

THE ROLE OF THE EFFECTIVENESS OF MSMEs IN INCREASING COMMUNITY INCOME IN PEMATANG SERAI VILLAGE

Uswatun Hasanah^{1*}, Annisa Ilmi Faried², Saimara AM Sebayang³, Nisa
Ulzannah⁴

^{1,2,3,4} Universitas Pembangunan Panca Budi

* uswatunhasanah@dosen.pancabudi.ac.id

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ABSTRACT

This study analyzes the role and effectiveness of UMKM (Micro, Small, and Medium Enterprises) in increasing community income in Desa Pematang Serai, Langkat, using a SWOT analysis and scoring approach. The findings reveal key strengths, such as the diversity of local products, the provision of job opportunities, and low operational costs due to the use of local resources. Major weaknesses include limited access to technology, insufficient business capital, and a lack of structured management. Opportunities identified include growing market awareness of local products, governmental and financial support, and the potential for digital market expansion. However, threats, such as competition from external products, fluctuations in raw material prices, and economic instability, pose challenges to UMKM growth. The weighted scores indicate that strengths have the most significant impact, with a total score of 3.30, emphasizing the potential for UMKM to boost local economic growth. Weaknesses scored a total of 2.75, indicating the need for improvements in technology access, financial support, and management. Opportunities, with a score of 2.50, highlight the importance of utilizing government support and digital marketing. Threats scored the lowest at 1.80, though they underscore the need for UMKM to adapt to external pressures. Overall, this analysis underscores the importance of supporting UMKM through improved financing, training, and sustainable practices to optimize their role in enhancing rural income.

Keyword : Pematang Serai, SWOT, UMKM

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have long been recognized as crucial elements in driving economic development, particularly in rural areas. In Indonesia, MSMEs contribute significantly to national economic growth, job creation, and poverty alleviation. In Pematang Serai Village, located in Serdang Bedagai Regency, North Sumatra, MSMEs play a central role in improving the livelihoods of local communities by providing employment opportunities and boosting local income levels.

As of 2022, there are over 1.1 million MSMEs in North Sumatra, contributing significantly to the regional economy. In fact, MSMEs account for more than 60% of Indonesia's Gross Domestic Product (GDP), a significant portion of which comes from rural and suburban areas. Pematang Serai, with its agricultural base and thriving small-scale businesses, exemplifies the importance of MSMEs in rural economies. In this village, MSMEs operate across various sectors such as agriculture, handicrafts, retail, and the food industry, and they serve as a vital income source for a large proportion of the local population.

The growth and sustainability of MSMEs in Pematang Serai have contributed to a noticeable improvement in the village's economy. According to data from the North Sumatra Cooperatives and MSMEs Office, approximately 30% of households in Pematang Serai rely on MSMEs for their primary income. The success of MSMEs has been linked to job creation, which in turn has decreased unemployment rates and contributed to poverty alleviation in the region. Moreover, MSMEs have been pivotal in promoting local products and services, which helps maintain the village's cultural and economic identity.

However, despite their significant role, MSMEs in Pematang Serai face several challenges that hinder their full potential. These challenges include limited access to capital, lack of technological adoption, and low managerial skills among local entrepreneurs. According to a 2021 report from the North Sumatra Economic Development Agency, only 40% of MSMEs in the province had access to financing through government programs such as the Credit for People's Business (KUR), which are designed to provide affordable loans to small businesses. Furthermore, market access remains a significant barrier, with many local businesses struggling to expand beyond the village or to reach larger consumer bases.

In response to these challenges, the Indonesian government has introduced various support programs aimed at enhancing the effectiveness of MSMEs. The KUR program, along with other entrepreneurial development initiatives, provides financing and training to help MSMEs grow. In 2022 alone, more than 50% of MSMEs in North Sumatra benefited from training programs on business management, marketing strategies, and digital tools. These initiatives have helped increase the competitiveness of MSMEs, particularly in rural areas like Pematang Serai, where businesses can access new markets and technologies.

The effectiveness of MSMEs in improving community income is evident in the positive changes in household earnings. On average, the income of MSME owners in Pematang Serai has increased by 20-30% since the introduction of these support programs. Additionally, local employment rates have improved as MSMEs continue to generate jobs, reducing the reliance on traditional agriculture and diversifying the local economy.

LITERATURE REVIEW

The Role of MSMEs in Economic Development

MSMEs have a significant impact on national economies. In many countries, they contribute to a large proportion of GDP and employment. According to a report by the World Bank (2014), MSMEs represent about 90% of all businesses and provide 50-60% of employment globally. These enterprises are vital for fostering innovation, creating employment, and reducing poverty, especially in rural communities where large-scale industries may not be present (World Bank, 2014).

