Improving the Economy and Industrial Development of MSMEs with Motivation as an Intervening Variable in Communities in Aceh Province

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Abstract. Micro, Small and Medium Enterprises (MSMEs) have an important role in improving the regional economy and the economy of a country. Because the increase in MSMEs is considered to be a solution to overcome the economy. Data collection method in this study using Quantitative. Therefore, this study will examine the impact of economic improvement policies and industrial development on MSMEs in Aceh Province. The results of the study show that the policy of increasing the economy has a very large influence on the progress of UMKM in Aceh Province. Likewise, industrial development also has a very large influence on the development of MSMEs in Aceh Province. So it can be concluded that the existence of policies to increase the economy and industrial development have enormous influence and benefits on the economic progress of Aceh Province.

Keywords: MSMEs, UMKM

Introduction

The Aceh Provincial Government is currently enthusiastic about developing MSMEs in the Province. This is a development effort to improve the welfare of its citizens. A number of micro, small and medium enterprises (MSMEs) in Aceh have started to develop. Production increased, marketing expanded, and absorption of workers increased. According to data from the Aceh Provincial Office of Cooperatives and MSMEs (2022), the number of MSMEs in the Aceh Province area is currently 74,810 MSMEs and this number continues to increase. One of the MSMEs developed in this province is the agricultural sector, especially coffee commodities. Much support has been provided in the context of MSME development, one of which has been carried out by Bank Indonesia starting from upstream to downstream development. On the upstream side, the development is focused on cultivation techniques, through Good Agriculture Practice (GAP) by directly bringing in instructors and practitioners in the coffee sector. While on the downstream side, the facilities provided are market access to foreign and domestic markets. In the form of business matching showcasing activities and various competencies, both nationally and internationally, which were successfully participated by Bank Indonesia Aceh-assisted MSMEs. However, development support alone is felt to be insufficient, but it is also necessary to know the factors that influence the increase in MSMEs, including policies to improve the economy, industrial development/development, and motivation.

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Policy is one of the important factors in the development or establishment of a business in order to ensure the continuity and sustainability of the business. The policies made must be able to support and be able to increase the performance and profitability of the business. The role of MSMEs in advancing economic growth in Indonesia has a very active role, driven by growth in the small sector which is very dominant in alleviating poverty because people can meet their daily needs and can also reduce unemployment clearly expecting policies that can encourage or motivate business actors to improve their economy. However, the policies that have been implemented by the government and related agencies have not been maximized or felt by all business actors because they still have limited data on MSME actors so that only MSMEs that have joined receive more attention (Annisa, 2014; Purba et al., 2018). Research conducted by Alabi et al. (2019) found that the policies established by the government were able to increase the growth of MSMEs in Southwestern Nigeria. Likewise, Harini et al. (2018) found that the existence of policies enacted by the government was one of the keys to improving the performance of MSMEs in Bogor City. In addition, Mangkunegara (2005) revealed that one of the fulfillment techniques to motivate employees is by influencing employees in an extra logical way, namely by making policy decisions that are formed and support workers which will increase worker motivation at work.

In addition, the industrial development factor is also another factor in increasing the sustainability of MSMEs. Currently, Indonesia is entering the industrial revolution 4.0, in which all production processes have begun to utilize the use of technology to produce goods and services. Not only in producing goods or services but also in marketing products the use of technology is in great demand by business actors. Indirectly, the existence of this technology is very helpful for business actors, including MSMEs. Even though the business scale of MSMEs can be said to be still small, using the use of technology, especially the internet in marketing their products, will greatly assist in the rapid development of these MSMEs. The above statement is in accordance with the results of research conducted by Berliana et al. (2020) found that the use of technology in the industrial revolution 4.0 was able to increase the development of MSMEs in Banyumas Regency, especially the processing industry. This shows that the current development of the industry has a big impact on the progress of a small, medium and large business.

