

THE EXISTENCE OF MSMES AND THEIR ROLE IN BOOSTING BUSINESS ECONOMIC IN NORTH SUMATERA PROVINCE

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Abstract. *Various tips have been implemented by the regional government, especially North Sumatra Province together with the banking sector through the CSR program in providing assistance in the form of training to business actors to increase the per capita income of the community as well as regional income in a series of accelerated activities in encouraging regional economic growth, especially in the Micro Business sector. Small and Medium Enterprises (MSMEs) in North Sumatra (North Sumatra), which is one way to realize regional economic independence. Because, apart from being proven to be more immune to economic crises, MSMEs are also believed to be able to drive regional economic potential significantly. MSMEs as a strategic sector of the domestic economy have strong resistance to crises. This is due to the independent nature of its capital and does not depend on external loans. This research aims to seek knowledge and understand the impacts that arise from increasing the economic growth of North Sumatra through the development of micro, small, and medium enterprises. This research was research using quantitative methods. Research results Micro, small and medium enterprises (MSMEs) are the right forum for job creation which is planned by the government, private sector and individual business actors. In line with technological developments, the Government is currently aggressively promoting Go Digital to business actors as a change from conventional or analog systems to digital systems. Digitalization of MSMEs is the process of bringing MSMEs into the digital sphere in order to increase the effectiveness and efficiency of business processes and MSME operations.*

Keywords: *CSR, Economic Growth, Go Digital, Regional Government*

1. INTRODUCTION

When the global crisis hit the world which affected Indonesia, as happened in 1998 and 2008 and the Covid pandemic in early 2020, it turned out that MSMEs were still able to survive, amidst the declining economic situation in various fields. A healthy and independent economic system continues to be developed by the Regulator in collaboration with banks through CSR which always provides assistance to entrepreneurs, in this case through the cooperative department, in developing various creative products that can be produced in the region, especially North Sumatra.

The government has a role as a facilitator, regulator, and catalyst for MSME actors in the province. As a facilitator, the government has a role in facilitating MSMEs to achieve their business development goals. If MSMEs have weaknesses in the production sector, the facilitator's job is to provide MSME capabilities in various ways, for example by providing assistance in the form of various training for prospective entrepreneurs.

Micro, Small and Medium Enterprises are one of the leading driving forces in economic development in Indonesia. Considering the large role shown by the existence of this business, efforts must always be made to develop it so that every business of this type is able to overcome the problems it faces and develop in a better, advanced, and independent direction so that its role in economic growth becomes greater. MSMEs are very important for increasing the per capita income of the community and region. The

micro, small and medium enterprise sector movement is predicted to be able to trigger economic growth and create jobs. When compared to the large business sector, micro, small and medium enterprises are also quite diversified and make an important contribution to exports and trade so that they become one of the contributors to the country's foreign exchange although the contribution of micro, small and medium enterprises is much smaller compared to the contribution of large enterprises (Nungky Viana, 2018). To encourage the rate of economic growth, Micro, Small, and Medium Enterprises (MSMEs) have a very big role, especially Indonesia. The existence of MSMEs has the potential to create jobs and increase per capita income.

MSMEs are recognized to play an important role in development and economic growth, not only in developing countries, but also in developed countries.

In developed countries, the role of MSMEs is very important because they absorb more labor than large businesses (UB) and contribute more to the growth of Gross Domestic Product (GDP) compared to large businesses. MSMEs have enormous potential, but in reality SMEs still experience various obstacles, for example there are still many limitations in the ability of MSME players to adopt technology and digital literacy, as well as in terms of finance or financing, many MSME players do not understand how to prepare financial and administrative reports digitally. So the aim of this research is expected to be able to help and overcome problems in MSMEs so that the research results are expected to have a positive impact on the development of MSMEs for sustainable economic growth.

For a region, the role of micro, small, and medium enterprises (MSMEs) is very important, especially as one of the motors driving economic growth. Micro, small, and medium enterprise (MSME) activities are one way to make creative products from the region known and provide business opportunities for regional actors. Apart from that, micro, small, and medium enterprises (MSMEs) are required to be able to participate in developing the nation's economy, especially in carrying out development in the economic growth of North Sumatra. This is because the role of MSMEs is seen as very important in order to increase per capita income and improve the economy of a region (Halim, 2020).

