

ALLOCATION OF REGIONAL EXPENDITURES BUDGET IN THE FRAMEWORK OF INCREASING THE COMPETITIVENESS OF “UMKM”

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Abstract

In 2020 due to the Covid-19 pandemic, Indonesia again experienced an economic crisis due to the health crisis, where economic growth experienced a contraction, especially in the first quarter which reached 5.32%. However, in 2020 during the Covid-19 pandemic crisis, the Indonesian MSME Association (Akumindo) noted that MSMEs were able to contribute 37.3% to GDP in 2020 or around IDR 4,235. In order to increase the potential and develop the number of MSMEs in Kediri City, the Kediri City Government through the Cooperative and UMTK Service (Dinkop UMTK) partnered with Bank Jatim to hand over East Java Provincial Social Assistance for every MSMEs in the context of handling inflation due to rising fuel prices. The research aims to find out that social assistance to MSMEs can increase their more competitive and support economic growth in the regions. This study used a qualitative descriptive method, in which the data obtained from observations, interviews, photographic results, document analysis, as well as field notes and by presented in the form of narrative descriptions. Data analysis used the Miles and Huberman model analysis techniques. The conclusion of this research is government spending budget has increased in total spending 14.33% used for grants and social assistance activities. Meanwhile, for grants and social assistance activities, the budget has increased 50.06%. The increase in regional spending allocations increased MSMEs assisted by the Dinkop which will receive capital assistance from 1,343 recipients in 2022 and in 2023 it is targeted to receive assistance at least 3,000 recipients.

Keyword: Regional Expenditures, Framework, Competitiveness, UMKM

1. INTRODUCTION

As a developing country that carries the mandate for the welfare of its people, the role of the government is highly expected either through increasing its economic growth, reducing unemployment or through increasing its level of education. Economic growth itself is a process of continuous economic activity towards better state conditions for a certain period. In addition, economic growth is often used as a benchmark for the development and progress of the country's economy.

In some cases there was an economic crisis, for example in 1998 when Indonesia's economic growth at that time contracted to 13.13% which led to an increase in the number of poor people to 49.5 people and layoffs of 3.53 million people. In 2020 due to the Covid-19 pandemic, Indonesia experienced another economic crisis due to the health crisis (Pandemic Covid-19), where economic growth experienced a contraction, especially in the first quarter which reached 5.32%. The absence of economic activity causes unemployment and poverty rates to spike sharply. BPS noted that the number of poor people in September 2020 reached 27.55 million people, an increase of 2.76 million people compared to September 2019 or before the

pandemic.

However, if we look at the BPS (Central Statistics Agency) data during this crisis there are some interesting things to observe, namely; the number of SMEs after the economic crisis of 1997-1998 decreased by 7.42% (from 39,765,110 units to 36,813,578 units), but the growth in the GDP contribution of micro, small and medium enterprises actually increased dramatically by 52.24% (from 363, 2 T to 552.9T). In addition, the growth in export value also increased by 76.48% (from around 39.27 trillion rupiah to 69.31 trillion rupiah). These statistics are both proof and hope for the role of MSMEs after the corona pandemic. Meanwhile, the global financial crisis in 2008 was triggered by the collapse of the property market in the United States (US). It was found that MSMEs were relatively unaffected. This is because there is very little connection between MSMEs and the global market. There are no transactions using foreign money so that only certain MSMEs that are involved with the export market are relatively affected. In 2020 during the Covid-19 pandemic crisis, the Indonesian MSME Association (Akumindo) noted that MSMEs still contributed 37.3% to GDP in 2020 or around IDR 4,235 trillion. Compared to the previous year, which contributed 60.3% of GDP or IDR 8,400 trillion.

The existence of a very large contribution of MSMEs to Indonesia's GDP has made the government serious about developing these MSMEs so that they play an increasing role in the national economy. "Until 2024, the Ministry of Cooperatives and SMEs is targeting an increase in the contribution of MSMEs to gross domestic product (GDP) to increase to 65%, an increase in the contribution of cooperatives to GDP to 5.5%, and an increase in the contribution of MSME exports to increase to 17%," said Teten Minister of Cooperatives and MSMEs, Tuesday (28/2/2023).