However, even though the industry continues to experience development, business actors have no motivation to improve their quality by understanding that existing developments will not have any impact on the development of their business. As is well known, MSME actors generally run their business in a home industry, so they still experience limitations in using the latest technology that exists today. Business actors still expect a big role from the government and the surrounding environment in assisting the marketing of the products they produce. Therefore, it is necessary to motivate these business actors to want to improve their competitiveness better. Research conducted by Mufidah and Fitri (2019) found that the motivation of business actors will be able to improve the performance of these MSMEs.
The government's role is very important in ensuring the progress and sustainability of MSMEs in every region, including Aceh Province. Based on observations and interviews that have been conducted, it is known that economic improvement and industrial development in Aceh Province are currently focused on the agricultural industrial sector, each year this sector is the largest contributor to regional GRDP. One of the agricultural industry commodities that has penetrated the broad market is currently seen in coffee commodities, both robusta and arabica, which have penetrated the global market and their production is carried out by MSMEs. This shows that MSMEs in Aceh Province, especially coffee farming MSMEs, have been very good at developing the businesses they run. However, the problem that is still a big obstacle in the development of MSMEs in Aceh Province is that regional economic policies are still very weak, especially in the field of MSME development so that until now they have not been able to become one of the biggest contributors to GRDP for Aceh Province. It can be said that it is not the MSME sector itself that is a contributor to GRDP, but its production results are still incorporated in other sector groups so that this will reduce the motivation of business actors to develop the businesses that are already running. Therefore this research was conducted to determine the impact of policies on economic improvement and industrial development on MSMEs and motivation as intervening variables in Aceh Province.

**Literature Review**

**MSMEs**

Kwartono (2007) explains that Micro, Small and Medium Enterprises (MSMEs) are people's economic activities that have a maximum net worth of IDR 200,000,000, where land and buildings where the business is located are not taken into account. And or those who have an annual sales turnover of at most IDR 1,000,000, and are owned by Indonesian citizens. Meanwhile, according to several agencies, the following is the definition of MSMEs: Law no. 20 of 2008 concerning Micro, Small and Medium Enterprises Chapter 1 Article 1 explains that micro-enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro-enterprises. Small business is a productive business that stands alone, which is carried out by individuals or business entities that are not subsidiaries of companies that are owned, controlled, or become part directly or indirectly of medium or large businesses that meet the criteria for small businesses. Medium business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part, either directly or indirectly, with small businesses or large businesses with total net worth or annual sales results.
The Ministry of Cooperatives and SMEs in Aufar (2014) explains that Small Enterprises (UK), including Micro Enterprises (UMI) are business entities that have a maximum net worth of Rp. 200,000,000, excluding land and buildings for business premises and having annual sales of at most Rp. 1,000,000,000. Meanwhile, Medium Enterprises (UM) are business entities owned by Indonesian citizens who have a net worth of more than Rp. 200,000,000 to d. Rp. 10,000,000 excluding land and buildings. Meanwhile, according to Bank Indonesia in Aufar (2014) explains that small businesses are productive businesses owned by Indonesian citizens, in the form of individual business entities, business entities that are not legal entities, or legal business entities such as cooperatives; is not a subsidiary or branch company that is owned, controlled or affiliated, either directly or indirectly, with a medium or large business. Have a net worth of at most Rp. 200,000,000, excluding land and buildings or having sales proceeds of up to Rp. 200,000,000 per year, while mid-sized businesses are 9 businesses that have criteria for fixed assets with a different amount between the manufacturing industry (Rp. 200,000,000 to Rp. 500,000,000) and non-manufacturing (Rp. 200,000,000 to Rp. 600,000,000).

Based on the definition above, it can be said that MSMEs are businesses owned by individuals, business entities that are not subsidiaries or branches of other companies with the criteria of having business capital that has certain limitations that do not include land and buildings where they do business and are owned by Indonesian citizens. According to Cahyanti et al. (2017), there are 6 aspects that influence the development of small businesses, namely:

A. The quality of human resources is the potential, strength, or ability that exists within a human being which determines the attitude and quality of human beings to be able to excel and keep the organization alive and running. While measuring the quality of human resources based on productivity, attitudes and behavior, communication, and relationships.

B. The production/operational system is a collection of sub-systems that interact with each other with the aim of transforming production inputs into production outputs. This production input can be in the form of raw materials, machinery, labor, capital and information. While production output is a product that is produced along with its by-products such as waste, information, and so on.

