International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Development of the Micro, Small and Medium Enterprises (MSME) Sector in Probolinggo Based on Statistical Data

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Abstract

UMKM (Micro, Small, and Medium Enterprises) play a crucial role in Indonesia's economy, as evidenced during the economic crisis of 1997/1998, when many large companies failed while UMKM remained resilient. The success of UMKM in facing this crisis demonstrates their better adaptability, supported by flexible organizational structures and workforce. Probolinggo Regency, known for its rich natural and cultural potential, hosts many UMKM that have developed in both quality and quantity. Entrepreneurs in this region utilize local resources to offer quality products through street vendors, cafes, and restaurants. This study aims to explore the significance of UMKM in a region, identify the factors that hinder and promote UMKM growth, and analyze the development of the UMKM sector in Probolinggo. The analysis indicates that UMKM not only create jobs and improve the living standards of the community but also serve as custodians of local culture. Despite facing various challenges, such as limited capital, managerial skills, and location constraints, support from the government and financial institutions can strengthen UMKM growth. Data shows that after a significant decline due to the COVID-19 pandemic, UMKM in Probolinggo began to show signs of recovery in 2022, with an increase in the number of enterprises. This reflects a positive dynamic in the local economic recovery.

Keywords: Micro, Small and Medium Enterprises (MSMEs), Central Statistics Agency, Probolinggo.

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INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) support the Indonesian economy. This proves that Indonesia was able to face economic difficulties in 1997/1998. Many rice companies which were expected to survive at that time, proved to be failures. MSMEs as an economic sector with a small population with a local scale, local resources and a simple production process whose products are sold locally are able to enable MSMEs to continue operating amidst the economic crisis. This condition indicates that MSMEs have a better influence on the economic crisis, which is possible because MSMEs have other ways of organizational structure and micro, small and medium enterprise (MSME) owners who are more flexible in adapting to market changes.

Probolinggo Regency has many MSMEs who are experiencing good growth in terms of quality and quantity. Some background to the development of MSMEs in Probolinggo Regency, including: Probolinggo Regency has a lot of beautiful natural potential, pendalungan culture, and characteristic fruits such as mangoes and grapes. There are many street vendors, cafes, restaurants and eateries serving quality, cheap and halal food. Business actors are making more use of the original potential that exists in Probolinggo Regency and its surroundings.

By observing developments in the micro, small and medium enterprise (MSME) sector, we can assess whether the economy in a region is capable or still below the normal average economic value. This can be used as evaluation material so that the economy in a region can be maximized through increasing micro, small and medium enterprises (MSMEs). From this background the problem can be formulated: 1.) How important are Micro, Small and Medium Enterprises (MSMEs) in a region? 2.) What are the factors inhibiting and driving growth in the Micro, Small and Medium Enterprises (MSME) sector? 3.) How is the development of the Micro, Small and Medium Enterprises (MSME) sector in Probolinggo?

Writing Purpose

The author created this article with the aim of:

1. To understand how important Micro, Small and Medium Enterprises (MSMEs) are in an area
2. To understand what factors hinder and help growth in the Micro, Small and Medium Enterprises (MSME) sector

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3. To understand the development of the Micro, Small and Medium Enterprises (MSME) sector in Probolinggo.

DISCUSSION

The Importance of Micro, Small and Medium Enterprises (MSMEs)

MSMEs are very significant for a region because they play a role in various aspects, including:



Figure 1 Important aspects of MSMEs

MSMEs, or Micro, Small and Medium Enterprises, play a very crucial role in a region's economy because they function as the backbone that supports local economic growth. With the existence of MSMEs, many job opportunities are created, which not only helps reduce unemployment but also gives people the opportunity to earn a better income, thereby directly improving their standard of living. Additionally, MSMEs have the power to adapt quickly to changing market needs, which often enables them to innovate and create new products or services that are unique and relevant, thereby encouraging an entrepreneurial spirit among society.

