEs to become a source of income for the community and to distribute income evenly among its workers who are a source of employment, as well as its role in national income, should be continuously developed with the potential of each region's specialization as its comparative advantage in the support of relevant parties in supporting economic growth and helping to solve the problems faced. MSMEs in the national economy have a crucial and strategic role. The existence of MSMEs is dominant in every economic sector. This makes MSMEs a labor-intensive business center. Based on this background, this study aims to determine the contributions of MSMEs to economic growth in Banten Province.

RESEARCH METHOD

This type of research is a qualitative study that emphasizes the importance of findings rather than generalizations. This study aims to determine the contribution of UMKM to economic growth in Banten Province. Qualitative research is used to understand how people experience events. Although there are many qualitative research methods, they tend to be flexible and focus on preserving rich meanings when interpreting data (Gunawan, 2013).

RESULTS AND DISCUSSION

Condition of the economy is a crucial factor that supports the existence of UMKM. The economic sector, as an indicator of development, reflects the efforts of the community to meet their future needs. The UMKM sector plays a vital role in the wider economic sector by increasing people's income, driving economic growth, and promoting national stability (Purnomo, 2019). Based on data from the BPS of Banten Province, economic growth was recorded from 2020-2022, as shown in the figure below.

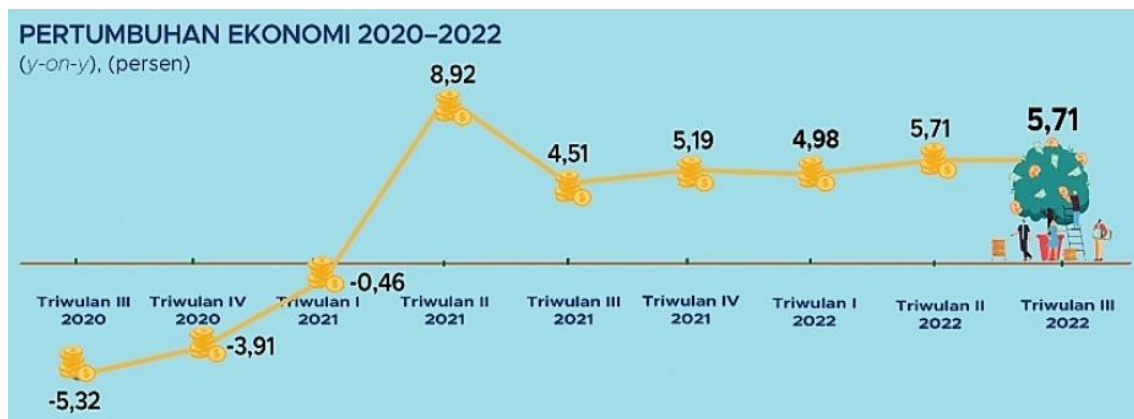


Figure 1. Economic Growth of Banten Province in 2020-2022

Micro, Small and Medium Enterprises (MSMEs) are the largest group of economic actors in Indonesia and have been proven to be a safety valve for the national economy during crises, as well as a dynamic driver of economic growth after economic crises. The data shows the rapid growth of MSMEs and their significant contribution as the main source of income for the people of Banten Province, as well as their important role in job creation. Strategies that can be implemented to realize the advancement and important role of MSMEs in the national economy include expanding market opportunities, developing education and training for MSMEs to enhance human resources in production technology, management, marketing, and business development as well as technology development to increase production and provide information (Suwatno, Mulyani, and Kurniawan, 2016).

The contribution of MSMEs to economic development can be measured through their contribution to GDP/Gross Regional Domestic Product (GRDP), employment generation to

measure poverty, contribution to exports that are useful for measuring the competitiveness of local MSMEs, their role in investment, and entrepreneurship. This can be explained as follows.

The Contribution of Micro, Small, and Medium Enterprises (MSMEs) to the formation of GDP/GDRP

Economic growth reflects a country's ability to provide goods and increase its per capita income (Kuznet, 1995). MSMEs greatly assist GDP in its growth. When GDP contributes to its GDP, there will be a multiplier effect on national and regional income. Changes in national GDP will be greater than the contribution that MSMEs can give due to this multiplier effect (Sari, 2016). Alfrian and Pitaloka (2020) stated in their research that the contribution of MSMEs to GDP reached 60.34% in 2017 with an export range of 15.7%. This condition shows that the role of MSMEs in the economy has been proven in their good contribution data to gross domestic product (GDP). MSMEs in the national economy have an important and strategic role. The dominance of MSMEs exists in every sector of the economy. The potential of MSMEs is significant in absorbing the workforce and in their dominant contribution to GDP (Sarfiyah, et al., 2019).

