

Analysis of micro small medium enterprises Growth on Economic Growth and Implications for HDI (Analysis Study in DKI Jakarta, West Java and Banten)

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ABSTRACT

The purpose of this study is to examine and analyze the effect of MSME growth on economic growth, its implications for the human development index. This research was conducted on the island of Java, the island of Java is DKI, West Java, Banten. data used panel data on MSME data, economic growth and human development index from 2006-2020, processing panel data obtained using Eviews 10 software, The growth of micro, small and medium enterprises affects economic growth, the more the number of MSMEs, the more production value produced. The greater the income earned by MSME actors, the greater the economic growth, looking at the Final Income Tax or what is often referred to as the 0.5% MSME tax. , Economic growth has an impact on economic growth. With good and increasing economic growth, the government budget spent to help human development will also increase.

Keywords: MSMEs, Economic Growth, Human Development Index.

I. INTRODUCTION

A. Background

Economic growth is a process of increasing production capacity in an economy that over time and is able to create an increase in national income. Economic growth also means an increase in total output (GDP) in the long run without being associated with population growth and economic structure (Todaro, M.P. and Smith 2020, p 58).

Economic growth is influenced by two kinds of factors, namely: economic and non-economic factors. The economic growth of a country depends on natural resources, human resources, capital, business, technology and so on, these are economic factors. While economic growth is impossible as long as social institutions, political conditions and moral values in a nation are

not supportive, these are non-economic factors (Jhingan, 2014, p 45).

Indonesia's economy contracted by 0.42 percent (q-to-q) in the fourth quarter of 2020 compared to the previous quarter. In terms of production, the deepest growth contraction occurred in the Agriculture, Forestry and Fisheries Business Field by 20.15 percent. In terms of expenditure, the highest growth was achieved by the Government Consumption Expenditure Component (PK-P) which grew by 27.15 percent. The spatial structure of Indonesia's economy in 2020 is dominated by provincial groups in Java Island by 58.75 percent, with economic performance experiencing a growth contraction of 2.51 percent

(<https://www.bps.go.id/pressrelease/2021>).

Java Island is the most populous island in the world. There are at least more than 149 million people living in the region. Java Island is inhabited by more than 56% of the total population in Indonesia. Thus, more than half of Indonesia's population resides on the island of Java. Therefore, it is not impossible when Indonesia's economic structure is spatially dominated by provincial groups in Java Island with a contribution to GDP of 58.7%.

The Central Statistics Agency (BPS) recorded economic growth in Java in 2020 of -3.60 percent. Java Island is the region that contributes the highest Gross Domestic Product (GDP) at 58.7%, but in 2020 growth experienced a very large contraction, this had an impact on economic growth in Indonesia. This is because Java Island sources industry originates and on Java Island is the financial center located. With easy access to distribution, and easily accessible transportation costs, this makes it easier for the government to obtain permits. Here is a table showing that economic growth in Java Island is seen through the Growth Rate of Gross Regional Domestic Product on the Basis of Constant Prices as follows.

Table 1. Economic Growth of three provinces in JavaIsland

Province	Year				
	2016	2017	2018	2019	2020
Jakarta	5,87	6,2	6,17	5,96	-8,22
West Java	5,66	5,33	5,66	4,12	-2,39
Bantam	5,28	5,75	5,82	5,90	-3,92
Java	5,45	5,43	5,76	5,5	-3,60

Source: <https://www.bps.go.id>

The first decline in economic growth in Java was caused by regulations on Large-Scale Social Restrictions (PSBB), causing lockdowns to several cities aimed at breaking the chain of spread of Covid-19. This regulation has caused an increase in economic decline in formal and non-formal companies.

To encourage the rate of economic growth, Micro, Small and Medium Enterprises (MSMEs) have a very large role. MSMEs also play a role in improving the welfare of a country, especially developing countries including Indonesia. The existence of MSMEs has the potential to create jobs and increase income. MSMEs are recognized to play an important role in economic development and 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 compared to Large Enterprises (UB) and contribute more to the growth of Gross Domestic Product (GDP) compared to UB. In developing countries such as Indonesia, MSMEs play a role in creating employment opportunities and sources of income for the community, income distribution and poverty reduction, and economic development. However, judging from its contribution to GDP and non-oil and gas exports, especially manufactured products, and innovation and technological development, the role of MSMEs in developing countries is relatively low. (TulusTambunan, 2017). The development of MSMEs in Java and Indonesia in 2016-2020 can be seen in the following table.

