

The Role of Small and Medium Micro Enterprises (MSMEs) In Economic Development in Bandar Lampung

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Abstract

Micro, small and medium enterprises occupy a strategic position to accelerate structural changes in order to improve the standard of living of many people and are a place for joint business activities for producers and consumers. The Indonesian economy will have a strong foundation if MSMEs become the main productive and competitive actors in the national economy. The importance of the role of MSMEs, the purpose of this study is to determine the role of MSMEs and the problems faced by MSME business actors in economic development. This type of research is a case study research with a qualitative approach. Respondents in this study were SMEs in Bandar Lampung. Sources of data obtained through primary data sources and secondary data with data collection techniques using interviews, observations and documents. The data analysis technique uses research data processing by listening, selecting data, analyzing data, analyzing data and concluding results. The results of this study are that the role of MSMEs is expected to be able to expand the provision of employment opportunities, make a significant contribution to economic growth, and evenly increase incomes as well as increase the competitiveness and resilience of the national economy. The problems faced by MSMEs include declining sales/demand, difficulty and high cost of raw materials, hampered operational distribution, capitalization, and hampered production. Suggestions in this study are that micro and small businesses are expected to be able to adapt to current technology in increasing product competitiveness and optimizing the potential of financial institutions that can be an alternative source of funds for rural MSMEs.

Keywords

MSMEs; national economic; development.



I. Introduction

Indonesia as a developing country in economic development does not escape development planning in its efforts to increase economic growth and people's welfare (Hariyono, 2010). In development planning, the stakeholders of each region can determine the strategic preparation process so that it can take place in a participatory manner. As mandated by Law no. 25 of 2004 concerning the National Development Planning System, the community is an important part of the existing stakeholders. The community is involved as a form of planning environmental mapping because the community is the one who knows best about the condition of the environment. Development is a systematic and continuous effort made to realize something that is aspired. Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired. In addition, development is also very dependent on the availability of natural resource wealth. The availability of natural resources is one of the keys to economic growth in an area. (Shah, M. et al. 2020)

The more developed a country, the more educated people, and the more unemployed people, the more important the entrepreneurial world is felt. Development will be more stable if it is supported by entrepreneurs because the government's capacity is very limited. The government will not be able to work on all aspects of development because it requires a lot of budget, personnel, and supervision. Therefore, entrepreneurship is a development potential, both in number and in the quality of entrepreneurship itself. With an intention or desire to become an entrepreneur, it will be a step at least as a hope for the realization of equitable development and community welfare (Putra, 2016).

Micro, Small and Medium Enterprises are the largest group of economic actors in the Indonesian economy and have proven to be a safety valve for the national economy in times of crisis, as well as being a dynamist of economic growth after the economic crisis. The economic structure dominated by large-scale enterprises with very fragile performance has taught Indonesia a lesson from the economic crisis that Indonesia had to pay a heavy price for in 1997. There are several lessons to be learned from the economic crisis. First; Economic development that is not based on its own strength, but relies on debt and imports is very vulnerable to changes in external factors. Second, the economic structure which is dominated by large-scale enterprises is not sufficient to produce a strong socio-economic structure, even though it is very fragile when a crisis occurs. Third, MSMEs make concrete manifestations of people's economic activities that rely on their own strength as a business group that is able to become a buffer when the Indonesian economy is hit by a crisis (Singgih, 2007).

Micro, Small and Medium Enterprises (MSMEs) are one of the community entrepreneurs with a tendency to survive and even increase in number even during the monetary crisis (Putra, 2016). MSMEs are an alternative choice for the community because the invested capital is still affordable in opening the MSME business. According to information in the field, MSMEs can be used to help improve the welfare of the surrounding community, because the community can open up job opportunities for themselves and the surrounding community. In line with Ashari (2006) in accordance with the characteristics of their business scale, micro and small businesses do not require too large a capital. However, these MSME actors have problems faced by MSMEs such as declining sales/demand, difficulty and high cost of raw materials, hampered operational distribution, capitalization, and hampered production.

Despite the small capital requirement, this very large business unit causes a lack of interest in large formal banking institutions to finance micro/small businesses because the transaction costs are very high. In addition, formal financial institutions generally treat small businesses the same as medium and large businesses in applying for financing, including covering adequacy of guarantees, capital, and business feasibility (requirements 5-C). This requirement is considered very burdensome for micro/small business actors in accessing formal banking institutions. Therefore, it is necessary to develop Microfinance Institutions that can support MSME business actors so that they can realize their role in economic development.

