



Economic growth and unemployment alleviation in the development of MSMEs in Karawang Regency

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ABSTRACT

The Office of Cooperatives, Small and Medium Enterprises is a Regional Apparatus the Organization of Karawang Regency that has a role in efforts to improve the community's economy through the empowerment of cooperatives and small and medium enterprises. The main force behind economic development at the regional and national levels MSMEs are expected to be a pillar in regional economic development, so as to reduce unemployment. This research uses quantitative methods. A sample of 100 MSMEs from the current 15,410 MSMEs (as reported by BPS Karawang 2022) was taken from various MSMEs in the Karawang Regency area. The data processing results passed the heterogeneous, multidisciplinary, auto correlation, and normality tests. The variables X1 and X2 represent economic growth and unemployment reduction, respectively. So that the two independent factors of economic growth and unemployment alleviation have a major impact on the dependent variable of MSME development, the test results according to hypothesis testing, in an effort to reduce unemployment in Karawang Regency, that the growth of MSMEs in the region can support economic expansion and have a positive impact on employment and regional economic independence.

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1. INTRODUCTION

Economic growth is one of the most important aspects of the overall health of any country or economic system. In general, this means that economic growth increases economic will and activity (Dewa et al. 2023). Economic growth is the process of increasing the amount of production of an economy or changing the economic conditions of a country on an ongoing basis and is manifested in the form of an increase in national income in a certain period (Dewa et al. 2023; Indayani and Hartono 2020).

The dynamics of the regional economy, which is usually supported by small and medium economic activities, has a significant impact on national economic growth. Economic growth is basically described as the process of long-term growth in output per capital. This suggests that, over time, prosperity is represented by increasing output per capital, which also gives consumers a wide range of choices for how to consume goods and services, thereby increasing people's purchasing power (Syahputra et al. n.d.). The increasing purchasing power of the community is accompanied by an increasing amount of income due to the availability of adequate employment so that the number of unemployed people in the region can be suppressed (Indrajaya et al. n.d.).

The problem of unemployment is a homework for the government to balance the availability of jobs and the number of productive labour force. Unemployment is an undesirable thing, but a disease that continues to spread in several countries, due to many factors that influence it (Franita et al. n.d.).

Another opinion says that unemployment is a situation where a person who is in the labour force who wants to get a job but has not been able to get it (Takhim and Meftahudin 2018). Unemployment is often defined as a person who wants to work but does not have a job. The number of unemployment rates and the labour force shows the size of the population that must be included in the development process, which means that the unemployment rate and the labour force are part of the population that is able to drive the economic process (Muslim 2014).

MSMEs play an important role as a potential sector and guardian of economic stability in general, considering that small and medium enterprises have a very high involvement in the workforce and improving people's welfare (Khasanah 2023). MSME activities are one of the business sectors that can develop and be consistent in the national economy. MSMEs provide a good platform for productive job creation (Halim 2020).

According to data from the Ministry of Cooperatives and MSMEs as of March 2021, MSMEs contribute 61% of Indonesia's GDP and account for 97% of the country's total labour absorption. There are 67 million MSME sector players recorded. Finance Minister, Sri Mulyani, further underlined that 97% is a very high rate when compared to many other countries. MSMEs, or micro, small, and medium enterprises, employ around 117 million people. The results of data reported by CNBC Indonesia in March 2024, employment through MSME activities in Indonesia is superior with 97% employment rate compared to Malaysia, Japan, Pakistan, Singapore, Germany, Korea, and Thailand.

One way to reduce unemployment is to equip yourself with entrepreneurship education, improve the quality of education and develop entrepreneurial skills training (Ayuni, Laras Sati, and Muhammadiyah Bengkulu 2022).

From previous research conducted by the author (Wiranta and Aulia Aziz n.d.), the conclusion is that education and training on entrepreneurship has a very positive impact on the business management capabilities of MSME actors. Respondents consisting of MSME actors said 85% were helped in knowledge and development both in terms of management and business improvement.

