

JIM UPB

Jurnal Program Studi Manajemen
Universitas Putera Batam Vol.9 No.1

THE INFLUENCE OF SMALL AND MEDIUM ENTERPRISE GROWTH, INVESTMENT, AND LABOR ON ECONOMIC GROWTH IN BATAM CITY

By

Intan Utna Sari¹, Asron Saputra²

Information systems Program, Putera Batam University
Management Study Program, Putera Batam University
Email: intanutna88@gmail.com

ABSTRACT

One of the important benchmarks in determining the success of economic development is economic growth. The role of the government in achieving development success is to determine the direction of development policies and to achieve these development targets a good development plan is needed to realize stable economic growth in order to improve people's welfare, namely by increasing Small and Medium Enterprises, Investment and Manpower. This study aims to determine the simultaneous and partial effect of Small and Medium Enterprises, Investment and Labor on the economic growth of Batam City. The data source is secondary data using panel data consisting of time series data for three years and cross section data of nine districts which resulted in 45 observations. The analysis technique used to solve the problem in this study is the multiple linear regression analysis model. The results of this study indicate that in terms of small and medium enterprises, investment and labor have a significant effect on economic growth in Batam City. This indicates that the number of SMEs (Small and Medium Enterprises), Investment and Manpower in Batam City can determine the level of economic growth in Batam City. This is because SMEs, investment and labor are activities that can produce goods or services. Partially Small and Medium Enterprises, Investment and Labor have a positive and significant effect on economic growth in Batam City, meaning that if the number of Small and Medium Enterprises, Investment and Labor is increased, economic growth will also increase.

Keywords: *Small Medium Enterprises; Investment; Economic Growth*

INTRODUCTION

Indonesia as a developing country, economic development is a very important factor in efforts to advance the country. Economic development is carried out by Indonesia in an effort to increase the rate of economic growth, increase employment opportunities, advance the technology and education sectors, balance the economy, and distribute income. Various efforts have been made by Indonesia to create equitable social welfare as a manifestation of the success of its economic development

In an effort to increase regional economic growth, it is also necessary to apply the development of an attitude of independence in society in order to create a prosperous society and can encourage the Indonesian economy to be more advanced (Rakhmawati.R, 2016). This effort is carried out by improving the people's economy, namely by creating business opportunities and employment opportunities. This can help reduce the problem of unemployment, so that it can have an impact on Indonesia's economic growth.

One of the economic indicators that is said to be good is that economic growth has increased or has increased from the previous year. According to (Rakhmawati.R, 2016) an increase in economic growth occurs due to an increase in economic activity in the area, on the

other hand, if there is a decrease, economic activity in the area will decline. Economic growth means that there is an increase in the production of goods and services in a certain year. The benchmark for increasing economic growth is the increase in the real Gross Domestic Product (GDP) of a country or the real Gross Regional Domestic Product (GRDP) of an area (Awandari & Indrajaya, 2016)

One important indicator to determine the economic conditions in a region in a certain period is the Gross Regional Domestic Product (GRDP) data, both at current prices and at constant prices. GRDP is basically the amount of goods and services produced by all business units in a particular country, or is the sum of the value of the final goods and services produced by all economic units.

Table 1 Economic Growth of Batam city Year 2017-2019

Year	2017	2018	2019
PDBR	5,92	4,96	2,61

Based on the table above, it can be seen that the economic growth of Batam city as a whole during the 2017 - 2019 period Batam city economic growth has always decreased. Apart from the quite apprehensive economic growth, Batam is also faced with investment problems. In general, economists agree that the level of investment is positively correlated with the rate of economic growth. Simply put, a high level of investment will increase production capacity, which in turn leads to an increase in people's income and an increase in investment which can also encourage economic growth.

Gross Regional Domestic Product (GRDP) is an important indicator to determine the economic conditions in an area in a certain period, both at current prices and at constant prices. If the GRDP of a region shows an increase, it can also mean that the regional economy has also increased.

