Ultra Micro Financing (UMi) and Trade Labor: Impacts on GRDP in the Large Trade and Retail Business Field of Bangka Belitung Islands Province (2017-2022)

Lintri Febriyani 1, Ari Agung Nugroho 2*, Binar Kukuh Leksono 1, Perpetua Westri Maheswara 1, and Hermawan Saputra 2

1 Directorate General of Treasury Representative Office of Bangka Belitung Islands Province, Ministry of Finance of the Republic of Indonesia
2 Master of Management, Faculty of Economics, Universitas Bangka Belitung, Bangka, Bangka Belitung Islands Province, 331725, Indonesia
* Correspondence: rma1.agungnugroho@gmail.com

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Ultra Micro Financing (UMi) aims to provide fast and accessible financing for ultra-micro businesses, fostering government-financed entrepreneurs. UMi Financing’s dominance can influence labor absorption and Gross Regional Domestic Product (GRDP) in the Large Trade and Retail Business Field. This research analyzes the impact of UMi Financing and Trade Labor Absorption on Trade GRDP in Bangka Belitung Islands Province during 2017-2022. Path analysis measures the direct and indirect effects of UMi Financing on Trade GRDP. The findings reveal that UMi financing affects trade and GRDP in Bangka Belitung Islands Province. However, UMi Financing does not directly influence Trade GRDP when mediated by labor. Moreover, UMi Financing and Trade Labor do not significantly impact the GDP of Large Trade and Retail. Limited labor absorption in the trade sector may be attributed to the relatively small capital or financing provided by UMi. Additionally, the absorption of labor in the trade sector does not significantly affect Trade GRDP in the province, as the gross value added in the Large Trade and Retail sectors is influenced by people’s purchasing power, which is still highly dependent on commodity price fluctuations. To bolster GDP growth in the large trade and retail sectors, the government can encourage the distribution of UMi Financing. UMi Financing Distributors should intensify assistance to scale up debtor’s businesses. Diversifying UMi distribution to sectors beyond wholesale and retail trade can also be explored.

Keywords: Financing; Large Trade and Retail Business; Trade GRDP; Trade Labor Absorption; Ultra Micro (UMi)
1. Introduction

UMi financing is a financing facility program for ultra-micro businesses in conventional financing and financing based on Sharia principles. UMi financing aims to provide easy and fast financing facilities for ultra-micro businesses and increase the number of entrepreneurs the government facilitates. This program complements KUR so that people feel that the state is present and can ease various economic burdens of ultra-micro activists. Akingunola et al. (2013), Hia et al. (2021), Semegn & Bishnoi (2021), Wanambisi and Bwisa (2013), and Hasan et al. (2020) notes that MSEs financing has a positive impact on the manufacturing production growth but no significant impact on regional economic growth that is shown by Gross Domestic Product (GDP).

UMi’s financing target is ultra-micro businesses with the criteria that government program loans are not financing them in MSMEs, and Indonesian citizens own these businesses. UMi financing is carried out by the Center for Government Investment Public Service Agency by channeling financing through a Non-bank financial institution designated as a Distributor. UMi financing in Bangka Belitung Islands Province is channeled through PT Pegadaian in the UMi Creation program, PT Permodalan Nasional Madani in the UMi Mekaar program, and linkage institutions through BAV, namely the Mitra Dhuafa Cooperative (Komida).

The development of UMi distribution in Bangka Belitung Islands Province from 2017 to 2022 continues to experience an increasing trend. UMi distribution in Bangka Belitung Islands Province until the second semester of 2022 amounted to IDR 57.40 billion to 17,002 debtors. If the distribution ratio per debtor is calculated, the loan size of each debtor in the second semester of 2022 is around IDR 4.36 million.

Bangka Regency has the highest UMi distribution of IDR 27.94 billion, and South Bangka Regency has the lowest distribution rate of IDR 4.20 billion. The distribution of UMi in the second semester of 2022 covering the territory of Bangka Belitung Islands Province amounted to IDR 37.96 billion to 8,354 debtors. PT PNM dominates UMi financing distribution in the Bangka Belitung Islands Province, reaching IDR 37.58 billion or 99 percent of the total distribution.

Ultra Micro Financing (UMi) is government financing for ultra-micro entrepreneurs classified as not yet bankable. UMi financing aims to provide easy and fast financing facilities for ultra-micro businesses and increase government-financed entrepreneurs. From 2017 until the end of 2022, UMi Financing in Bangka Belitung Islands Province continues to grow positively. Total aggregate distribution reached IDR 74.49 billion to 20,606 Debtors or IDR 3.61 million per debtor.