In previous research on community service programmes (Aulia Aziz n.d.), MSME players were given material training by organising seminars, which discussed theoretically about supporting aspects according to the needs of business actors. The next programme held workshops on how to produce goods, package goods, sell goods, and how to make financial reports and determine the selling price of goods.

In addition, the development that can be done is the training of integrated export procedures. This is done to help prospective new exporters who want to develop their knowledge in the field of export-import and also as an answer to the problems in the era of free trade which requires the role of entrepreneurs, especially those who want to enter the export market, be it from individuals, SMEs or entrepreneurs who want to market their products abroad so that they can also help the government in increasing foreign exchange earnings of the country (Sakti et al. 2023).

Previous research added that it is important to improve skills, and the application of marketing through social media. This is based on the fact that one of the challenges faced in general is the lack of knowledge about online marketing, especially along with the advancement of internet technology (Budiantoro et al. 2023).

Many issues continue to hinder the growth of MSMEs in Indonesia, including inadequate capital and management (production, marketing, management, and human resource capacity); in addition, problems from MSME developers and trainers, such as misguided solutions, scarcity of supervision, and institutionally redundant programmed, pose challenges (Hagabean, Budiman, and Raousydiy 2023). As support for these problems, the participation of all parties, so that MSME actors are provided with knowledge through training so that all aspects of management and business are fulfilled in carrying out their operational processes (Nasrudin et al. 2023).

To improve business sustainability, not only must create a quality business in terms of production processes, product quality and business quality, but business owners must also have knowledge about entrepreneurship, where this entrepreneurial knowledge is closely related to knowledge about how successful business tips are, which are not only related to the ability factor of the business owner, but also related to the personality and characteristics that must be possessed by the business owner in carrying out the business, so that later the business will develop significantly (Nasrudin et al. 2023).

Based on information obtained from MSME actors at the interview stage, limitations in financial management knowledge. Financial planning does not necessarily make people suddenly rich but rather emphasizes discipline to control themselves and provide financial conditions for the best future for themselves and their families efficiently and effectively (LESTARI et al. 2023).

Thus the researcher can formulate the main research questions for this study by discussing the above background: (1) How does economic growth affect the development of MSMEs in Karawang Regency? (2) How does unemployment alleviation affect the development of MSMEs in Karawang Regency? This research aims to investigate two main issues: (1) the effect of economic growth on MSME development in Karawang Regency; and (2) the effect of unemployment alleviation on MSME development in Karawang Regency. These objectives will be achieved through the formulation of these issues.

2. RESEARCH METHOD

The design used in this research is a type of quantitative research using numbers and statistical data which can then be measured. This research will be tested with multiple linear regression models (LESTARI et al. 2023; Yam and Taufik 2021).

This study involved the Karawang Regency Cooperative and Small and Medium Enterprises Office, to obtain data on MSME actors in Karawang Regency, there are 15410 MSME actors, to facilitate research 100 MSME actors were used as samples.

To obtain data, various methods were carried out consisting of direct observation in the field and online methods, during direct observation we made several questions that were directly asked to respondents and the rest through the network we distributed questionnaires to MSME actors.

A linear regression model with multiple independent variables is called multiple linear regression. This approach is known as multiple linear regression in English. This research is assumed to involve variables such as Economic Growth, Unemployment Reduction, in relation to MSME Development. Therefore, it is important to understand the variables that influence the goal of MSME development in order to increase economic growth and alleviate unemployment.

This study took several samples of MSME actors to find out the opinions of MSME actors regarding the influence of economic growth and unemployment alleviation in MSME development. The technique taken in this sampling is to provide a questionnaire or questionnaire to MSME actors. A questionnaire is a data collection method in which participants are given a series of questions or written statements to complete. Questionnaires are distributed to measure respondents' perceptions. Like rt scale with five research numbers in this study. The data analysis tool used is the Multiple Linear Regression Test method. Data analysis methods using quantitative methods, namely by using validity tests, reliability tests, normality tests, and multidisciplinary tests.

