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Empowerment of Micro, Small, and Medium Enterprises in South Sulawesi through Participatory Economic Transformation (Case Study: Makassar City)

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ABSTRACT

The city of Makassar is considered one of the attractive and promising cities for the development of trade in goods and services. Empowering micro, small, and medium enterprises (MSMEs) and the tourism sector in Makassar significantly influences the improvement of the economy, both at the individual and overall levels. This research aims to determine the role of small and medium-sized enterprises in grassroots economic development. In this study, the researcher focuses on variables such as labor absorption, business capital, and the level of business profit obtained by MSMEs, which are independent variables influencing community welfare. The results of this research, using the SPSS approach, have provided statistical test results indicating that all three variables positively and significantly influence community welfare (Y). These variables include labor absorption (X1) with a coefficient of $b_1 = 2.019$, followed by business capital (X2) with a coefficient of $b_2 = 2.546$, and the third variable, business profit (X3), with a coefficient of $b_3 = 3.024$. In the partial test (F), the labor absorption variable (X1) is the most dominant, followed by the business capital variable (X2) and the business profit variable (X3), each influencing the level of community welfare (Y). For the partial and simultaneous tests using the SPSS system, there is an influence of these three variables on community welfare, assuming that other variables remain constant.



INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a crucial component of the Indonesian economy, providing employment and income for a significant portion of the population. MSMEs also play a vital role in the Indonesian economy, particularly in grassroots economic development, as their contributions span across various sectors. This significantly enhances labor absorption and reduces unemployment rates (Tambunan 2009). The MSME sector has been promoted and established as the primary agenda for the development of this regional economy and has proven its resilience during the economic crisis in 1998. During that crisis, only the MSME sector survived the economic collapse, while larger sectors succumbed to the crisis. Mudrajat Kuncoro, as reported in *Bisnis Indonesia* on October 21, 2021, stated that MSMEs proved resilient to crises and were able to survive because, firstly, they did not have foreign debt. Secondly, they had minimal indebtedness to banks as they were considered unbankable. Thirdly, they utilized local inputs. Fourthly, they were export-oriented.

According to the Central Statistics Agency (BPS) data for the South Sulawesi Province in 2021, MSMEs contributed 54%-57% to the gross domestic product (GDP), accounted for about 66% of employment absorption, and 21% of MSMEs engaged in export activities through third parties (exporters/intermediaries). This data illustrates that micro, small, and medium-sized enterprises play a crucial role in development across all sectors, particularly in the development related to community welfare. However, what needs to be the government's focus as a policy determinant is to allow space for business development without creating regulations that could stifle enterprises. The government's role in creating an environment conducive to business development is crucial. This involves providing policy space for long-term economic strategies and addressing regulatory barriers, as emphasized by Kularatne (2012). However, the feasibility and impact of government intervention in the formation of new businesses are subjects of debate (Atherton 2006). Smallbone (2001) further underscores the importance of the government's role in creating a supportive environment for micro, small, and medium enterprises, especially in transitional economies.

Economic development efforts in Makassar City are an integral part of the national development that must be implemented and coordinated in an integrated manner between various sectors. To stimulate economic growth in Makassar City towards achieving full employment, strategic steps are necessary. One way to achieve this is by promoting the growth of Micro, Small, and Medium Enterprises (MSMEs), as this sector absorbs the most labor and encourages increased investment. To make these efforts more effective, a study on the development of the MSMEs sector in Makassar City is needed. MSMEs encompasses various business units, one of which is the manufacturing sector. To observe the growth of the number of MSMEs and labor absorption in Makassar City, the following table provides relevant information:

Table 1. Development of Micro, Small, and Medium Enterprises (MSMEs) and Employment Absorption (2018-2022)

Year	Number of MSMEs	Total Manpower	Production Value (Rp)	Turnover Value (Rp)
2018	946 units	1,204 people	11,38 M	14,79 M
2019	1054 units	965 people	14.45 M	17,34 M
2020	1159 units	861 people	13,14 M	14,45 M
2021	1273 units	948 people	10,95 M	12,05 M
2022	1403 units	758 people	13,69 M	14,38 M

