



The Effect of MSME Credit and Government AID on MSME Growth and Reduction of Poverty Rate in the City of Balikpapan

Siwi Tri Wijayanti

Faculty of Economics and Business, Mulawarman University

Corresponding Author: siwitriwijayanti45@gmail.com

Aji Sofyan Effendi

Faculty of Economics and Business, Mulawarman University

Diana Lestari

Faculty of Economics and Business, Mulawarman University

Abstract. The aim of this research is to determine the effect of MSME credit and government assistance on MSME growth and reducing poverty rates in Balikpapan City. The analytical tool used is path analysis. Path analysis is an analytical method used in research to test the influence of independent variables on dependent variables, including indirect influences through mediating intervening variables. This method is more complex than ordinary regression analysis and requires in-depth understanding. The analysis application used in this research is the SPSS v25 application. The results of research on the provision of banking credit on the growth of MSMEs in Balikpapan City have a positive and significant effect. It can be concluded that banking in Balikpapan City can grow and develop MSMEs in Balikpapan City. Providing Bank Credit to Poverty Alleviation has no direct and insignificant effect, this means that the contribution of providing credit cannot necessarily reduce the poverty rate in Balikpapan City. The Balikpapan City Government's assistance for the growth of MSMEs is positive and significant, this means that the assistance is very effective in directly developing the growth of MSMEs in Balikpapan City. Balikpapan City Government's assistance to the poverty level in Balikpapan City is negative and significant. It can be concluded that the Balikpapan City Government's policy instrument by providing assistance to MSMEs will be able to reduce the poverty rate in Balikpapan City. It can be concluded that the growth of MSMEs in Balikpapan City has a negative effect on reducing the poverty rate, meaning that the more MSMEs grow, the poverty rate will decrease.

Keywords: MSME Credit, Government Assistance, MSME Growth, Poverty Rate

INTRODUCTION

As we already know, MSMEs are part of the economic development policy in Indonesia which really supports people's lives, especially small and medium communities, Micro, Small and Medium Enterprises as one of the largest economic sectors in Indonesia certainly have a large and important role. in the economic sector in Indonesia.

MSMEs can be said to play a role as providers of means of equalizing the economic level of small people, this is because MSMEs are located in various places and also reach various regions which can help improve the economic quality of village communities. With many important aspects related to MSMEs in Indonesia,

Then MSMEs also indirectly play a role in overcoming the problem of poverty which has not disappeared from Indonesia. It is not easy for Indonesia as a developing country to improve

the quality of economic sector development. Therefore, MSMEs are one answer to alleviating poverty because they can absorb quite a large workforce.

Apart from that, MSMEs also play a role in expanding employment opportunities. As the population continues to increase in Indonesia, MSMEs are one solution in improving individual quality. Apart from being able to absorb workers, MSMEs can be a driving force for other communities to compete, thereby creating new businesses and opportunities for other communities.

How important it is to develop the MSME sector, finally the government has issued a special Law on MSMEs, namely Law No. 20 of 2008 concerning Indonesian Small, Micro and Medium Enterprises, which is further explained in Government Regulation (PP) No.7 of 2021 concerning Convenience, Protection, And Empowerment of Cooperatives and Micro, Small and Medium Enterprises.

The government is actively making various efforts so that the health and economic balance can improve simultaneously. In restoring the economy, the Government is trying to answer the problems that exist in the business sector, especially Micro, Small and Medium Enterprises (MSMEs).

During the Covid-19 pandemic some time ago, MSMEs were indeed more heavily affected, their sales fell, they had financial difficulties paying installments and so on. "The obstacles faced are almost entirely addressed by the Government," said Coordinating Minister for the Economy Airlangga Hartarto in the CNN Indonesia Webinar: Mobilizing MSMEs in the Midst of Economic Turmoil from Jakarta, Wednesday (04/11/2020). According to him, support for MSMEs is the Government's main concern in terms of economic recovery. This is reflected in the budget allocation for the National Economic Recovery Program (PEN) and the MSME stimulus that has been issued.