Likewise with the City of Kediri, which felt that MSMEs during the Covid-19 pandemic played an important role in supporting the economy of Kediri City. Apart from being a contributor to regional income, the presence of MSMEs turned out to be able to absorb labor and add new job vacancies. When the 2020 pandemic occurred, many large business activities suffered losses, especially with restrictions on community activities which eventually led to massive layoffs. This is different from the condition of MSMEs which are sourced from data from the Office of Cooperatives for Micro Enterprises and Labor (Dinkop UMTK) in the City of Kediri. Initially the number of MSME actors in 2019 was 5,805 which were divided into 3 (three) types of businesses, namely services, trade and crafts. In 2020 the number has decreased to 5. 070 businesses and then in 2021 it will increase to 5,808 businesses. This fact is proof that the MSME sector during the pandemic has become a pillar that supports the economy.

In order to increase the potential and develop the number of MSMEs in Kediri City, the Kediri City Government through the Office of Cooperatives and UMTK (Dinkop UMTK) partnered with Bank Jatim to hand over East Java Province Social Assistance worth Rp. 600.000,- for every MSMEs (UMTK Dinkop, 22/12/22). The distribution of social assistance disbursed by the central government through the East Java Provincial Government and distributed by the Kediri City Government was carried out in the context of handling inflation due to the increase in fuel prices. The provision of social assistance aims not to hinder MSME business activities, to ease the burden on MSME players so they can grow and develop and to ensure economic

stability in the region.

2. METHOD

Research as an effort to obtain the truth must be based on a scientific thought process that is embodied in the scientific method. The scientific method is the foundational framework for the creation of scientific knowledge. Research conducted using the scientific method contains two important elements, namely observation (observation) and reasoning (reasoning). The scientific method is based on the premise that if a statement is to be accepted as true, then that statement must be verifiable or empirically tested or based on facts. (Dharmas, 2008)

This study used a qualitative descriptive method, in which the data obtained from observations, interviews, photographic results, document analysis, as well as field notes were compiled by the researchers at the study sites not in the form of numbers, but presented in the form of narrative descriptions. Because of the data collection techniques used include observation, interviews and documentation. Data analysis used the Miles and Huberman model analysis techniques, through the stages of data reduction, data presentation, and drawing conclusions.

3. RESULTS AND DISCUSSION

In an effort to implement the National Economic Recovery Program after the Covid-19 pandemic, the Government continues to provide support to MSMEs through capital assistance, permits and marketing facilities at home and abroad as well as increasing the competitiveness of MSMEs. This is because MSMEs are an important pillar in the national economy. The number of MSMEs in Indonesia in 2021 is 64.19 million, of which the composition of Micro and Small Enterprises is very dominant, namely 64.13 million or around 99.92% of the entire business sector.

Survey results from several institutions (BPS, Bappenas, and the World Bank) show that this pandemic has caused many MSMEs to have difficulty paying off loans and paying electricity, gas and employee salary bills. Some of them had to do layoffs. Other obstacles experienced by MSMEs include the difficulty of obtaining raw materials, capital, declining customers, hampered distribution and production. Therefore, the Government seeks to provide a number of stimulus through loan restructuring policies, additional capital assistance, relief in payment of electricity bills, and other financing support. (Mugiarso, 2021)

Government policy places Micro, Small and Medium Enterprises (MSMEs) as the main target in regional development with the aim of increasing potential and active participation in the regional economy must be supported by commitment and good coordination between local government, business people and non-business institutions and the local community through empowering Micro, Small and Medium Enterprises (MSMEs) so that they really develop and exist in their business activities.

Based on Law Number 20 of 2008 concerning MSMEs, there are a number of criteria for classifying MSMEs, namely:

- a) For micro businesses, have a maximum net worth of IDR 50 million, excluding land and buildings for business premises. Or, the business has annual sales of at most IDR 300 million.
- b) Small businesses have a net worth of more than IDR 50 million to a maximum of IDR 500 million, excluding land and buildings. Small businesses can also be classified from annual sales of more than IDR 300 million to a maximum of IDR 2.5 billion.
- c) Medium businesses, with the criteria of having a net worth of more than IDR 500 million and a maximum of IDR 10 billion, excluding land and business buildings. It can also be seen from the annual sales results of more than IDR 2.5 billion and a maximum of IDR 50 billion.

The City of Kediri as a city in East Java with a population of around 300 people divided into 3 (three) sub-districts, in 2021 has a Per Capita GRDP based on the highest current prices in East Java and nationally, namely IDR 457.98 million. At the same time the City of Kediri is also designated as the richest city version www.detik.com

The Kediri City Government is very aware that the success of the regional economy is also supported by the existence of MSMEs, especially from absorbing labor and the welfare of the people in their area. Through the Business Credit Serving the Citizens of Kediri City (Kurnia) program which is expected to give birth too many new entrepreneurs in the City of Kediri so that people's welfare increases and can support the acceleration of the national economy. In addition, there are also entrepreneurship training programs, assistance with licensing or business legality, implementing MSME clinics both online and offline.