Based on the importance of the role of MSMEs in economic development, this study wants to know the role of MSMEs and the problems faced by MSME business actors in economic development.

II. Review of Literature

2.1 Micro small and Medium Enterprises

Micro, Small and Medium Enterprises or commonly abbreviated as MSMEs according to Law No. 20 of 2008 is a stand-alone productive business unit, which is carried out by individuals or business entities in all economic sectors⁷² and is an economic activity that has a basis from the community by very minimal capital affordability (Tambunan, 2012). According to the World Bank (2015), MSMEs are divided into:

- a. Micro business with 10 employees
- b. Small business with 30 employees
- c. Medium-sized business with up to 300 employees.

Micro, Small, and Medium Enterprises (MSMEs) are the largest group of economic actors in the Indonesian economy and have proven to be a safety valve for the national economy in times of crisis, as well as being a dynamist of economic growth after the economic crisis. The undeniable reality is that MSMEs (Micro, Small, Medium Enterprises) are the most strategic national economic sector and concern the livelihoods of many people, so that they become the backbone of the national economy (Singgih, 2007).

2.2 Development Economy

Economic development is an urgent matter in a country, especially in increasing income and improving people's welfare. In macroeconomic analysis, economic growth is the rate of increase in per capita income which is described as a picture of a country's economy and the level of community welfare. The main goal of economic development is to increase the number of goods and services as well as job opportunities for the community (Sofyan, 2017). Therefore, Todaro & Smith (2003) state that the success of a country's economic development is indicated by three main values, namely (1) the development of the community's ability to meet their basic needs (sustenance), (2) increasing the sense of self-esteem (self-esteem) of society as a human being. , and (3) increasing people's ability to choose (freedom from servitude) which is one of human rights. Economic development in general can be defined as a process that causes an increase in the real income per capita of the population of a country in the long term accompanied by improvements in the institutional system (Aryad, 2017).

III. Research methods

This type of research is case study research with a qualitative approach. Respondents in this study were SMEs in Bandar Lampung. Data sources are divided into 2, namely primary data sources and secondary data sources. Primary data sources were obtained through interviews and observations with respondents. Meanwhile, secondary data sources are obtained through documentation from the literature/library review related to existing problems or constraints. Data collection techniques using interviews, observations and documents. The data analysis technique uses research data processing by listening, selecting data, analyzing data, analyzing data and concluding results.

III. Result and Discussion

Micro, Small and Medium Enterprises (MSMEs) occupy a strategic position to accelerate structural changes in order to improve the standard of living of many people and are a forum for joint business activities for producers and consumers. Economic development can be defined as every activity carried out by a country in order to develop

economic activities and the standard of living of its people (Arsyad, 2017). The Indonesian economy will have a strong foundation if MSMEs become the main productive and competitive actors in the national economy. For this reason, the development of micro, small and medium enterprises needs to be the main priority of national economic development in the long term (Setyawati, 2009).

The role of 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 local economic activities and community empowerment, (4) creators of new markets and sources of innovation, and (5) their contribution to maintaining the balance of payments through export activities. Since the crisis hit this important position, not all of them have been successfully maintained, so the economic recovery has not been optimal. To achieve the target of economic development, MSMEs need to get attention, because. In the current condition of the Indonesian economy, it will be relatively difficult to attract investment. For this reason, limited investment needs to be directed at efforts to develop new entrepreneurs (Setyawati 2009).

The role of MSMEs in cultivating entrepreneurship is expected to be able to expand the provision of employment opportunities, make a significant contribution to economic growth, and equalize income increases as well as increase the competitiveness and resilience of the national economy. However, based on the results of interviews with MSME actors, there are problems faced by MSMEs such as declining sales/demand, difficulty and expensive raw materials, hampered operational distribution, capitalization, and production is hampered. The biggest problem that has occurred to MSMEs since the COVID-19 pandemic faced by MSME actors is the decline in sales so that buyers/demands for goods are quiet and MSMEs are capitalized.

