

Analysis of MSME Growth in East Kalimantan

Indrayani¹, Tri Wahyu Hardaningrum², Tiara Alifia³

¹Faculty of Teacher Training and Education, Universitas Balikpapan, indrayani@uniba-bpn.ac.id

²Faculty of Economics and Business, Universitas Negeri Malang, tri.wahyu.fe@um.ac.id

³ Faculty of Teacher Training and Education, Universitas Balikpapan, tiaraayafia@gmail.com

Article Info	Abstract
Received May 6, 2023 Revised May 25, 2023 Published June 22, 2023	<i>MSME and Cooperative Assistants play an important and strategic role in supporting the success of the MSME and Cooperative programs, especially in the economic business of MSME and Cooperative actors so that the potential that exists in the community can be optimally empowered and developed. Good and professional assistance will have a positive impact on the local economy in particular and at the same time the national economy. The MSME and Cooperative Assistant is expected to be a reference in carrying out tasks and coordinating with relevant agencies in supporting the success of the MSME and Cooperative assistance program. Various efforts in the context of MSME development have been carried out by various parties, including by introducing approaches in the framework of MSME financing such as the PHBK pattern, the cluster approach pattern, and the partnership pattern. Lastly, the approach taken by the Government is to optimize the use of BDSP personnel who can function as a bridge between MSMEs and banks. It is believed that the use of BDSP personnel can also assist the government in the success of the poverty alleviation program by optimizing bank lending to MSMEs.</i>
Keywords : MSMEs, Growth of MSMEs in East Kalimantan, Development, Business Actors	

INTRODUCTION

The Provincial Economic Report (LPP) of East Kalimantan (Kaltim) is the result of a routine assessment that is carried out every quarter by the Bank Indonesia Representative Office for the Province of East Kalimantan. This report contains the latest information on regional macroeconomic conditions, government finances, inflation, regional financial system stability, payment systems, employment, and

welfare as well as future economic prospects. This report is expected to be a reference material for relevant stakeholders in formulating their policies. In general, East Kalimantan's economic performance in the first quarter of 2022 still shows positive growth, although it doesn't grow as high as in the previous quarter. East Kalimantan's economic growth rate in the first quarter of 2022 grew by 1.85% (yoy), after growing by 2.91% (yoy) in the previous quarter. This was mainly due to the slowdown in performance in almost all business fields, especially the mining business sector which caused limited export growth. On the other hand, East Kalimantan's household consumption performance has increased compared to the previous quarter in line with the resurgence of community activities during increasingly controlled COVID-19 cases and incessant vaccination efforts.

The analysis in this report uses various data and information obtained directly from reports, surveys, and liaison activities at the Bank Indonesia Representative Office, East Kalimantan Province. We also use various secondary data and information obtained from the results of collaboration with external parties, both from the Government and the private sector. For this reason, we express our deepest appreciation and gratitude to all parties who contributed directly or indirectly to the preparation of this report. We hope that the strategic partnership relationship that has been well established so far can be continued and even further enhanced in the future. We also always expect criticism, input, and suggestions to improve the quality of this report so that it can be more useful for interested parties. Finally, may God Almighty always provide smoothness and success to all of us in our efforts to develop the economy of East Kalimantan to realize the welfare of its people towards a developed Indonesia.

METHODS

The analysis in this report uses various data and information obtained directly from reports, surveys, and liaison activities at the Bank Indonesia Representative Office, East Kalimantan Province. We also use various secondary data and information obtained from the results of collaboration with external parties, both from the Government and the private sector. In this paper, we just show our analysis of economic growth in East Kalimantan Province.

RESULTS AND DISCUSSION

Analysis of MSME Growth in East Kalimantan

The East Kalimantan economy was able to continue the positive trend in the second quarter of 2022, still supported by the performance of the main business fields of mining, processing industry, construction, and trade. The four main business fields were still able to record positive growth and were higher than the previous quarter. Based on its share, the economy of East Kalimantan in the second quarter of 2022 will still be dominated by the mining and processing industries.