3. RESULTS AND DISCUSSIONS

The results of the validity test can be seen in the table of validity of the statement items for the Economic Growth variable (X1), Unemployment Alleviation (X2) and the MSME Development variable (Y) as follows:

Table 1. Validity test

		X1	X2	Y
X1	Pearson Correlation	1	.434**	.541**
	Sig. (2-tailed)		.000	.000
	N	100	100	100
X2	Pearson Correlation	.434**	1	.507**

	X1	X2	Y
Sig. (2-tailed)	.000		.000
N	100	100	100
Pearson Correlation	.541**	.507**	1
Y			
Sig. (2-tailed)	.000	.000	
N	100	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

It is clear from table A above that all variables have valid values because the significant values of the variables of Economic Growth (X1), Unemployment Alleviation (X2), and MSME Development (Y) are $0.000 < 0.05$ (significant threshold). The results of the reliability test of the Economic Growth variable (X1), Unemployment Alleviation (X2) and the MSME Development variable (Y) can be seen in the following table:

Table 2. Reliability statistics

Cronbach's Alpha	N of Items
.691	3

The Cronbach's Alpha value, which is 0.691, was determined using table B above. Since it is > 0.60 , the data is reliable. The results of the Normality test of the Economic Growth variable (X1), Unemployment Alleviation (X2) and the MSME Development variable (Y) can be seen in the following table:

Table 3. One-sample kolmogorov-smirnov test

		Unstandardized Residual
N		100
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.57089631
	Absolute	.104
Most Extreme Differences	Positive	.069
	Negative	-.104
Test Statistic		.104
Asymp. Sig. (2-tailed)		.090 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

The variables of Economic Growth (X1), Unemployment Alleviation (X2), and MSME Development (Y) produce a significant Asymp value of $0.090 > 0.05$ (Significant level) based on the data in Table C. Thus, it can be said that the data is normal.

The results of the Multicollinearity test of the Economic Growth variable (X1), Unemployment Alleviation (X2) and the MSME Development variable (Y) can be seen in the following table:

Table 4. Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
1 Economic Growth(X1)	.811	1.232
Unemployment Reduction (X2)	.811	1.232

a. Dependent Variable: Development of MSMEs (Y)

The Tolerance values of Economic Growth (X1), Unemployment Alleviation (X2), and VIF values are $1.232 < 10.00$ based on the data in Table D. Thus, it can be said that there are no signs of multidisciplinary in the previous table.

Table 5. Multiple regression analysis results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.225	1.055		3.057	.003		
1 Economic Growth	.602	.135	.395	4.469	.000	.811	1.232
Unemployment Alleviation	.809	.213	.335	3.791	.000	.811	1.232

a. Dependent Variable: UMKM DEVELOPMENT (Y)

Based on the table above, the regression formula can be obtained as follows: $Y = 3,225 + 0,602X_1 + 0,809X_2$

Each of these regression coefficients has the following meaning: a) 3.225 is the constant value (a). This implies that interest in MSME development will increase by 3,225 if the Economic Growth and Unemployment Reduction factors remain unchanged. b) The coefficient of determining economic growth (X1) is 0.602, meaning that when economic growth increases, the growth rate of MSMEs increases by 0.602 standard deviations. c) The coefficient value of Unemployment Alleviation (X2) is 0.809, which means that when Unemployment Alleviation increases by one unit, the decision to develop MSMEs increases by 0.809 units.

Table 6. Model summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.620 ^a	.384	.371	1.587

a. Predictors: (Constant), Unemployment Alleviation (X2), Economic Growth (X1)

b. Dependent Variable : Pengembangan UMKM (Y)

a. Predictors: (Constant), Unemployment Alleviation (X2), Economic Growth (X1)

b. Dependent Variable: MSME Development (Y)

It is determined that the simultaneous effect (together) of the independent variables on the dependent variable is 37.1% based on Table 2, which has an Adjusted R Square value of 0.371.

