

Enhanced Growth Economic in Medan City Based on Improvement and Development of Micro, Small and Medium Businesses

Fakhrurozi¹, Rusiadi², Cahyo Pramono³

^{1,2,3}Faculty of Social and Science, Universitas Pembangunan Panca Budi, Indonesia
rozi93577@gmail.com

Abstract

During this time of covid 19, many of the world's economies fell drastically, so one method that can improve the economy of the city of Medan is to make improvements to micro, small and medium enterprises. So, in this paper, a study aims to identify and analyze the development of micro, small and medium enterprises (MSMEs) in supporting economic growth in the city of Medan. One of the business fields that can develop and be consistent in the national economy is Micro, Small, and Medium Enterprises (MSMEs). Micro, small and medium enterprises (MSMEs) are a good forum for job creation planned by the government, private sector, and individual business actors.

Keywords

MSMEs; economic growth; the impact of covid 19.



I. Introduction

During the Covid-19 Pandemic, where many large company closures resulted in massive layoffs, not even large industries, the Coronavirus pandemic has made SME players in Indonesia start to get nervous. A study states that Covid-19 caused Indonesia to experience a decrease in the percentage of economic growth by 0.1% in 2020. In general, the following are the real impacts caused by Covid-19 on the SME sector in Indonesia. The current COVID-19 pandemic has an impact on various sectors. The outbreak of this virus has an impact of a nation and Globally (Ningrum et al, 2020). The presence of Covid-19 as a pandemic certainly has an economic, social and psychological impact on society (Saleh and Mujahiddin, 2020). Covid 19 pandemic caused all efforts not to be as maximal as expected (Sihombing and Nasib, 2020).

So that it is treated to improve and improve the economy where economic growth can be seen as a macroeconomic problem in the long term from one period to another the ability of a country to produce goods and services. Factors of production will always increase in quantity and quality. The investment will increase the number of capital goods as technology develops. In addition, the workforce increases as a result of population development, and work experience increases due to population development, work experience, and education increase their skills.

What will be reformed in the economy of the Medan city is the improvement of Micro, Small, and Medium Enterprises (MSMEs) which can provide an important role in the Indonesian economy, especially in terms of the number of business units and the absorption of labor. Based on data from the Central Statistics Agency (BPS) in the Ministry of Cooperatives and SMEs (2010), it shows that 99.99% of all business actors in Indonesia are MSMEs, the remaining 0.01% are large enterprises (UB). Meanwhile, the average contribution of MSMEs to Gross Domestic Product (GDP) is 57.88%. However, the role of non-oil and gas exports of SMEs is much smaller than that of UB. The number

of MSMEs which reached 99.99% of the total business actors was only able to contribute to the value of non-oil exports by an average of 18.2%. Meanwhile, UB with the number of businesses only 0.

There is a positive influence of population growth on economic development where the condition and progress of the population are closely related to the growth and development of economic enterprises. Residents on the one hand can be actors or resources for factors of production, on the other hand, can be targets or consumers for the products produced.

Judging from the position of Micro, Small, and Medium Enterprises in the national economy, which is very important, especially because of their large number and role in the absorption of labor which is so large, and its contribution to the national GRDP. Besides that, MSMEs also have fairly strong resilience to the economic crisis, as during the economic crisis that occurred in 1997-1998, in which conditions at that time small, micro, and medium enterprises proved to be more immune than large companies which experienced bankruptcy. At the regional level, especially the city of Medan, it can be seen that in general the economic growth of the city of Medan cannot be separated from the contribution of MSMEs.

This can be seen from the number of MSMEs which are quite large, with a total of approximately 242,890 MSME units consisting of types of service trading businesses, handicraft industries, and various other businesses, where the institutions have not been optimally organized both in terms of licensing and legal aspects so that the number of SMEs in the city of Medan is still uncertain. The types of MSMEs in the city of Medan are businesses in the culinary field, printing services, making handicrafts, and so on.

II. Review of Literature

According to Tambunan, (2012: 22) Micro, Small and Medium Enterprises MSMEs are productive business units that stand-alone, which are carried out by individuals or business entities in all economic sectors. In principle, the difference between Micro Enterprises (UMi), Small Businesses (UK), and Medium Enterprises (ME) are generally based on the initial asset value (excluding land and buildings), the average annual turnover, or the number of permanent workers. Micro, Small, and Medium.

2.1 Micro business

Productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part either directly or indirectly of a medium or large business that meets the criteria for Small Business. as referred to in the Act. A micro business is a business unit that has assets of a maximum of Rp. 50,000,000 excluding land and buildings for business premises with annual sales of a maximum of Rp. 300,000,000.

