

The Role of Food Processed Micro, Small and Medium Enterprises (MSMEs) in Reducing Poverty Levels in Gorontalo Province

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Abstract. *This study aims to determine the role of food-processed Micro, Small and Medium Enterprises (MSMEs) in reducing poverty levels in Gorontalo Province. This research is a quantitative research. The data source in this study is secondary data obtained through the website of the Central Statistics Agency (BPS) and the Gorontalo Province Food Service. The data analysis used in this study is the Simultaneous Equation / Indirect Least Square. The results of this study indicate that food-processed MSME LQ and labor absorption have a negative and significant effect on the poverty of districts / cities in Gorontalo Province, both simultaneously and partially with a coefficient of determination of 91.372%. The more concentrated food-processed MSMEs are and the higher the labor absorption of food-processed MSMEs, the more they will be able to reduce poverty levels.*

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INTRODUCTION

Gorontalo Province ranks fifth as the poorest province in Indonesia. This is of course a problem where it can be said that the government has not been able to carry out its duties and responsibilities to reduce the poverty rate drastically. Of course the solution to this is of course the increasing economic growth and local revenue which can absolutely happen with the optimization of micro, small and medium enterprises (MSMEs) in Gorontalo Province.

The relationship between MSMEs and poverty reduction as expressed by Basukianto & Rozaq, (2017). states that poverty alleviation by developing MSMEs has quite good potential. The UMKM sector has a large contribution to employment, absorbing more than 99.45% of the workforce. Even so, its contribution to GDP is still around 30%. Efforts to advance the MSME sector will of course be able to improve the welfare of the workers involved in it. The development of MSMEs will be able to absorb more of the existing workforce so as to reduce unemployment. So that the existence of MSMEs that continues to develop will make economic growth and local revenue increase which in turn will reduce the poverty rate and unemployment rate.

The business progress of MSMEs is not well reflected in financial reports, especially notes on financial reports. Then the implementation of MSME actors or MSME owners is still minimal regarding accounting records for operations in the business. Another problem found by researchers in the field is a lack of literacy about finance and the use of technology for both operations and marketing. So this makes the financial reports of MSMEs in Gorontalo Province not so good, where in their financial statements, MSMEs sometimes only record purchases of raw materials without allocating all purchases against costs so that the profits obtained tend to be

lower. Then the financial statements are also still very simple because they don't show how the business is progressing through sales per daily, weekly or monthly period.

Based on the above description, a stimulus is needed from the Gorontalo Provincial Government and the Regency / City in increasing the good progress of MSMEs in an effort to improve the economy in Gorontalo Province. Therefore, this research is directed at the topic / title "The Role of Food Processed Micro, Small and Medium Enterprises (MSMEs) in Reducing Poverty Levels in Gorontalo Province".

METHODS

The research was conducted at the Provincial Government of Gorontalo. This research was conducted using a quantitative approach, with a quantitative paradigm. This type of research is a descriptive study, namely research on data collected and expressed in numbers, although it is also in the form of qualitative data as supporting it, such as words or sentences arranged in a questionnaire, sentences from consultations or interviews between researchers and informants.

The method used in data collection is secondary data collection by means of literature studies and information explorers via the internet. In addition, supporting data is also obtained from books from libraries, related institutions and print media and the internet. The data analysis used was the Indirect Least Square (ILS).

RESULTS AND DISCUSSION

Simultaneous Equation Identification

The following table shows the identification of the simultaneous equation model with Order Condition:

Table 1. Order Condition Simultaneous Equation

Equation	K-k	M-1	Result	Description
1	3-2	2-1	$K-k = M-1$	<i>Just Identified</i>
2	3-3	2-1	$K-k < M-1$	<i>Unidentified</i>
Description: Use Indirect Least Square (ILS)				

Source: Data Processed, 2020

Based on the table above, it can be seen that of the 2 equations used in this study, there is 1 equation which in the category cannot be identified because the K-k value $< M-1$ so that the simultaneous equation analysis in this study uses the Indirect Least Square (ILS).

Reduced Form in the Simultaneous Indirect Least Square (ILS) Equation

In the case of the unidentified equation, the reduced form method can be used. To perform the reduced form, the researchers conducted an indirect form test. Researchers estimate the first reduced form equation by regressing the number of MSME processed food to labor absorption so that the predicted value of labor absorption can be obtained. Then the researcher estimates the second reduced form equation by regressing labor absorption against poverty so that the predicted value of poverty is obtained. The following is a description of the results of the reduced form in the study:

Table 2. Reduced Form in the Simultaneous Indirect Least Square (ILS) Equation

Equation	$t_{hitung}(P-Value)$	Description
Var. Predicted Penyerapan Tenaga Kerja	14.69718 (0.0000)	Signifikan
Var. Predicted Kemiskinan	-3.591174 (0.0007)	Signifikan

Source: Data Processed, 2020

Based on the table above, it can be seen that the equation for the number of MSME processed food on labor absorption has a probability value of 0.0000 which is smaller than alpha

0.05 so that the results are significant so that the predictive value of the equation can be used in forming the Indirect Least Square equation (ILS) as the independent variable. Then the labor absorption equation for poverty has a probability value of 0.0007 which is smaller than alpha 0.05 so the results are significant so that the predicted value of the equation can be used in forming the Indirect Least Square (ILS) equation as the dependent variable.