Table 1.2 Growth of MSMEs in JavaIsland

MSME data in the thousands					
	2016	2017	2018	2019	2020
Jakarta	34,994	94,549	76,028	37,85	62,929
Jaw Bar	492,157	519,688	554,943	589,281	62.574
Bantam	2,983	2,13	4,07	3,724	4,049
Java	1715,669	828956,322	979448,1	1129896,4	1280433,83

Source: <https://www.bps.go.id>

The highest number of MSMEs in 2020, namely the DKI Jakarta province, reached 1,279,280 million MSMEs, this is due to the high number of DKI Jakarta areas and Jakarta is the center of the economy so that human resources utilize natural resources and are labor-intensive, the industry is in every economic sector, and has a major contribution in the formation of Gross Domestic Product (GDP). With the rapid growth of MSMEs, it will help the economy in an area or region, for example in terms of original income in an area, when the area has high MSMEs so that the Original Income of an area will also increase. The instability of the income of MSME entrepreneurs in 2020 was caused by the Covid-19 outbreak.

After examining the factors that affect economic growth, it will have an impact on human development or the human development index. Development problems must be emphasized that the development of a country must be able to overcome three fundamental problems, namely the problem of poverty, unemployment and income inequality. So it can be defined that development is a multidimensional process that reflects changes in the structure of society as a whole, both national structures, community attitudes and national institutions. These changes are useful to encourage economic growth, reduce income inequality and eradicate poverty so that it is expected to change a person's life better materially and spiritually (Todaro, 2003: 21).

Human Resource development or commonly referred to as the development of human resources is closely related to the capacity of funding resources that must be allocated at this time, the resources that must be spent at this time function for development right now, whose benefits are to increase the ability of human resources to seize job opportunities to earn more income in the future.

So it can be interpreted that human development has a very strong relationship with the economy, which means that the improvement of human quality in the long and short term will make the economy increase (Munawwaroh, 2013: 93-104).

The way to measure the level of physical and non-physical quality of the population is to look at the Human Development Index. Physical advantages can be seen from the number of life expectancies, then non-physical advantages are seen in the average length of time the population attends school and the number of literacy and considers the economic ability of the community as seen in the purchasing power parity index (PPP) value. The Human Development Index of the provinces of Java and Indonesia can be seen in the following table:

Table 3 HDI of Java and Indonesia Provinces

Province	Year				
	2016	2017	2018	2019	2020
Jakarta	79,6	80,06	80,47	80,76	80,77
West Java	70,05	70,69	71,3	72,03	72,09
Bantam	70,96	71,42	71,95	72,44	72,45
Java	73,12	73,12	73,65	74,75	74,81

Source : www.bps.go.id

Human development in Indonesia continues to progress. In 2020, the Human Development Index in Indonesia reached 71.94. This figure increased by 0.03 scores compared to 2019. Which means that Indonesia only pocketed a score of 71.94 scores whose growth was reduced by 0.03%. This condition was affected by the Covid-19 pandemic which weakened people's per capita expenditure, one of the HDI indicators.

Human Development (HDI) in DKI Jakarta Province always gets the highest achievement compared to other provinces. Yogyakarta Special Region followed consecutively with 79.97 scores. With the economic growth on the island of Java can have an impact on human development, but the impact of economic growth on human development we do not know how much or how many percent, therefore further research is needed.

B. Identify the Problem

Based on the background above, the main problems that can be identified are as follows

- 1) Economic growth in 2020 experienced a significant decline, a decrease in economic growth due to several factors, therefore further research is needed, what factors affect economic growth in order to increase.
- 2) The growth of Micro, small and medium enterprises is very helpful for the economy in a

Likewise, HDI data in Java Island in 2016-2020 always increases to be in the "high" category because it is located between 70-80. Java Island, which consists of six provinces, managed to maintain a Human Development Index above the national average.