All UMi Financing in Bangka Belitung Islands Province is distributed to business actors in the Large Trade and Retail Business Field Sector. If detailed, the Large Trade and Retail Business Field sector consists of Domestic Trade in Rice, Street Retail Trade in Commodities from Agricultural Products, Retail Trade in Other Street Products, Street Retail Trade in Household Appliances and Kitchen Equipment, Retail Trade in Household Appliances and Kitchen Equipment, and Import Trade in Other Household Goods.

The dominance of UMi Financing distribution in the Large Trade and Retail Business Field Trade Sector, of course, can impact labor absorption and GDP in Large Trade and Retail Business Fields. The GDP of Large Trade and Retail contributes 15.72 percent of the total GDP of Bangka Belitung Islands Province. The problem is although the distribution of UMi
Financing has experienced an increasing trend, the GDP of Large Trade and Retail has not fully had an upward trend since 2017 – 2022. In addition, based on the results of the analysis of the economic value of the debtor at the DGT Regional Office of Bangka Belitung Islands Province in the second semester of 2022, it was found that UMi financing did not have a significant effect on employment.

Therefore, the author will analyze the impact of UMi Financing and Trade Labor Absorption on the GRDP of the Trade Business Field of Bangka Belitung Islands Province to determine the effect of UMi Financing and trade labor on the GRDP of Large Trade and Retail Business Fields of Bangka Belitung Islands Province during the period 2017 – 2022.

2. Literature Review

2.1. Gross Regional Domestic Product Trade

One indicator to determine the economic condition of a region in a certain period is Gross Regional Domestic Product (GDP) data, both based on current and constant prices. GDP is the gross value added from all economic sectors in a particular region (provinces and regencies/cities), and in a certain period (one calendar year). The purpose of calculating GRDP is to provide an overview of economic performance, assist in policymaking/regional planning, and evaluate development results, especially those in the Bangka Belitung Islands Province.

GDP Based on Prevailing Prices (ADHB) describes the added value of goods and services calculated using prevailing prices yearly. Meanwhile, GDP on a Constant Price Basis (ADHK) shows the added value of goods and services calculated using prices prevailing in a particular year as a basis, for example, the base price in 2010. GDP ADHK is used to determine economic growth from year to year, while GDP ADHB is used to see shifts and economic structure.

To calculate the GDP figure, three approaches can be used, namely:

1) Production Approach, GRDP is the amount of value added for goods and services produced by various production units in the territory of a region in a certain period (usually one year).
2) Revenue Approach, GRDP is the remuneration received by production factors that participate in the production process in a region within a certain period (usually one year).
3) Expenditure Approach, GDP is all the final demand components: consumption expenditures of households and private non-profit institutions, government consumption, gross domestic fixed capital formation, inventory changes, and net exports.

The calculation of GDP according to business fields is also called the calculation of GDP through the production approach. The production approach is carried out by calculating the value of the final product of goods and services produced by various production units (in a region) over a certain period (a year). GRDP, according to the production/business field approach according to Standard Classification of Indonesian Fields of Business 2009, is divided into 17 business fields (categories), one of which is trade. Thus, the GDP of the Trade Business Field can be interpreted as the added value of goods and services produced by the Trade Business Field in a region within a certain period.
2.2. Ultra Micro Financing

According to the Minister of Finance Regulation Number 193/PMK.05/2020, UMi Financing is a financing facility program for ultra-micro businesses in conventional financing and financing based on Sharia principles (Dermawan et al., 2022). UMi financing aims to provide easy and fast financing facilities for ultra-micro businesses and increase the number of entrepreneurs the government facilitates.

The nominal distribution of UMi Financing for Bangka Belitung Islands Province from 2017 to 2022 amounted to IDR 74.49 billion to 20,606 debtors. When viewed from the gender of UMi Financing recipients, from 2017 to 2022, Women dominated as recipients/debtors of UMi Financing to reach 20,267 debtors or 98.35 percent.

To determine the impact of UMi Financing for Debtors, following the provisions in PER-6/PB/2022, it is necessary to conduct an economic survey of Debtors through Baseline and Endline surveys. The Baseline Survey was conducted to determine the economic level of the debtor at the beginning of the UMi Financing period. Meanwhile, the Endline survey was conducted to determine the economic level of the debtor at the end/post of UMi Financing.

The debtor’s economic value survey includes elements of personal economic value, business economic value, and inclusive financial value. Personal economic value is a value that reflects economic conditions in terms of welfare, education, and standard of living. Meanwhile, the economic value of a business is a value that reflects economic conditions in terms of business assets, business turnover, and number of workers, while financial inclusion value is a value that reflects the condition of financial literacy in terms of knowledge and utilization of financial products.

