

Optimizing the Role of Micro, Small, and Medium Enterprises in Improving the Welfare of Napan Rural Communities in Indonesia

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) emphasize a significant role as guardians of the economic stability of local communities to improve welfare levels in people's lives. This research seeks to understand the role of MSMEs in improving community welfare in Napan Village, North Bikomi Sub-district, North Central Timor District. This research aims to describe the role of MSMEs in improving community welfare in Napan Village. The research method used is descriptive qualitative, describing and interpreting the object according to what it is. The data collection techniques used were interviews and observations. The results of this study show that the role of micro-enterprises consists of providing employment, reducing unemployment, increasing income, and alleviating poverty. MSMEs can employ those who do not have jobs so that they can improve and help meet their daily needs. MSMEs play an essential role in reducing the number of unemployed; the absorption of labor can help the government reduce poverty. MSMEs have been immensely helpful in reducing the number of unemployed people; MSMEs have been immensely helpful in alleviating poverty in Napan Village; this can be seen in the increase in community income.

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INTRODUCTION

To fulfill the needs of life and become prosperous, people who can be observant, see their potential, and identify markets can find opportunities and open business opportunities for the community. These business opportunities are expected to help the surrounding community achieve better economic growth, thereby reducing the process of high-level urbanization. High and sustainable economic growth is the primary condition for improving welfare (Rosdaniah, 2023). In addition, by reading about the business opportunities around it, the business is expected to become a distinctive area symbol. Welfare can be interpreted as an increase in a better standard of living so that one is free from poverty and the dangers of threatening life.

Likewise, Napan Village is a village that is developing with the existence of MSMEs; this encourages village economic growth and can absorb the number of workers to reduce the number of unemployed. MSMEs have played a role in improving living standards, welfare, community empowerment, and business sustainability (Najamudin & Iqbal, 2023). The development of the village has a good impact with the opening up of employment opportunities, which will increase community income. The reduction in unemployment means that it will help the government in reducing poverty. The types of businesses developed by Napan Assisted Village MSMEs since 2014 are pretty varied; the types of businesses are ginger wine, banana wine, jamu (herbal drinks), natural honey, egg nuts, pumpkin and moringa leaf sticks, corn marrow, red ginger drinks, banana and yam chips, rheumatic oil and ikat weaving crafts. These types of businesses are still being developed today.

From the data obtained, the initial capital was initiated by Mr. Anton Siki's funds of Rp 500,000. The initial capital was then developed, which in turn received support and guidance from various parties, namely: PMD Office (economic empowerment and appropriate technology section), Bank NTT, Industry Office, Social Office, Nakertrans Office, Food Security Office, Health Office, NGO section YMTM (Yayasan Mitra Tani Mandiri) and Village Government. Coaching from each agency is conducted once every three months. So far, MSMEs in Napan Village have recruited three workers, but the workforce is still limited to family members. This business also utilizes surrounding natural resources, although sometimes, the availability of basic production materials could be maximized. MSMEs in Napan Village continue to experience an increase in product sales. The income obtained by MSMEs in Napan Village every month reaches almost Rp 5,000,000, and the income obtained from these MSMEs is used to buy raw materials and pay for labor.

MSMEs are recognized as a potential sector and guardian of economic stability and have an essential role in improving the welfare of society in general (Farisi et al., 2022). The author tries to see the role of MSMEs in improving welfare in the community of Napan Assisted Village, North Bikomi Subdistrict, Timor Tengah Utara Regency. This research is intended to deepen previous research on

the focus of research on the role of MSMEs in improving the standard of living of the community through the welfare that is built. The successful role of MSMEs will provide a reference for developing MSMEs in other regions in Indonesia.

METHODOLOGY

The type of research used in this study is descriptive research with a qualitative approach that aims to provide a description or explanation (Sugiyono, 2015). The data collection techniques used in the study were observation, interviews, and documentation. The data analysis techniques used are data reduction, data presentation, and conclusion drawing. This research was conducted in Napan Village, North Bikomi District, North Central Timor Regency, Indonesia. Furthermore, they interpret and explain the results of the discussion regarding the implications and significance of the research questions. Furthermore, the authors summarize the main findings and draw interesting conclusions based on descriptive analysis (Kim et al., 2017).

In this study, the parties used as informants are as follows: (1) Business owners; (2) Head of the ikat weaving group; (3) Labor; (4) Village Head, Secretary, Kaur Pembangunan; (5) Hamlet Head; (6) Consumers. The total number of parties used as informants was 21 people. This research focuses on MSMEs in improving community welfare, including providing employment, reducing unemployment, increasing income, and alleviating poverty. Data analysis was conducted through data reduction, presentation, and conclusion drawing.

RESULTS & DISCUSSION

Job Creation through MSMEs

Fully productive employment will lead to an increase in the purchasing power of the community, and with the increase in the purchasing power of the new community, employment opportunities, in general, will expand. Providing employment is creating new jobs and increasing productivity in general (Soemitro, 1994). Employment opportunities in Indonesia are guaranteed in the 1945 Constitution in Article 27, paragraph 2, which reads, "Every citizen has the right to a decent job and livelihood." From the 1945 Constitution article 27, paragraph 2, it is clear that the Indonesian government is obliged to create jobs for community members because this is related to the community's efforts to earn income.