MSMEs have great potential to raise regional potential, increase regional income, and improve community welfare. In general, MSMEs always utilize local raw materials, so that regional potential is explored. Likewise, employing local talent can certainly reduce the number of unemployed. Recently, the Government of North Sumatra has disbursed funds amounting to around IDR 11 billion (US 680,398) for assistance to micro, small and medium enterprises in 2024. However, this assistance is not in the form of cash, but rather assistance such as equipment, training and workshops, namely under the auspices of the Department Cooperatives, Small and Medium Enterprises of North Sumatra.

The Regional Government really appreciates one of the activities of the Beginner Entrepreneurship Program by utilizing CSR assistance from Bank Sumut and the CSR of several other Government Banks. This is the case with several Beginner Entrepreneurship Programs, for example providing various machines such as sewing machines, or providing 45 carts and raw materials for ice blend, agricultural tools which will be distributed to young people who are not yet working or families who really need help where they want to become entrepreneurs but they have little of access to reach various governments.

Apart from that, with the development of technology which is quite massive nowadays with the development of online systems for selling, purchasing, and distributing goods, Go Digital is a breakthrough that invites MSME players to take advantage of various types of digital platforms. This is related to various aspects arising from marketing competition, product types, transaction processes, buying and selling, use of technology, and what is currently trending.

There are several steps that MSMEs can take to start this online business, namely

by creating a website to carry out various transactions and then creating an attractive appearance. Apart from that, they must also be able to utilize social media to introduce products, promote products, and provide various interesting content so that it can attract people. Visitors' interest in buying these goods, and can use digital services for payments such as Mobile Banking or Qurish. As a result, all those involved in digitalization transactions can save more time, energy, and efficiency in financing

Thus, programs that create such growth for MSMEs continue. The North Sumatra Provincial Government (PemprovSU) is willing to provide support for ideas or programs that can increase the sustainable growth of MSMEs and which of course can absorb labor and of course will have the impact of reducing the unemployment rate which is still quite high, namely around 408 thousand people according to records. BPS February 2024 is dominated by men.

One of the programs launched by the North Sumatra bank through CSR, namely the Beginner Entrepreneur Program, will open up business opportunities for unemployed or underprivileged families to increase their income.

He explained that apart from the Beginner Entrepreneurship Program, Pintu Swara also has other programs that try to bridge the government with poor communities, including the socialization program for fishermen's cards and Regional Health Insurance (Jamkesda) cards.

"For people who don't know how to get an insurance card, whether a fisherman's card or Jamkesda, we as the government bridge socialize how to get it, we even help people register it,

As technology develops so massively, this will really help transform the development of MSMEs into one of the pillars of developing accelerated economic growth. This includes the Department of Cooperatives as one of the developers and accommodating the creativity of business people in building business development cooperation based on people's economics, namely by working together to improve the welfare of all members. The transformation of MSMEs is the Go Digital program.

The North Sumatra government is targeting 20 percent of MSMEs in its region to be able to go digital, or utilize digital technology in their businesses, by 2024. Until 2023, only around 15 percent of MSMEs will go digital. There are several strategies prepared by the Cooperative Service to realize this target:

The first is to improve internet infrastructure, especially in areas far from urban areas. Equity is important. In this case, assistance from the central government is for the construction of facilities.

The second is to form the mindset of MSMEs that digitalization brings benefits in the long term because the product market is getting wider. A mindset must be developed that digitalization is a profitable future investment.

Third, the Cooperatives Department continues to conduct training regarding the use of electronic trading applications. Finally, there must be regulations so that MSME digital trade has clear legal protection and regulations.

In 2023, the North Sumatra Provincial Government will record 1,166,918 business actors in its territory. Of that number, 98.87 percent or 1,153,758 entrepreneurs are engaged in micro and small businesses. Meanwhile, 1.12 percent or 13,610 actors are at the medium and large business level.

Micro, Small and Medium Enterprises (MSMEs) have a number of advantages and also face several challenges or disadvantages, as follows:

1. Flexibility, namely MSMEs tend to be more flexible in adapting to market changes and consumer needs because the organizational structure is simple and easy to socialize various activities to be carried out
2. Use of Local Resources, usually MSMEs use materials local raw materials, which help in raising regional economic potential and supports sustainable development.
3. Absorption of Labor, MSMEs contribute greatly to absorption local workforce, reducing the unemployment rate.

