Reduce of Poverty Indonesia for Best Effect of MSMEs

Diwayana Putri Nasution
Universitas Pembangunan Panca Budi, Indonesia
Email: diwayanaputrint@gmail.com

Abstract: The purpose of this study is to analyze the existence of MSMEs in reducing poverty in Indonesia. Where there are two dependent variables, namely GDP and Poverty and there are five independent variables, namely the number of MSMEs, investment, population, unemployment, and exports. This study uses secondary data or time series, namely data from 2004 to 2018. The data analysis model in this study uses the 2SLS Simultaneous Regression method. There is one variable for simultaneous results that shows an effect on GDP, namely investment has a positive and significant effect on poverty. For the effect on poverty, there is one variable for simultaneous results which shows the effect on poverty, namely unemployment has a positive and significant effect on poverty.

Keywords: gross domestic product; poverty; number of MSMEs

I. Introduction

MSMEs are one of the method which effective in lower number poverty and unemployment in Indonesia. reviewed from data statistics which there is, MSME represent amount largest business group. SMEs are a collection of various the largest economic executor in the economy in Indonesia and became one of the one aspect development economy in Indonesia post there was an economic crisis. MSMEs are recognized as major contributors to national development, apart from it can also be a big enough job opening for the workforce work in Indonesia which very need profession in the middle the difficulty get profession in era globalization moment this. MSME need get more attention from the government so that it can be more developed in Indonesia. Because success MSME is contribution which very big especially for the Indonesian economy, making the MSME executor community more independent, and be more active and creative in expressing new ideas for expansion his business (bye & Indra, 2019).

Poverty still become a scourge in society. Various kinds of efforts are made to overcome poverty, but the poverty rate is also not decrease by significant. Amount population poor on year 2015 predictable reach 30.25 million person or around 12.25 percent from amount population Indonesian. Based on BPS data, total population poor in 2014, the percentage of poor people in Indonesia reached 11.25 percent or 28.28 million people, then in 2015 there was an additional 1.9 million poor people. This increase in the number of poor people can be caused by several factors, including: increase price fuel, inflation, and weakening dollar. Based on study, collaboration third factor the could add number poverty as big as 1% percent. (www.republika.co.id, 2015). The need maintenance MSME by thorough, optimal and sustainable with development climate which conducive, give business opportunities, support, protection, and business development broadly, so that the potential of MSMEs is able to increase their position, role in realize growth economy, equalization, and enhancement income people, creation jobs, and alleviation poverty.

Micro, small and medium enterprises (MSMEs) are recognized as having an important role in very important not only for growth economy but also for distribution income which equally as well as could relieve n problem community poverty. Therefore it is necessary to get attention more for developments they, including building environment with climate effort which

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conducive, facilitating as well as give access on source power productive and strengthen entrepreneurship as well as power competition. Based on description in on, This study aims to describe the efforts which has been done by the state government Indonesia in a policy to countermeasures poverty through empowerment SMEs. Based on phenomenon of the problem the author is interested in studying research to knowing influence Amount SMEs, Investation, Export and Poverty by simultaneous to GDP and u for knowing influence umlah population, Unemployment and GDP by simultaneous to Poverty.