Source: Office of Cooperatives and SMEs of Makassar City

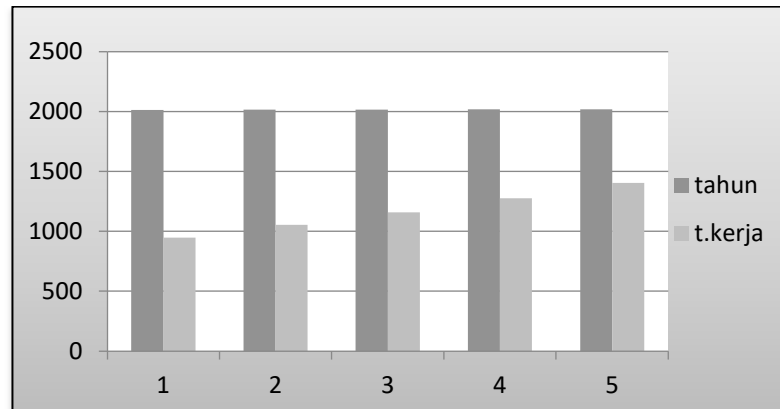


Figure 1. Chart of Micro, Small, and Medium Enterprises (MSMEs) Employment Absorption Development

In the city of Makassar, the manufacturing sector is the second-largest contributor to the city's Gross Regional Domestic Product (GRDP) after trade. The table above depicts the number of workers, amount of investment, and production value generated by small industries in Makassar City in the year 2021. In actuality, with a substantial quantity (1490) or a growth of about 17.83%, and an average annual value-added increase (2018-2022) of 6.09% (BPS South Sulawesi), the Micro, Small, and Medium Enterprises (MSMEs) in the manufacturing sector exhibit a quite significant potential.

28
An Analysis of the Influence of the Development of Small and Medium-Sized Enterprises in the Manufacturing Sector on Economic Growth in Makassar City, if developed, is expected to further increase employment opportunities and enhance investment absorption. Consequently, MSMEs players are anticipated to escalate their production scale. Given the phenomena described above, research on the Analysis of the Development of Micro, Small, and Medium Enterprises in the Manufacturing Sector Regarding Economic Growth in Makassar City is deemed necessary.

Literature Review

Concept and Definition of MSMEs

MSMEs play a crucial role in the Indonesian economy, particularly in economic growth, employment absorption, and the distribution of development outcomes (Hafni and Rozali 2015; Machmud 2013; Puspitasari 2020; Sitorus 2019). They have also proven to be resilient in facing economic crises, as seen during the 1997-1998 crisis (Hafni and Rozali 2015; Sitorus 2019). However, MSMEs still encounter various challenges, including market access, business development, and financing (Machmud 2013). Despite these challenges, Micro, Small, and Medium Enterprises (MSMEs) have a vital and strategic role in national economic development. In addition to contributing to economic growth and job creation, MSMEs also play a role in distributing the benefits of development. They have demonstrated resilience, remaining unaffected during crises, as evidenced during the 1997-1998 period when only MSMEs were able to stand firm.

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Data from the Central Statistics Agency (Badan Pusat Statistik) shows that, post the 1997-1998 economic crisis, the number of Micro, Small, and Medium Enterprises (MSMEs) did not decrease; instead, it continued to rise, even managing to absorb between 85 million to 107 million workers until 2012. In that year, the total number of businesses in Indonesia was 56,539,560 units. Out of this figure, Micro, Small, and Medium Enterprises (MSMEs) accounted for 56,534,592 units or 99.99%. The remaining approximately 0.01%, or 4,968 units, constituted large enterprises. This data proves that MSMEs represent a highly potential market for



financial service industries, especially banks, to channel financing. This is because around 60 - 70% of MSME players still lack access to banking financing.

The government and legislature have demonstrated their attention to MSMEs by launching Law No. 20 of 2021 on MSMEs. Classical issues such as access to capital from financial institutions can now begin to be addressed. This is because the regulation includes provisions regarding the expansion of funding and facilitation by both banking and non-banking financial institutions, giving greater emphasis to micro, small, and medium-scale businesses.