2.3. Workforce

According to Law of the Republic of Indonesia Number 13 of 2003, labor is everyone who can do work to produce goods and/or services to meet their own needs and for the community (Republik Indonesia, 2003). Meanwhile, according to BPS – Statistics Indonesia, the workforce is a population over the age of 15 years with workers, residents who have jobs but are temporarily unemployed, and working residents looking for other jobs. The workforce requires the availability of jobs or employment opportunities. Job opportunities show the availability of jobs for job seekers to fill (Badan Pusat Statistik Provinsi Kepulauan Bangka Belitung, 2022).

A country’s population is divided into two groups, namely labor and not labor. A resident is classified as a labor force if the population has entered working age. The applicable working age limit in Indonesia is 15 to 64 years old. Therefore, everyone who can work can be called a workforce. There are various opinions about these workers’ age, including those above 18 years, over 20 years, or even over seven years. Namely, street children who work can be called labor. Every workforce has the right to obtain employment, develop their potential and choose the placement of work sites.

3. Research Methodology

This research uses the path analysis method. This method aims to measure the direct effect of UMi Financing on Trade GRDP and the indirect effect of UMi Financing on Trade GRDP through the absorption of trade sector labor. The analysis steps are as follows:
1) Interpolation of UMi Data, Interpolation of 2017 annual distribution data into semester data through Eviews is needed because there is no UMi Financing distribution per Semester I of 2017 in Bangka Belitung Islands.

2) Path Analysis, The data analysis technique used in this study is the path analysis technique. Path analysis is a regression extension model used to test the alignment of the correlation matrix with two or more causal relationship models compared by researchers (David, as cited in Sarwono, 2010).

This study uses data on the distribution of UMi Financing, Trade Manpower, and Trade GRDP of Bangka Belitung ADHB Province from 2017 to 2022. Path analysis in this study was carried out through the following steps:

1) Data on UMi Distribution, Trade Labor, and Trade GRDP are standardized through Microsoft Excel.

2) Then regression is carried out with Trade GRDP as the dependent variable, then UMi Financing Data and Trade Labor as independent variables to obtain a path coefficient/path coefficient.

3) Testing of F significance is conducted to test whether the model is fit. It can be considered fit if the Significance F is less than 5%.

4) A correlation test was carried out to determine the path coefficient between UMi Financing and Trade Labor.

4. Results

To examine the impact of UMi Financing and Trade Labor Absorption on the GRDP of Trade Business Fields in Bangka Belitung Islands Province during the period 2017 – 2022, the research utilized Path Analysis, and the results are as follows:

Hypothesis 1:

H0: There is no influence between UMi Financing and Trade GRDP.

H1: UMi Financing affects Trade GRDP.

Hypothesis 2:

H0: There is no influence between UMi Financing and Trade Labor Absorption.

H1: UMi Financing Affects Trade Labor Absorption.

Hypothesis 3:

H0: There is no influence between Trade Labor Absorption and Trade GRDP.

H1: Trade Labor Absorption Affects Trade GRDP.
Table 1. Regression Results Statistics

<table>
<thead>
<tr>
<th>Regression Statistics</th>
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</thead>
<tbody>
<tr>
<td>Multiple R</td>
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<tr>
<td>R Square</td>
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<tr>
<td>Adjusted R Square</td>
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<tr>
<td>Standard Error</td>
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<tr>
<td>Observations</td>
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Table 2. ANOVA Results

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<thead>
<tr>
<th>ANOVA</th>
<th>Df</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
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<tbody>
<tr>
<td>Regression</td>
<td>2</td>
<td>6.739114</td>
<td>3.369557</td>
<td>7.117301</td>
<td>0.014011</td>
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<tr>
<td>Residuals</td>
<td>9</td>
<td>4.260886</td>
<td>0.473432</td>
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<tr>
<td>Total</td>
<td>11</td>
<td>11</td>
<td></td>
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Table 3. Regression Coefficient

<table>
<thead>
<tr>
<th></th>
<th>Coefficients</th>
<th>Standard Error</th>
<th>t Stat</th>
<th>P-value</th>
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<tr>
<td>Intercept</td>
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<td>0.198627</td>
<td>-6.5E-15</td>
<td>1</td>
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<tr>
<td>X1 (UMi)</td>
<td>0.752827</td>
<td>0.207544</td>
<td>3.627311</td>
<td>0.005509</td>
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<tr>
<td>X2 (Labor)</td>
<td>0.193772</td>
<td>0.207544</td>
<td>0.933643</td>
<td>0.374858</td>
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</table>

Table 4. Correlation Between UMi Financing and Trade Labor

<table>
<thead>
<tr>
<th>ZX1</th>
<th>ZX2</th>
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</thead>
<tbody>
<tr>
<td>ZX1</td>
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</tr>
<tr>
<td>ZX2</td>
<td>0.028622</td>
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</tbody>
</table>
5. **Discussion**

**Test Model:**

The significance F value of 0.014011 is less than 0.05 percent, indicating that the model is fit. As a result, the model can effectively explain the impact of UMi Financing and Trade Labor on the GDP of the Large Trade and Retail Business Field in Bangka Belitung Islands Province from 2017 to 2022.