4. Reducing Social Gaps, through various CSR programs and social initiatives, MSMEs can help reduce social inequality by empower underprivileged communities so they can reduce economically marginalized communities.
5. Innovation and Creativity, Due to their smaller scale, MSMEs are often more innovative and creative in producing a variety of unique and different products or services to attract more public interest in buying.

Disadvantages of MSMEs:

1. Capital limitations, one of the main challenges for MSMEs is limited capital for business development, investment in technology, or for overcome liquidity problems.
2. Limited Access to Finance, MSMEs often face difficulties in gaining access to financing from formal financial institutions due to perceived high risks or lack of adequate collateral.
3. Dependence on the Local Market, depending too much on the local market can be a risk, especially when there are economic or policy changes that affect the purchasing power of local consumers.
4. Increased Operational Costs, competitive environment, MSME operational costs, such as labor costs, raw materials and infrastructure, can increase without being supported by an increase in production scale.
5. Technology and Digitalization Challenges, although there are efforts to encourage digitalization of MSMEs, some MSMEs may face difficulties in adopting new technology or understanding the benefits it provides due to limited education of business actors.

2. RESEARCH METHODS

This study investigates the advantages of utilizing artificial intelligence (AI) in accounting through the use of an exploratory research approach. The exploratory approach was selected because there are still a lot of unanswered questions about the possible advantages of artificial intelligence (AI) in accounting. This research intends to explore fresh perspectives and expand on our knowledge of the ways in which AI might improve accounting procedures.

The following techniques were used to get the data for this investigation. Review of the Literature, with reference to the use and advantages of artificial intelligence (AI) in accounting, the author gathered secondary data from books, industry reports, scientific journals, and other pertinent publications. The purpose of this literature review is to set the theoretical framework and background for this investigation. Additionally, the author examined Simple ML for Sheets, one of the AI technologies that may be utilized in accounting.

3. RESULT AND DISCUSSION

Micro, Small and Medium Enterprises activities are independent productive economic enterprises and independent which is owned by an individual or group and not as a business entity branch of the main company. Micro, small, and medium enterprise (MSME) activities are one of them business fields that can develop and be consistent in the national economy. From several journal references used in this research, the author can describes increasing North Sumatra's economic growth through MSME development seen from BPS sources. From development data in this BPS, researchers took several factors to see developments MSMEs, including the number of company units, the number of workers absorbed, as well as value added prices from MSMEs. The data obtained by Position researchers Micro MSMEs in North Sumatra are;

Table 1. MSME Development Data

Economic Sector	Position of Micro, Small and Medium Enterprise Credit Provided by Commercial Banks and BPRs according to Economic Sector in North Sumatra Province (million rupiah)		
	2020	2021	2022
Agriculture, Forestry & Fisheries	4324772	5237979	6982972
Mining and excavation	101367	81581	110037
Processing industry	5492712	5824715	6241891
Procurement of Electricity and Gas	59365	52681	71401
Water Supply, Waste Management, Waste and Recycling	53484	62043	73188
Construction	2357296	2353532	2218098
Wholesale and Retail Trade, Car and Motorbike Repair	27363966	30189857	33449575
Transportation and Warehousing	1912261	1919891	1908926
Provision of accommodation and food and drink	1866561	2071412	2285405
Information and Communication	143427	140911	142012
Financial Services and Insurance	172419	106263	127217
Real Estate	550278	616299	520051
Company Services	767485	845123	894786
Government Administration, Defense and Mandatory Social Security	21557	16052	11925
Education Services	377718	376957	346840
Health Services and Other Activities	855774	800463	945779

Other Services	10559417	12459020	14054238
Amount	56979859	63154780	70384338

Source: Bank Indonesia Representative Office Region IX (North Sumatra and Aceh)

