

## **ANALYSIS OF UMKM DEVELOPMENT PROGRAM BANK OF INDONESIA IN PALEMBANG CITY (Study at the BI South Sumatra Representative Office)**

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**Abstarct:** One of the programs implemented by Bank Indonesia is the MSME Development Program. This MSME development program is carried out in order to improve the economic structure by increasing income and opening up employment opportunities. MSMEs also increase business independence in their own way, namely periodic learning in improving the competence of MSME actors. The object of research in this study is the development of MSMEs in the city of Palembang. This has a character, namely the uniqueness of the MSME sector in Palembang. This research was carried out with the hope of helping to improve the character of MSMEs in the city of Palembang so that they are more focused and directed towards this field to be developed based on MSME development policies, especially in the city of Palembang. The method used in this study is a qualitative method by conducting interviews and observations and using secondary data. The MSME development program for the South Sumatra Representative in the city of Palembang has several development programs that are being implemented, namely strengthening exports by conducting integrated supervision in service products and production of MSME activists, controlling MSME inflation, digitalization of marketing, services and production in the MSME sector.

**Keywords:** Development, Program, UMKM

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### **INTRODUCTION**

The people of Palembang City are people with cultured characters, including civil culture, mutual cooperation and very famous traditional clothing such as songket. Not only limited to clothing, but the character of the people of Palembang City lies in food and drinks that rely on fishery production and the cleanliness of rivers. Not to mention if we talk about the development of human resources such as clothing craftsmen and human resources for fertilizer factories or petroleum processing. This is a regional potential that can be used as an asset for the prosperity of the local community, where this potential can be developed through UMKM (Micro, Small and Medium Enterprises).

The reason why MSMEs are the benchmark for their success is because in carrying out MSME activities, every human resource (HR) must be able to socialize all of their business products. Every business actor wants prosperity and this goal can be realized through the success of MSME activities. One opinion that states the importance of MSMEs is the opinion of Tulus (2021) which states that micro, small, and medium enterprises (MSMEs) play a very vital role in development and economic growth, not only in developing countries but also in developed countries. Then still in the same opinion, namely by realizing how important MSMEs are (at least potentially) as described above, it is no wonder why governments in almost all developing countries (including Indonesia) have long had various programs, with subsidized credit schemes as the most important component to support the development and growth of MSMEs.

Then in supporting the success of MSMEs, a policy is made based on these needs. This policy is a policy MSME Development Program through Bank Indonesia. In the

beginning, the character of Palembang City has been discussed briefly. This study connects MSME variables with its social assistance policies, especially in Palembang City. The importance of analysis in the concept of MSMEs with the concept of policy will have an impact on the welfare of the local community. Welfare consists of the economic sector in purchasing power and welfare in having quality goods and services so that it has an impact on the progress of the health and education sectors and reduces the unemployment rate significantly if the policy portfolio is implemented correctly. The importance of assistance in improving the quality of MSMEs is contained in the following references. Based on references from the Bank Indonesia website, there are several important things that must be known about the MSME development program, including MSMEs have an important and strategic role in the structure of the Indonesian economy because they contribute greatly to Gross Domestic Product of 61.1%, labor absorption of 97% and exports of 14.4%.

According to the 2024 Palembang City Regional Statistics, the data can be seen in the table below.

**Table 1. Gross Regional Domestic Product (GRDP) by Business Sector at Current Prices (ADHB) and Constant Prices (ADHK) in Palembang City (Billion Rupiah), 2023**