Table 7. Anova (b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	152.286	2	76.143	30.232	.000 ^b
Residual	244.304	97	2.519		
Total	396.590	99			

a. Predictors: (Constant): Economic Growth(X1) Unemployment Alleviation(X2)

b. Dependent Variable: MSME Development (Y)

If the value is significant (<0.05), the regression model is considered FIT based on Table III. As can be seen in Table III above, the findings show that the F table is 2.70 (F determination table with a significant level of 0.05 and $df = 100 - 2 - 1 = 97$) and the F result is calculated as 30.232. H_0 is rejected as the F value (30.232) is greater than the F table (2.70). This shows that there is a strong correlation between Economic Growth (X1) and Unemployment Alleviation (X2) on MSME Development. This can be seen from the significant value in the table of 0.000 so that this significant value is smaller than the significant 0.05. So it can be concluded that H_a states that Economic Growth (X1) and Unemployment Alleviation (X2) simultaneously affect MSME Development is accepted.

Comparing the t-calculated value with the t-table value allows one to test hypotheses regarding the impact of the independent factor on the dependent variable. T-table = 1.660 was achieved using two-sided testing, a significant level of 0.05 or 5%, and $dk (n-k) = 100 - 2 = 98$.

By comparing t (count) and t (table), we can investigate how the Economic Growth variable affects the growth of MSMEs. The Economic Growth variable (X1) has a t (count) value of 4.469 > t (table) 1.660 with a significant level of 5% or 0.05 and $df = n - k = 100 - 2 = 98$, according to data derived from the previous table. Economic Growth has a significant value of 0.000 < 0.05 (significant threshold).

This shows that the variables of Economic Growth (X1) and MSME Development (Y) have a positive and substantial relationship. Therefore, hypothesis 1 is accepted, indicating that there is evidence, at the 5% significance level, that the Economic Growth variable affects the growth of

MSMEs in Karawang Regency. Thus, the potential for MSMEs to grow is greater when economic growth is stronger. Similarly, MSMEs have less opportunity to grow at slower economic growth rates.

Looking at these results, it can be seen that the effect of MSME development on economic growth and unemployment alleviation has a positive impact on society. Apart from being beneficial for MSME actors, the increasing number of existing MSMEs is not only beneficial for the MSME actors themselves, but also for other people who are in need of work. Because the existence of MSMEs can open new job opportunities and little by little can reduce the unemployment rate in Karawang Regency in particular.

By comparing t (count) and t (table), one can test the impact of the unemployment alleviation variable on MSME development. The variable Unemployment alleviation (X_2) was found to have a t (count) value of 3.791 > t (table) 1.660 with a significant level of 5% or 0.05 and $df = n - k = 100 - 2 = 98$ based on the table above. The significant value of Unemployment is $0.000 < 0.05$ (significant level).

This shows that the variables of MSME development (Y) and unemployment alleviation (X_2) have a positive and substantial relationship. As a result, hypothesis 2 is accepted, indicating that there is evidence, at the 5% significance level, that the unemployment alleviation variable affects MSME development. Therefore, the potential for MSMEs to develop is stronger the higher the unemployment alleviation. Conversely, the potential decreases with decreasing unemployment benefits.

The number of lower-middle class unemployment is also reduced by the presence of MSMEs in the community. If MSMEs are managed well and use the right techniques and strategies, their presence in the community may present new opportunities. In today's Indonesian society, MSMEs are limited to cottage industries and lack systematic planning, which usually results in some community MSMEs failing within a short period of time.

4. CONCLUSION

The obstacles encountered during the research were limited data on umkm actors, differentiating the categories of umkm that have developed and those that are just pioneering and the type of business, this is because the distribution of umkm actors in Karawang district is very wide. This research only focuses on two sub-districts in West Karawang with respondents taken from 2 villages, namely Tanjung Pura and Karangpawitan.

From the research results, it was found that the increase in MSMEs towards economic growth and unemployment alleviation in the development of MSMEs in Karawang Regency is very significant, it is hoped that this research can be thorough, especially in Karawang Regency.

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