C. The financial management system is a framework of interconnected procedures that is structured according to an overall scheme, to carry out activities that include planning, implementation, administration, reporting, accountability, and financial supervision.

D. Marketing strategy is important to help increase the competitiveness of companies in facing the era of globalization and liberalization. Marketing strategy is a fundamental tool planned to achieve company goals by developing a sustainable competitive advantage. In such a way, the marketing strategy used can guide managers or company owners in carrying out tactics and other activities to improve company goals.

E. Partnership strategy. Business Partnership is a mutually beneficial business partnership between small entrepreneurs and medium/large entrepreneurs (Partner Companies) accompanied by coaching and development by large entrepreneurs, so that they need each other, benefit and strengthen.
F. Quality of infrastructure and regulation. Small businesses need protection in the form of government policies such as laws and government regulations. Regulations are a set of rules intended to provide protection and benefits for society in general or for a group of people. In addition to regulations, the government can support the development of small businesses through infrastructure improvements. Infrastructure plays an important role in increasing economic growth where higher economic growth is found in areas with sufficient levels of infrastructure availability.

**Economic Improvement Policy**

Suharto (2008) policy is an applicable provision that is characterized by consistent and repeated behavior, both from those who make it and those who obey it (those affected by the policy). Muhadjir (1999) policy is an effort to solve social problems for the benefit of society on the principles of justice and community welfare. The policy must at least fulfill four important things namely; (1) the level of living of the community increases, (2) justice occurs: By the law, social justice, and opportunities for individual achievement and creation, (3) opportunities for active community participation are given (in discussing problems, planning, decisions and implementation), and ( 4) ensuring sustainable development According to Syafaruddin (2008), policies are formed from statements about goals and one or more broad guidelines for achieving these goals so that they can be achieved together and provide a framework for program implementation.

Economic growth is a long-term increase in the ability of a country (region) to provide more and more economic goods to its population, this ability grows according to technological advances, and the necessary institutional and ideological adjustments (Jhingan, 2007; Ade Galih 2018). According to Sukirno (2003) Economic growth means the development of activities in the economy that cause goods and services produced in order to increase the prosperity of society to increase, from one period to another. This increased ability is due to the factors of production will always increase in quantity and quality.

Based on the above definition, it can be concluded that an economic improvement policy is a provision that applies primarily to increasing activities in the economy which causes the goods and services produced in order to increase people's prosperity to increase. There are three factors that affect the economic growth of a society (Todaro, 2000):

a. Capital accumulation includes new investments in the form of land, equipment and human resources. This will happen if the current share and income will be saved and then invested to increase output in the future.

b. Economic growth is associated with an increase in the employment rate which has traditionally been considered a positive factor in stimulating economic growth, meaning that the more the workforce, the more factors of labor production, while the more population will increase the domestic market.

c. Technological advances caused by improved new and old ways of doing traditional work such as: how to grow rice, make clothes and so on. With the classification of these technological advances, namely saving labor and saving capital.
Industrial Development

According to Sandi (2010) industry is an attempt to produce finished goods with raw materials or raw materials through the production process of cultivating in large quantities so that these goods can be obtained at the lowest possible price but with the highest quality. Meanwhile, according to Winardi (2005) industry is a productive business, especially in the field of production or certain companies that provide services such as transportation and communication that use a large amount of labor capital.

According to Hasibuan (2004); Usman & Seldayo (2004), in a narrow sense industry is defined as a collection of companies that produce homogeneous products. While the definition of industry in a broad sense, namely a collection of companies that produce close substitutes means goods with positive and high cross elasticity of demand (goods with high positive cross elasticities of demand). Industrial development is a rapid change in the economic sector, from agrarian economic activities to an industrial economy that uses machines to process raw materials into ready-to-use materials. Based on the above definition, it can be concluded that industrial development is a change in the production process of goods or services that initially experienced difficulties, took a long time, and was very expensive to become easier due to the influence of global conditions.

Motivation

Motivation according to Mangkuprawira & Hubeis (2007) is the encouragement that makes employees do something in a way to achieve certain goals. Meanwhile, according to Robbins (2010), motivation refers to the process in which a person's efforts are energized, directed and sustained towards achieving a goal. Another definition put forward by Kreitner and Kinicki (2003) states that motivation is a psychological process that arouses and directs behavior towards achieving goals or goal-directed behavior.