| No                                     | Business Field                                                     | ADHB              | ADHK              |
|----------------------------------------|--------------------------------------------------------------------|-------------------|-------------------|
| 1                                      | Agriculture, Forestry, Fisheries                                   | 814.52            | 501.86            |
| 2                                      | Mining and quarrying                                               | 7.85              | 4.78              |
| 3                                      | Processing industry                                                | 62 723            | 40 440.37         |
| 4                                      | Electricity and gas supply                                         | 350.24            | 204.84            |
| 5                                      | Water supply, waste management, sewage and recycling               | 521.86            | 306.98            |
| 6                                      | Construction                                                       | 30 291.08         | 17 359.38         |
| 7                                      | Wholesale and retail trade, repair of cars and motorbikes          | 35 521.71         | 18 113.23         |
| 8                                      | Transportation and warehousing                                     | 11 187.43         | 4 971.77          |
| 9                                      | Provision of accommodation and food and drink                      | 7 353.09          | 3 546.16          |
| 10                                     | Information and communication                                      | 14 801.30         | 12 502.49         |
| 11                                     | Financial and insurance services                                   | 8 561.08          | 5 229.74          |
| 12                                     | Real Estate                                                        | 9 492.34          | 6 148.35          |
| 13                                     | Corporate Services                                                 | 344.55            | 188.46            |
| 14                                     | Government administration, defense, and compulsory social security | 3 871.36          | 3 172.72          |
| 15                                     | Educational Services                                               | 5 431, 18         | 3 670.56          |
| 16                                     | Health Services and Social Activities                              | 1 396.67          | 969.09            |
| 17                                     | Other services                                                     | 1 900.19          | 1 256.36          |
| <b>Gross Regional Domestic Product</b> |                                                                    | <b>194 569.60</b> | <b>118 587.14</b> |

*Source: BPS Palembang City 2024*

The table above shows the Gross Regional Domestic Product (GRDP) by Business Field at Current Prices (ADHB) and at Constant Prices in Palembang City. If we look at the numbers above, then in fact there is still a great need for additional MSMEs, especially in the fisheries sector. As is well known, Palembang City is very dependent on the fisheries sector and the management of flowing rivers. According to Wijaya, (2018) in an article on the

Environmental News Site, the Musi River flows 750 kilometers from Bukit Kelam, Curup, Bengkulu to Sungsang, Banyuasin, South Sumatra and has supported millions of humans and other living things since the past until now. Wijaya also argues that the Musi River and the East Coast Area do not only function as sources of clean water. Every day thousands of tons of fish are transported from the East Coast and the Musi River.

This is inseparable from the fact that the typical food in Palembang is *empek-empek* made from fish so that the above fact must be accompanied by fish conservation, such as Belida fish which is the raw material for making pempek. MSMEs in the fisheries sector are one of the important things that will be considered in this study because one of the superior geographical resources of the city of Palembang is the Musi River and fish farming. The hope for knowledge about the needs of MSME development programs and what sectors should be prioritized becomes a real object from a scientific, social and political perspective so that the problems that will be analyzed in this study are compiled, including:

1. How can the MSME development program represented by the BI South Sumatra Representative Office be implemented optimally in accordance with the regional character of Palembang City?
2. Then, can the UMKM development program at Bank Indonesia, South Sumatra Region, improve the economy in Palembang?

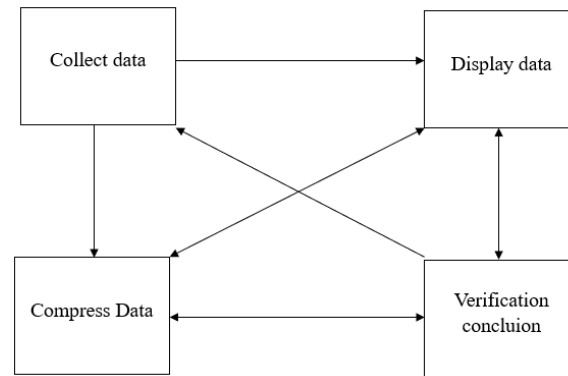
## METHODS

The research method used in this study is a qualitative research method with secondary data collection that has been collected by other parties. Data collection in this study is based on the most frequently conducted data collection, especially from participants, namely interviews, Focus Group Discussions, and observations (Sarosa, 2021). In this manuscript, the data collection used is secondary data collection such as books, newspapers, and other literature related to each other.