Micro, Small, and Medium Enterprises (MSMEs) are business activities capable of expanding employment opportunities and providing broad economic services to the community and at the same time playing a role in the process of equity and increasing people's income, driving economic growth, and playing a role in realizing national stability. In addition, MSMEs are one of the main pillars of the national economy which must receive the widest possible primary placement, support, protection, and development as a form of firm alignment with the people's economic business group, without neglecting the role of Large Enterprises and State-Owned Enterprises (BUMN). Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises states that MSMEs are business activities that can expand employment opportunities and provide broad economic services to the community and can play a role in the process of equity and increasing people's income, to encourage economic growth and role in realizing national stability.

Since the monetary crisis in 1997, the MSME sector has been a sector that is resilient and has excellent resilience to the storms of crisis, because MSMEs have a high level of adaptation so that when changes occur they will quickly adapt. In Indonesia, MSMEs are very important as a source of growth in employment or income opportunities. This fact shows that the job opportunities created by these business groups are far more than the workforce that can be absorbed by large businesses. Because of this, MSMEs are expected to continue to play an optimal role in efforts to tackle unemployment, whose numbers tend to increase every year. By absorbing a lot of labor, it means that MSMEs also have a strategic role in the government's efforts to fight domestic poverty. The government then realized the importance of developing MSME activities which are considered an important alternative that can reduce the heavy burden faced by the national and regional economies. Because MSMEs are the

first step in realizing entrepreneurship that is formed and is one of the dominant business activities owned by the Indonesian nation. In addition, the development of MSME activities relatively does not require large capital and during the crisis period, MSMEs have relatively survived.

In line with regional autonomy, MSME development is one of the areas of government which is a mandatory authority handed over to the Regency/City. Therefore, as a consequence, local governments have the flexibility to explore and develop the potential of MSMEs according to the capabilities of each region. MSME entrepreneurs with various limitations need to be facilitated, mobilized, and motivated so that their entrepreneurial instincts can develop with integrated and planned efforts. Entrepreneurs can utilize all the resources they have, with creative and innovative processes, making MSMEs ready to face the challenges of the global crisis. The problem that is often felt directly by MSME actors in general and in East Kalimantan Province in particular at this time is starting from the lack of business capital, MSME actors do not understand business management, product certification to how to effectively market products from MSMEs. For MSMEs, capital is the main problem that is considered quite important to be overcome through credit to increase the need for financing their business working capital, which is needed to run a business and increase the accumulated accumulation of working capital. To overcome this problem, the government launched a financing program for MSMEs and Cooperatives, namely People's Business Credit (KUR).

From the development of the entire number of MSME units ranging from micro to medium, the trade sector has become the largest sector in MSMEs in the Province of East Kalimantan, so there is no doubt that its role can increase income in society, especially low-income people and has absorbed a lot of labor and has even contributed on economic growth in East Kalimantan Province. With a very large number and from various sectors, it requires the participation of the Government, Regional Government, the business world, and society as a whole, synergistically and continuously, to increase the capability and role of MSME institutions in improving the regional to the national economy through agencies, agencies, and office. Although the development trend of MSMEs in East Kalimantan Province is always increasing, based on initial observations it is known that the role of the Office of Cooperatives and MSMEs in empowering MSMEs has not run fully following the empowerment program that has been carried out in accordance with existing regulations, because there are still problems which include

the large number of MSME actors who do not yet have a permit (legality) for Micro, Small and Medium Enterprises (IUMK) and the lack of socialization from the East Kalimantan Provincial Office of Industry, Trade, Cooperatives, and SMEs regarding government programs, especially the Ministry of MSME and Cooperatives regarding venture capital assistance facilities. This research also intends to analyze the role of the Office of Cooperatives and SMEs in the development of SMEs in East Kalimantan Province.

The people-centered development approach is very relevant to the decentralization policy paradigm in dealing with social problems. This approach recognizes the importance of community capacity to increase self-reliance and internal strength through the ability to exercise internal control over material and non-material resources. Korten in Hikmat (2001:16) states that there are three bases for structural and normative changes in people-centered development. 1. Focus government policy thinking and action on creating conditions that encourage and support people's efforts to meet their own needs, and to solve their problems at the individual, family, and community levels. 2. Develop the structures and processes of organizations that function according to the principles of the self-organization system. 3. Develop territorially organized production-consumption systems based on local ownership and control principles. Micro, Small and Medium Enterprises or better known as MSMEs are the type of business that dominates the economic structure in society.