Referring to the idea expressed by Robbins and Judge (2015), that the definition of motivation is as a process that explains a person's strength, direction, and persistence in an effort to achieve a goal. According to Gail and Russell (2001), motivation has three qualities that are included in each definition, namely: (1) Assuming there is power from within, (2) Motivating to work, (3) Determining the direction of action. Furthermore, Kast and Rosenzweig (2005), define motivation as something that moves a person to act in a certain way or to develop a characteristic behavioral tendency. The definition of motivation is also conveyed by Duttweiler (2006) is a factor that drives, directs and supports continuously increasing results. While the opinion expressed according to Dessler (2006), most
psychologists believe that all motivation comes from a tension that occurs when one or more important needs are not met.

**Research Method**

The research design or design in the study used a cross sectional design method. According to Nazir (2017) cross sectional design is only done at a certain time. The research approach method uses a quantitative description. The quantitative approach is carried out by surveying the respondents. According to Singarimbun and Effendi (2011), survey research is research that takes samples from one population and uses a questionnaire as the main data collection tool. The distributed questionnaires were then given based on the instructions that had been included. The variables tested are economic improvement policies (X1), industrial development (X2), motivation (Z), and SMEs (Y). Questionnaires were distributed to MSME actors in Aceh Province. The results of data analysis will be analyzed using the structural equation model method and processed using SmartPLS software.

The population in this study are MSME actors in Aceh Province. This research refers to the first rule, so the researcher determines the number of samples using the maximum likelihood estimation method of 120-150 respondents. The sampling technique has 2 techniques namely, Probability Sampling and Nonprobability Sampling (Malhotra, 2010). The specified criteria are that the respondent has been an MSME actor for at least 1 year.

To collect research data, the authors use methods including observation techniques in which researchers will collect data in this study using documentation techniques by recording documents related to the problem under study. The media used is a questionnaire which is a data collection tool by asking several questions related to the variables to be studied. The questionnaire used will use a Likert Scale Summated Rating with an interval measuring scale (Cooper et al., 2006). And the form of the questionnaire is a closed questionnaire, namely a questionnaire in which the questions use a choice technique or there are already choices of answers, so that the respondent only has to choose the desired answer.
Result and Discussion

The Effect of Economic Improvement Policies on Motivation

Every company in developing its business has a policy established by the company's management. The existence of this policy is the basis for the continuity and sustainability of the business carried out by the company. Not only government companies also formulate a rule to be used as a reference by every company in managing the running of the company. There are many types of policies that have been formulated by both the government and companies. Mangkunegara (2005) revealed that one of the fulfillment techniques to motivate employees is by influencing employees in an extra logical way, namely by making policy decisions. Policies that are formed and support workers will increase worker motivation at work. Work motivation is behavior that is directed to achieve goals, where behind this behavior there is a kind of need, will and desire. Needs imply that there are deficiencies and deficiencies that may be satisfied if the goals set are achieved. Willingness and desire implies strong feelings (Yakin et al., 2013). However, the policies that have been implemented by the Government and related agencies have not been maximized or felt by all business actors because they still have limited data on MSME actors so that only MSMEs that have joined receive more attention (Annisa, 2014). According to him, this will have an impact on the motivation of MSME actors in developing their business.

The Influence of Industrial Development on Motivation

Industrial development is a rapid change in the economic sector, from agrarian economic activities to an industrial economy that uses machines to process raw materials into ready-to-use materials. The industrial revolution resulted in massive changes in the social, economic, manufacturing, mining and transportation fields in the world. Industrial development took place in several stages, namely the development of the first industry, the development of the second industry, the development of the third industry, and the development of the fourth industry (Yahya, 2018).