The government and legislature have shown their concern for MSMEs by enacting Law No. 20 of 2018 on MSMEs. With regulations serving as legal umbrella, the movement of MSMEs becomes more unrestricted. Classical issues such as access to capital from financial institutions can now be gradually overcome. Banks are becoming more aggressive in disbursing credit to MSMEs. MSME businesses are no longer considered secondary. Indeed, the disbursement of credit to the MSME sector has gradually experienced growth. Overall, its growth is higher compared to the total banking credit. Figure 2 below, which represents data from 2014, illustrates the distribution of banking credit. The largest share is still held by State-Owned Banks, at 50%, while National Private Banks account for around 40%, Regional Development Banks (BPD) at 7%, and Foreign Banks, Mixed Banks about 3%.

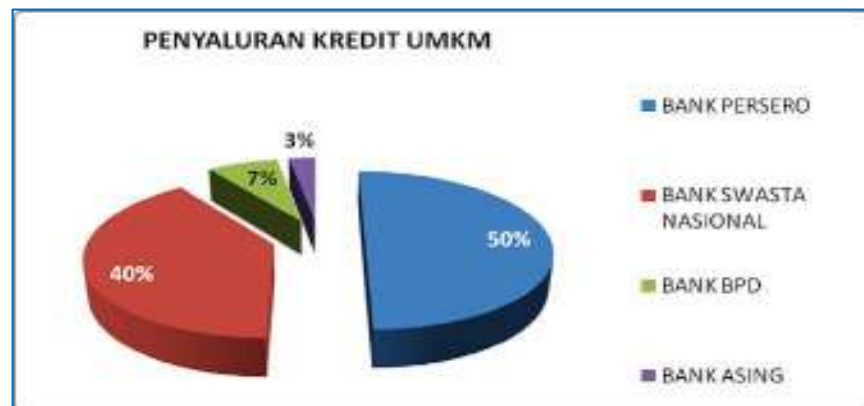
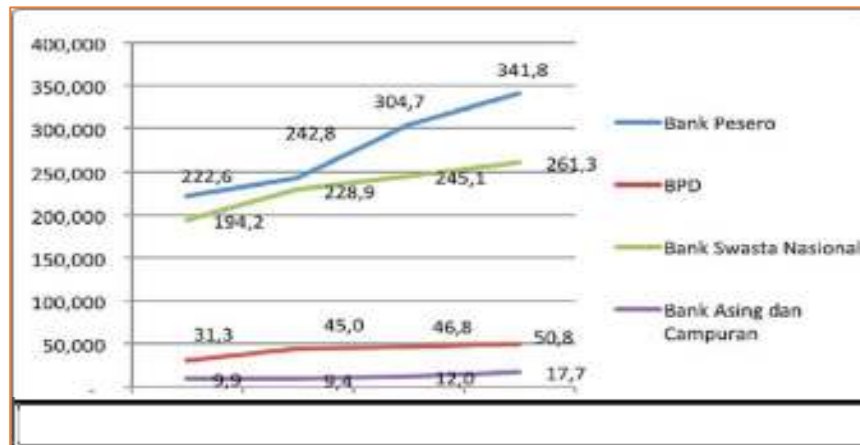


Figure 2. Chart of MSME Credit Disbursement in 2021

From the year 2018 to 2021, based on Figure 3 below, a significant increase in credit disbursement by banks to MSMEs is evident. The average annual increase in MSME credit is around 13.63%. The participation of banking institutions in the development of micro, small, and medium enterprises has been quite active. The chart below illustrates the general credit disbursement by commercial banks during the period from 2011 to 2014 as the initial basis for evaluating credit distribution.

**Figure 3.** Chart of MSME Credit Disbursement by Commercial Banks

Source: Profile of MSMEs from Bank Indonesia - 2021

Definition of Micro, Small, and Medium Enterprises (MSMEs)

The definition of Micro, Small, and Medium Enterprises (MSMEs) is regulated in the Republic of Indonesia Law Number 20 of 2008 concerning MSMEs. In Chapter 1 (General Provisions), Article 1 of the Law states that micro-businesses are productive businesses owned by individuals that meet the criteria stipulated in the Law. Small businesses are independent productive economic entities carried out by individuals or business entities that are not subsidiaries or branches directly or indirectly owned, controlled, or part of Medium Enterprises (ME) or Large Enterprises (LE) that meet the criteria for Small Enterprises as outlined in the Law.