This research aims to seek an in-depth understanding of the substance of MSME development, especially in the fisheries sector in Palembang. This means that a relationship can be drawn between public policy on policies chosen by the local government in this case BI with the UMKM development program to improve the welfare of the Palembang City community through UMKM in the fisheries sector. The hope is to get the right policy choices and are indeed needed to improve the ability of UMKM in accordance with the characteristics of the city of Palembang or the elements that are the advantages of the city of Palembang, so that the analysis in this study can be a medium of introduction between the development of theories in determining what sectors need to be developed in UMKM and making the UMKM development program in the fisheries sector maximized.

The MSME Development Program from Bank Indonesia in Palembang City is analyzed through the concept. In Hariyono (2024) explains Keynesian Theory states that the government can have an important role in managing the economy through fiscal policy, namely government spending and taxation to influence aggregate demand. However, Keynesian theory is an introduction to MSME development because it has the right source, namely the government as a subject that provides power and working capital for MSMEs.

The analysis of the UMKM Development Program in Palembang will use Gray's (1989) Collaboration theory through the Miles and Huberman qualitative analysis method. Miles and Huberman (1994) in Sarosa (2021:3) describe qualitative data analysis as follows:



**Figure 1. Qualitative data analysis model (adapted from Miles & Huberman, 1994)**  
Source: Sarosa (2021)

Gray (1989) in Ansell and Gash (2007) defines that the collaboration process consists of three stages, namely:

**1. Stage 1 Problem Setting**

At this stage, determination is made of the recognition of the interdependence of stakeholders involved in the collaboration, identification and perception of stakeholders and balancing differences in power as well as carrying out the division of power.

**2. Stage II Direction Setting**

At this stage, coincident values and shared strategies are determined. In addition, ground rules are determined, agendas are drawn up and subgroups are organized, and information is pooled, options are examined, and the desired agreements are multiplied.

**3. Phase III Implementation**

At this stage, a high level of ongoing interdependence, appropriate structures for collaboration processes, and monitoring and compliance are determined. The agreed ground rules are provisions that have been agreed upon so that their implementation must always be monitored.

## RESULTS AND DISCUSSION

### 3.1 MSME Development Policy from Bank Indonesia, Palembang City

According to Gerston's (2002) public policy theory in the book *Policy Analysis* (Solihin 2012) "all public policy making involves government in some way" (all public policy making involves the government in some way). So in this case a regulation governing the development of MSMEs must receive support from the government, especially working capital. This definition carries a concept of formality from a business that must be supported and protected by law, one of the regulations that supports MSMEs is Government Regulation Number 7 of 2021 concerning MSMEs where the regulation defines Micro Enterprises as productive businesses owned by individuals and/or individual business entities that meet the criteria for micro businesses as regulated in the government regulation. Then in Government Regulation Number 7 of 2021 there is something substantial related to the development of MSMEs, namely in Article 2 regulating the Central Government and Regional Governments

providing convenience, protection and empowerment for MSMEs as well as convenience, protection and empowerment for Cooperatives and MSMEs. Empowerment is a comprehensive aspect of a good MSME goal. The process is from incubation to MSME development.

### **3.2 Analysis of the MSME Development Program from Bank Indonesia in the city of Palembang**

#### **With Collaboration Theory**

In the theory of Gash and Ansell (2007) the concept of collaboration in the public administration sector is called "Collaborative Governance". Ansell and Gash define collaborative government as a government arrangement carried out by one or more public institutions that directly involve non-government stakeholders. This involvement is carried out in a formal, consensus-oriented and deliberative decision-making process. The purpose of this decision-making is to create or implement a public policy, or to manage public assets and programs. From this theory there are several data that will be analyzed inductively, including:

#### **3.2.1 Substance of the Bank Indonesia MSME Development Program in Palembang City**

Based on the Bank Indonesia MSME Development Framework, MSME development carried out by Bank Indonesia is aligned with Bank Indonesia's field of duty and in line with Bank Indonesia's vision, mission, and strategic programs so that it is focused on:

1. Supporting efforts to control inflation, especially volatile food inflation, which is carried out from the supply side.
2. Supporting export potential MSMEs and tourism supporters to support efforts to reduce the current account deficit.
3. Improving financial access for MSMEs to support financial system stability.