DKI Jakarta Province Human Development Index value has a very high category (80.77). From the first time it was calculated until 2020, the achievement of the Index region, but limited capital, making it difficult for business actors to develop.

- 3) There are many MSMEs in Indonesia that do not have a clear legal entity, so it is difficult to find capital, in addition to licensing, other regulations that are often ignored by MSME actors are about tax payments, many MSMEs do not know how to calculate or report taxes,
- 4) The human development index is in the high category ($70 \leq \text{HDI} < 80$),but does not include all human development index factors.

II. LITERATURE REVIEW

A. Micro, Small and Medium Enterprises

1. Understanding Micro, Small and Medium Enterprises (MSMEs).

Micro, small and medium enterprises are businesses carried out by a company with a workforce used not exceeding 50 people (Warkum Sumitro, 2004). Micro-scale businesses are mostly

forms of micro enterprises and small businesses such as street vendors, handicrafts, souvenir businesses, and the like (Buchari Alma, 2010).

MSMEs are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro enterprises as stipulated in the law (Undang-Law Number 20 of 2008). The criteria for micro enterprises in question are: 1) Have a net worth of at most Rp.50 million, excluding land and buildings for business premises, or 2) Have annual sales proceeds of at most Rp.300 million (Article 6 of Law No. 20 of 2008).

The characteristics possessed by micro-enterprises imply the existence of weaknesses that are potential for problems to arise. This leads to various internal problems especially related to funding that seem difficult to get a clear solution (PandjiAnoraga, 2010, 33).

B. Economic Growth

According to Sukirno, in macroeconomic theory, if producers talk about it, what is considered is the activities of producers as a whole. Likewise, if what is considered is the overall behavior of consumers in using their income. In addition, in macroeconomic analysis that also needs to be considered is the role of the government in regulating economic activities (SadonoSukirno, 2012: 3).

According to Mankiw (2006: 2) macroeconomics is a study of the economy as a whole, trying to answer questions related to income growth, poverty, inflation, price stability, recession, depression, unemployment and others.

Paul A. Samuelson et al (2009: 35) Macroeconomics views the definition of macroeconomics as a science that studies everything about economic activities, both comprehensively and in terms of various kinds of economic problems.

(Robert S. Pindyck and Daniel L. Rubinfeld 2009: 45) Macroeconomics is an economic science that deals with aggregate economic variables such as the rate and average growth of national production, interest rates, unemployment and inflancy.

Todaro, M.P. and Smith (2020) explained that economic growth is the process of increasing production capacity in an economy over time and is able to produce an increase in national income. Economic growth also means an increase in total output (GDP) in the long run without being linked to population growth and economic structure.

According to Schumpeter, economic development is not a harmonious or gradual process, but a spontaneous and uninterrupted change. Economic development is caused by

changes mainly in the field of industry and trade (Suryana, 2014, p.70).

In his book (Jhingan, M.L., 2003), economic growth as a growth quantitative measure of economic performance such as GNP and GND per capita. The pressure is on change or development itself Boediono. Economic growth is one of the successes of economic development. (Simon Kuznets in Jhingan, 2014 p 94), economic growth is the ability of a country to provide for the needs of its population in the long run. This capability corresponds to the technological, institutional and ideological needs of the state.

According to Sukirno (2011: 331) "economic growth is defined as the development of activities in the economy that cause goods and services produced in society to increase and the prosperity of society to increase". So economic growth measures the performance of the development of an economy from one period to another. A country's ability to produce goods and services will increase. This increased ability is due to the accretion of factors of production both in quantity and quality. Investment will increase capital goods and the technology used is also growing. In addition, the workforce increases as a result of population development along with their education and skills.

According to (Jhingan, 2014, h 45) the process of economic growth is influenced by two kinds of factors, namely: economic and non-economic factors. The economic growth of a country depends on natural resources, human resources, capital, business, technology and so on, these are economic factors. While economic growth is impossible as long as social institutions, political conditions and moral values within a nation are not supportive, these are non-economic factors.