2.2 Small business

Small businesses are expected to be able to provide new jobs. If the growth of labor absorption by the large and medium-sized business sector is consistent, the target of unemployment is even if the development of entrepreneurship and the growth of new

business units is carried out optimally, open unemployment will be suppressed. It is difficult to make this happen if people live in poverty and the unemployment rate is high, due to inequality in the control of productive resources, it is still very real. Small businesses with asset values of more than Rp. 50,000,000 up to a maximum of Rp 500,000,000 assets excluding land and buildings where the business has annual sales results from Rp 300,000,000 up to a maximum of Rp 2,500,000,000.

2.3 Medium Enterprise

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 proceeds as regulated in the Act. A medium-sized business is a company LIUTD with a net worth of more than Rp. 500,000,000 to a maximum of Rp. 100,000,000,000 with annual sales of above Rp. 2,500,000,000,000 billion up to a maximum of Rp. 50,000,000,000.

2.4 Micro, Small and Medium Enterprises (MSMEs)

The definition of small business in Indonesia is still very diverse. According to the Ministry of Industry and Bank Indonesia (1990) defines a small business based on the value of its assets, namely a business whose assets (excluding land and buildings) are worth less than Rp 600,000,000. Meanwhile, the Ministry of Trade defines a small business as a business with working capital of less than Rp. 25,000,000. According to the Central Statistics Agency (BPS), a small industry is an industrial business that involves a workforce of between 5 to 19 people. less than 5 people.

Small, Micro and Medium Enterprises (MSMEs) is a form of business that is seen from the scale of household businesses and small businesses only have several employees between 1-19 people. Meanwhile, medium-sized businesses have between 20-99 employees (BPS, 2018).

MSMEs have proven to be one form of business that can survive the economic crisis that has ever occurred in Indonesia. Small, Micro and Medium Enterprises (MSMEs) are some of the fields that make a significant contribution in spurring Indonesia's economic growth. This is because the absorption capacity of MSMEs for a workforce is very large and close to the small people. Statistics of Indonesian workers show that 99.5% of Indonesian workers work in the MSME sector (Kurniawan, 2008).

This is fully realized by the government so that MSMEs are included in one of the focuses of development programs launched by the Indonesian government. The government's policy towards SMEs is stated in several laws and government regulations. Use of Information Technology (IT) in marketing MSME products.

Economic growth over the past three decades is the ability of a country to increase or maintain a Gross Domestic Product (GDP) of between 5% and 7% more per year over a long period where the initial economic situation was relatively static (Lincoln, 2009:72). Along with the times, the notion of economic development has changed because when economic development is oriented only to GDP, it is not able to solve development problems as a whole. This can be seen in the level and quality of life of the majority of people who have not improved even though the annual GDP increase target has been achieved.

According to Iskandar (2008:128) to calculate the amount of economic growth of a country, the data needed and used is the national income of a country, for developing countries generally use the Gross Domestic Product (GDP), while developed countries generally use the Gross Domestic Product (GDP). Gross National Product (GNP).

2.5 Covid 19

The World Health Organization (WHO) explains that Coronaviruses (Cov) are viruses that infect the respiratory system. This viral infection is called COVID19. Coronaviruses cause illnesses from the common cold to more severe illnesses such as Middle East Respiratory Syndrome (MERS-CoV) and severe acute respiratory syndrome (SARS-CoV).

This virus spreads quickly and has spread to several countries, including Indonesia. A person can contract COVID-19 in various ways, namely: 1. Accidentally inhaling saliva splashes from a sneeze or cough of a COVID-19 patient 2. Holding the mouth or nose without washing hands first after touching an object that has been splashed with saliva from a COVID-19 patient. 3. Close contact with COVID-19 sufferers, for example touching or shaking hands. In Indonesia, the spread of this virus began on March 2, 2020, it is suspected that ~150~ started from an Indonesian citizen who made direct contact with a foreign national. Over time, the spread of COVID-19 has experienced a significant increase.

It can be seen from the following data. Currently, 7,775 people have been infected with Covid-19 in Indonesia and 960 people have recovered and 647 people have died. This teaches us to be careful in maintaining cleanliness and also obeying government regulations so that this pandemic ends quickly from our country Indonesia.

III. Research Method

This study aims to analyze the increase in the economic growth of the city of Medan affected by the COVID-19 pandemic on the existence of the economy in Indonesia, especially the city of Medan, and provide solutions in helping economic growth so that it can survive in the COVID-19 pandemic situation.