In order to carry out these programs, of course the Kediri City Government must provide its budget in the Kediri City APBD. The following is the Kediri City government spending budget for 2020-2023 which is used for grant spending and social assistance spending, including it is used for MSME capital and training activities or promotion of MSME products.

Table 1: Budget for Grants and Social Assistance Expenditures Kediri City Government 2020 – 2023 (in thousands of Rupiah)

No	Year	Total Spend	Grant Shopping	Shopping for Social Assistance	% Grant and Social Assistance Expenditures
1	2020	1,474,904.90	59,221.40	30,771.50	0.06
2	2021	1,619,807.99	89,588.66	38,265.24	0.08
3	2022	1,525,927.70	44,878.80	21,913.30	0.04
4	2023	1,744,540.97	89,698.67	10526.61	0.06
Average		1,591,295.39	70,846.88	25,369.16	0.06

Source: Perda APBD Kota Kediri processed

Along with the increase in the spending budget, there has been an increase in the number of MSMEs, especially micro businesses where at the end of 2020, Micro Enterprises in the City of Kediri were recorded at 5,070. Whereas in 2021 the number of Micro Enterprises in the City of Kediri is 5,808 or an increase of 738 or 14.5%.

In 2023, based on data from the East Java Provincial Government, the number of MSMEs in Kediri City reaches 45,629 business units, with details of those engaged in the agricultural sector 6,478 while the non-agricultural sector is 39,139 businesses. As for the non-agricultural sector, 33,574 (85.78%) businesses are included in the micro-enterprise category.

From this data, 5,400 business units were included in the Kediri Municipal Government's database. This number has increased from the previous year, which amounted to 5,070 business units. As for 80 MSMEs that have participated in training and assistance to increase their business competitiveness in 2022, it is hoped that they will be able to spur their MSMEs to improve packaging, improve quality and complete legality.

In order to encourage MSMEs to improve their performance and activities, the government has issued several policy packages, namely training and providing business capital for entrepreneurs whose value is around Rp. 25,000,000 and People's Business Credit (KUR) which has an interest rate of up to 9%. This program includes facilities for providing capital and investment to MSMEs whose businesses are running productively (feasible) but with the condition that they cannot access the financial sector in banking. The amount of credit ceiling in the People's Business Credit is 500 million which is guaranteed by a guarantee company. Other assistance, namely there is a revolving fund credit assistance from the Revolving Fund Management Institute from the Ministry of Cooperatives and SMEs as well as partnership and Community Development programs and financing programs through the Corporate Social Responsibility (CSR) program whose funds come from BUMN, BUMD, and companies in the private sector (Sugiyanto et al., 2018). However, it turns out that the field shows that not all running programs have been programmed effectively, so that it can have an impact on not achieving an increase in the performance of MSMEs, especially Micro and Small Enterprises.

In 2021, a total of 57 MSME actors assisted by the UMTK Dinkop Dinkop in Kediri City received production equipment assistance. This type of tool assistance is in accordance with the needs for the development of their respective businesses and in 2022, as many as 80 people will receive training and distribution of social assistance to 316 MSMEs. In addition, in 2022 through the business capital assistance program from DBH-CHT) the City of Kediri will provide assistance to 1,343 recipients who are business owners, residents of the city of Kediri. The amount of assistance each person receives varies, depending on their business with a maximum of IDR 10 million. Meanwhile, in 2023 it is planned that the Kediri City Government will distribute venture capital assistance of IDR 16 billion for Business Identification Number (NIB) holders with a minimum number of recipients of 3,000 people.

4. CONCLUSION

The Kediri city government spending budget has increased in total spending from Rp. 1,525.93 billion to Rp. 1,744.541 billion or an increase of 14.33%. Meanwhile, for grants and social assistance activities, the budget has increased from Rp. 66.792 billion in 2022 to Rp. 100.225 billion in 2023 or an increase of Rp. 33.433 billion (50.06%).

The increase in regional spending allocations has also increased MSMEs assisted by the Dinkop which will receive capital assistance from 1,343 recipients in 2022 and in 2023 it is targeted to receive assistance at least 3,000 recipients.

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