

# THE CONTRIBUTION OF THE MICRO, SMALL, AND MEDIUM-SIZED ENTERPRISES (MSMEs) OF FOOD PROCESSED PRODUCTS TO THE ECONOMIC DEVELOPMENT IN GORONTALO

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## ABSTRACT

This research aims to analyze (1) the development of micro, small, and medium-sized enterprises (MSMEs) in Gorontalo and (2) the impact of the micro, small, and medium-sized enterprises (MSMEs) of food processed products on the economic development from the perspective of employment rate in the MSME sector and poverty level in Gorontalo. This was quantitative research. The secondary data used here were collected from Statistics Indonesia and the Gorontalo Food Service. Data analysis used were descriptive-statistic (LQ, LQShare, and LQShift analyses) and inferential (simultaneous equation/indirect least square). Findings indicate that (1) micro, small, and medium-sized enterprises (MSMEs) had different potencies in each district/city in Gorontalo. The MSMEs of food processed products in Gorontalo District, Boalemo, Pohuwato, Bone Bolango, and Gorontalo Utara were attested progressive. MSMEs of food processed products greatly rested on feedstocks. Sufficient availability of feedstocks would make production costs more efficient, and thereby accrued the demand for food processed products at a competitive price. This would elevate MSME business actors' income and the local economic development (district/city) where the business was operated, and (2) the employment rate in the MSMEs of food processed products had a significant negative impact on poverty in districts/cities in Gorontalo. The negative coefficient indicated that the more the MSMEs of food processed products in Gorontalo (districts/cities), the more enhanced or optimized the economic development. The impact was indicated by a high employment rate, which in turn would reduce poverty levels in districts/cities in Gorontalo.

**Keywords:** *MSMES of Food Processed Products, Preeminence, Economic Development*

## INTRODUCTION

Poverty issues in Indonesia are the issues whose solutions are consistently looking for. In Gorontalo, one of the provinces in Indonesia, the poverty level is 17.76%. Data from the Statistics Indonesia addressed that in 2017, in regard to the poorest country in Indonesia, Gorontalo was ranked fifth. It certainly breeds another problem which implies the government's inability to carry out its duties and responsibilities in

relation to decreasing poverty levels. The promising solutions lay on the economic development and locally generated revenues which should increase by optimizing micro, small, and medium-sized enterprises (MSMEs) in Gorontalo.

According to Supriyanto (2016:32), in terms of deescalating poverty levels, MSME development is a promising solution to poverty. The MSME sector largely contributes to

employment rates and hires 99.45% of the total number of workers. However, the contribution of the sector to GDP is still 30%. Accordingly, improving the MSME sector will escalate the welfare of workers engaging. Improved MSMEs will need more workers, and thus detracting from unemployment rates. Also, increasingly improved MSMEs will improve the economic development and locally generated revenue, diminishing poverty levels and unemployment rates.

The MSMEs of food processed products are progressive, indicated by their consistent increase. Nevertheless, according to the percentage of growth, the MSMEs of food processed product increase by 14.65%. Meanwhile, in 2019, the MSMEs had a significant decreasing trend by 43.45% attributable to minimum demand which encouraged business actors to close or transfer their business to another promising sector. As such, the MSMEs of food processed products should make improvements, preventing them from collapses. The achievement can be made by several actions, one of which is cooperation with the Gorontalo government which will stimulate and support the micro, small, and medium-sized enterprises (MSMEs) in Gorontalo.

Micro, small, and medium-sized enterprises in Gorontalo spread in its regions and come in the form of formal or non-formal small industries, centers, or joint business groups (KUB). Assistance to small and medium-sized industries is persistently given to increase the standard of living of the community and open more business

opportunities. In 2013-2017, MSMEs in Gorontalo developed rapidly, either from the number, employment rates, investment value, or production value. Small and medium-sized industries of food processed products are still facing adversities in earning maximum income. They may seem to have a high-income level before the operational cost is taken into account. The MSMEs in Gorontalo have a relatively high operational efficiency ratio.

Accordingly, it is crucial to confer several stimuli to the Gorontalo Government and its districts/cities and thereby allowing them to boost MSMEs in Gorontalo, as an attempt to accrue the economic development there. As such, we then carried out research entitled "The Contribution of the Micro, Small, and Medium-sized Enterprises (MSMEs) of Food Processed Products to the Economic Development in Gorontalo".

## **RESEARCH METHODS**

This research was conducted in districts/cities in Gorontalo in March-September 2020. Data analyses used were descriptive-statistic (LQ, LQShare, and LQShift analyses) and inferential (simultaneous equation/indirect least square)

## **RESEARCH FINDINGS**

### **A. Development of Micro, Small, Medium-sized Enterprises (MSMEs) in Gorontalo**

Table 1 lists the development of MSMEs in each of the districts/cities in Gorontalo. MSMEs of food processed products had a potential opportunity to

elevate the community income and regional economy. Therefore, supports should be delivered to them, enabling them to reach a broader market coverage. The government should also give them technology and information support and thus allow them to sell products anytime

and anywhere. The surrounding community should also contribute to this event. As a result, some new enterprises will likely appear or the existing enterprises will be more developed, opening more job opportunities.

