

Poverty and Small Micro Enterprises: Implementation of The New Paradigm of SDGs Development

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ABSTRACT

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Poverty alleviation and micro-small enterprises are the essential topics in discussing the paradigm of Sustainable Development Goals (SDGs). Micro and small businesses are considered as a panacea to alleviate poverty. The relationship between poverty and the existence of micro and small enterprises is theoretically unidirectional. In other words, if poverty increases, micro, and small enterprises will also increase. To see the effect of poverty on micro and small businesses, this study will use the Village Potential Data (Podes) 2018 with a total of 8559 villages/wards in Central Java Province. Apart from poverty, this study will also examine the effect of technology as represented by the number of electricity customers, health from the number of supporting health centers, and finally education represented by the number of Public Elementary Schools (SDN), State Junior High Schools (SMPN) and State Senior High Schools (SMAN). By using multiple regression models, an interesting relationship is found. Those that have a unidirectional relationship to micro and small enterprises are poverty, technology, health, and primary education (SDN). The role of education in the growth of micro and small businesses strengthens Duflo's thesis (2001) on the effect of education on reducing unemployment which earned him the Nobel Prize in 2019. Meanwhile, junior and secondary education for its effect on micro and small enterprises is negative. This showed that the impact of secondary education is that it provides the possibility to work in other sectors outside of micro and small enterprises.

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Introduction

Development has three goals: increasing the availability and expanding the distribution of basic needs, increasing living standards, and expanding economic and social choices (Todaro, 2011). Reducing the number of poor people is one of the indicators of successful economic development. Poverty can be interpreted as a condition or a continuous decrease in the quality of life (Stamboel, 2012). Poverty alleviation and improvement of income distribution through community empowerment and economic opportunities for low-

income communities through micro and small enterprises (MSEs) development. The development is expected to expand the economic base and significantly accelerate structural changes by increasing the Indonesian economy and national resilience. Because MSEs are considered the main driving force for regional economic development in rural areas and a source of non-oil and gas foreign exchange (Munizu, 2010; Krisna, 2016; Tambunan, 2019). One of the advantages of MSEs in poverty reduction is creating jobs because MSEs are labor-intensive (Varma, 1997; Walle 2000 in Retnandari, 2009; ACS and Audretsch, 1990 in Krisna, 2016).

Reducing poverty and unemployment through empowering MSMEs has become a commitment in the Millennium Development Goals (MDGs) which were designed for 15 years (2000-2015), followed by the Sustainable Development Goals (SDGs) for 15 years (2015-2030). SDGs is a new paradigm with 17 (seventeen) goals: (1) No poverty, (2) Zero hunger, (3) Good health and well-being, (4) Quality education, (5) Gender equality, (6) Clean water and sanitation, (7) Affordable and clean energy, (8) Decent work and economic growth, (9) Industry, innovation and infrastructure, (10) Reduced inequality, (11) Sustainable cities and communities, (12) Responsible consumption and production, (13) Climate change management, (14) Ocean ecosystems, (15) Land ecosystems, (16) Peace, justice and strong institutions, (17) Partnerships to achieve goals (Sachs, 2005; Ravallon, 2016).

The MDGs and SDGs are the extensions of the human development paradigm, which constructs many concepts. One of the concepts is the Human Development Index (HDI), which continues the basic needs approach (Stewart, 2019). Tambunan (2019) highlighted that people would return to “back to basic” or their basic business in an economic crisis. Specifically micro and small businesses. Thus, this micro and small business sector is the first transmission to escape the poverty trap. Therefore, the relationship between poverty and micro and small enterprises is very close because the one way to alleviate poverty is to encourage them to be involved in the micro and small business sector.

Small business is a sector that has proven to play a strategic role in overcoming the impact of the economic crisis (Demirbag et al., 2006; Tambunan, 2019). In addition, the small business sector has been able to encourage Indonesia's economic growth. This fact triggers research on the effect of poverty on micro and small businesses to become very important. The latest research topic on micro and small businesses in Indonesia is more about the adoption of technology in doing business, as studied by Handoko, Vitasari, Hidayat, & Tjahjadi (2019), Fitroh, Ratnawati, & Dewi (2019), Saptadi, Sriyanto, & Pangaribuan (2019). The latest research topic is also how micro and small businesses access

financial institutions, such as studies conducted by Syahdan et al. (2020) and Rosavina et al. (2019). However, the effect of poverty on micro and small enterprises has not been widely observed in Indonesia. Even though in the new paradigm of development that has been agreed to be applied worldwide is the Sustainable Development Goals (SDGs).