In this paper, the researcher uses a quantitative research library that explains the contribution of micro, small and medium enterprises (MSMEs) to the economic growth of Medan City. The quantitative method is a type of data in the form of numbers starting from the number of years and the calculation of the increase in GDP or GNP per capita. That is, in the data collection process, it is not necessary to go into the field directly but take various reference sources that support this research.

The sources of data used in this study are secondary data obtained from the SME Cooperative Service and the Central Statistics Agency (BPS) which are the actors of increasing economic growth in Medan City. Analysis tools used simple Linear Regression Hypothesis Test. The analytical tool used in this research is regression analysis, which is to analyze the effect of the independent variable on the dependent variable. In general, regression analysis is a study of the dependent variable (bound) with one or more independent variables (free) to estimate or produce the population average or the values of the dependent variable based on the known values of the independent variables.

$$Y = ax Bx$$

Where:

a = constant

b = Regression coefficient (slope) Y = dependent variable (economic growth) X = independent variable (SME growth)

Where the t statistical test basically shows how far the influence of one explanatory or dependent variable individually in explaining the variation of the dependent variable.

IV. Result and Discussion

Internally there are 3 (three) main aspects that affect the administration of Medan City local government, namely:

- (1) geographical conditions,
- (2) demographic conditions, and
- (3) regional socio-economic conditions.

Where these three aspects are the potential of the Medan City Government so that they can become the basic capital for Medan City development and at the same time can be a challenge for the sustainability of Medan City development in the future for economic growth. , which means that for every 1% increase in MSME growth, economic growth will also increase by 0.025.

However, it is found in the results of data acquisition from both BPS and UKM Cooperatives that the condition of UMKM growth and economic growth in the last 5 years has fluctuated where the growth of UMKM in 2014 was 6.34%. Whereas at the end of 2018 Economic Growth, Economic Growth decreased, namely in 2017 reaching 7.43% while in 2018 it was only 6.17%.

Meanwhile, based on the t-test of the MSME growth variable, it shows that the significant value has a significant value of $1.97 > 0.05$. From the basis of decision making, if the significance level is greater than 5% or 0.05 then H_0 is accepted and H_a is rejected, so it can be concluded that there is no significant effect between MSME growth on economic growth.

Based on the results of the research above that the growth of MSMEs has no effect on economic growth where we see that the development of MSME incomes that increase at that time are MSMEs that already exist or have been active in it for a long time and as for MSMEs that are new but have not affected the contribution of economic growth in Medan City.

Economic Condition of Medan City Economic growth is a description of the economic activity of the community in an area, besides it can also be used as one of the benchmarks for the success of the implementation of the development itself. Based on the GRDP indicator at constant prices in 2000, the economic growth of Medan City during the period 2013 – 2015 showed a significant slowdown. The economic growth of Medan City in 2013 was 5.36%. In 2014 the economic growth of Medan City increased to 6.08%, in 2015 it decreased to 5.74%. Furthermore, if analyzed by sector, the economic slowdown in Medan City can be seen in Table 1.

Table 1. Sectoral Economic Growth of Medan City in 2013 – 2015

No	Lapangan Usaha	Pertumbuhan (%)		
		2013	2014	2015
1.	Pertanian, Kehutanan dan Perikanan	1.09	6.39	5.01
2.	Pertambangan dan Penggalian	-3.00	-5.01	-4.40
3.	Industri Pengolahan	1.93	2.72	1.37
4.	Pengadaan Listrik dan Gas	-16.73	-0.42	-7.13
5.	Pengadaan Air, Pengelolaan Sampah, Limbah dan Daur Ulang	3.86	6.67	8.01
6.	Konstruksi	8.43	8.95	8.09
7.	Perdagangan Besar & Eceran, Reparasi Mobil & Sepeda Motor	8.64	9.14	5.53
8.	Transportasi dan Pergudangan	-11.76	-11.99	2.68
9.	Penyediaan Akomodasi dan makan Minum	6.55	9.63	8.36
10.	Informasi dan Komunikasi	9.93	9.55	9.51
11.	Jasa Keuangan dan Asuransi	6.98	4.78	5.57
12.	Real Estate	8.04	8.70	7.51
13.	Jasa Perusahaan	6.78	6.66	4.94
14.	Administrasi Pemerintahan, Pertahanan dan Jaminan Sosial Wajib	7.29	7.60	2.83
15.	Jasa Pendidikan	8.30	8.16	8.54
16.	Jasa Kesehatan	9.87	11.81	9.95
17.	Jasa Lainnya	8.25	8.05	6.97
PDRB		5.36	6.08	5.74

Meanwhile, in the Correlation Test that the relationship between X and Y can be seen from the Pearson correlation value, which is 0.690 if we look at the guideline for the degree of Pearson correlation, it is located in part number 4, i.e. if the Pearson correlation value is 0.61 to 0.80, it means the level of relationship between the X variables. and the Y variable has a strong correlation. The contribution of MSMEs to the Economic Growth of Medan City 2014 - 2018 is experiencing fluctuations wherein 2014 the contribution of MSME income to economic growth increased to 14.2% while in 2015 to 2018 it decreased, at the end of the year 2018 was 13.12%. However, for each year, the two MSME sectors, namely the manufacturing industry and wholesale and retail car and motorcycle repair, generally exist more than other sectors.