In an uncertain economic situation, MSMEs play an important role in maintaining the economic resilience of a region by providing the goods and services needed by the community, so that they can still meet their daily needs without being too dependent on large companies. More than that, MSMEs often become a bridge to preserve local culture, through traditional products or handicrafts that reflect the identity of the region. Considering how vital the role of MSMEs is for the welfare and progress of a region, it is very important for the government and society to provide adequate support, both in the form of training, access to financing, and policies that support the growth and sustainability of these small businesses. In this case, attention to the development of

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MSMEs will not only have a positive impact on individuals and communities, but also on the regional economy as a whole.

Barriers to the Growth of Micro, Small and Medium Enterprises (MSMEs)

In running a business and developing a business, it is certain that there will be several obstacles, especially for micro, small and medium entrepreneurs (MSMEs). The following are obstacles to business growth:

1. Financial (Capital): Finance studies how individuals, businesses and organizations increase, allocate using monetary resources over time, and also calculate the risks in running their businesses. All businesses need financial resources to start a business and to finance its business growth. Lack of capital or financial availability can be an obstacle to the growth of the business.
2. Managerial (Management Skills): Managerial competency is a combination of knowledge, abilities, behavior and attitudes used to work effectively. If someone who wants to set up a business does not understand how to manage a business and lacks managerial experience, this can also be an obstacle to the growth of micro, small and medium enterprises (MSMEs).
3. Environment: The environment has an impact on market potential and opportunities for the development of MSMEs. The environment influences competitive advantage through its impact on productivity, especially on the development of business productivity. Geographical proximity to consumers or suppliers allows new companies to more easily identify and exploit growth opportunities in the market. If the location selection is not appropriate to target consumers, this will have an impact on growth on MSMEs.
4. Competitors: In the development of micro, small and medium enterprises (MSMEs), competitors are a big obstacle that should be taken into account. In this day and age, someone can easily set up a business and have the same product being sold and competing with larger competitors can hinder the development of micro, small and medium enterprises (MSMEs).
5. Workforce: Business owners need appropriate facilities and infrastructure for skills and a workforce that is motivated to maintain the growth of MSMEs and has loyalty. If a business does not have the appropriate workforce, it will become an obstacle to the growth of MSMEs themselves.

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Factors that drive the growth of Micro, Small and Medium Enterprises (MSMEs)

1. Strengthening the Capital Sector

   Assistance to strengthen capital for micro, small and medium enterprises (MSMEs) can be done by obtaining loans from financial institutions, which is very important for increasing business capital. Programs such as people's business credit (KUR) help MSMEs obtain funds with lower interest and easier terms. The government can also provide rotating capital assistance through cooperatives for MSMEs to enable them to develop their businesses sustainably.

2. Strengthening the institutional sector

   This program requires commitment from executive and legislative institutions to strengthen institutions that support MSMEs, including the formation of business partnerships and strengthening microfinance institutions as MSME partners. And also for the Ministry of Finance to implement programs that support MSMEs, including training and mentoring as well as fiscal facilities for MSME players.

3. Strengthening Business Capacity Sector

   Strengthening the business sector can be done by providing training for MSME entrepreneurs in management and operations which can increase their business capacity, so that they become more competitive in the market. Encouraging innovation in the products and services offered by MSME entrepreneurs is also the key to increasing their competitiveness in local and global markets.

4. Strengthening Marketing Aspects

   Increasing marketing aspects, such as building marketing networks through collaboration with the government and the private sector, can support MSME players in disseminating their products more effectively. Carrying out promotional activities such as exhibitions can also increase product sales for MSME players.