Based on the research results, researchers can show that employment through the Assisted Village MSMEs in Napan already exists and is quite helpful to the surrounding community. However, over time, only three people have been recruited as laborers to assist in production. Apart from that, business owners sometimes need help with some obstacles, namely the unfulfilled supply of raw

materials. The production process is also carried out only a few times a week. However, it is carried out when there is a reduced supply of products so that the process of providing wages is adjusted to the agreement, which is paid after the product work process of Rp 150,000.

Based on the above statement, the provision of employment is based on the reality in Napan Village that MSMEs have an essential role in absorbing labor. Assisted Village MSMEs' presence in Napan helps generate income for the community so the unemployment rate can be slowly reduced. MSMEs can help employ the community, especially in the context of the creative economy and small and medium industries. MSMEs can also spread economic growth to remote areas, which impacts reducing unemployment and poverty levels (Arsi et al., 2022).

Reducing Unemployment to Increase Income

Reducing unemployment means helping to create jobs and providing extensive employment opportunities to people who are unemployed or looking for work. MSME development positively influences people's quality of life and can help alleviate the unemployment rate. MSME development and unemployment rates simultaneously or jointly influence people's quality of life (Pakiun et al., 2023). So far, the assisted village MSMEs in Napan have been sufficient to assist the Napan Village Government in reducing the existing unemployment rate. However, it still needs to be improved because employment is still limited. Several factors influence the unemployment rate in Indonesia, including the Human Development Index (HDI), economic growth, and minimum wage (Diniyah & Fisabilillah, 2023).

The presence of Assisted Village MSMEs in Napan is enough to help reduce the number of unemployed. These MSMEs have been sufficient to improve the quality of Human Resources (HR) through training for workers. Providing employment opportunities, although still limited, has helped to increase the economic growth of the surrounding community because the recruitment of labor automatically increases each worker's income. Through this, it will automatically contribute to the economic growth of the local community. Increasing income is an activity carried out to obtain income to meet daily basic and social needs.

These MSMEs have been very helpful in improving the community's economy. This can be seen from how these MSMEs can help boost the economy for business owners, laborers, mothers of ikat weaving groups, and local people who sell garden products to the production site. This is enough to help sustain the community's income to meet their daily needs, both basic needs and social needs. It can be seen from the recruitment of labor, which in turn will increase income for the workforce and the surrounding community who participate in selling garden products to the production site; this will automatically contribute to improving the surrounding community's economy.

Alleviating Poverty

Poverty alleviation strategies involve various aspects, including income generation, natural resource utilization, and community empowerment through MSMEs. Poverty alleviation can be done through various strategies, including:

1. **Microfinance Institutions:** Microfinance institutions, such as BMT, can provide appropriate financial services and help the poor escape poverty (Pilihanto & Chofyan, 2023).
2. **Social Enterprise:** Social enterprises can assist the government in overcoming poverty by empowering communities, providing microfinance services, and providing free education (Mawardi & Pratama, 2023).
3. **Government Programs:** Government programs such as the Family Hope Program, the Village Fund, and the Smart Indonesia Program can also help alleviate poverty in Indonesia (Latare et al., 2023; Swandriano & Arif, 2023).
4. **Counseling on Community-Based Poverty Reduction Strategies:** Counseling on these strategies can help communities become aware of and thoroughly recognize what triggers poverty in their villages (Setiawan & Chorunnisa, 2023).

The presence of assisted village MSMEs in Napan has been immensely helpful in alleviating poverty in the village. MSMEs can provide employment opportunities for the community and increase income for the community. This has dramatically helped the Napan Village Government alleviate poverty in Napan Village. Poverty alleviation is a form in which people feel prosperous because their daily needs have been met and they are free from poverty and threatening dangers. The poverty alleviation strategy put forward by the World Bank is that every decade, the poverty alleviation strategy has evolved from creating jobs, increasing income, developing health and education, and providing protection to empower people experiencing poverty.

The Assisted Village MSMEs in Napan provide employment opportunities for the community and increase income for business owners, laborers, weaving group mothers, and the surrounding community who sell garden products to the production site. Because of the economic improvement for the community, the existing poverty rate can be reduced slowly and will help the village government alleviate poverty. Micro, Small, and Medium Enterprises (MSMEs) can help solve poverty problems by absorbing labor and increasing community income. MSMEs can also help reduce unemployment, income distribution inequality, and excessive urbanization flows in Indonesia (Lumbanraja, 2022).

CONCLUSIONS

Based on the research that has been discussed about the role of Assisted Village MSMEs in Napan in improving community services, MSMEs have successfully provided employment, reduced

poverty, increased employment, and improved the quality of life to improve people's lives. This shows that MSMEs can provide jobs for those who are unemployed, help reduce poverty, and assist the government in reducing poverty. These microenterprises also contribute to the nation's economic development, improving the lives of workers, entrepreneurs, and local communities. MSMEs are an essential tool to overcome poverty and improve the quality of life of the community and have been quite helpful to the Napan Village Government reduce poverty in Napan Village. Recommendations for future research include studying the long-term impact of MSMEs on poverty alleviation and exploring innovative financing models for MSMEs.

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