On the macro approach, namely through government policies, the OECD3 Report states that to help MSMEs at this time, the government must consider at least three important actions, namely First, the government must announce current and progressive economic and business support measures that are more focused on recovery. Timing and speed are very important. Withdrawing economic and business support measures too quickly can lead to massive failures for companies and weaken competition, but on the other hand, prolonged economic and business support can result in distortions, reduce incentives to adapt and innovate, and trap resources in activities. which is not productive. Second, governments should ensure that corporate flows in and out are gradual and continued in a manner that supports inclusive recovery (that is, without further burdening those most affected by the crisis, such as youth, women, and migrants). There are opportunities to improve the status of insolvency, facilitate closure of unproductive businesses and proper business restructuring, and increase the ability of entrepreneurs to start new businesses after failure.

Because bankruptcy can escalate dramatically, policy reforms should be able to limit the negative effects and reduce personal costs for honest failed entrepreneurs. All of this requires developing criteria for assessing which MSMEs should receive support during recovery and transition to new business models. Applying traditional criteria to identify “decent” businesses—such as recent balance sheet data or credit history—may not work effectively. For example, leveraging the development of Fintech and digital tools for more effective credit risk assessment, service delivery, and comprehensive monitoring can help overcome the limitations of traditional approaches to business financing in times of unprecedented uncertainty. So far, the government has not utilized this instrument effectively. In addition, non-debt financing instruments should be used more to address the more diverse needs of the MSME population and strengthen their capital structure (eg equity, mezzanine financing, leasing, or factoring). Third, government support must reach entrepreneurs and MSMEs who can increase economic and community resilience in the post-COVID era. Innovative start-ups, entrepreneurship, and new business models should be promoted. At the same time, traditional MSMEs that are largely disappearing and micro-enterprises struggling to benefit from the digital transition must accelerate digitalization and technology adoption, organizational change, and skills upgrading. out of a crisis, MSMEs must emerge digitally better equipped and with a strengthened workforce capability. Few policy initiatives aim to increase the long-term resilience of established businesses and the growth potential of MSMEs. For example, Korea and Ireland have acted to help small businesses adopt new work processes, accelerate digitization and find new markets.

V. Conclusion

The conclusions from the research results are as follows:

1. That the MSME growth variable (X) has a significant value of 1.97 this value indicates that the significant value is greater than 0.05. If the significance level is greater than 5% or 0.05 then H_0 is accepted and H_a is rejected so it can be concluded that there is no significant effect between the growth of MSMEs on economic growth. has been in it for a long time and as for MSMEs which are new but have not had an impact on the contribution of economic growth in Medan City.
2. The relationship between X and Y can be seen from the Pearson correlation value, which is 0.690. If we look at the guideline for the degree of Pearson correlation, it is located in part number 4, that is, if the Pearson correlation value is 0.61 to 0.80, it means that the level of relationship between X and Y variables is significant. strong correlation.
3. For the government, to increase the role of MSMEs in economic growth, cooperation between the government as policymakers and the community as MSME actors is necessary. This can be done by designing programs that can develop the maximum potential of MSMEs. In addition, the improvement of facilities and infrastructure related to MSMEs is also very much needed. MSMEs should no longer only be used and considered as "side" businesses because the benefits of MSMEs can have a very large impact. Therefore, education on the importance of entrepreneurship in MSMEs is very much needed.
4. Local governments are expected to be able to facilitate beginner MSMEs in terms of entrepreneurship training, business development training, capital and can also open national and international scale markets because MSMEs themselves can help reduce unemployment, create business opportunities, contribute to Regional Original Income (PAD) through taxes that must be paid and increase regional economic growth. Then the MSME entrepreneurs who own land and buildings are expected to all have business ownership permits so that their business is recorded and facilitated in the process of borrowing capital at the beginning of the business.
5. For academics and future researchers, it is hoped that the results of this research can be used as reference material for their teaching or research activities. Because this study still has shortcomings such as limitations in obtaining data and the period used is only 5 years.

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