C. Human Development Index

The development measures used so far, namely GDP in the national situation and GDP in the regional situation, are only able to describe economic development. Therefore, a more comprehensive parameter is needed, which is able to describe the development of social aspects and human welfare not just economic growth. Economic development can be interpreted as a process that causes the per capita income of a community to increase in the long run (Todaro & Smhit, 2015: 90).

Economic progress is the most important factor in a development process, but this element is not the only factor that can encourage the progress of an economy. But, human development must also

be an important part of the existence of development which is usually only viewed in terms of finance and material alone. Therefore, a development must be viewed as a multi-dimensional process that involves the reorganization and reorientation of the entire existing social and economic system (Todar o & Smhit, 2015: 95).

According to the United National Development Program (UNDP) the human development index provides a combined measure of three dimensions of human development, including: longevity and living a healthy life (measured by life expectancy), educated (measured by proficiency level, adult literacy and enrollment rates in primary, secondary and high schools), and having a decent standard of living (measured by purchasing power parity / PPP, income) (UNDP, 2004:54).

The Human Development Index (HDI) measures human development achievements based on a number of basic components of quality of life. school expectations and average length of schooling and (3) Decent standard of living calculated from Gross Domestic Product / GDP (purchasing ability balance) per capita (Anggraini, Y: 2018: 9).

III. ECONOMETRIC DATA AND MODELS

A. Population, Sampling and Sampling

The application of this study is economic variable panel data, namely, MSMEs, economic growth and human development index in Java Island there are DKI Jakarta, East Java, Central

As a measure of quality of life, HDI is built through a basic three-dimensional approach. Those dimensions include longevity and health; knowledge, and a decent life. These three dimensions have a very broad understanding because they are related to many factors. To measure the health dimension, life expectancy at birth is used. Furthermore, to measure the knowledge dimension, a combination of indicators of average length of schooling and expectations of length of schooling are used. As for measuring the dimension of decent living, indicators of people's purchasing power ability to use a number of basic food and non-food needs, which are seen from the average amount of per capita expenditure as an income approach that represents development achievements for decent living. (BPS, 2020).

The Human Development Index has 3 dimensions that are used as the basis for its calculation: (1) Longevity and healthy life as measured by life expectancy at birth, (2) Knowledge calculated from number Java, West Java, DI Yogyakarta, Banten. While the sample is a portion of the population, namely the economic variable data mentioned above from the island of Java during the last 15-year period from 2006-2020. The sampling technique is non-probability sampling with a quota sampling type.

B. Research operational variables

To facilitate research, research variables need to be defined both conceptually and operationally and given a measurement scale. The definition of variables in the study is as follows:

Table 4. Understanding Research Operational Variables

Variable Name	Operational Definition	Formulas & parameters	Classification Data
MSME Growth	productive businesses owned by individuals and/or individual business entities that meet the criteria for micro enterprises as stipulated in the law (Undang-Law Number 20 of 2008).	Million rupiah	Ratio Data
HDI	HDI is measured from three dimensions. from life expectancy, proficiency level, adult literacy and enrolment rates in primary, secondary and higher schools, (UNDP,	Index $(X_i) = (X_i - X_{min}) / (X_{max} - X_{min})$. Parameter : percent	Ratio Data

	2004)		
Economic Growth	(Prihastuti :2018) the process of continuous increase in per capita output over a long period of time	Parameter : Percent $R = \frac{PDB_{rt} - PDB_{rt-1}}{PDB_{rt-1}} \times 100$	Ratio Data

C. Data analysis techniques

1. Panel Data Estimation Method

The analysis method used in this study is regression analysis of panel data with the aim of obtaining a comprehensive picture of how one variable relates to another. Basuki and Prawoto (2016:276).

a. Fixed Effect Model (FEM)

This model is used to overcome the weaknesses of panel data analysis using the common effect method, the use of common effect

This model assumes that there are different effects between individuals. This difference can be accommodated through the difference in interception. Therefore in the fixed effect model, each individual is an unknown parameter and will be estimated using the dummy variable technique which can be formulated as follows:

b. Randon Effect Model (REM)