MSMEs thrive and develop during the current community economy which includes types of trading, agriculture, fisheries, and other service businesses. Micro, Small, and Medium Enterprises (MSMEs) are the most numerous types of businesses in Indonesia. Tambunan (2009:10) states that the definition and concept of SMEs differ according to each country. Therefore, it is indeed difficult to compare the importance or role of MSMEs between countries. There is no general agreement in distinguishing a micro business and a small business or a small business from a medium business and a large business. Even in many countries, the definition of MSMEs differs between sectors, for example in Thailand, India, and China, or even differs between government agencies or departments, for example; Indonesia and Pakistan. Nurhayati (2011: 102) states that the definition of MSME has various variations according to the characteristics of each country, namely: 1. World Bank: UKM is a business with a workforce of \pm 30 people, annual income of US\$ 3 million and total assets not exceeding US\$ 3 million. 2. In America: SMEs are industries that are not dominant in

their sector and have fewer than 500 workers. 3. In Europe: SMEs are businesses with a workforce of 10-40 people and an annual income of 1-2 million Euros, or if there are less than 10 people, they are categorized as household businesses. 4. In Japan: SMEs are industries engaged in manufacturing and retail/service with a workforce of 54-300 people and a capital of ¥50 million-300 million. 5. In South Korea: SMEs are businesses with a workforce of ≤ 300 people and assets \leq US\$ 60 million. 6. In some Southeast Asia: SMEs are businesses with a workforce of 10-15 people (Thailand), 5 -10 people (Malaysia), or 10-99 people (Singapore), with a capital of \pm US\$ 6 million.

The definition of MSMEs according to Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises, is defined as follows: 1. Micro enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in the Law - this law. 2. 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 Medium or Large Businesses that fulfill the criteria for Small Enterprises as referred to in this Law. 3. Medium Enterprises are productive economic enterprises that stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly with Small Businesses or Large Businesses with total assets net or annual sales results as stipulated in this law.

Related to the growth of the business climate, the strategy implemented by the Office of Industry, Trade, Cooperatives, and SMEs of the Province of East Kalimantan is to take several approaches as follows:

1. Enabling, namely creating an atmosphere or climate that allows people's potential to develop. The starting point for measurement is the recognition that every community has potential that can be developed. This potential is then developed and used as a motivation and driver of public awareness of the importance of the entrepreneurial spirit as a step to improve the economic structure of society.
2. Empowering, where the potential possessed is strengthened by the power possessed by the community. Creating a positive business climate or atmosphere will encourage the creation of inputs and open access to various existing opportunities. In the context of empowerment, the main targets are increasing levels of education and expertise in developing businesses, including the development of physical

infrastructure such as road repairs, electricity, transfer of processing technology, and individual skills of business actors. The Office of Industry, Trade, Cooperatives, and SMEs of East Kalimantan Province in this case must be able to provide learning platforms to increase the skills and knowledge, and expertise of business actors so that they can produce highly competitive products.

3. Protecting, where it is also necessary to protect business actors in the sense of empowering and protecting the continuity of the business. In the process of empowerment, it is necessary to prevent the weak from getting weaker due to a lack of power in dealing with the strong. This empowerment refers to the meaning of not making the community of business actors dependent on charity programs but directing business actors to have high adaptability to changing times and business competition with corporate-based business actors. Protecting is carried out by cooperating with conventional banks in terms of providing low-interest business capital loans and increasing processing technology capabilities in terms of goods production. The next step is to develop a business network where business actors do not only interact with fellow business actors in the region but are encouraged to be able to interact with business actors from other regions. This can also be achieved by holding exhibitions and so on, so that with the establishment of a wider business network it is hoped that it can open the horizons of business actors to develop their businesses.