Meanwhile, Medium Enterprises (ME) are independent productive economic entities carried out by individuals or business entities that are not subsidiaries or branches directly or indirectly owned, controlled, or part of UM, Small Enterprises (SE), or Large Enterprises (LE) that meet the criteria for Medium Enterprises as outlined in the Law. With the above criteria, micro-businesses are business units with assets valued at a maximum of 50 million or annual sales not exceeding 500 million; small businesses have assets exceeding 50 million up to a maximum of 500 million or annual sales ranging from over 500 million to a maximum of 2.5 billion; and medium businesses are companies with net worth exceeding 500 million up to a maximum of 100 billion or annual sales above 2.5 billion up to a maximum of 50 billion.

It is widely recognized in the literature that in developing countries, MSMEs are crucial due to their distinct characteristics compared to large enterprises, namely: (1) The number of companies is very high (far exceeding the number of large enterprises, especially in the micro and small business categories. Unlike new businesses and medium-sized businesses, micro and small businesses are scattered throughout rural areas, including relatively isolated regions. (2) Due to their high labor intensity, meaning they have significant potential for job growth, MSME growth can be seen as a crucial element of national policies to increase employment opportunities and create income, especially for the poor. (3) Not only the majority of MSMEs, especially micro-businesses, in developing countries, especially in rural areas. (4) MSMEs use technologies that are more appropriate for the proportions of production factors and local conditions in developing countries, namely abundant natural resources and low-educated labor (although the quantity varies according to the country or region within a country), but capital and human resources (HR), or highly educated labor, are



extremely limited. (5) Many MSMEs can grow rapidly. In fact, many MSMEs were able to survive during the major economic crisis in Indonesia in 1997/1998. (6) Although generally poor rural communities, there is evidence that they can save and are willing to take risks by making investments. In this case, MSMEs can serve as a starting point for mobilizing savings and investments in rural areas. (7) It has been proven that, in general, MSME entrepreneurs finance the majority of their business operations with personal savings, supplemented by assistance or loans from relatives, friends, or informal credit providers, as well as traders, collectors, raw material suppliers, and upfront payments from consumers. Therefore, this business group can play another crucial role, namely as a tool to allocate rural savings, which would otherwise be used for unproductive purposes. (8) Although many goods produced by MSMEs also cater to the middle and upper classes (albeit in small proportions), it is generally proven that the main market for MSMEs consists of simple consumer goods at relatively affordable prices to meet the daily needs of the poor or those with low income. However, numerous MSMEs also produce non-consumer goods such as production equipment, various types of simple machines, building materials, agriculture, construction, trade, tourism, and transportation. (9) As part of their dynamics, many MSMEs are also capable of increasing productivity through investments and technological changes.

Payne's concept of empowerment, as discussed by Rukminto (2008), emphasizes the importance of helping clients gain control over their lives by reducing social and personal barriers, increasing self-confidence, and transferring power. This concept is further explored by Pinderhughes (1983), who highlights the role of power and powerlessness in human systems and the potential for constructive management. However, Cohen (1998) raises concerns about the hierarchical power structure in client/worker relationships, which may hinder the realization of shared power and collaboration. Cunningham (1996) also points out limitations and tensions in empowerment initiatives, such as limited power dissemination and job insecurity. Hapsari (2018) adds to this discussion by examining the relationship between participation in empowerment programs and community welfare, finding no significant correlation.

The concept of empowerment is multifaceted, with various dimensions influencing its measurement. Michael J. (2000) identifies five key dimensions: empowering, protecting, supporting, fostering, and creating a sense of control. However, Adiwaty (2020) expands this list, suggesting that empowerment has six dimensions, while leadership and organizational culture each have seven. These dimensions are crucial for understanding and measuring the variables in research.