The Random Effect method will estimate a panel data model where disturbance variables may be interrelated over time and between individuals. This model is particularly useful if the individuals sampled are randomly selected and are representative of the population. The result for Random Effect regression if the value of the variables X1 and X2 is statistically significant at $\alpha = 1\%$ so that it can be interpreted that X1 and X2 have a positive effect on Y. The intercept value obtained is the average value of the random error component. The Random Effect value shows how much difference the components of a company's random error are to the intercept value of all companies (average). (agus Widarjono, 2013:361)

1. Model Formulation

This research model uses the causality relationship between the independent variable (independent variable) with the dependent variable (dependent

panel data is unrealistic because it will produce intercepts or slopes on panel data that do not change both between individuals (cross section) and between times (time series). This model is also for estimating panel data by adding dummy variables. This technique is called Least Square Dummy Variable (LSDV). In addition to being applied to individual effects, LSDV can also combine the effects of time that is systematic. This can be done through adding time dummy variables inside the model.

variable) the model formulation can be explained as follows:

a) Model 1

$$\hat{Y} = \beta_0 + \beta_1 X_{1it} + \epsilon_{it}$$

$$\ln \hat{Y}_{it} = \alpha_i + \beta_1 \ln X_{1it} + \epsilon_{it}$$

Multiple linear regression equation in which the model has five independent variables (X1) against the non-free variable Y.

b) Model 2

$$Z = \alpha_i + \beta_1 \hat{Y}_{it} + \epsilon_{it}$$

$$\ln Z_{it} = \alpha_i + \beta_1 \ln Y_{1it} + \epsilon_{it}$$

A simple linear regression equation where the model has only one independent variable, namely Economic growth (Y) against the dependent variable (Z) of the Human Development Index.

Where:

X1 = MSME Growth

Y = Economic Growth

Z = human development index .

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IV. RESULTS AND DISCUSSION

A.Results.

1)Panel Data Regression Results

a)Model 1

The results of Fixed Effect Model (REM) using Eviews 10 where economic growth as the dependent variable, can be seen in table 5 below:

Table 5. The result of Fixed Effect Model (fEM) where Economic Growth as the dependent variable.

Dependent Variable: PE?
 Sample: 2006 2020
 Included observations: 15
 Cross-sections included: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.812329	1.460530	3.979602	0.0002
MSMEs?	0.061529	0.030192	2.037957	0.0348
Fixed Effects (Cross)				
_JAKARTA--C	1.444487			
_JABAR--C	-0.430047			
_BANTEN--C	-0.320774			
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.726427	Mean dependent var		11.86898
Adjusted R-squared	0.719599	S.D. dependent var		0.909380
S.E. of regression	0.514745	Akaike info criterion		1.626179
Sum squared resid	20.40212	Schwarz criterion		1.935846
Log likelihood	-60.55188	Hannan-Quinn criter.		1.750936
F-statistic	19.45350	Durbin-Watson stat		2.010526
Prob(F-statistic)	0.000000			

Based on the results of the Fixed Effect Model (FEM) obtained with Eviews 10 where MSMEs, are able to influence economic growth referring to table 5 above, the regression equation can be seen as follows

$$\hat{Y} = \alpha_i + \beta_1 X_{1it} + \epsilon_{it}$$

$$\ln \hat{Y}_{it} = \alpha_i + \beta_1 \ln X_{1it} + \epsilon_{it}$$

$$IPM = \alpha_i + \beta_1 U_{UMKM}$$

$$= 5.812329 + 0.061529 X_1$$

The regression value of MSMEs is 0.061529 miningkat of 1 unit, then Economic Growth (PE) increases by 0.061529 and the average value of x is much smaller than the average Y, so it is elastic.