The development paradigm that can be used to achieve this is the implementation of an empowerment strategy. One of the empowerments that is often applied is the empowerment of Small and Medium Enterprises (UKM). Empowerment of Small and Medium Enterprises (UKM) can affect regional economic growth either directly or indirectly, which in turn will also affect the national economy.

The SME sector is the largest contributor to the Gross Domestic Product (GDP) nationally. And economic growth itself is a process where there is an increase in Gross Domestic Product (GDP) over a long period of time. The economy of a country is said to grow or develop when output growth occurs. According to Sukirno, economic growth is a development of activities in the economy that causes increased goods and services produced in society. Meanwhile, regional economic growth can be measured from the level of its Gross Regional Domestic Product.

The role of UKM (Small and Medium Enterprises) in Regional Economic Growth can be indicated by the growth of UKM itself. If the SME sector grows and develops in an area, it will cause the absorption of labor to increase and of course the production activities and output that will be produced will also increase, where this will have an impact on an increase in regional GDP.

In this case the industrial sector is one sector that has an important role in national development. The role of the industrial sector in economic development can be proven by the results of its contribution which have an effect on national economic growth. Apart from the quite apprehensive economic growth, Batam is also faced with investment problems. In general, economists agree that the level of investment is positively correlated with the rate of economic growth. In simple terms, a high level of investment will increase production

capacity, which in turn leads to an increase in people's income and an increase in investment which can also encourage economic growth. According to Jened (2016: 29) investment can be influenced by foreign and domestic investment. Investment, especially in the regions, consists of government investment and private investment. Investments from the private sector are investors from abroad (PMA) and investors from within the country (PMDN).

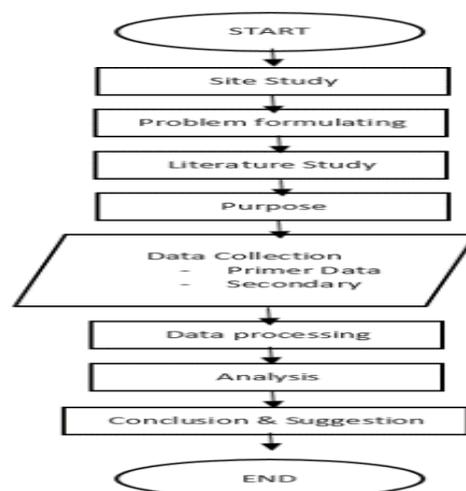
The Batam city government is trying to fix the investment climate in the city of Batam, whose competitiveness continues to decline. Even though the city of Batam was once the center of a superior economy. The investment climate in Batam in recent years has not been conducive, due to the large number of labor demonstrations that have taken place and calls for work strikes. This triggered companies and investors in Batam to leave. Uncontrolled demonstrations made investors worried that they chose to leave. In addition, the flight of a number of foreign investors from Batam has resulted in the layoff of thousands of employees.

Some of the advantages of the industrial sector include its ability to absorb a large workforce, create added value, and have a very large capitalization. So that its existence is very influential in the economy. Labor is thought to be able to influence the economic growth of the Batam City area. An increase in workforce accompanied by an increase in the resulting output can stimulate economic growth in the area. Increasing the number of workers will allow an area to increase its production in order to produce goods and services needed by society according to (Hellen, Mintarti, & Fitriadi, 2018). The growth of the labor force is traditionally regarded as one of the positive factors that spur economic growth, a larger number of workers means that it will increase the level of production.

This study aims to examine the extent of the relationship between Small and Medium Enterprise (SME) Growth, Investment and Labor on Economic Growth in Batam City

METHODS

This research uses quantitative research because this research is presented in numbers or extrapolated data. Quantitative research is research based on the philosophy of positivism, used to examine specific populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative / statistical in order to test predetermined hypotheses (Sugiyono , 2017: 8). This study uses secondary data, namely data obtained or collected from existing sources obtained.