The concept of Small and Medium Enterprises (SMEs) is a crucial aspect of economic development, particularly in Indonesia. These businesses play a significant role in job creation and income generation, contributing to the overall growth of the economy (Widianti, Alfian, and Utami 2021). However, they face various challenges, including market competition and financial management (Slamet and Bintoro 2019). To address these issues, the government and private sector need to provide support and training to enhance the marketing and financial management skills of SMEs (Yuni et al. 2019). Additionally, there is a need for policies that promote the growth and competitiveness of SMEs, such as enhancing human resources and creating beneficial partnerships.

The concept of community well-being, as defined by Todaro and Smith (2006), involves improving basic needs such as food, housing, health, and protection, as well as enhancing living standards, income levels, education, and cultural values. This concept is further explored in various contexts. Sairin (2021) emphasizes the role of entrepreneurship in increasing community income. Meanwhile, Bahri (2019) discusses indicators of community well-being, including income, population, health, education, employment, consumption, housing, and social culture, as well as the importance of coordination and cooperation in achieving it. Additionally, Junedi (2021) highlights community empowerment through thematic student work, resulting in improvements in education, the economy, and social aspects.



Risk Management for Micro, Small, and Medium Enterprises (MSMEs)

Risk management is a logical and systematic approach to identify, analyze, assess, treat, monitor, and communicate risks inherent in every activity or function, with the goal of minimizing losses and maximizing opportunities. The risk management process typically involves the following steps:

a. Risk Identification

This step is undertaken to recognize the various risks that a company may face, such as identifying the risk of a fire occurring in a workshop.

b. Risk Evaluation and Measurement

The purpose of risk evaluation is to gain a better understanding of the characteristics of the risks, facilitating effective risk control implementation. To measure risks, an approach involving estimating the probability and consequence levels of the risks can be employed.

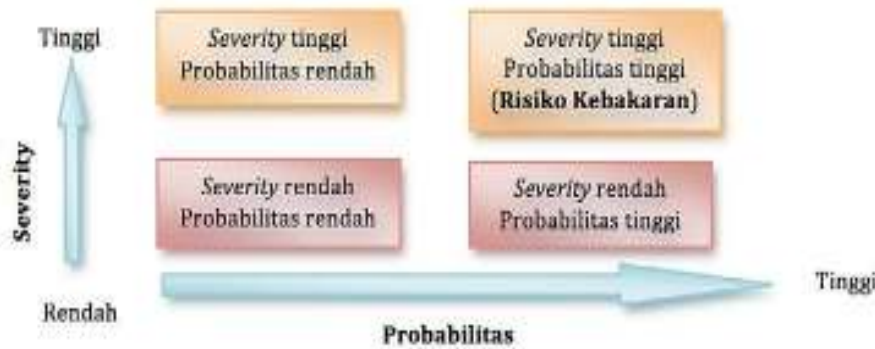


Figure 4. Risk Measurement

Comprehending the Economy of Individuals

The people's economy is the antithesis of the conglomerate economy based on mass production ala Taylorism paradigm. Thus, the people's economy, based on a network economy, must adopt high technology as the most significant value-added factor in the economic process itself. The factors of economic scale and efficiency that form the basis of free competition demand the involvement of the people's economic network, including various centers of people's economic self-reliance, large-scale people's economic self-reliance, and large-scale management patterns that adhere to the short-cycle model often referred to as buyer-driven. Therefore, the people's economy system does not only stop at the discourse level; several concrete people's economic agendas need to be brought to the surface.

It is important to note that the improvement of people's welfare in the context of the people's economy is not based on the locomotive paradigm but on the foundation paradigm. This means that the improvement of welfare no longer relies on the domination of the central government, foreign capital, and conglomerate companies but on the strength of regional governments, fair competition, the efforts of the people's agriculture, and the role of true cooperatives. They are expected to serve as the foundation for strengthening the people's economy. The development strategy that empowers the people's economy is a strategy to implement economic democracy, where production is carried out by everyone for everyone under the leadership and ownership of community members.

Brian Pratama (2013) is a figure in the new institutional economics. Institutions are a pattern of relationships and arrangements among members of society or organizations that bind each other, encapsulated in a business network. Brian's opinion, when related to the existence of cooperative institutions, suggests that there are rules or norms that bind to be implemented in managing cooperatives.