Hypothesis Analys

The results of hypothesis testing are described in the following:

Tabel 3. Hypothesis Analys

Dependent Variable: POV?				
Method: Pooled EGLS (Cross-section weights)				
Date: 12/28/20 Time: 07:38				
Total pool (balanced) observations: 60				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	32.09640	1.030418	31.14893	0.0000
LQ_UMKMP?	-0.375352	0.162509	-2.309730	0.0249
TK?	-1.883983	0.127730	-14.74967	0.0000
Fixed Effects (Cross)				
_KOTA--C	-0.194863			
_KGTLO--C	-0.066136			
_BLMO--C	0.243097			
_PHWT--C	-0.418035			
_BNBL--C	0.321175			
_GORUT--C	0.114762			
R-squared	0.923956	Mean dependent var	22.07940	
Adjusted R-squared	0.913719	S.D. dependent var	9.916557	
S.E. of regression	0.431905	Akaike info criterion	1.386603	
Sum squared resid	9.700185	Schwarz criterion	1.665849	
Log likelihood	-33.59809	Hannan-Quinn criter.	1.495831	
F-statistic	90.25879	Durbin-Watson stat	1.773007	
Prob(F-statistic)	0.000000			

Source: Data Processing Eviews Version 9, 2020

Based on the results in the table above, the research results can be described as follows:

Coefficient of Determination

Based on the results of the analysis of the coefficient of determination in the table above, it shows that the coefficient of determination or the Adjusted R Square number is 0.913719. This value shows that 91.372% of the variability of poverty in districts / cities in Gorontalo Province can be explained by LQ MSME food processing and labor absorption. While the remaining 8,628% is explained by other variables.

Simultaneous Testing Results

Based on the table above, the F_{count} value is 90.25879 with a significance value of 0.000 smaller than 0.05 ($0.000 < 0.05$) so that the hypothesis is accepted. This means that food-processed MSME LQ and labor absorption together have a significant effect on the poverty of districts / cities in Gorontalo Province.

Partial Testing

The Influence of LQ MSME Processed Food on District / City Poverty in Gorontalo Province

Based on the analysis, it was found that the LQ significance value of processed food MSMEs was smaller than the probability value of 0.05 ($0.0249 < 0.05$). So that the LQ of food-processed MSMEs has a negative and significant effect on the poverty of districts / cities in Gorontalo Province.

The Effect of Labor Absorption on District / City Poverty in Gorontalo Province

Based on the analysis, the significance value of labor absorption is smaller than the probability value of 0.05, or value ($0.0000 < 0.05$). So that labor absorption has a negative and significant effect on District / City Poverty in Gorontalo Province.

The results showed that the LQ of food-processed MSMEs had a negative and significant effect on the poverty of districts / cities in Gorontalo Province. The negative coefficient result means that the more concentrated (superior) MSME processed food is in the Regency / City in Gorontalo Province, the better the impact of the UMKM in improving the economy of a region in this case will be able to reduce the poverty level of Regency / City in Gorontalo Province. Then labor absorption has a negative and significant effect on District / City Poverty in Gorontalo Province. The negative coefficient result means that the more the number of processed food MSMEs operating in Gorontalo Province (Regency / City) will be able to increase or optimize economic development as seen from the high absorption of labor which will ultimately reduce the level of poverty in Kabupaten / Kota Gorontalo Province.

The constant for Gorontalo City is -0.194863, Gorontalo Regency is -0.066136, Boalemo Regency is 0.243097, Pohuwato Regency is -0.418035, Bone Bolango Regency is 0.321175 and North Gorontalo Regency is 0.114762. From these results, it can be seen that Bone Bolango Regency is the Regency with the highest constant value with a positive value which means that Bone Bolango Regency is a Regency which in reducing poverty is highly dependent on the concentration (excellence) of food MSMEs and the absorption of labor on food-processed MSMEs. Then followed by Boalemo Regency and North Gorontalo Regency. Meanwhile, Gorontalo City, Pohuwato Regency and Gorontalo Regency will experience a reduction in poverty even though they do not maximize the potential of food-processed MSMEs in these districts / cities.

The test results also found that food-processed MSME LQ and labor absorption together have a significant effect on the poverty of districts / cities in Gorontalo Province with a determination of 91.372%. While the remaining 8,628% is explained by other variables not examined in this study such as population, per capita income, government development, investment and central government poverty stimulus policies. Meanwhile, it is seen from the results of each region that Boalemo Regency and Bone Bolango Regency are able to maximize MSME processed food in economic improvement because on average, Boalemo Regency MSMEs have a large market share, namely sold in Pohuwato Regency and Gorontalo Regency even to Gorontalo City; Meanwhile for Bone Bolango, food-processed MSMEs have an ideal market share, namely Gorontalo City, even in Bone Bolango, the economic activity has started to improve because it is a suburb of Gorontalo City.