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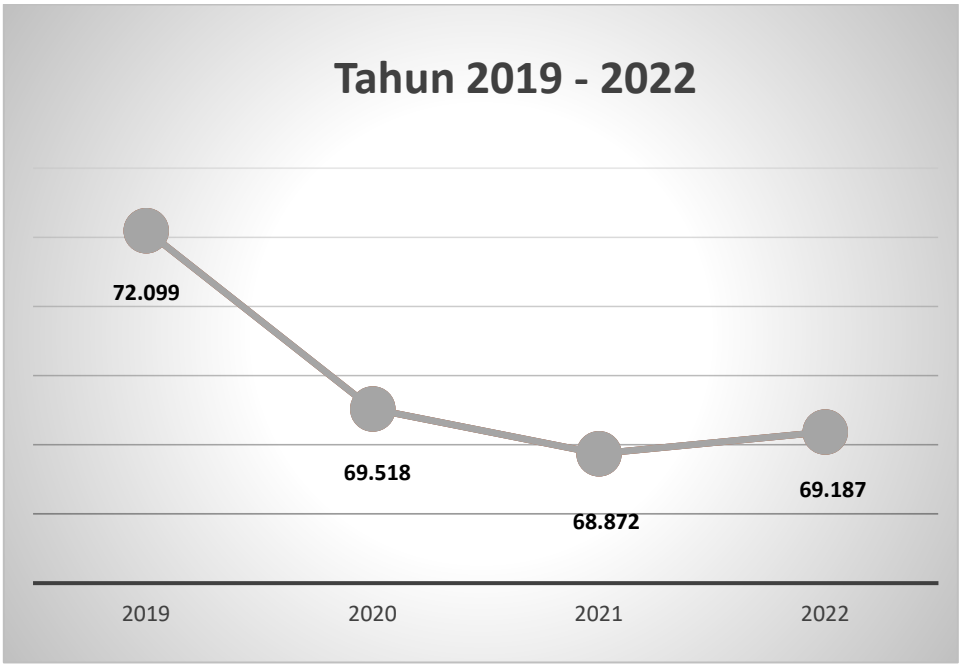


Figure 2 Development of MSMEs in 2019-2022

Based on the graph above, the development of micro, small and medium enterprises (MSMEs) in Probolinggo district shows significant dynamics, especially in the context of recovery after the Covid-19 pandemic. In 2019, there were 72,099 MSMEs in Probolinggo district. This year recorded the highest number over the last 4 year period. This shows that local economic activity is quite active and MSMEs are growing well and this year was the peak before the Covid-19 pandemic hit. In 2020 the number of MSMEs in Probolinggo district decreased significantly from the previous year of 69,518 MSMEs. This decline was most likely caused by the initial impact of the Covid-19 pandemic, which forced many small businesses to close due to restrictions on economic activity and a decrease in people's purchasing power. In 2021 the decline in the number of MSMEs continues with a total of 68,872 MSMEs, this shows that the recovery period is still slow for some MSME actors, even though aid and assistance programs are starting to be promoted. After 2022, MSMEs in Probolingo district experienced an increase compared to the previous year, amounting to 69,187 MSMEs. The increase in MSMEs this year

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shows signs of local economic recovery with many micro, small and medium enterprises starting to revive after the pandemic.

CONCLUSION

MSMEs (Micro, Small and Medium Enterprises) are one of the pillars of the Indonesian economy. This was proven when Indonesia was able to face the economic crisis in 1997/1998, where many large companies which were expected to survive at that time, apparently failed. So MSMEs as a small community economic sector with a local scale, local resources and a simple production process whose products are sold locally have been able to keep moving amidst the frequent economic crises at that time. The city of Probolinggo is a city that has many MSMEs who are experiencing development both in terms of quality and quantity. From several backgrounds, the development of MSMEs in the city of Probolinggo has a lot of potential in terms of beautiful nature, pendalungan culture, and the unique characteristics of the manga fruit in the city of Probolinggo. Not only that in Probolinggo there are also many street vendors, cafes, restaurants and eateries. serves quality, cheap and halal food.

MSMEs are something that is very important for a region because they play a role in various aspects, not only that, MSMEs play a very crucial role in the economy of a region because they function as the backbone of local economic growth, so with the existence of these MSMEs many jobs are created so that they can reduce The unemployment rate is also an opportunity for the community to get good results. So, based on the growth of micro, small and medium enterprises (MSMEs) in Probolinggo district, it shows significant dynamics, especially in the context of recovery after the Covid-19 pandemic. In 2019, there were 72,099 MSMEs this year, recording the highest number during the last 4 years before the Covid-19 pandemic hit. In 2020, MSMEs in Probolinggo numbered 69,518, which is decreasing, this is due to the initial impact of the Covid pandemic, forcing many small businesses to close. In 2021, the decline in MSMEs continues with the number 68,872, this is due to the slow recovery period for some MSMEs and in 2022, MSMEs in Probolinggo Regency experienced an increase compared to the previous year with 69,187 MSMEs, with this increase showing signs of local economic recovery.

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