The Articles of Association and Bylaws serve as rules and guidelines to achieve goals. The same is true for Ronald H. Coase in 1991. The Nobel obtained by these two figures has become a trigger for the development of new institutional economic scholarship in the world today. New institutional economic thinkers reject some assumptions of classical/neoclassical economic teachings, considering them unrealistic, such as the absence of transaction costs and instrumental rationality.

Charles B. Lowry and Paul J. Hanges (2008) state that classical economics, assuming that all humans are rational and work based on economic incentives, turns out to be influenced by many social, economic, and political factors in practice. At this point, institutional economics explains that economic activities are strongly influenced by the layout among economic actors (political economy theory), the design of rules (transaction cost economics theory), norms and beliefs of an individual/community (social capital theory), incentives for collaboration (collective action theory), agreement models made (contract theory), choices about ownership of physical and non-physical assets (property rights theory), and others. In the current era of globalization, competition in the economic field is increasingly intense over time. Therefore, every change that occurs must be considered and anticipated.

Empowerment Concept for Micro, Small, and Medium Enterprises (MSMEs)

According to Tri Winarni (2008), empowerment is defined as the assistance provided to clients in gaining decision-making and action power over their lives. This involves reducing the impact of social or personal barriers to the exercise of existing power, enhancing capacity and self-confidence in power utilization, and transferring power from the environment to clients. Empowerment in Micro, Small, and Medium Enterprises (MSMEs) is measured across dimensions such as Empowering, Protecting, Supporting, and Fostering, as identified by Canet-Giner, Maria Teresa et al. (2010).

Micro, Small, and Medium Enterprises (MSMEs) are independent businesses owned and operated by individuals, not necessarily dominating the market. Unlike being a part or branch of another company, MSMEs are autonomously run by their owners, operating freely according to their capabilities. The economic welfare of the community reflects the community's life conditions, considering standards such as improved capabilities, equitable distribution of basic needs, higher standards of living, increased income levels, enhanced education, and greater attention to cultural and human values, according to Todaro and Stephen C. Smith (2006).

The role of Small and Medium Enterprises (SMEs) in the Indonesian economy can be assessed from four aspects, as presented by Nurhajati in "Paradigma Baru Pengembangan Usaha Kecil Menengah untuk Meningkatkan Daya Saing Ekonomi" (Malang: UNISMA), 2005, p. 2. Firstly, SMEs constitute the largest portion of all business units in Indonesia. Secondly, SMEs play a significant role in employment generation. Thirdly, SMEs contribute significantly to the Gross Domestic Product (GDP).

The importance of SMEs, as highlighted above, directs the government to undertake various efforts, demonstrating a commitment to enhancing the performance and competitiveness of the Indonesian economy. This commitment is institutionally manifested through the establishment of a ministry dedicated to Small and Medium Enterprises (SMEs). Juridically, the government's commitment is evident in the enactment of Law Number 9 of 1995 concerning Small Enterprises, aimed at realizing the role of small businesses as the backbone and strengthening the national economic structure in facing global competition and effective management in SME development. This law is followed by Government Regulation Number 44 of 1997 concerning Partnerships as one of the efforts to create a business climate through collaboration between SMEs and Large Enterprises. The city of Makassar faces developmental challenges including a growing population, limited land area, and diverse communities in terms of education, economics, and social aspects. One of the driving sectors of Makassar's economy is the Micro, Small, and Medium Enterprises (MSMEs) sector.



RESEARCH METHODOLOGY

Research Location

The research was conducted in Makassar City, South Sulawesi Province. The selection of this location was based on the fact that Makassar is a central trading hub in the Eastern Indonesia region with complex businesses and entrepreneurs from various areas, including foreign investors. Another reason is that the real sector businesses in this area, constituting 87.17% in quantity, are classified as Micro, Small, and Medium Enterprises (MSMEs) according to the data from Makassar City in the year 2017. Therefore, the majority of the population relies on this sector for their livelihoods. It is expected that the research findings will serve as considerations for the local government in formulating short and medium-term development plans that prioritize community-based economic development and enhance the role of micro, small, and medium enterprises.