Increasing the progress of MSMEs will certainly increase the absorption of labor in these MSMEs. Labor absorption is the number of jobs that have been filled, which is reflected in the large number of working people. The working population is absorbed and spread across various sectors of the economy. The absorption of the working population is due to the demand for labor. Therefore, the absorption of labor can be said to be a demand for labor (Kuncoro, 2012). Indonesia with a large population means that it also has large human resources. Human resources in the form of labor must be utilized to the maximum extent possible. The existing workforce must be able to be absorbed by all economic activities and sectors. The absorption of labor can be related to the balance of the interaction between the demand for labor and the supply of labor, in

which the demand for market labor and the supply of market labor together determines a use of equilibrium labor:

Micro, Small and Medium Enterprises (UMKM) still have bright prospects for national economic growth. This good prospect is a breath of fresh air for business actors and also does not rule out the possibility of competition forcing each UMKM to develop a business. According to Putra (2016) that development will be more stable if it is supported by entrepreneurs because the government's ability is very limited. The government will not be able to work on all aspects of development because it requires a lot of budget, personnel, and supervision. Therefore, entrepreneurship is a potential development, both in number and in quality of entrepreneurship itself. With the intention or desire to become entrepreneurial, it will be a leap at least as a hope for the realization of equitable development and community welfare.

This result is in accordance with the statement of Rafinaldy, (2006) that the benefits of MSMEs in the economic sector are its position as the main player in economic activities in various sectors that provide the largest employment, an important player in the development of local economic activities and community empowerment, creator of new markets and sources of innovation, contribution in maintaining the balance of payments through export activities. The role of MSMEs (Micro, Small and Medium Enterprises) has been recognized by various parties as quite large in the national economy. According to Bank Indonesia, some of the strategic roles of MSMEs include: a large number and exist in every economic sector; absorb a lot of labor and each investment creates more job opportunities; have the ability to utilize local raw materials and produce goods and services needed by the wider community at affordable prices. MSMEs face various obstacles both internally and externally, these problems include: accessibility, management, capital, technology, raw materials, information and marketing, infrastructure, bureaucracy and fees, partnerships. From the various problems faced by MSMEs, it seems that capital remains one of the important needs to run a business, both working capital and investment needs (Afifah, 2012).

According to Haryadi (2016); Bekele & Worku, (2008); Ebitu, (2016); Fatoki, (2014); Bouazza, (2015); Mckague et al., (2011). There are several factors inhibiting the development of MSMEs (Micro, Small and Medium Enterprises), including lack of capital and low managerial ability. Although the demand for their businesses increases due to constraints on funds, they are often unable to meet the demand. This is due to the limited ability to obtain information on procedures for obtaining funds and the limited ability to make proposals for obtaining funds. Most MSMEs run a business without planning, controlling or evaluating business activities. The role of government and community participation in realizing development is very crucial. So that the realization of a development based on the needs of the community should and there is a need for participation from the community and the role of the government as a trigger and facilitator in realizing the development of an area.

These results are overall in line with the statement of Hapsari et al. (2014) that in economic development in Indonesia, MSMEs are always described as a sector that has an important role, because most of the population has low education and lives in small business activities in both traditional and modern sectors. And able to absorb a lot of labor. The role of the small business is a priority part in each planning stage of development which is managed by two departments, namely the Ministry of Industry and Trade, and the Ministry of Cooperatives and SMEs. Empowerment of MSMEs is very important in an effort to increase economic growth. The contribution of MSMEs to GDP makes an indicator of the importance of MSMEs in increasing economic growth in Indonesia, Gross Domestic Product (GDP) is an indicator of economic growth, where economic growth is the process of increasing per capita output in the long term which can ultimately reduce poverty.

CONCLUSIONS

Based on the results of research and discussion, it can be concluded that the LQ of food-processed MSMEs and labor absorption has a negative and significant effect on the poverty of

districts / cities in Gorontalo Province, both simultaneously and partially with a coefficient of determination of 91.372%. The results of each Regency / City found that Bone Bolango Regency is the Regency with the highest constant value with a positive value which means that Bone Bolango Regency is a Regency which in reducing poverty is highly dependent on the concentration (superiority) of food MSMEs and the absorption of labor on food-processed MSMEs. Then followed by Boalemo Regency and North Gorontalo Regency. Meanwhile, Gorontalo City, Pohuwato Regency and Gorontalo Regency will experience a reduction in poverty even though they do not maximize the potential of food-processed MSMEs in these districts / cities.

Through the results of this study, it is necessary for the government to improve understanding of financial management for MSMEs by holding various trainings in collaboration with universities and banks so that MSME actors will find it easier to manage finances and easier access to banking capital as an effort to diversify and differentiate business so that the higher level of income and profit of MSME actors

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