II. Review of Literature

2.1 Poverty

Kotze (in Hikmat, 2004:6) states that the poor are relatively better able to access resources through existing opportunities. Although external help is sometimes used, it is not always guaranteed, so people rely on external support. This method of empowerment is considered unsuccessful because no community can survive and prosper if isolated from other community groups. This isolation creates passivity, and the situation gets worse. According to Kakwani and Soni (2006), pro-poor growth is economic growth that provides benefits for the poor and opportunities to improve their economic conditions. If this happens, then the poor will get an increase in income and have the opportunity to get out of poverty. Economic growth that benefits the poor If more economic growth comes from the participation of the poor, this will have an impact on poverty reduction. In various countries, especially developing countries, growth in poverty alleviation is one of the concepts of development and economic growth, of which economic growth is a tool to reduce poverty levels. Micro, Small and Medium Enterprises (MSMEs) continue to contribute to gross domestic product (GDP) from year to year. The contribution of MSMEs to GDP at constant prices was IDR 7,034.1 trillion in 2019, up 22.9% from the previous year which was IDR 5,721.1 trillion. Meanwhile, the contribution of MSMEs to GDP based on current prices is IDR 9,580.8 trillion. This contribution rose 5.7% from the previous year which amounted to Rp 9,062.6 trillion. Not only that, Indonesian MSMEs contributed to absorbing 119.6 million or 96.92% of the total workforce in Indonesian business units. This labor absorption increased by 2.21% from 2018. The large contribution of MSMEs is because the majority of Indonesian business units are donated from MSMEs. A total of 64.2 million or 99.99% of Indonesian business units are MSMEs. In detail, 63.4 million are Micro Enterprises (UMi), 783.1 thousand are Small Enterprises (UK), and 60.7 thousand Medium Enterprises (ME). Meanwhile, Large Enterprises (UB) are only 5.5 thousand or 0.01% of the total Indonesian workforce. Therefore, the MSME sector is very important in the economic development of a country.

2.2 Micro Small Medium Enterprises

According to Pandji Anorangga (1997) MSMEs are businesses that play a very important role, especially in Indonesia, which is still a developing country. The large number of MSMEs will create more job opportunities for the unemployed. In addition, micro, small and medium enterprises can be used as a source of income, especially in rural areas and low-income families.

Micro, small and medium enterprises (MSMEs) are independent productive business units carried out by individuals or business entities in all economic sectors. In principle, the distinction between micro, small and medium enterprises and large enterprises is generally based on the initial asset value (excluding land and buildings), the average annual turnover or the number of employees. However, MSMEs based on these three measuring tools are
defined differently in each country. Therefore, it is difficult to compare the importance or role of micro, small and medium enterprises between countries. (Tulus Tambunan, 2001).

2.3 Investment

Economic theory defines or defines investment as spending on the purchase of capital goods and production equipment, the purpose of which is to replace and especially increase capital goods that will be used to produce goods and services in the economy in the future. In other words, investment means spending activities to increase the production capacity of the economy (Sukirno, 2009).

2.4 Unemployment

In the standard of understanding that has been determined internationally, what is meant by unemployment is someone who has been classified in the labor force who is actively looking for work at a certain wage level, but cannot get the job he wants. Therefore, according to Sadono Sukirno (2000) unemployment is usually divided into 3 types based on the circumstances that cause it, including:
1. Frictional unemployment is unemployment caused by the actions of a worker to leave his job in search of a better job or according to his wishes.
2. Structural unemployment is unemployment caused by structural changes in the economy.
3. Conjunctive unemployment is unemployment that is caused by an excess of natural unemployment and occurs as a result of a reduction in aggregate demand.

III. Research Methods

The data that will be used in this research is the type of quantitative data sourced from data secondary by time series which obtained with collect information and data from trusted sources, namely from the Central Agency Statistics or BPS, Ministry Cooperative and SMEs and World Bank. Technique collection data which used in study this is with method documentation study that is gather and process data from previous information related to the problem under study. As for the data used in this study is secondary data taken and processed from BPS, Ministry of Cooperatives and SMEs, Worldbank from 2004-2018 (15 Year).

The data analysis method used in this study is the Model Regression Simultaneous Simultaneous understanding of study this is testing for test the effect of the overall variable on the variable dependent, and statistical test F generally used (Meaning Say, 2019). Model equality simultaneous is equality which have characteristics variable endogenous (variable dependent) in one equation becomes the explanatory variable in the other system of equations (Gujarati, 2004:729). Simultaneous regression is used to see the long-term effect of short among variable.

IV. Results and Discussion

4.1 Results

Based on the graph above, the number of MSMEs continued to increase rapidly from 2004-2008 along with technological developments where MSME actors were able to utilize and optimize the digital technology. In 2018 the number of MSMEs reached around 64 million more units, this shows the increasing presence of MSMEs can be an alternative solution to overcome problems such as unemployment, create new jobs and reduce poverty. Therefore, micro, small and medium enterprises (MSMEs) need to be implemented comprehensively, optimally, and sustainably through the development of a conducive climate, providing business opportunities, support, protection, and business development as widely as
possible, so as to increase the existence, role and the potential of MSMEs in realizing economic growth, equity, increasing people's income, creating jobs, and alleviating poverty.