The growth of the business climate is indeed very closely related to licensing for MSME players to make it easier to access credit for MSME financing and legal certainty in carrying out their business activities. One of them is by issuing IUMK (Micro Small Business Permits) which is expected to help MSMEs access credit. With the provision of credit facilities, it is hoped that the government will increase the growth of the business climate for the better and have an impact on improving and developing community economic activities, in other words, a conducive climate will cause the level of public confidence to do business in East Kalimantan. The existence of these activities will trigger an increase in MSMEs, this increase will directly trigger economic growth and have an impact on the level of community welfare. On the other hand, business adaptability and the survival of MSMEs can also be achieved by increasing the life cycle of business products produced, the ability to mobilize capital, utilize natural resources, create markets, and maintain existing businesses. The combination of these capabilities will be able to increase production capacity to take advantage of

opportunities to become profitable activities so that the orientation and motivation of business actors can continue to be stimulated towards independent business actors.

Then related to the growth of new business units, it is known that economic growth in East Kalimantan Province has experienced significant development and growth, this development is inseparable from the development and increase in the number of business units in all sectors, both in terms of the number and type of business carried out by business actors. SMEs contribute to increasing the income of the people of East Kalimantan. This provides positive signals and trends for regional economic development and has a direct impact on the development of East Kalimantan Province. Until 2022, according to data from the SME Empowerment Sector, the Office of Industry, Trade, Cooperatives and SMEs of the East Kalimantan Province recorded that the growth of SMEs increased every year, both in terms of the number and type of business carried out by SMEs in East Kalimantan Province.

The development and effectiveness of the MSME program in East Kalimantan Province must be built in a participatory manner and enriched by the existence of a center for assessment, analysis, and modeling of learning centers (learning sites) for business actors that are carried out sustainably and systematically. This can be an alternative to overcoming the shortage of professional assistants and the geographical conditions of the different regions of East Kalimantan Province. To achieve better effectiveness in efforts to develop MSMEs in East Kalimantan Province, other steps that can be taken are to improve the quality of human resources and the entrepreneurial spirit through learning sites. Then strengthen and increase access and transfer of technology for MSMEs and develop MSMEs so that they are more innovative, business actors are no longer limited by the use of traditional technology but can also be carried out in a modern way and increase production results and reduce the required costs. Then the next step is facilitating MSMEs concerning access to information and promotions with domestic and foreign market share. This is done to expand market access that can be reached by business actors so that it is not only based on the regional domestic market but can penetrate the national and even international markets, especially for regional superior products which of course have high potential to be developed or have wider distribution area.

CONCLUSION

The efforts of the Office of Industry, Trade, Cooperatives, and SMEs of East Kalimantan Province in developing MSMEs are manifested in the growth of the business climate, the growth of new business units, and the development of MSMEs have been carried out well by carrying out seven aspects of service starting from production, marketing, capital, human resource development, institutions to information technology. However, there is still a need for another form of strategy that will greatly support all of these efforts, namely by establishing a center for assessment, analysis, and modeling of a learning center (learning site) which will be designated for the development of business actors sustainably and systematically. The researcher recommends several suggestions, including 1) the Existence of outreach and outreach to MSME agents to the community to open up a wider market share and attract the public's interest in becoming business actors, 2) Partnership gatherings need to be held more frequently between MSME actors and banks so that more many MSME actors can access these activities to increase the capacity and quantity of the MSME actors themselves, 3) There is an exhibition of the production results of MSME actors as well as comparative studies to other regions to increase the level of knowledge and socialize the production results of the MSME sector.

Based on the results of MSME and Cooperative assistance, it can be concluded as follows: 1. Implementation of assistance in increasing the production of Micro, Small, and Medium Enterprises (MSMEs) and Cooperatives is very helpful in developing MSME and Cooperative businesses. 2. The implementation of assistance in increasing human resources (HR) in managing regional potentials that can be managed into superior products in Micro, Small, and Medium Enterprises (MSMEs) and Cooperatives provides innovations for MSMEs and Cooperatives. 3. Implementation of assistance in increasing sales (marketing) of Micro, Small and Medium Enterprises (MSMEs) and Cooperative products providing models or strategies in marketing. 4. Implementation of assistance in compiling financial reports for Micro, Small, and Medium Enterprises (MSMEs) and Cooperatives to assist MSME and Cooperative business actors to obtain disbursement of capital funds from financial/banking institutions. 5. Implementation of Cooperative management assistance to community members and can improve the welfare of cooperative members. 6. Implementation of MSME and Cooperative assistance can help increase existing potential.

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