To overcome the problems above, strategic steps are needed in increasing the competitiveness of MSMEs and developing MSMEs. The government has a strategic position in developing MSMEs through various policies that are able to support the development of MSMEs. The role of MSMEs as national economic development with various problems faced by MSME business actors, the Mayor of Bandar Lampung in supporting MSMEs The Bandar Lampung City Government has prepared various assistance programs so that Micro, Small and Medium Enterprises (MSMEs) quickly rise from the impact of the Covid-19 pandemic. by providing convenience for business actors. The programs provided range from interest-free loans, assistance with tools and machines, to providing business stalls. Even in dealing with capital problems for MSMEs, the City Government in collaboration with Bank Mandiri provides subsidies in the form of interest-free loans for MSME actors. The targets are snack, fried and angkringan businesses. So that this can also improve the quality of human resources and integrate business development in the context of regional development.

Furthermore, the Bandar Lampung City Government distributed the Banpres for Productive Micro Business (BPUM) which was given as assistance to micro business actors to continue their business in the midst of a crisis due to the pandemic as part of the National Economic Recovery Program. In addition to assistance in the form of loan subsidies, the Bandar Lampung City Government also provides stalls selling at Bung Karno MSME Park. Based on observations, it was found that the MSME Park Event took place regularly every weekend, Saturday and Sunday and the enthusiasm of MSME actors and buyers was very high. So that business actors in Bandar Lampung can recover from the pandemic with the help of this UMKM Park. In addition, the Taman UMKM event still

adheres to health protocols to prevent virus transmission, including controlling the emergence of new cases in the city of Bandar Lampung.

Support for the Bandar Lampung City Government program to support the implementation of a people's economy in order to realize community development and welfare. The real form of the populist economy is in the form of support for micro, small and medium enterprises (MSMEs), so that the production of MSMEs is not only marketed in the local market but also outside the region and is growing (Putra, 2016). The support provided by the Bandar Lampung City Government to MSME actors is expected to have a positive impact and the community participates in the program enthusiastically so that the role of MSMEs as regional and national economic development can be realized.

Another problem that arises is the MSME capital in running and developing a business. The lack of capital is more experienced by micro, small and medium enterprises because they are individual businesses that only rely on limited capital from the side of the business owner. Business owners have difficulty obtaining loans for business capital from banks due to administrative and technical problems that business actors cannot afford. The development of MSMEs cannot be separated from the role of MFIs (Microfinance Institutions), because MFIs are parties that are expected to be able to provide support to MSMEs in terms of capital. The financial services industry has a major role in lending that is oriented towards the development of MSMEs.

Several steps that have been taken by the government are the People's Business Credit (KUR) with a credit/financing scheme for working capital and/or investment intended for MSMEs and Cooperatives in productive business fields. Departing from this phenomenon, one of the conditions for developing MSMEs is the empowerment of MFIs. Aspects of MFI empowerment include two aspects, namely regulatory aspects and institutional strengthening which aims to encourage policies issued by MFIs to be more in favor of MSMEs, especially for capital accessibility. Empowerment of MFIs is carried out in a structured and sustainable manner, which can encourage increased productivity and competitiveness of MSMEs, as well as grow strong new entrepreneurs.

One of the financial institutions that can be utilized and encouraged to finance economic activities in rural areas where the majority of the population's businesses are in the micro segment is Microfinance Institutions (MFIs). This institution has actually grown and taken root in rural communities, but has not been used optimally (Ashari, 2006). In responding to the problem of limited capital and the government's diminishing fiscal capacity, it is necessary to further optimize the potential of financial institutions that can become an alternative source of funds for MSMEs in rural communities.

IV. Conclusion

MSMEs are the main actors who are productive and competitive in the national economy. For this reason, the development of micro, small and medium enterprises needs to be the main priority of national economic development. The role of MSMEs is expected to be able to expand the provision of employment opportunities, make a significant contribution to economic growth, and equalize income increases as well as increase the competitiveness and resilience of the national economy. The problems faced by MSMEs include declining sales/demand, difficulty and high cost of raw materials, hampered operational distribution, capitalization, and hampered production. The biggest problem that has occurred to MSMEs since the COVID-19 pandemic faced by MSME actors is the decline in sales so that buyers/demands for goods are quiet and MSMEs are capitalized. One of the financial institutions that can be utilized and encouraged to finance economic

activities in rural areas where the majority of the population's businesses are in the micro segment is Microfinance Institutions (MFIs). The suggestion in the research is that micro and small businesses are expected to be able to adapt to current technology in increasing product competitiveness and optimizing the potential of financial institutions that can be an alternative source of funds for MSMEs in rural communities.

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