If referring to the HDI concept, which contains elements of poverty, education, and health for each city/district, representing the basic need approach developed, these elements are essential as part of a poverty study and MSEs. Sjarir (1983) emphasized that access to education, health, and business credit will be the foundation of development policies in the future. The lack of education and skills and the lack of introduction to technology are human resource barriers that lead to poverty (Prawoto, 2009). A study by Duflo (2001) studied SD Inpres (Presidential Instruction). It found that schools could reduce unemployment in the 1980s. The finding optimism that developing countries' best practices can be a reference for development in various countries. In addition, Simanjuntak (2001); Utari & Dewi (2014) explained that higher education would increase productivity and affect income. However, the health and nutritional status of workers affects the productivity of the community. It means that their body resistance can work effectively and efficiently (Nasikun, 1987; Sairin et al., 1992 in Fahmi, 2016). Scoones (1998) explained that people must have livelihood resources (resources to create livelihoods) to obtain sustainable livelihoods. The resources are economic capital, both schools, health facilities, electricity facilities, and so on.

This study observes how poverty affects micro and small enterprises. In addition to the effect of poverty, this study will also observe the effect of technology, health, and education on micro and small enterprises, especially in implementing the SDGs as a new paradigm of the current global development.

Method

The previous studies above emphasize the importance of applying the new paradigm of SDGs to examine the relationship between poverty and small business. Studies by Varma (1997); Walle (2000) in Retnandari (2009); Ravallion (2016); Stewart (2019); ACS and Audretsch (1990) in Krisna (2016) emphasize the importance to note influence between poverty and small businesses. Meanwhile, Sjahrir (1983) stated that applying the basic needs approach that affects development affirms the importance of education and health aspects. It is confirmed by the study of Duflo (2001); Simanjuntak (2001); Utari & Dewi (2014) on the role of education in alleviating poverty in Indonesia. Nasikun (1987); Sairin et al. (1992); Fahmi (2016) emphasizes community health and productivity as well as

Scoones (1998) with ownership of livelihood resources (education, health, electricity, etc.) in order to obtain sustainable livelihood outcomes

This research will examine the effect of poverty on micro and small enterprises (SMEs). The research model is formulated as follows:

$$UKM = \beta_0 + \beta_1 miskin_1 + \beta_2 listrik_2 + \beta_3 puskesmas_3 + \beta_4 SDN_4 + \beta_5 SMPN_5 + \beta_6 SMAN_6 + \varepsilon \quad (1)$$

Poverty generated from Indonesia Statistic (BPS) data with the number of poor people in each village. Meanwhile, another variable related to SDGs and the basic need approach is health as proxied by the number of supporting public health centers (puskesmas). Meanwhile, education is proxied by the number of public elementary schools (SDN), public junior high school (SMPN), and public senior high school (SMAN), while electricity is a proxy for technology obtained from the number of electricity customers or electricity accessibility.

This research is quantitative research by employing multiple linear models that cover a sample of the Central Java region in 2018. Because in 2019, Central Java was able to reduce poverty from 3.74 million to 3.68 million people (BPS, 2019). This study utilizes raw data of 8559 villages from the Village Potential Survey (Podes) 2018 conducted by Statistics Indonesia (BPS).

Result and Discussion

Referring to Sahdan (2005), the indicators issued by Bappenas, when seen from the daily needs that cover: (1) Limited food quality, (2) Limited access to health facilities, (3) Limited access to education; (4) Limited employment opportunities which in line with Scoones (1998), the community must have livelihood resources to obtain outcomes from sustainable livelihoods. Small-medium enterprises (SMEs) can create jobs with minimum costs. SMEs have high flexibility to meet customer needs (Brock and Evans, 1986; ACS and Audretsch, 1990 in Krisna, 2016). Figure 1 shows that MSMEs in Central Java continues to increase.