Picture.1 Research Method Flowchart

The population in this study were SMEs, investment and labor in Batam City. The sample in this study is the number of SMEs, labor and investment in Batam city in 2017-2019. Data obtained from the Central Bureau of Statistics, Disnaker and other references that provide information about SMEs, employment, and economic growth in the city of Batam.

RESULTS AND DISCUSSION

Result

Descriptive statistics

Table 2 Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ECONOMIC GROWTH	57	,42282	,60171	,5716543	,04656627
UKM	57	1,00655	1,07390	1,0331072	,02704710
INVESTMENT	57	1,00655	1,07390	1,0331072	,02704710
LABOR	57	43116,464	48919,112	45162,6513	1798,85263
		99	65	154	001
Valid N (listwise)	57				

Multiple Linear Analysis

Multiple linear regression analysis is an analysis to measure the amount of influence between two or more independent variables on one dependent variable and predict the dependent variable using the independent variable (Priyatno, 2014). Based on the tests that have been done, the results of the multiple linear analysis test can be seen in the following table: More about this source text

Table 3 Anlaysia Result of Multiple Linear Regression

Model	Standardized	Unstandardized		Sig	Coefficients
		T	Coefficients		
	B	Std. Error	Beta		
(Constant)	1,224	,127		9,654	,000
1 UKM	,845	,246	,491	3,433	,001
INVESTMENT	,787	,000	,305	9,130	,000
LABOR	,709	,000	,375	9,270	,000

a. Dependent Variable: ECONOMIC GROWTH

Partial Test (Test t)

Table 4 T test result

Model		Unstandardized		Beta	Standardized	
		Coefficients			Coefficients	
		B	Std. Error			T
1	(Constant)	1,224	,127		9,654	,000
	UKM	,845	,246	,491	3,433	,001
	INVESTM	,775	,000	,325	2,130	,000
	ENT					
	LABOR	,711	,000	,301	2,018	,000

a. Dependent Variable: ECONOMIC GROWTH

Uji F**Table 5** F Test Result

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	,096	2	,048	101,945	,000 ^b
	Residual	,025	54	,000		
	Total	,121	56			

a. Dependent Variable: ECONOMIC GROWTH

It can be concluded that SMEs, investment and labor have a positive and significant effect on economic growth in Batam City. This means that if the number of SMEs, investment and labor is increased, economic growth will also increase. Conversely, if the number of SMEs, investment and labor decreases, economic growth will also decline. This indicates that SMEs, investment and labor can determine the level of economic growth.

DISCUSSION**The influence of SMEs on economic growth in the city of Batam for the 2017-2019 period**

The results of hypothesis testing concluded that SMEs had a positive and significant effect on economic growth in the city of Batam for the 2017-2019 period. This means that if there is an increase in the amount of investment, economic growth will also increase. Conversely, if there is a decrease in the amount of investment, economic growth will also decline. This indicates that the number of SMEs in the city of Batam can determine the level of economic growth in the city of Batam. This is because SMEs are activities that can produce goods or services. With the increasing production of goods and services, the Gross Regional Domestic Product will also increase. So that economic growth will also increase. SMEs will also increase labor income so that people's ability to buy goods and services produced by the company will increase.

The results of hypothesis testing concluded that investment has a positive and significant effect on economic growth in the city of Batam for the 2017-2019 period.

This explains that labor can support economic growth. This means that if there is an increase in the amount of investment, economic growth will also increase. Conversely, if there is a decrease in the amount of investment, economic growth will decline. This indicates that the amount of investment can determine the level of economic growth in the city of Batam. This is because investment is an activity to produce goods or services. With the increasing production of goods and services, the Gross Regional Domestic Product will also increase. So that economic growth will also increase. Investment activities will also increase labor income so that people's ability to buy goods and services produced by companies will increase.