**Equation 1: The Influence of the Number of MSMEs, The Influence Investment, Exports and Poverty Against GDP (Domestic Product Gross)**

The first equation is the equation that is used to simultaneously determine the GDP (Gross Domestic Product), with the following equation:

\[ GDP = C(10) - C(11) \times JUMKM + C(12) \times INV + C(13) \times EKS + C(14) \times KMK \]

Based on these equations, the results of the output views with the Two Stage Least Square model are as follows:

\[ GDP = 4.548911 - 0.129301 \times JUMKM + 0.736851 \times INV + 0.163123 \times EKS + 0.037515 \times KMK \]

According to the estimation results obtained, it shows that \( R^2 = 0.995832 \) which means that the variables JUMKM (Number of SMEs), INV (Investment), EKS (Exports), and KMK (Poverty) can explain GDP (Gross Domestic Product) of 99.58% and the rest of 0.42% of GDP (Gross Domestic Product) is influenced by other variables beyond the estimates in the model.

Based on the estimation results obtained by the \( t \)-count value, there is (one) variable that significantly affects GDP (Gross Domestic Product) namely INV (Investment) at \( \alpha = 0.05 \) or \( = 5\% \), probability value 0.0000<0.05 so that INV (Investment) has a significant effect on GDP (Gross Domestic Product). Other variables are JUMKM (Number of MSMEs) with a probability value of 0.8370>0.05 EKS (Exports) with a probability value of 0.3147>0.05 and KMK (Poverty) with a probability value of 0.9001>0.05 has no significant effect to GDP (Gross Domestic Product) because the probability value of the three variables is greater than \( \alpha = 0.05 \) or \( = 5\% \).

**Equation 2: Number of Unemployed, Population and GDP to Poverty**

The second equation is the equation that is used to simultaneously determine the KMK (Poverty), with the following equation:

\[ KMK = C(20) + C(21) \times JP + C(22) \times PNG + C(23) \times GDP \]

Based on these equations, the results of the output views with the Two Stage Least Square model are as follows:

\[ KMK = 9.627586 - 0.430614 \times JP + 0.348947 \times PNG - 0.031547 \times GDP \]

According to the estimation results, it is obtained that \( R^2 = 0.941539 \) which means that the variables JP (Total Population), PNG (Unemployment) and GDP (Gross Domestic Product) can explain KMK (Poverty) of 94.41% and the remaining 5.59% KMK (Poverty) is influenced by other variables outside the estimation in the model. Based on the estimation results obtained by the \( t \)-count value, there is 1 (one) variable that significantly affects KMK (Poverty) namely PNG (Unemployment) at \( \alpha = 0.05 \) or \( = 5\% \), probability value 0.00<0.05 so that PNG (Unemployment) has a significant effect on KMK (Poverty).
Another variable, namely JP (Number of Population) is not significant at $= 0.05$ or $= 5\%$, where the probability value is $0.563 > 0.05$ so that the variable JP (Number of Population) has no significant effect on KMK (Poverty). Another variable is GDP (Gross Domestic Product) with a probability value of $0.387 > 0.05$, which means it has no significant effect on KMK (Poverty) because the probability value of the variable is greater than $= 0.05$ or $= 5\%$.

4.2 Discussion

a. Simultaneous Effects Equation 1: The Influence of the Number of MSMEs, The Influence Investment, Exports and Poverty Against GDP (Domestic Product Gross)

Based on results analysis data is known that it turns out GDP (Product Gross Domestic Product) is significantly affected by INV (Investment). Whereas variable other that is JUMKM (Amount SMEs), EX (Export) and KMK (poverty) has no significant effect on GDP (Domestic Product Gross).

b. Influence Amount MSME to GDP

Effort micro small and medium is contributor biggest for national economic development. The greater the number of productive MSMEs that meet the standards set by the government, the greater also impact positive to growth economy something area. In economy national, MSME hold role important, that is as cast main in activity economy, provider field work biggest, cast important in development economy local and empowerment communities, creators of new markets, and sources of innovation to contribute to balance of payments. (Department Cooperative, 2008).