The Contribution of MSMEs to employment absorption in measuring poverty

Small businesses have an impact on creating job opportunities for the community, especially those of productive age. Job opportunities will provide an improvement in the quality of life for the community because their welfare will be better. The distribution of income becomes more equitable with the existence of MSME job opportunities. The community has income to run their own economy. Through MSMEs, the mobilization of resources from each region and productive workforce in each region will result in an increase in national productivity (Novitasari, 2022). MSMEs in the economy show significant contributions that can be calculated to bring about better economic conditions, namely through employment absorption. Around 25 million MSMEs in Indonesia contribute significantly to the economy. About 90% of total companies in Indonesia are MSMEs and have provided job opportunities in employment absorption exceeding 90% of the total workforce in Indonesia (Novitasari, 2022). MSMEs are one of the supports for the national economy that affects the economic sector and employment absorption (Melati, et al., 2022). MSMEs can provide employment opportunities for productive workers in poverty alleviation and unemployment reduction (Alfrian & Pitaloka, 2020).

Contribution to exports that are useful in measuring the competitiveness of local MSMEs



Figure 2. Export Value of Banten Province in 2021-2023

Based on the data from BPS Provinsi Banten, it can be explained that there has been an increase in export value every year. This increase contributes to the export value which is useful for measuring the competitiveness of the local level. Through UMKM, it is possible to showcase products that are unique and specialized in the region of Provinsi Banten, thus increasing the productivity of human resources. The more superior the knowledge of a company and human resources (HR), the higher the competitiveness of the company in the global market (Aufar, Adman, and Suwatno, 2016).

The role of MSMEs in investment

According to Mulyadi (2018), community self-reliance is a benchmark for assessing the level of community welfare. The community's self-reliance in seeking its welfare by becoming entrepreneurs and improving the investment climate can improve its prosperity.

UMKM can highlight products that are unique and specialized in Provinsi Banten. The products produced by UMKM can become new products in urban locations by combining creative innovation potential in utilizing opportunities, challenges, and opportunities to become entrepreneurs. Innovation has a significant positive effect on the competitiveness of UMKM (Hendayana, Ahman, and Mulyadi, 2019). Companies that can innovate properly will be able to compete with other companies. In increasing interest in entrepreneurship, emphasis needs to be placed on efforts to increase self-efficacy and motivation (Hapuk, Suwatno, and Machmud, 2020). UMKM development for business actors is not an easy task, there are several risks and challenges that they must face. Entrepreneurs will be faced with challenges and risks for the development of their business in relation to competition over time (Novitasari, 2022). Entrepreneurial skills have a positive influence on business success (Irawan and Mulyadi, 2016).

Entrepreneurship

Therefore, UMKM has an impact on the creation of jobs for productive age communities. The existence of job opportunities will improve the quality of life of the community because their welfare is better. The distribution of income is more equitable with the existence of UMKM job opportunities. Communities have income to run their own economy. Through UMKM, problems such as a decrease in poverty levels, reduction of unemployment, and inequality in income distribution can be overcome.

UMKM as a medium for productive employment can earn income by highlighting products that are unique and specialized in their respective regions. These products will become new products in urban locations by combining creative innovation potential in utilizing opportunities, challenges, and opportunities to become entrepreneurs. Business success can be increased with digital innovation and entrepreneurial orientation. Business success in the digital disruption era needs to apply the right digital innovation supported by entrepreneurial orientation (Herlianti, Mulyadi, and Hamdani, 2022).

Through UMKM, the mobilization of productive resources and labor in each region will lead to an increase in national economic growth.

CONCLUSION

MSME (Micro, Small, and Medium Enterprises) is the most strategic national economic sector that concerns the livelihoods of many people, making it the backbone of the national economy. Indonesia's economy has proven to be a safety valve for the national economy during crises and a dynamo for economic growth after the economic crisis. This study aims to determine the contributions of MSMEs to economic growth in the province of Banten.

The results of this study show that MSMEs have an impact on job creation for the community, especially those in productive age. Job opportunities will improve the quality of life for the people since their welfare will be better. Through MSMEs, problems such as the reduction

of poverty levels, the decrease in unemployment rates, and the inequality in income distribution can be addressed. MSMEs can highlight distinctive products and specialized products to become entrepreneurs. Through MSMEs, the mobilization of productive resources and labor in each region will result in an increase in national economic growth.

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