Source: Rachmawati (2020); Deperinkop Jateng (2020)

Figure 1. The MSMEs Growth in Central Java

The regression results showed that the value of the simultaneous test (F-test) is significant. It means that all independent variables are considered to be able to explain the dependent variable. However, the partial test (t-test) revealed that puskepem and SMPN are insignificant, while the other variables are significant. It can be concluded that poverty affects small and micro businesses with a unidirectional relationship. It means that if poverty increases, micro, and small businesses will also increase. These results are in line with Varma (1997); Walle (2000) in Retnandari (2009); ACS and Audretsch (1990) in Krisna (2016). Those studies revealed that micro and small business are considered capable of alleviating poverty by creating jobs because micro and small business is labor-intensive (Table 1).

Table 1. Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MISKIN	0.011920	0.001208	9.863555	0.0000
LISTRİK	0.011442	0.002514	4.551211	0.0000
PUSKESPEM	3.603616	3.354650	1.074215	0.2828
SDN	3.867571	1.613122	2.397570	0.0165
SMPN	-2.944999	3.137609	-0.938613	0.3480
SMAN	-18.03736	6.041284	-2.985683	0.0028
C	11.47826	2.713040	4.230774	0.0000
R-squared	0.049187	Mean dependent var		49.43391
Adjusted R-squared	0.048316	S.D. dependent var		112.0743
S.E. of regression	109.3333	Akaike info criterion		12.22775
Sum squared resid	78321095	Schwarz criterion		12.23499
Log likelihood	-40093.89	F-statistic		56.49024
Durbin-Watson stat	1.181702	Prob(F-statistic)		0.000000

Source: Processed data

Meanwhile, the health affects micro and small businesses not statistically significant. However, it has a positive direction. The results may be affected by puskespem, which does not consider the proportion of health workers to people. However, the health and nutritional status of the community is related to productivity or how the immune system can do work effectively and efficiently (Nasikun, 1987; Sairin et al., 1992 in Fahmi, 2016). In addition, health is a basic need, and it affects the poverty of a region (Wahyuni & Damayanti, 2014). Another interesting result is that technology has a significant and positive effect. It means that technology does affect micro and small businesses development. Energy (in this research: access to electricity) can increase GDP, increase productivity, and create jobs (Brenneman and Kerf, 2002). On the other hand, the electricity accessibility will support the technology system. Thus, MSEs can expand the market both domestically and internationally (Cecchini, 2003; Pradiptya, 2014).

Statistically, primary education showed a positive and significant effect. This is in line with Duflo (2001) regarding the importance of primary education. Primary education will

provide the foundation of society in doing business/MSEs. Meanwhile, the public junior high school or junior secondary education (SMPN) is insignificant, and the direction is negative. Meanwhile, the results are significant in the public senior high school or senior secondary education (SMAN), and the direction is negative. It can be interpreted that secondary education has a negative effect on the presence of micro and small businesses. It is because the outcome of secondary education is the possibility of continuing to a higher level or working in the formal sector that requires a high school diploma. In addition, the level of education affects the income of MSEs (Utari and Dewi, 2014).

Conclusion

This study concludes the topic between poverty and micro and small enterprises (MSEs), one of the important issues in the Sustainable Development Goals (SDGs) paradigm. The relationship between the two topics is the main SDG study that must be completed by 2030. Micro and small businesses are considered as one of the methods to alleviate poverty. Even micro and small enterprises are sometimes referred to as “safety valves”, especially when the crisis hits an economy. Thus, the relationship between poverty and the existence of MSEs is theoretically unidirectional. In other words, if poverty increases, micro, and small enterprises will also increase.

In addition to poverty, this study also confirms that technology affects the existence of MSEs. In addition, education is also an essential reference in the foundation of MSEs. However, there is an interesting finding at the level of education: there is no influence at the junior high school level and a negative direction at the high school level. This indicates the possibility of continuing their education to a higher level because most job vacancies require a minimum of high school education. The higher-level education also will lead to a higher income level and encourage people to work in a higher level of business. Another interesting finding is that there is no effect on the health aspect in this study. This is due to the possibility that there is no sufficient proportion of the number of supporting public health centers or puskesmas (as proxies) with the number of existing medical workers.

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