The results of this study indicate that MSMEs have no significant effect on GDP. Results study this in line with study which conducted by Pradnya Paramita Hapsari, Abdul Judge and Saleh Soeaidy which title Influence Business Growth Small Medium (SME) to Growth Economy Region (Study in Batu City Government) which states SMEs in stone city no take effect significant to growth economy. Increase MSMEs are not the only determinant of a region’s GDP increasing, the cause is because the number of MSMEs is increasing but not productive and a source of the low human resources found in MSME actors. Public switch professions to become entrepreneurs but do not provide added value to economy and income each. Therefore that no will take effect to growth economy something area because no contribute to GDP of a country.

c. Influence Investation to GDP

Economic growth really needs investment support new as stock capital. The more many existence savings which then invested, so the more fast occur growth economy. With the more the amount of investment is expected to encourage economic growth, where enhancement capital very play a role important for increase economy. By because that, good investation government nor investation private sector can increase economic growth through fundraising which directed on activity economy productive that is with boost investation. The results in this study are in line with research conducted by Yulina Eliza entitled “Influence of Investment, Labor Force and Expenditure Government Against Economic Growth in West Sumatra”.

Research result This shows that partially investment has a significant effect on growth economy, force work take effect significant to growth economy and expenditure government take effect significant to growth economy Sumatra west, by simultaneous investation, force work and expenditure government significant influence growth economy West Sumatra (Yulina Eliza, 2015).
Based on the results, the research shows that there is an effect of investment on economic growth. Because connection investment and growth economy have a connection which positive, where if investment is high economic growth tends to increase. The more easy process investment, so will the more many also activity investment and the more tall also income that can generated a country.

d. Influence Export to GDP

Export is wrong one type activity trading outside country, its activity is to issue goods or trade goods abroad country in order to have a positive impact on the economy of a country. But if encountered an obstacle in carrying out these activities, so foreign trade activities will also have a negative impact. When the activity export fulfill condition and provision which apply including regulation legislation, it will have a positive impact on economic growth something area. However on the contrary if export have obstacle in implementation so will complicate activity export the for can penetrate and compete in the international market. Therefore, it can be said that export impact positive or negative to growth economy something country.

Results from study this show that export have positive but not significant effect on GDP (Gross Domestic Product). The results of this study are in line with research conducted by Erni Febrina Harahap, Luviana and Nurul Huda entitled “Overview of Fiscal Deficits, Exports, Imports and Amount MSME To Growth Economy Indonesia” which state that export negatively correlated and has no significant impact to economic growth. Because it can be caused by export products having low quality and low selling value, so they cannot compete in the market international. Besides that, export still based commodity so that difficult catch opportunity Request global. Besides low Request export goods or services, this is also caused by the price or world competitiveness and global economic turmoil such as the trade war between China and the United States what happened recently. (Harahap et al., 2020).

e. Influence Poverty to GDP

Poverty influence realization level growth economy. According to Todaro, conditions caused by widespread poverty make person poor no could access loan credit, finance education children they, and lack of opportunity investment physique and monetary, which result in level growth per capita which low (Todaro, 2004). Results on study this show poverty take effect positive but no significant to GDP. These results are not in line with the research conducted by Fitri, & Aimon entitled “Determinant Analysis Economic Growth and Poverty in West Sumatra” which state that variable poverty give influence to growth economy. There is a significant influence between poverty to growth economy in Sumatra west _ explain that Economic growth is determined by the amount of poverty. The results of this study also in line with research conducted by Jonaiddi entitled “Analysis of Economic Growth and Poverty in Indonesia” which states that the poverty rate has a significant effect on economic growth Indonesia. Not yet the significance rate growth economy Indonesia During period time walk wrong one the cause is still a lot Indonesian residents which life in lower line poverty, especially in area rural area.

f. Simultaneous Effects Equation 2: Number of Unemployed Population and GDP to Poverty

Based on results analysis data is known that it turns out KMK (Poverty) is significantly affected by PNG (Unemployment). Variable others, namely JP (Total Population) and GDP (Gross Domestic Product) are not take effect significant to KMK (Poverty).
g. Influence Amount Population to Poverty