The influence of labor on economic growth in the city of Batam for the 2017-2019 period

The results of hypothesis testing conclude that labor has a positive and significant effect on economic growth in the city of Batam for the 2017-2019 period. This explains that labor can support economic growth. This means that if there is an increase in the number of workers, economic growth will also increase. Conversely, if there is a decrease in the number of workers, economic growth will decline. The more power will make the maximum labor productivity. So that goods and services through increasing knowledge and participating in training, seminars or workshops, the workforce will be of high quality and will increase.

The influence of SMEs, investment and labor on economic growth in the city of Batam for the 2017-2019 period

The results of testing the third hypothesis conclude that the growth of SMEs, investment and labor together has a positive and significant effect on economic growth in Batam city in 2017-2019. This means that if the number of SMEs, investment and labor is increased, economic growth will also increase. Conversely, if the number of SMEs, investment and manpower decreases, economic growth will also decline. This indicates that SMEs, investment and labor can determine the level of economic growth in the city of Batam

CONCLUSIONS

Conclusion

1. SMEs partially have a significant effect on economic growth in the city of Batam.
2. Partial investment has a significant effect on economic growth in the city of Batam.
3. Labor partially has a significant effect on economic growth in the city of Batam
4. SMEs, investment and labor together have a significant effect on economic growth in the city of Batam.

Suggestions

1. Hopefully UKM can be improved. In this case, the government is expected to be able to encourage people to make SMEs more and more creative. As well as helping provide business capital loans.
2. Investment is expected to be increased, in this case the government is expected to facilitate investment permits so that more investors will invest in Batam. Furthermore, the government and all related parties can create a conducive investment climate.
3. Labor can increase their productivity. Among them can be done by improving the education and skills of the workforce so that companies present in the city of Batam can use local workers.

4. The government through related agencies is expected to be able to provide training to existing SMEs, either directly or indirectly.

REFERENCE

- Awandari, L., & Indrajaya, I. (2016). Pengaruh Infrastruktur, Investasi, dan Pertumbuhan Ekonomi Terhadap Kesejahteraan Masyarakat Melalui Kesempatan Kerja. *E-Jurnal Ekonomi Pembangunan Universitas Udayana*.
- BPS-Statistics Indonesia. (2020). Statistik Indonesia. *Statistical Yearbook of Indonesia*. <https://doi.org/10.3389/fpsyg.2015.00002>
- Giulietti, & Assumpção. (2019). UU REPUBLIK INDONESIA NOMOR 20 TAHUN 2008 TENTANG USAHA MIKRO, KECIL, DAN MENENGAH. *Journal of Chemical Information and Modeling*. <https://doi.org/10.1017/CBO9781107415324.004>
- Heryenzus, & Restu. (2018). Pengaruh Kompensasi Dan Motivasi Terhadap Kinerja Karyawan Dengan Kepuasan Karyawan Sebagai Variabel Intervening Pada PT Bank Negara Indonesia Cabang Batam. *JIM UPB*, 6(02), 12–21.
- Oliver, J. (2019). pengertian pertumbuhan ekonomi. *Pengantar Ekonomi Pembangunan*. <https://doi.org/10.1017/CBO9781107415324.004>
- Priyatno, D. (2014). *SPSS 22 Pengola Data Terpraktis*. Yogyakarta, Andi.
- Rakhmawati.R. (2016). Pengaruh Indeks Pembangunan Manusia (IPM), Tenaga Kerja, Dan Pendidikan Terhadap Pertumbuhan Ekonomi Di Provinsi Jawa Tengah. *Ekonomi Pembangunan*.
- Sukirno, S. (2011). *Teori Pengantar Ekonomi Makro*. Jakarta.
- Talangamin, O. B., Kindangen, P. ., & Koleangan, R. A. M. (2019). PENGARUH PENDAPATAN ASLI DAERAH (PAD), DANA ALOKASI UMUM DAN DANA ALOKASI KHUSUS TERHADAP PERTUMBUHAN EKONOMI DI KOTA TOMOHON. *JURNAL PEMBANGUNAN EKONOMI DAN KEUANGAN DAERAH*. <https://doi.org/10.35794/jpekd.19897.19.7.2018>