Jelajahs (2024) in the article Jelajah Sumsel Dissemination of the Economic Report of South Sumatra Province explains about strengthening MSME exports, namely the form of contribution of MSMEs in South Sumatra in growing the economic growth of South Sumatra which is influx. This means that the BI Representative Office of South Sumatra has implemented an MSME program with the aim of strengthening the character of the South Sumatra region through dissemination activities where this activity discusses MSME strategies to be able to compete in exports in terms of incubators and MSMEs. The BI South Sumatra Dissemination concluded that support for MSMEs can be carried out through collaboration and partnerships from various parties and assistance in order to achieve the goal of the success of MSMEs that are competitive in exports.

The next substance of BI South Sumatra is synergy and program sustainability. In the annual agenda of BI South Sumatra in 2023 in an article written by Soimah (2024), Head of the South Sumatra Representative Office of Bank Indonesia conveyed that Bank Indonesia is committed to continuing to support the progress of South Sumatra MSMEs through various channels in synergy with all relevant stakeholders. According to him, throughout 2023, various MSME development activities have been carried out by the BI Representative Office of South Sumatra Province in collaboration with related agencies, including:

1. Digitalization Onboarding Program for Potential and Superior MSMEs
2. Capacity Building with various themes, including those related to color and style trends,
3. Access to financing, and digitalization, market access improvement programs through various exhibition and expo activities.

4. MSME Business Capacity Building Program through Bank Indonesia Social Assistance Program (PSBI)
5. As well as increasing financial access for MSMEs through business matching programs.

### **3.2.2 Analysis of MSME Development Programs through Ansell and Gash's Theory**

In Ansell and Gash (2007) to carry out collaboration several stages are required, namely:

#### **3.2.2.1. Stage 1 Problem Setting**

At this stage, the determination of interdependence recognition is carried out in terms of what stakeholders are involved in a collaboration and the balance of power and sharing it. Then determining the problem, identifying sources and agreements with related parties.

Assistance from other parties in order to support the UMKM development program at BI Sumsel has been established to achieve sufficient supply in providing the necessary resources. Then to make UMKM with a strong export character, the government needs stakeholders who can support product quality and price control. In this case, BI Sumsel has carried out several representative programs including increasing exports, controlling volatile food inflation, and digitalizing UMKM.

Based on the activities that have been carried out by BI South Sumatra, the government has implemented the BI program in collaborative involvement with various parties. However, the recognition that has not occurred is in improving the cultural character of MSMEs based on the South Sumatra region, especially the city of Palembang as the capital. The author found very significant fisheries sector data in Palembang City in table 1 (domestic product table) which is not as large as GDP in the processing sector. This is a concern because Palembang City is a city rich in fisheries with demographics that support the sector.

#### **3.2.2.2. Direction Setting Stage**

In this stage, the determination of coincident values and joint strategies is carried out. In the context of the UMKM development strategy, the interests of entrepreneurs and the prosperity of society are very close because UMKM is very focused on the quality of production or service that can be enjoyed by society. Bank Indonesia Representative Office of South Sumatra carries out the main strategy, namely strengthening exports by conducting integrated supervision of service products and production of MSME activists. This is reflected in the contribution of MSMEs to GDP of 61%, a very significant absorption of labor of 97% (Jelajahs, 2024). Meanwhile, the framework that is implemented is controlling inflation in food supply, namely by controlling prices so that they are not too expensive so that they can be reached according to the purchasing power of the people of Palembang City in particular and South Sumatra in general.