The total budget for MSMEs in PEN alone in 2020 reached IDR 123.46 trillion, while for 2021 the Government has budgeted IDR 48.80 trillion. As of November 3 2020, 76% or IDR 93.48 trillion had been realized. KUR realization from January 2020 to October 31 2020 was IDR 148.38 trillion or 78.09% of the 2020 target of IDR 190 trillion and had been given to 4.5 million debtors. The total outstanding KUR since August 2015 was IDR 194.05 trillion with an NPL of 0.70% until 2021.

According to Airlangga, KUR distribution during the Covid-19 period decreased sharply. From IDR 18.99 trillion in March 2020 to only IDR 4.76 trillion in May 2020. However, gradually KUR distribution has increased again with distribution in October amounting to IDR 17.72 trillion. KUR distribution during 2020 is based on a scheme, namely KUR super micro is 3.02%, micro KUR is 65.74%, small KUR scheme is 31.02%, and KUR for placement of TKI is 0.23%. Super micro KUR is aimed at workers who have been laid off or housewives who run productive businesses. Super micro KUR, which is a new proposal, has prepared a DIPA of IDR 760 billion for a credit balance of IDR 12 trillion. The government also plans to expand KUR by IDR 5.03 trillion and an additional amount from the Ministry of Cooperatives and UMKM of IDR 292 billion until 2023

Meanwhile, productive presidential assistance has been distributed to 9.2 million micro business actors out of a target of 12 million MSMEs. Realization of distribution amounted to IDR 22.1 trillion from IDR 28.8 trillion (76.77%) In order to encourage the acceleration of economic recovery, continued Airlangga, the Government has placed funds in partner commercial banks. Until phase II, as of 23 October 2020, the Government had placed funds amounting to IDR 47.5 trillion with total credit distribution reaching IDR 203.69 trillion. The government also placed funds in BPD and in three sharia banks. Of the IDR 14 trillion in funds placed by the Government in BPD, IDR 20.3 trillion has been distributed. Meanwhile, funds placed in sharia banks have been disbursed amounting to IDR 2.34 trillion from IDR 3 trillion placed. The government has also provided working capital credit guarantees. "This program aims to support the needs of labor-intensive corporations and MSMEs for additional working capital credit so they can return to maximum activities during the pandemic," said Airlangga.

From data in the last 3 years, there has been a decrease in the poverty rate in the city of Balikpapan, from 2.89% in 2021, to 2.78% in 2022, continuing to decrease significantly by 2.31% in 2023, the poverty rate has decreased mentioned above, one of which is thought to be caused by the policy of the Balikpapan City Government, to optimize MSMEs in accommodating residents who still have not found work/are unemployed. The Balikpapan city government's policy to provide assistance to MSMEs is the right and strategic step.

The development of providing assistance to MSMEs in the City of Balikpapan, was realized mostly to strengthen the Capacity Building of MSME actors in the city of Balikpapan,

such as various kinds of training carried out by the OPD of the Cooperatives, MSMEs and Industry Department, as well as across OPDs as well as providing equipment assistance to MSMEs.

LITERATURE REVIEW

MSME theory

The definition of MSMEs is certainly familiar to our ears, especially in Indonesia, MSMEs are considered to be the foundation of the nation's economy. Small and medium businesses are the backbone of the economy in many countries. Micro, Small and Medium Enterprises (MSMEs) have an important role in creating jobs, encouraging innovation, and contributing to overall economic growth. However, as time goes by, experts have different definitions of MSMEs.

Banking Credit Theory

In the book "Banking Theory, Law, and Practice" Sundaram, K.P.M, 2013 Publisher: Sultan Chand & Sons, The theory of banking credit is the basis for understanding how banks provide credit to individuals, companies or other entities.

The Relationship between Providing Banking Credit to MSMEs

Providing credit to MSMEs is a very important effort because as we know, providing bank credit has a very important role in supporting the growth and development of Micro, Small and Medium Enterprises (MSMEs). The following are some of the main roles of providing bank credit to MSMEs: Working Capital Financing, Investment and Expansion, Innovation and Technology, Capacity Development, Increasing Competitiveness, Job Creation, Local Economic Empowerment.

Government Assistance for MSME Businesses

One theory that is often discussed in the context of government assistance to Micro, Small and Medium Enterprises (MSMEs) is the public policy theory which highlights the government's role in providing support and incentives to MSMEs to increase economic growth and create jobs.