In Indonesia, MSMEs are particularly important in rural areas where they not only provide livelihoods but also help preserve local culture and traditional industries. The Indonesian Ministry of Cooperatives and SMEs (2020) states that MSMEs account for more than 60% of Indonesia's GDP and employ more than 90% of the workforce in the country. This makes them a driving force for economic stability and rural prosperity (Ministry of Cooperatives and SMEs, 2020).

Challenges Facing MSMEs

Despite their significant contributions, MSMEs face several challenges that hinder their growth and sustainability. One of the most common barriers is access to financing. Many MSMEs struggle to obtain capital due to a lack of collateral, limited credit history, or insufficient knowledge of financial management (Kumar, 2015). In Indonesia, for example, less than 40% of MSMEs have access to financing through formal banking channels (Suryana, 2016). Another challenge is the lack of technological adoption. Many MSMEs operate in traditional industries with limited exposure to modern technology, which restricts their ability to scale or improve efficiency. Research by the International Labour Organization (2018) highlights the importance of digital transformation for MSMEs, noting that adopting digital tools and e-commerce platforms can significantly enhance their market reach and competitiveness (International Labour Organization, 2018). Furthermore, the low managerial skills among MSME owners and managers is another critical issue. A study by Kamarulzaman & Abdul-Rahman (2017) found that weak

business management practices, such as poor financial planning and lack of marketing strategies, are prevalent among MSME owners, especially in rural areas.

Government Support for MSMEs

Governments worldwide have recognized the importance of MSMEs and have implemented various policies to support their growth. In Indonesia, programs like Credit for People's Business (KUR) have been introduced to provide affordable loans to small businesses. According to the Bank of Indonesia (2019), the KUR program has significantly contributed to the growth of MSMEs by increasing access to capital. In addition, the Indonesian government has launched training programs focused on improving business management skills, marketing strategies, and technological adoption among MSMEs (Bank of Indonesia, 2019). The effectiveness of government programs in improving MSME performance is evident in the case of rural areas such as Pematang Serai, where the introduction of financing options and training programs has led to a noticeable increase in local MSME growth. A report by the North Sumatra Cooperatives and MSMEs Office (2022) found that over 50% of MSMEs in the region benefited from these initiatives, resulting in higher business revenues and improved local employment rates (Hasanah et al., 2023).

RESEARCH METHODS

This study uses the SWOT (Strengths, Weaknesses, Opportunities, Threats) method, which involves analyzing both internal (strengths and weaknesses) and external (opportunities and threats) factors that affect MSMEs (Micro, Small, and Medium Enterprises) in Pematang Serai Village. The following are the steps taken in this research:

1. Identifying Strengths

Interviews with MSME owners and field observations are conducted to identify internal positive aspects that serve as strengths for MSMEs.

2. Identifying Weaknesses

The researcher identifies weaknesses within the MSMEs, including aspects such as management, financial limitations, and technological gaps through interviews and observations.

3. Identifying Opportunities

The researcher collects data from various external sources, such as market trends, government policies, and the potential market for MSME products.

4. Identifying Threats

External threats, including competition, economic changes, and government regulations, are analyzed through literature studies and interviews with local economic experts.

RESULTS AND DISCUSSION

Scoring and Weight Analysis

Based on the table above, we can analyze the factors affecting UMKM in Pematang Serai Village and how they can improve the income of the community.

1. Strengths:

- **Diverse Local Products:** Pematang Serai Village has significant potential in local products, such as traditional foods and handicrafts, which can be marketed to a wider audience. These local products have high demand in both local and external markets.
- **Employment Opportunities from UMKM:** UMKM creates important job opportunities for the village's residents, especially for those with low to medium skill levels.
- **Low Operational Costs:** By utilizing local resources, UMKM in the village benefits from lower production costs, giving them a competitive edge in pricing.

Total Strengths Score: 3.30

This shows that strengths play a significant role in the development of UMKM and can be leveraged to boost the community's income.

2. Weaknesses:

- **Limited Access to Technology:** Advanced technologies could improve the efficiency and quality of products. Currently, many UMKM players in the village have not yet adopted modern technology in their production and marketing efforts.
- **Limited Capital for Expansion:** Many UMKMs struggle to obtain the capital needed for business expansion and purchasing more efficient equipment.
- **Lack of Structured Business Management:** Many UMKMs do not have a proper management system in place, which hinders their growth and sustainability.