With this strategic role, MSMEs certainly play an important role in supporting Bank Indonesia's policy mix to maintain macroeconomic and financial sector stability, as well as national efforts to support economic transformation towards an advanced Indonesia. Various efforts to strengthen MSMEs continue to be carried out end-to-end, including by Bank Indonesia. MSMEs encourage the creation of an integrated business ecosystem and encourage an increase in business economic scale. Meanwhile, increasing capacity is focused on increasing productivity through innovation and digitalization of business processes, thereby encouraging improvements in the competitiveness of MSMEs. This capacity building is carried out in an integrated manner which includes strengthening business management, product quality, market access, financial capacity, and human resource capacity, including mastery of digital technology. Adaptation to developments in digital technology is one of the keys for MSMEs to move up a class to become stronger and more advanced. In the financing aspect, expanding access continues to be encouraged to facilitate business expansion with healthier MSME financing. MSME development refers to the MSME road map for moving up to a productive, innovative, adaptive class with 4 stages, namely production and institutional activities, expanding market share, digitalization and financing, and export market access. The economic growth data for North Sumatra is as follows:

Economic Growth Graph

North Sumatra 2012-2021

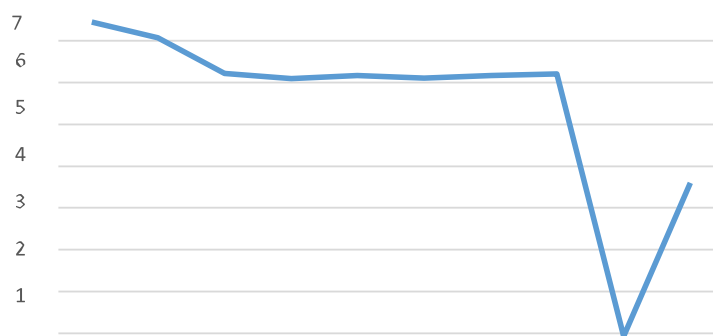


Figure 1. Economic Growth Graph
North Sumatra Economic Growth Graph 2012-2021

Optimizing the use of digitalization in strengthening the capacity of MSMEs is also starting to be implemented to increase innovation and quality of products and services, business management, capacity HR, financial management, and market access. Digitalization of business processes in the agricultural sector is implemented from the on-farm side to the off-farm side. The use of Internet of Things (IOT) based technology is applied on the production and marketing side in a number of agricultural clusters in several city districts in the North Sumatra region, which is supported by digital agricultural platforms. Efforts to expand access to financing for MSMEs also continue to be encouraged through the provision of technical assistance, including facilitating business meetings between banks and MSMEs.

The focus of end-to-end development for MSMEs is aimed at strengthening aspects institutions and increasing business scale, increasing productivity, among others through innovation and expanding access for MSMEs to markets, industries and institutions finance. Meanwhile, the MSME development road map is aimed at: encouraging the formation of Digital MSMEs and Export MSMEs, by strengthening directed at priority sectors that support export potential and tourism development, as well as strengthening commodity supply and distribution strategic food. The digitalization process in every step of MSME development will open up opportunities to strengthen the MSME activity chain, starting from production, processing of results, marketing, and financing, to produce a model new digital-based businesses that are more efficient and competitive. As a result of strengthening steps will produce MSMEs that continue to advance in class and have wealth higher added value to both the domestic and domestic economy increase exports.

MSMEs that are productive, innovative, and efficient will support the effectiveness of central bank policy transmission through their role in increasing economic aggregate demand. Strong MSMEs will support more efficient resource allocation, so that central bank policies to encourage aggregate demand will be transmitted more quickly and to a greater extent. MSMEs by expanding access to finance and healthy financing will also increase the effectiveness of monetary policy transmission. The existence of strong MSMEs and good access to financing will cause monetary policy transmission channels, whether through interest rates, credit and others, to be more effective. This condition will also provide positive feedback on the ability of MSMEs to adjust their financing interest rates.

Increasing the capacity of MSMEs is carried out to strengthen the quality of MSMEs, both in terms of human resources and business potential to make them more competitive. To support increasing business scale and the competitiveness of MSMEs, Bank Indonesia has established a roadmap for developing MSMEs based on business capabilities, namely Potential MSMEs, Successful MSMEs, Digital MSMEs, and Export MSMEs. Bank Indonesia increases the capacity of MSMEs according to needs and is aligned with the MSME development road map in order to encourage the realization of Digital MSMEs and Export MSMEs.