Type and Sources of Data

The data obtained in this research include primary data derived from empirical sources directly collected from the research location through direct observations, interviews, and distribution of questionnaires. Secondary data, on the other hand, is obtained through literature reviews, including books, journals, and necessary documents. This research falls under the category of data obtained from relevant agencies (Cooperative and SME Office, Investment and Trade Office, and the Statistics Office of Makassar City). Other data are obtained from micro-business actors in various fields, such as culinary, fisheries, agriculture, and other home industries like furniture craft, silver craft, and more.

Data Collection Techniques

The techniques employed to collect data include various methods such as interviews, questionnaire distribution, and literature review. The questionnaire distribution method is intended to gather data on the number of sampled MSMEs, employment absorption, annual business capital management, and profit levels. Interviews provide information on the annual sales volume, expenses incurred in business management, and the facilities supporting MSMEs in the region.

Data Analysis

Based on the data obtained from the research, an analysis will be conducted to understand the factors influencing the community's well-being and identify the driving factors for grassroots economic growth in Makassar City, ensuring that MSMEs contribute to these development objectives. The analysis will involve regression analysis to explore the relationship between three variables influencing community well-being and grassroots economic development in Makassar City. To determine the factors that influence community welfare in relation to the role of MSMEs in Makassar City, multiple regression analysis was carried out with the formula:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3 + \dots + E_i$$

Where:

- Y = Community Welfare
- X1 = Employment Absorption
- X2 = Marketing Profit
- X3 = Business Profit
- b0 = Estimated Parameter



This research method uses the approach used above to draw a general conclusion from several observations of MSME variables in relation to community welfare and community economic development. This research uses quantitative research, namely trying to answer the magnitude of the influence of the independent variables (X1, X2 and X3) on the level of community welfare (Y). This analysis also describes the variables that most dominantly influence community welfare through a cause and effect process resulting from the role of people's economic development at a macro level. To see the results of the statistics regarding partial and simultaneous influences, through the multiple regression test in the formulation above, the t-count and F-count values will be obtained, if the results of both the t-count and F-count values are greater than t and F table, then H0 is rejected and H1 is accepted.

RESULT AND DISCUSSION

Income (Turnover) of Micro, Small, and Medium Enterprises (MSMEs) in Makassar City (average)

Based on the previous data in Table 1 over the five-year period from 2014 to 2018, there was growth in Micro, Small, and Medium Enterprises (MSMEs). However, the average turnover of business experienced a decline of 19.95% annually, and the employment absorption rate also decreased by an average of 12.92%. The sales turnover data presented are derived from the statistical data of Makassar City in 2018 and the results of interviews with several micro, small, and medium enterprises that are part of the research sample. The sampling method involved selecting 30% of the population under study each year using a questionnaire instrument distributed through collaborative efforts, including guidance from postgraduate management students. The following table illustrates the five-year turnover development.

Table 2. Development of Production Value 2018-2022

Year	Production Value (Rp.)	(%)
2016	11,38 M	-
2017	14.45 M	+ 2,15 %
2018	13,14 M	-1,87 %
2019	10,95 M	-3,26 %
2020	13,69 M	+2,71 %