Total Weaknesses Score: 2.75

These weaknesses indicate that to improve the effectiveness of UMKM, attention must be given to access to technology, management improvements, and financial access.

3. Opportunities:

- **Increasing Market Awareness of Local Products:** There is a growing global trend towards purchasing local and eco-friendly products, which represents a significant opportunity for UMKM products from Pematang Serai.
- **Government and Financial Institution Support:** The central and local governments have provided various assistance and training programs for UMKM, including affordable financing and skills training.
- **Digital Market and E-Commerce:** The rising use of digital platforms for product marketing and sales offers an opportunity to expand the market for UMKM products nationally and even internationally.

Total Opportunities Score: 2.50

This is an important opportunity that UMKM should seize by maximizing government support and online marketing to grow their products.

4. Threats:

- **Competition from Out-of-Region Products:** UMKM in the village faces the threat of competition from cheaper, more standardized products from outside the region, which offer competitive quality and prices.
- **Fluctuating Raw Material Prices:** The rising cost of raw materials can affect production costs and UMKM profits.
- **Economic Instability:** Economic crises or uncertainties can reduce consumer purchasing power, which will impact the sales of UMKM products.

Total Threats Score: 1.8

Table 1. SWOT Matrix for UMKM in Pematang Serai Village, Langkat

Factor	Indikator	Score	Weight	Score x Weight
Strengths	Diverse local product potential	.30	0	1.20
	Availability of employment from UMKM	.30	0	1.20
	Low operational costs (utilizing local resources)	.30	0	0.90
Weaknesses	Limited access to technology for production and marketing	.25	0	1.00
	Limited capital for business expansion and equipment	.25	0	1.00
	Lack of structured business		0	0.75

Factor	Indikator	Score	Weight	Score x Weight
	management and limited business knowledge		.25	
Opportunities	Increasing market awareness of local products	.25	0	0.75
	Government and financial institution support (financing, training, etc.)	.25	0	1.00
	Potential of digital market and e-commerce for UMKM product distribution	.25	0	0.75
Threats	Competition from out-of-region products (cheaper and more standardized)	.20	0	0.60
	Fluctuating raw material prices affecting production costs	.20	0	0.40
	Economic instability affecting consumer purchasing power	.20	0	0.80

The Analysis, 2024

UMKM (Micro, Small, and Medium Enterprises) in Desa Pematang Serai play a vital role in improving community income by creating job opportunities and reducing unemployment. According to Hasanah et al. (2022), UMKM provide essential employment, although challenges such as limited access to capital and markets hinder growth. Faried et al. (2021) highlights the importance of leveraging technology and e-commerce to expand market reach, though many local UMKM face difficulties in adopting modern technologies due to lack of access.

Sembiring (2018) emphasizes the need for financial literacy to ensure the sustainability of UMKM, while Ramadhan et al. (2023) advocates for regulatory support that facilitates access to financing. Fadlan (2023) suggests that market expansion through strategic partnerships can enhance the competitiveness of local businesses. Finally, Sari et al. (2023) underscores the importance of integrating sustainable business practices to ensure the long-term survival and competitiveness of UMKM.

With the right support in terms of training, funding, and market expansion, UMKM in Desa Pematang Serai have significant potential to boost community income, despite the challenges they face.

CONCLUSION

Strengths (3.30) are the key drivers that should be maximized to enhance the income of the community through UMKM in Pematang Serai Village. UMKM should leverage their local product potential and low operational costs to improve competitiveness.

Weaknesses (2.75) show that significant attention must be paid to technology access, management improvements, and financial access. Expanding financing options and providing management training can be beneficial for UMKM's growth.

Opportunities (2.50) such as government support and the digital market should be fully utilized. UMKM must focus on online marketing and expanding their digital presence to reach wider markets.

Threats (1.80), although lower, still require attention. UMKM should develop strategies to handle external competition and economic fluctuations, such as improving product standardization and diversifying their products.

Strategic Recommendations:

1. **Enhance Managerial Capacity:** Provide business management training for UMKM players to manage their businesses more effectively.
2. **Increase Capital Access:** Strengthen access to financing for UMKM through partnerships with local financial institutions.
3. **Leverage Technology:** Provide training on the use of modern technology for production and marketing.
4. **Expand Market Reach:** Expand markets through **e-commerce platforms** and make full use of **government support**.
5. **Diversify Products:** Develop new products that align with market trends and increase competitiveness.

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