There is influence direct Among growth population with level well-being Public. Nelson and Leibstein show that growth population which fast in countries develop no cause enhancement which significant in level well-being society, in the long run welfare will decline and the number of people poor will increase (Sukirno, 1983). Results study this amount population no take effect significant to poverty. These results are in line with research which performed by Mahsunah entitled "Analysis of the Influence of Population, Education and Unemployment To Poverty in Java East", results the calculation of multiple regression analysis shows that the population is not take effect to poverty. Results this no in accordance with theory and previous research, which became the theoretical basis in this study.

According to theory Malthus (in skuosen, 2009) enhancement population population tends to increase according to geometric progression (geometrically), while production food (source power natural) tend increase according to row count (by arithmetic). The impact of the imbalance between the earth's resources able to meet the needs of a growing population. In other words if development source power no can support development population will lead to poverty. Conclusion that amount population has no effect on poverty, because the population in Indonesia is more dominated by productive age so that job opportunities for increase well-being life still open wide (Mahsunah, 2011).

h. Influence Unemployment to Poverty

Unemployment can cause various economic and social problems, and impact no existence income which finally could cause well-being will the more slumped. The more decrease level well-being consequence unemployed, could lead to opportunities trapped in poverty. This is in accordance with the opinion (Arsyad, 2010: 359) which states that there are there is a very close relationship between the unemployment rate, the poverty rate, and unequal distribution of income. Rising high unemployment by economy potential reduce opportunity in enhancement productivity by regional, and by social see the more big burden for Public. With thereby by slowly Public will pushed on group population poor. Study this is in line with research by Permana & Arianti (2012) which shows that unemployment take effect direct and significant impact on poverty.

This research is in line with research conducted by Mahsunah which title "Analysis Influence Amount Population, Education and Unemployment Against Poverty in East Java" which shows that unemployment affects poverty. It means when unemployment high, poverty is also high because of the increasing number of unemployed Many people cannot fulfill their daily needs because they do not have income that in period long can cause poverty.

i. Influence GDP to Poverty

Economic growth is believed to have a significant impact on poverty reduction. However, this impact may vary from country to country country other. Condition distribution income, amount population, and urbanization have an important relationship in determine impact economic growth and subtraction poverty (Hasan & Quibria, 2002). As our know together, growth economy is wrong one indicator success development. Destination development which most important is poverty alleviation, which can be achieved through economic growth or redistribution income (Kakwani & Son, 2003).

Results from study show GDP (Product Domestic Gross) take effect negative and no significant to poverty. Study this in line with Cholili's research entitled "Analysis of Effects" Unemployment, Product Domestic Regional Gross (GDP), and Index Human Development (HDI) Against the Number of Poor People (case study 33 province in Indonesia) which states that the Gross Regional Domestic Product (GDP) have influence positive however no
significant to amount poor people in Indonesia, an increase in GRDP is actually needed and
Becomes choice, however no enough for resolve problem poverty.

V. Conclusion

Based on the results of the research in the first equation, it can be seen that that only
Investment variable has a positive and significant effect on GDP, because more and more
investors are contributing to the MSME sector certainly has a positive impact on the MSME
sector to be more productive in Century which will come. By because that investment have
influence to GDP in a country. Meanwhile, the variable number of MSMEs, Exports and
Poverty is not significant effect on GDP. The cause can due to the increasing number of
MSMEs but not productive and Because of the low human resources found in MSME actors,
it is not will affect the economic growth of a region because it does not contribute to a
country's GDP. While not the effect exports can be because export products have low quality
so that these goods have a low selling value and cannot compete in the market market
international.

Based on results study on equality two is known variable unemployment take effect
positive and significant to Poverty. While the variables of population and GDP have a
negative and not significant to poverty. Not the effect amount population to poverty can
because amount population still more dominated by age productive, so that opportunity work
for improve the welfare of life is still open. Meanwhile for GDP does not have a
significant effect on poverty, it could be due to distribution of income, population,
urbanization of each country is different in determining the effect that occurs between
economic growth and drop amount poverty.

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