In the MSME sector, based on the BI Activity Program (2024), Bank Indonesia's Policy Mix in the Payment System Sector is Strengthening the synergy of expanding digital acceptance with payment system industry players in order to increase QRIS merchant acquisition in all MSME categories through improving service quality, strengthening various promotional programs, and QRIS usage campaigns. This policy makes the MSME Development program very accessible to the public, especially if inflation control is carried out effectively with the support of food supplies that implement an accountable monitoring system.

In BI's strategic program, the targets and achievements of its strategic programs and activities have the following missions, namely: Low and stable inflation through core inflation

control as Bank Indonesia's accountability, by determining and implementing monetary policy and Bank Indonesia's policy mix in a sustainable, consistent and transparent manner to achieve stability in the value of the Rupiah in order to support sustainable economic growth.

### **3.2.2.3. Implementation Stage**

In Sentanu at all (2024) there is a process that starts from ongoing interdependence, a structure that is in accordance with the collaboration itself, and supervision and compliance. The implementation of the program which is monitored based on the findings that have been mentioned in the problem setting and Direction studies above include:

- 3.1 Strengthening Exports by controlling inflation to match the purchasing power of the people of Palembang City. The South Sumatra LPP Book contains information on economic developments, which includes macroeconomic assessments, inflation, financial system stability, and payment system stability in South Sumatra Province (Visa Sumsel, 2024). The performance results of this program are the contribution of MSMEs in South Sumatra to GDP of 61%, and a very significant absorption of labor of 97%.
- 3.2 The framework currently being implemented in the MSME development program is inflation control by determining monetary policy and production supply supervised by the central bank.
- 3.3 In Soimah(2024) the use of environmentally friendly materials both in the exhibited MSME products and raw materials for the development of MSMEs in South Sumatra is being implemented. This shows the commitment and full support of BI South Sumatra towards the development of green and sustainable MSMEs. Head of the Representative Office of Bank Indonesia for South Sumatra Province, Ricky P. Gozali, said that BI South Sumatra's commitment to developing green and sustainable MSMEs is in line with the implementation of the Sustainable Development Goals (SDGs). By developing and continuing to innovate in environmentally friendly business practices, the MSME products produced will be able to increase Indonesia's competitiveness in the global market. Not only that, the program also highlights a fashion show with the theme of South Sumatra batik which is expected to be a new source of economic income for South Sumatra. The BI South Sumatra representative hopes that MSME development activities with a green and sustainable theme can be a motivation and give birth to a joint commitment to further advance MSMEs and can be useful for improving the welfare of the people of South Sumatra. Bank Indonesia, which consistently continues to make efforts to develop MSMEs in the South Sumatra region so that they always have the character of the South Sumatra region through the Green MSME program.

## **CONCLUSION**

Based on the problems raised in this study, the following conclusions can be drawn:

1. The South Sumatra Representative UMKM development program in Palembang City has several development programs that are being implemented, namely strengthening exports by conducting integrated supervision of service products and production of UMKM activists, controlling UMKM inflation, digitalization of marketing, services and production in the UMKM sector. So with the existence of several development programs, in accordance with Ansell and Gash's Collaboration Theory, this program is carried out with a cooperation or collaboration scheme, namely the government with UMKM activists where each development program will attract and invite the stakeholders needed. Collaboration Theory emphasizes the strategy for implementing the program so that each program can be utilized properly in accordance with the achievements at the problem setting stage.

2. Based on the findings of the development programs in this study, hypothetically the program should be able to increase the level of the economy that has the output of the welfare of the Palembang City community through the development activities of the South Sumatra Representative MSMEs. However, in this article there are limitations that result in the level of success and increase in welfare resulting from the MSME program in Palembang City not being able to be determined empirically. Hopefully in the next study it will be possible to determine how effective each program is through scientific methods so that these development activities can be used as a reference for permanent policy making in each region.

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