**Table 1. The Development of MSMEs**

No.	District/city	MSME				
		Food	Garment	Chemical and Building Material	Metal and Electronic	Craft
1	Gorontalo City	Backward	Progressive	Backward	Backward	Backward
2	Gorontalo District	Progressive	Backward	Developing	Progressive	Developing
3	Boalemo	Progressive	Backward	Slow	Progressive	Slow
4	Pohuwato	Developing	Backward	Progressive	Developing	Developing
5	Bone Bolango	Progressive	Backward	Backward	Developing	Progressive
6	Gorontalo Utara	Progressive	Backward	Progressive	Developing	Progressive

*Source: Data Processed, 2020*

To develop the MSME sector of food processed products, the Office of Cooperatives, small and medium-sized enterprises (SMEs), and districts/cities in Gorontalo did several programs constituting the implication of strategies decided. The strategies intended were those designed following the policy made by the central government, namely the Ministry of Cooperatives and SMEs. Nevertheless, some strategies which could not be adjusted to local conditions and allocated budget needed to be eliminated. The following were the strategies implemented in the programs and activities performed.

1. Capacity development strategy (the program of business supporting system development for MSMEs)
2. Empowerment strategy (the program of entrepreneurship and

MSME competitive preeminence development)

3. Protection strategy (the program of conducive business climate making)

Our finding was aligned with Ariani and Utomo (2017) who confirmed that we could either create or enhance competitiveness by a means of correct competitiveness strategies, one of which was effective and efficient resource management.

**B. Impacts of the Number of the Micro, Small, and Medium-sized Enterprises (MSMEs) of Food Processed Products and Employment Rates in the MSME Sector on Poverty Levels in Gorontalo**

Table 2 contains the result of a hypothetical test. The significance value of the variable of prediction, which was employment rates, was smaller than the

probability value of 0.05 (0.0000 < 0.05). Accordingly, employment rates in the MSMEs of food processed products had a negative significant impact on poverty levels in districts/cities in Gorontalo. The negative coefficient indicated that the more the MSMEs of

food processed products operating in Gorontalo (districts/cities), the more escalated or optimized the economic development. In other words, a high employment rate in the MSME sector would likely eradicate poverty in districts/cities in Gorontalo.

**Table 2. Result of Partial Test**

Model	t-Count	P-value	Description
(Constant)	20.64312	0.0000	
Predicted TK	-8.272072	0.0000	Negative and significant
<sup>ns</sup> not significant			
*. Significant at the 0.1 level (2-tailed).			
**. Significant at the 0.05 level (2-tailed).			
***. Significant at the 0.01 level (2-tailed).			

Source: Data Processing Using Eviews Version 9, 2020

It was in accordance with Neddy (2014), that MSMEs had largely contributed to the economy. MSMEs had provided the widest job opportunities in varied sectors, improved both local economic activities and community empowerment, created a new market, given innovations, and contributed to maintaining the balance of payments through exporting activities. Supriyanto (2016:32), in agreement with the argument, conveyed that MSME development to alleviate poverty was a promising resolution. The MSME sector had a significant contribution to employment rates. The MSME development would increase employment rates and thereby mitigating unemployment rates. Ever-increasing MSME development would encourage economic growth and promote the locally generated revenue, reducing poverty levels and unemployment rates brought about by laid-off workers, as the consequence of company defaults on employee salaries.

## CONCLUSION

1. Micro, small, and medium-sized enterprises (MSMEs) showed varying potencies in the respective districts/cities in Gorontalo. The MSMEs of food processed products indicated progressiveness in Gorontalo District, Boalemo, Pohuwato, Bone Bolango, and Gorontalo Utara. It signified reliance of the MSMEs on feedstocks, and hence sufficiency in feedstocks would render a more efficient production process and thereby accruing the demand for food processed products at a competitive price, the income of MSME business actors, and the regional economy (districts/cities) in which the MSMEs were operated.
2. The employment rates in the MSMEs of food processed products had a negative significant impact on poverty levels in districts/cities in Gorontalo. The negative coefficient indicated that the more the MSMEs

of food processed products operating in Gorontalo (districts/cities), the more escalated or optimized the economic development. In other words, a high employment rate in the MSME sector would likely eradicate poverty in districts/cities in Gorontalo.

## SUGGESTIONS

1. The Gorontalo government and the district/city governments in Gorontalo need to elevate the potencies of MSMEs by implementing an MSME digitalization program, in which they focus on providing easy affordable access to feedstocks and marketplace-based sale.
2. The government needs to socialize good financial management to MSME business actors in the form of training and build cooperation with some universities and banking parties. The training and cooperation will enable MSME business actors to do more efficient financial management and confer easy access to banking capital as business diversification and differentiation attempts. This resolution is expected to enhance their income level.

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