Model 2

The results of the Random Effect Model (REM) using Eviews 10 where the Human Development Index as the dependent variable, can be seen in table 6 below:

Table 6 Results of Randon Effect Model (REM) Where human development index as Dependent variable

Dependent Variable: HDI?
 Method: Pooled EGLS (Cross-section random effects)
 Date: 05/09/23 Time: 10:30 am
 Sample (adjusted): 2007 2020
 Included observations: 14 after adjustments
 Cross-sections included: 6
 Total pool (balanced) observations: 84
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.218057	0.864112	3.724121	0.0004
PE?	0.730442	0.069913	10.44791	0.0000
Random Effects (Cross)				
_JAKARTA--C	0.021993			
_JABAR--C	-0.576508			
_BANTEN--C	0.740255			

Weighted Statistics			
R-squared	0.764038	Mean dependent var	2.725282
Adjusted R-squared	0.758843	S.D. dependent var	0.726069
S.E. of regression	0.476755	Sum squared resid	18.63823
F-statistic	110.5054	Durbin-Watson stat	1.655028
Prob(F-statistic)	0.000000		

Based on the results of the Random Effect Model (REM) obtained using Eviews 10 where the Human Development Index (HDI) as the dependent variable referring to table 6 of the regression equation can be seen as follows:

$$Z_{it} = \alpha_i + \beta_1 \hat{Y}_{1it} + \epsilon_{it}$$

$$\ln Z_{it} = \alpha_i + \beta_1 \ln Y_{1it} + \epsilon_{it}$$

$$\text{Human Development Index} = 3.218057 + 0.730442 \text{ PE}$$

The explanation of the regression equation above is
 1) The value of the value of the value (C) of 3.218057 means that Economic Growth (PE) has

not changed (constant), then the Human Development Index has a value of 3.219057, and the average value of Y is much smaller than the average Z, so it is elastic

2) The regression coefficient of economic growth (β_1) of 0.730442 means that if economic growth increases by 1 unit, then the human development index is 0.730442, and the average value of Y is much smaller than the average Z, it is elastic.

2. Hail Test the Hypothesis

a) Model 1

1)F Test

Table 7. Test Results of the Influence of MSMEs on Economic Growth.

Influence	R2	Adjusted R ²	Fcalculate	p-value
MSMEs	72,6%	71,9%	19,4535	0.0000*

Based on the results of data processing with eviews 10 in table 4.28 obtained the following: F value calculated or F-statistic: 19.4535 with p value or Prob (F-statistic): 0.0000 < 0.05 then receive H1 or which means simultaneously / together all independent variables, namely: MSMEs have a significant effect in influencing the dependent variable, namely Economic Development (PE).

1) t-Test Results

The results of the t-test that show the influence of individual (partial) independent variables on the dependent variables based on table 5 above can be described as follows. The growth of MSMEs against Economic Growth (PE) can be seen in the statistics of 0.0348 < 0.05 (p value < 0.05) so that Ho is accepted and Ha is rejected which means that the growth of MSMEs is positive and has a significant effect on economic growth (PE).

a) Model 2

Table 8. Test Results of the Effect of Economic Growth on HDI

Influence	R2	Adjusted R ²	Fcalculate	p-value
Economic growth	76,4%	75.88%	110.505	0.000*

1) Economic Growth (PE) against the Human Development Index (HDI) can be seen in table 6 above through Prob.tstatistics of 0.0000 < 0.05 (p value < 0.05) so that Ho is accepted and Ha is rejected which means Economic Growth (PE) is positive and has a significant effect on the Human Development Index (HDI)

2) The results of data processing in table 6 above to see the coefficient of determination (R2) or

Adjusted R-square of 0.764038 means that Economic Growth (PE) is able to affect the Human Development Index (HDI) by 76.4038% while the remaining 23.5962% is influenced by other factors that are not included in the model.

B. Discussion

1. The influence of MSMEs on economic growth

The results of the above research show the positive and significant influence of MSMEs on economic growth, seen from the MSME t test on Economic Growth (PE) can be seen in the statistics Prob.t. of $0.0348 < 0.05$ (p value < 0.05) so that H_0 is accepted and H_a is rejected which means MSMEs have a positive value and have a significant effect on economic growth (PE).

With the existence of MSMEs will increase economic growth in an area or province, with the number of MSMEs growing on the island of Java is very helpful for the economy on the island of Java, because the contribution of MSMEs is very helpful in opening business opportunities, unemployment is reduced, mission is reduced, money in circulation is increasing, public spending is also increasing, therefore to increase the growth of MSMEs by providing coaching, How to make a business license, how to find capital to develop a business, and how to innovate products so that buyers glance at them.