**Hypothesis 1:**

The null hypothesis (H0) was rejected because the p-value of the channel coefficient was 0.005509, which is less than 0.05. This result shows that UMi Financing directly and significantly affects Trade GDP. UMi Financing plays a role in encouraging the gross added value of the Large Trade and Retail Business Fields in the Bangka Belitung Islands area. This finding is consistent with the research results by Susilo and Ratnawati (2015), which indicated that Islamic bank financing in the trade sector positively influences GDP growth in the trade, hotel, and restaurant sectors.

**Hypothesis 2:**

The null hypothesis (H0) was rejected as a positive correlation of 2.86 percent indicates that UMi Financing has a weak effect on Trade Labor. However, according to Sarwono (2006), a correlation in the range of >0 to 0.25 is considered a very weak correlation. Therefore, it can be concluded that UMi Financing has not been able to influence employment in the Large Trade and Retail Sector significantly. Most UMi Financing Debtors are housewives, and their businesses often serve as side businesses or supplementary income rather than their main livelihoods. As a result, they can manage their businesses without additional labor.

Moreover, the nominal UMi Financing distributed to Debtors in 2022 averaged IDR 4.36 million, insufficient to stimulate business development or expansion. The NKD Endline Semester II 2022 survey also confirmed that the increase in Debtors’ business turnover had not been optimally utilized for business development but rather for meeting family consumption requirements.
needs. Therefore, the study suggests that UMi Financing has not effectively increased the workforce, as financing is still predominantly used for basic business needs (Mayangsari et al., 2021).

Hypothesis 3:

The null hypothesis (H0) is accepted as the p-value of the channel coefficient is 0.374858, which is greater than 0.05. Consequently, Trade Labor Absorption has no significant effect on Trade GDP. In the trade sector, the number of workers does not directly correlate with the gross value added in the Large Trade and Retail Business field. The volume of goods and services traded in Bangka Belitung Islands Province is heavily influenced by people’s purchasing power, subject to fluctuations in commodity prices such as tin, palm oil, and white pepper. This outcome aligns with the research of Susilo & Ratnawati (2015) and Teka (2022), which indicate that labor in most sectors, except the mining and electricity, gas, and water sectors, does not significantly impact GDP.

6. Conclusion

UMi financing directly impacts Trade GRDP in Bangka Belitung Islands Province. However, this effect is not observed when UMi Financing is mediated by labor. The weak correlation between UMi Financing and Trade Labor, coupled with the insignificant impact of Trade Labor on the GDP of Large Trade and Retail, suggests that UMi financing has limited influence on the absorption of trade sector workers in the province. This limitation is partly due to the relatively small capital/financing provided (maximum of IDR 20 million). The absorption of labor in the trade sector does not significantly affect the acquisition of Trade GRDP, as the gross value added in the Large Trade and Retail sector primarily depends on people’s purchasing power, which remains highly dependent on tin commodity price movements.

Based on these research conclusions, the following policy recommendations are proposed:

a. The government should promote the distribution of UMi Financing to bolster GDP growth in the Large Trade and Retail Sectors, given their significant contribution to the GRDP in Bangka Belitung Islands Province.

b. UMi Financing Distributors should offer more intensive assistance to scale up the debtor’s business, potentially necessitating increased financing and labor. Encouraging eligible Debtors to switch to the Micro Scheme People’s Business Credit can facilitate business growth.

c. UMi distributors should diversify their distribution to other business sectors beyond Wholesale and Retail Trade. This diversification is crucial to promote GDP growth in various productive sectors, reducing over-reliance on the trade sector and enhancing overall economic development.

Further research is essential to explore the impact of UMi Financing on business improvement, financial inclusion, and the overall GRDP of Bangka Belitung Islands Province. Additionally, comprehensive studies could investigate the combined effects of UMi and Labor Financing on GDP.
7. Acknowledgment
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8. Conflicts of Interest and Ethical Standards
The authors certify that in this research, there are no conflicts of interest within their current organization, and no unethical practices, such as plagiarism, were followed during the research.

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