Structural Theory of Poverty

In the book "Structural Causes of Poverty: The Case of Nigeria", 2010, Umar Farouk Ibrahim, Publisher: LAP Lambert Academic Publishing. Structural theories of poverty emphasize the role of social and economic structures in creating and maintaining inequality and poverty. Factors such as injustice in the distribution of resources, discrimination, and non-inclusive economic policies are the main focus in this theory.

RESEARCH METHODS

Analysis Tools

The analytical tool used is path analysis. Path analysis is an analytical method used in research to test the influence of independent variables on dependent variables, including indirect influences through mediating intervening variables. This method is more complex than ordinary regression analysis and requires in-depth understanding. The analysis application used in this research is the SPSS v25 application. Where the variables used in this research are as follows.

$$Y1 = A0 + b1X1 + b2X2 + b3X3 + b4X4 + e$$

$$Y2 = B0 + b1X1 + b2X2 + b3X3 + b4X4 + Y1$$

$$Y2 = a0 + Y1 + e$$

Information:

Y1 = Number of MSMEs in Balikpapan City

Y2 = Balikpapan City poverty rate

X1 = Banking Credit for Balikpapan City MSMEs

X2 = Government assistance for Balikpapan City MSMEs

Classic assumption test

Normality test

In this test, what will be tested is the independent variable data and related variable data in the resulting regression equation. A regression equation is said to be good if it has independent variable data and dependent variable data with a distribution that is close to normal or completely normal.

Multicollinearity Test

This type of classical assumption test is applied to analyze multiple regressions consisting of two or more independent variables. In this test, the level of association (closeness) of the relationship or influence between the independent variables will be measured, namely through the magnitude of the correlation coefficient.

Multicollinearity occurs if the correlation between independent variables is greater than 0.60 (other income: and 0.90). It is assumed that multicollinearity does not occur if the correlation coefficient between the independent variables is less than or equal to 0.60 ($r \leq 0.60$).

Heteroscedasticity Test

According to Priyatno (2012: 158) the meaning of heteroscedasticity is: "A situation where in a regression model there is an inequality of variance from the residuals from one observation to another. A good regression model is one where heteroscedasticity does not occur. "There are various kinds of heteroscedasticity tests, namely the Glejser test, looking at the pattern of dots on regression scatterplots, or the Spearman's rho correlation coefficient test."

Autocorrelation Test

A good regression equation is one that does not have autocorrelation problems. If it is autocorrelated, then the equation is not good or not suitable for use for making predictions or forecasting. Autocorrelation problems will arise if there is a linear correlation between the disturbance error for period t and the disturbance error for period t-1 Sunyoto, (2010:110).

RESEARCH RESULTS AND DISCUSSION

Structure Path Analysis 1

Analysis of variable paths: Providing credit to MSMEs and Balikpapan city government assistance to MSMEs. The growth of MSMEs can be seen in the following table:

Table 1. Coefficient of Credit Provision and Assistance from the Balikpapan City Government on the Growth of MSMEs in Balikpapan City

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-77515.418	35132.581		-2.206	.058
	Kredit_UMKM	11.389	4.809	.639	2.368	.045
	Bantuan_UMKM	3.544E-5	.000	.317	1.175	.027

a. Dependent Variable: Pert_UMKM

From the coefficient above, it can be analyzed that the provision of MSME credit has a positive coefficient of 0.639 with a t test value of 2.368 with a significance level of 0.45.

When using the regression model in accordance with the analytical tool used, the following equation can be seen in the figures above:

$$Y1 = 0,639 X1 + 0,317 X2 + e$$

(2,368) (1,175)

Coefficient b1 = 0.639,

This means that the variable providing bank credit to MSMEs in Balikpapan City is positive, meaning that if there is an increase in MSME credit provision by 1%, the growth of MSMEs will also increase by 0.639%.

The t test value = 2.368

This shows that the t test value obtained is greater than the t table test value, which can be seen in the significance value of $0.045 < 0.050$, which means the coefficient obtained is indeed positive and statistically significant.

Coefficient b2 = 0.317

This means that the Balikpapan City Government's assistance variable for MSMEs in Balikpapan City is positive, meaning that if there is an increase in Balikpapan City Government's assistance to MSMEs by 1% then MSME growth will also increase by 0.317%.