Source: Data after processing

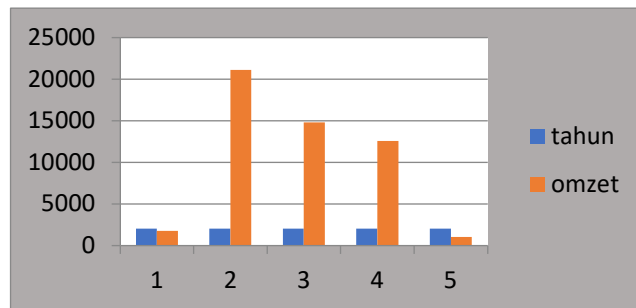


Figure 5 Graph of development of business turnover in MSMEs



Development of Investment and Business Capital for MSMEs

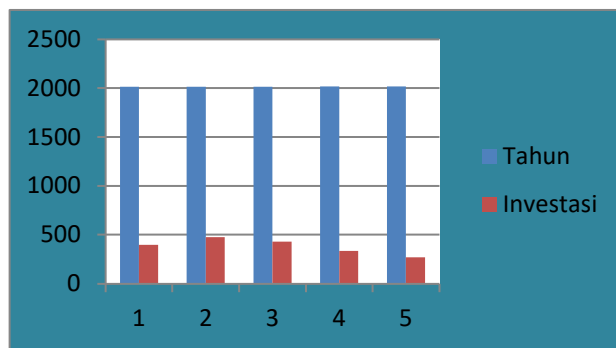
At a micro level, the development of MSME businesses in Makassar City is crucial, as economic growth at both regional and national levels relies on investment support. Given the constraints of limited investment and/or business capital faced by micro, small, and medium enterprises in Makassar City, it is imperative to channel investments towards sectors that do not heavily depend on imported raw materials. According to Br. H. Rahman Bettada, a small business operator in the city, amidst the current economic conditions of the nation, particularly in Makassar City, caution is necessary when considering large-scale investments in goods and services. This is due to the decline in consumer purchasing power, coupled with the rising costs of business operations. The following section outlines the progress of MSME investment in Makassar City over the past five years:

Table 3. Development of MSME Turnover in Makassar City

Year	Investment	(%)
2018	14,79 M	-
2019	17,34 M	+4,12 %
2020	14,45 M	-3,09 %
2021	12,05 M	-2,13 %
2022	14,38 M	-2,38 %

Source: Data after processing

Figure 6. Graph of MSME investment development



Development of MSME Workforce Absorption

5
Some of the important roles of MSMEs in the growth of the people's economy in this area are their position as main players in economic activities in various sectors, namely: providing the largest employment opportunities; important player in the development of local economic activities and community empowerment; creator of new markets and source of innovation; as well as its contribution in maintaining the balance of payments through export activities. On the basis of this description, the following describes the employment of MSMEs in five years:

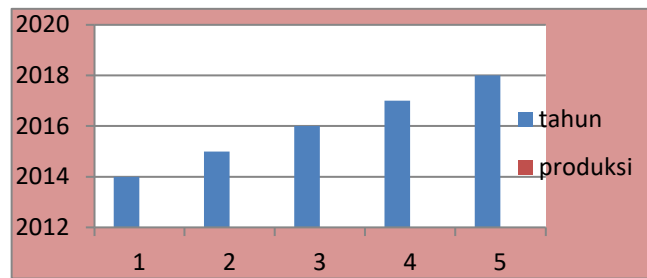


Table 4. Development of MSME Labor Absorption

Year	Labor Absorption	(%)
2018	1.204 people	-
2019	965 people	-19,85 %
2020	861 people	-10,77 %
2021	948 people	+10,11%
2022	758 people	-20,04 %

Source: Data after processing

Figure 7. Development Diagram of MSME Workforce Absorption



The Influence of Labor Absorption (X1), Business Capital (X2), and Profit (X3) on Community Welfare

The interpretation of the multiple data processing results reveals the simultaneous influence of the three variables mentioned above as follows:

$$Y = 14,372 + 2,019 X_1 + 2,546 X_2 + 3,024 X_3$$

Empowering small and medium-sized enterprises in the city of Makassar, as indicated by the multiple regression analysis, shows that business profits significantly contribute to the development of an economy based on people's economic activities, reaching 3,024 (X3), followed by X2 at 2,546. This signifies a substantial impact on urban economic development in Makassar.

CONCLUSION

After conducting the research and discussion as presented in the previous chapter, the following conclusions can be drawn:

- Through data testing, the labor absorption variable in MSMEs (X1) is found to be the dominant factor influencing the level of community welfare in the city of Makassar.
- The business capital and profit variables (X2 and X3) follow closely, affecting the level of community welfare with coefficient values of 2.546 and 3.024, respectively.
- For both partial and simultaneous effects, all three variables yield positive values. Both the t-test and F-test values are greater than the corresponding critical values from the t-table and F-table, meaning that the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted.



In conclusion, the empowerment of micro, small, and medium enterprises serves as a crucial pillar for regional economic growth, opening up employment opportunities, reducing unemployment rates, and ultimately enhancing the welfare of the community.

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