The development of MSMEs in the MSMEs' road map for upgrading is carried out over 4 years through 4 stages, namely production and institutional activities, expanding market share, digitalization and financing, as well as export market access. Conditions in the field. Capacity building is carried out in an integrated manner to increase productivity, including through digitalization of MSMEs. Increasing the capacity of MSMEs includes strengthening business management, improving product quality, expanding market access, increasing financial capacity, and increasing human resource capacity, including mastery of digital technology. In the initial stage, development of potential MSMEs is focused on strengthening Bank Indonesia institutions (2020), Study of Business Models and Development Strategies for MSMEs to increase and increase business scale. Successful development of MSMEs is directed at efforts to improve the quality of product design and packaging as well as expanding market access, including the use of digital technology, including through the MSME onboarding program to e-commerce. The capacity of digital MSMEs continues to be strengthened through optimizing the use of digital technology, both in production and marketing processes, including for payment transactions and expanding access to financing.

Furthermore, increasing the capacity of MSMEs with export potential to reach global markets is carried out, among other things, by facilitating MSME participation in trade promotions and MSME business meetings with potential buyers from within and outside the country. The role of the North Sumatra Province Cooperatives and MSMEs Service in MSME Development. Based on Law Number 20 of 2008 concerning Micro, Small

and Medium Enterprises, it is explained that regional governments, including the city government of North Sumatra, have a role in developing MSMEs in the city of North Sumatra, based on article 1 paragraph 10, Development is an effort carried out by the Government, Regional Government, Business World and the community to empower Micro, Small and Medium Enterprises by providing facilities, guidance, assistance and strengthening assistance to grow and improve the capabilities and competitiveness of Micro, Small and Medium Enterprises, through training and coaching activities. According to Partomo and Soejoedono (2014:27), a comprehensive, integral approach can be carried out through comprehensive training and coaching from the production process to marketing and carried out through coaching various aspects including markets, capital, technology, management as a whole from the production process to marketing and carried out in an integrated manner between agencies to overcome the weaknesses of MSMEs. This means that based on Law No. 20 of 2008, it is clearly seen that in terms of developing MSMEs in North Sumatra, the government has a role as well as being a facilitator, regulator and catalyst for MSME actors in the province. As a facilitator, the government has a role in facilitating MSMEs to achieve their business development goals. If MSMEs have weaknesses in the production sector, the facilitator's job is to provide capabilities.

MSMEs in various ways, for example by providing training. Likewise, if MSMEs are weak in terms of funding, the facilitator's job is to help find a way out so that MSMEs are able to get the funding they need, but this must be done carefully so that the MSMEs' position does not become dependent. In the context of this facilitation, the North Sumatra provincial government can take the form of:

- a. Giving something, whether in the form of money or subsidies for goods or services.
- b. Privileges, whether in the form of relief or strength in cross-legal matters.
- c. A separate wisdom. These facilities provided by the government can occur depending on how the government views the existence of MSMEs that will be provided with facilities. As a regulator, the government provides basic references as an instrument to regulate every empowerment implementation activity in society.

CONCLUSION

Community empowerment from an economic perspective will be linked to policies that support business development. The policies directed are policies in the field of capital to support community business activities and are budgeted from the Regional Revenue and Expenditure Budget (APBD). In this case, the North Sumatra regional government as the regulator has provided full support for efforts to empower the economy of the MSME sector and policies in the field of business establishment licensing with simplify the licensing process to be more effective and efficient. MSMEs as one of the national instruments for national economic development seeks to encourage and involve as many economic actors as possible, especially by empowering young entrepreneurs. In this way, it is hoped that people, especially marginalized groups, can improve their quality of life, increase their income, and be aware of the quality of the environment and natural resources through economic development. Micro, Small and Medium Enterprises (MSMEs) are proven to be able to bring about significant change in society because they are proven to be able to contribute to development.

The regional government, through CSR, plays a very active role as a regulator, catalyst and facilitator, namely the government plays a very important role in facilitating MSMEs in North Sumatra in achieving their business development goals. As a catalyst, the government plays a role in developing MSMEs into fast moving enterprises. The increase in the number of business actors has increased the number of requests for new workers, thereby automatically reducing the amount of unemployment and extreme poverty which is worried by many parties, especially the government. And as a regulator, the government has provided a basic reference as an instrument to regulate every

empowerment implementation activity in the community. By using the right strategy, MSMEs can become pillars in accelerating the prosperity of society.

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