T test value = 1.175

This shows that the t test value obtained is greater than the t table test value, which can be seen in the significance value of $0.027 < 0.050$, which means that the coefficient obtained is indeed positive and statistically significant. Analisis Jalur Struktur 2

Table 2. Coefficient of Providing Credit and Assistance from the Balikpapan City Government on Poverty Levels in Balikpapan City

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.868	.545		5.265	.001
	Kredit_UMKM	6.551E-6	.000	.043	.088	.932
	Bantuan_UMKM	-7.550E-10	.000	-.785	-1.615	.035

a. Dependent Variable: Angka_Kemiskinan

From the table above, it can be seen that the coefficients X1 and X2 against Y2 are as follows:

$$Y2 = 0,043 X1 - 0,785 X2 + e$$

(0,932) (0,035)

Coefficient b1 = 0.043

This means that the variable providing bank credit to MSMEs in Balikpapan city is positive, meaning that if there is an increase in the provision of MSME credit by 1%, the poverty rate will also increase by 0.043%.

Significance value of t test = 0.932

This shows that the t test value obtained is greater than the table t test value, which can be seen in the significance value of $0.932 > 0.050$, which means that the coefficient obtained, although positive, is not statistically significant. This means that even though it gets a positive value, its effect on poverty very meaningless. This means that there is no direct influence between the provision of MSME credit and poverty in Balikpapan City.

Coefficient b2 = - 0.785

This means that the Balikpapan City Government's assistance variable for MSMEs in Balikpapan City is negative, meaning that if there is an increase in Balikpapan City Government's assistance to MSMEs by one unit, for example 1%, the poverty rate will decrease by 0.785%.

Significance value of t test = 0.035

This shows that the t test value obtained is greater than the t table test value, which can be seen in the significance value of $0.035 < 0.050$, which means the coefficient obtained is statistically significant. This means that the effect on poverty is very significant. This means that there is a direct influence between Balikpapan city government assistance to MSMEs and poverty in Balikpapan City.

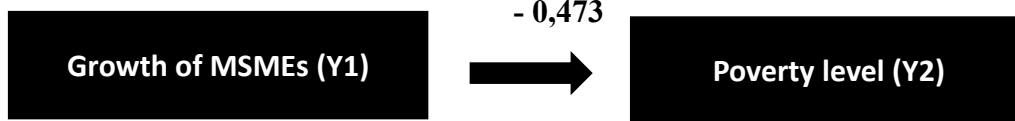
To see the influence of variable Y1 on Y2, you can see the following table:

Table 3. Coefficient Value of Y1 Against Y2

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.854	.097		29.301	.000
	Pert_UMKM	-4.068E-6	.000	-.473	-1.609	.042

a. Dependent Variable: Angka_Kemiskinan

$$Y2 = - 0,473 Y1 + e$$



This coefficient shows that the influence of the variable Y1 (Growth of MSMEs) on Y2 (Poverty Level) is - 0.473, meaning that if the Growth of MSMEs increases by one unit, or 1%, it will result in a decrease in the poverty rate in the city of Balikpapan by 0.473%. Statistically significant because it is obtained value $0.042 < 0.05$.

CONCLUSION

Providing Bank Credit on the growth of MSMEs in Balikpapan City has a positive and significant effect, it can be concluded that banking in Balikpapan City can grow MSMEs in Balikpapan City. Providing Bank Credit to Poverty Alleviation has no direct and insignificant effect, this means that the contribution of providing credit cannot necessarily reduce the poverty rate in Balikpapan City. Balikpapan City Government's assistance for the growth of MSMEs is positive and significant, this means that the assistance is very effective in directly developing the growth of MSMEs in Balikpapan City. Balikpapan City Government's assistance to the poverty level in Balikpapan City is negative and significant. It can be concluded that the Balikpapan City Government's policy instrument by providing assistance to MSMEs will be able to reduce the poverty rate in Balikpapan City. It can be concluded that the growth of MSMEs in Balikpapan City has a negative effect on reducing the poverty rate, meaning that the more MSMEs grow, the poverty rate will decrease.

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