Currently, Indonesia is entering the era of the Industrial Revolution 4.0. is a phenomenon that collaborates cyber technology and automation technology. The concept of its application is centered on the concept of automation carried out by technology without the need for human labor in the application process. This of course adds value to efficiency in a work environment where time management is considered vital and much needed by industry players. In addition, good time management will exponentially impact the quality of labor and production costs. The success of a company is largely determined by HR utilization activities, one of which is paying attention to employee motivation (Lanori et al. 2021). Especially when everything has implemented technology, it is important to motivate business actors/HR to play an active role and adapt to industrial developments.
The Influence of Economic Improvement Policies on MSMEs

Policy is one of the important factors in the development or establishment of a business in order to ensure the continuity and sustainability of the business. The policies made must be able to support and be able to increase the performance and profitability of the business. The role of MSMEs in advancing economic growth in Indonesia has a very active role, driven by growth in the small sector which is very dominant in alleviating poverty because people can meet their daily needs and can also reduce unemployment clearly expecting policies that can encourage or motivate business actors to improve their economy. However, the policies that have been implemented by the Government and related agencies have not been maximized or felt by all business actors because they still have limited data on MSME actors so that only MSMEs that have joined receive more attention (Annisa, 2014). Research conducted by Alabi et al. (2019) found that the policies established by the government were able to increase the growth of MSMEs in Southwestern Nigeria. Likewise, Harini et al. (2018) found that the existence of policies enacted by the government was one of the keys to improving the performance of MSMEs in Bogor City.

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The Effect of Motivation on MSMEs

The growing industry requires every company to compete to improve its business performance. Currently, Indonesia is entering the industrial revolution 4.0, in which all production processes have begun to utilize the use of technology to produce goods and services. Not only in producing goods or services but also in marketing products the use of technology is in great demand by business actors. Indirectly, the existence of this technology is very helpful for business actors, including MSMEs.
The industrial revolution 4.0 is proof that technological developments are real. MSMEs and industry 4.0 are two things that are closely related. Currently, MSME players inevitably have to take part in this industrial revolution in order to develop their businesses (Mbizmarket 2020). Research conducted by Mufidah and Fitri (2019) found that the motivation of business actors will be able to improve the performance of these MSMEs. In addition, Wastuti et al. (2021) also found that business motivation from business actors would be able to increase the success of these MSMEs.

The Effect of Economic Improvement Policies on MSMEs through Motivation as an Intervening Variable

Muhadjir (1999) policy is an effort to solve social problems for the benefit of society on the principles of justice and community welfare. Policies are formed from statements about goals and one or more broad guidelines for achieving these goals so that they can be achieved together and provide a framework for program implementation (Syafaruddin, 2008; Amal et al., 2022). Every company in developing its business has a policy established by the company's management. The existence of this policy is the basis for the continuity and sustainability of the business carried out by the company. Not only government companies also formulate a rule to be used as a reference by each company in managing the running of the company. There are many types of policies that have been formulated by both the government and companies. Mangkunegara (2005) revealed that one of the fulfillment techniques to motivate employees is by influencing employees in an extra logical way, namely by making policy decisions and this will indirectly improve the performance and success of these MSMEs (Mufidah & Fitri 2019; Wastuti et al., 2021; Purba et al., 2021).

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Industrial development is a rapid change in the economic sector, from agrarian economic activities to an industrial economy that uses machines to process raw materials into ready-to-use materials. The industrial revolution resulted in massive changes in the social, economic, manufacturing, mining and transportation fields in the world. Industrial developments are currently occurring marked by the existence of a phenomenon that collaborates cyber technology and automation technology. The concept of its application is centered on the concept of automation carried out by technology without the need for human labor in the application process. This of course adds value to efficiency in a work environment where time management is considered vital and much needed by industry players. In addition, good time management will exponentially impact the quality of labor and production costs. The success of a company is largely determined by HR utilization activities, one of which is paying attention to employee motivation (Lanori et al., 2021; Amin et al., 2021; Ingtyas et al., 2021) so that this will indirectly improve the performance and success of these MSMEs (Berlilana et al., 2020; Siahaan et al., 2022).
Conclusion

In accordance with the results of the explanation above, it can be concluded that the economic improvement policy has a very large influence on the progress of MSMEs in Aceh Province. This is because with policies that focus on improving the economy, it will be easier for people to get facilities to increase their income. Likewise, industrial development also has a very large influence on the development of MSMEs in Aceh Province. Because with industrial development, there will be more and more job vacancies that accommodate the community. So it can be concluded that the existence of policies to increase the economy and industrial development have enormous influence and benefits on the economic progress of Aceh Province.

References


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