Law Number 20 of 2008 concerning MSMEs that micro business units are productive businesses owned by individuals and / or individual business entities that meet the criteria for micro businesses as regulated in the law (Shrimp-Law Number 20 of 2008).³ The criteria for micro enterprises in question, namely: 1) Have a net worth of at most Rp .50 million, excluding land and buildings for business premises, or 2) Have annual sales of at most Rp.300 million.

The results of the study (Abdul Halim, 2020) that the MSME growth variable (X) has a significant value of 1.97 this value shows that the significant value is greater than 0.05. If the level of significance is greater than 5% or 0.05 then H_0 is accepted and H_a is rejected so it can be concluded that there is no significant influence between the growth of MSMEs on Economic Growth. Based on the results of the research above that the growth of MSMEs does not affect economic growth where we see that the development of MSME income that increased at that time was MSMEs that already existed or that had been moving in it for a long time and as for MSMEs that were new but not yet influence on the contribution of economic growth in Mamuju Regency.

2. Economic Growth (PE) against Human Development Index (HDI).

Economic growth has an impact on the Human Development Index. With good and increasing economic growth, the government budget spent to help human development will also increase. The government budget is very helpful in

improving the quality of people in Indonesia, the government budget such as Education and Health

Economic growth in 2020 in all provinces on the island of Java has decreased, this is due to the Covid-19 pandemic which has an impact on GDP. Because one of the boosters of economic growth in a region or country is GDP. Economic growth is the increase in the capacity in the long run of the country concerned to provide various economic goods to its population.

The study highlights the importance of human development in achieving economic growth and development proxied as Gross Domestic Product (GDP) measured in USD flows. The model shows a positive, statistically significant association between human growth and development (evidenced by the human index of development) as expected according to UNDP. Unexpected is the negative connection between Capital (CAP) on Growth and Investment (INV) on Growth, likely the reason being the heterogeneity of the study countries.

In the book (Todaro, M.P. and Smith 2020) explains that economic growth is a process of increasing production capacity in an economy over time and is able to give birth to an increase in national income. Economic growth also means an increase in total output (GDP) in the long run without being linked to population growth and economic structure.

In the research (Siti Rahmawati Arifin, 2021) the results of the research are about economic growth, the impact on HDI in East Java Province, that in East Java the impact is still small, it can be seen from the high unemployment rate, high unemployment of many factors such as education, business fields, etc.

V. CONCLUSIONS AND SUGGESTIONS

A. Conclusion

The first The growth of micro, small and medium enterprises affects economic growth, the more the number of MSMEs, the more production value produced. The greater the income earned by MSME actors, the greater the economic growth, looking at the Final Income Tax or what is often referred to as the 0.5% MSME tax.

The second is that economic growth has an impact on economic growth. With good and increasing economic growth, the government budget spent to help human development will also increase. The government budget is very helpful in improving the quality of people in Indonesia, the government budget such as Education and Health

A. Suggestion

1. To encourage economic growth during the Covid-19 pandemic, the provincial government can take short-term policies from the supply side, namely improving the production sector, even though restrictions are carried out during the pandemic to reduce the spread of the outbreak. Improvement of the production sector, especially the main economic sector, namely by providing guidance for MSMEs, as a form of business that has a large proportion of all business actors, the problem experienced by MSMEs is the reduction in income due to the PSBB policy which makes physical shops empty of visitors so that buying and selling transactions are reduced. Therefore, coaching in the form of training and providing financial assistance can be the answer to the problems faced by MSMEs, so that MSME production activities will continue to maintain people's income and people's purchasing power.

2. There needs to be an increase in domestic consumption, there needs to be government assistance to allocate budget funds to encourage consumption/purchasing power of the people. The funds are distributed through direct cash assistance, pre-employment cards, electricity exemptions and others. The government needs to mobilize the business world through providing incentives/stimulus to MSMEs and corporations. For MSMEs, the government, among others, provides installment delays and interest subsidies on bank loans, interest subsidies through People's Business Loans and Ultra Micro. Finally, Bank Indonesia needs to maintain rupiah exchange rate stabilisation, lower interest rates, purchase government securities, and macroeconomic and financial system stability. The objective of lowering interest rates is to increase financial liquidity to stimulate business activity.

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