THE INFLUENCE OF BPUM ON THE REGIONAL ECONOMY DURING THE COVID-19 PANDEMIC

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Abstract

The research objective is to analyze the influence of BPUM on the Regional Economy by considering HDI, poverty levels, PAD and labor force in MSMEs. This type of quantitative research uses panel data, namely secondary archival data on the population of Micro, Small and Medium Enterprises in cities and districts in all provinces in Indonesia. Data was obtained from the Ministry of Cooperatives, Small and Medium Enterprises, the Directorate General of Fiscal Balance (DJPK) and the Central Statistics Agency (BPS) for the period 2020 and 2021. The research population for all districts in Indonesia in 2020 and 2021 was 514 districts and cities. Based on the results of the Fixed Effect Model, the influence of BPUM on GRDP obtained a coefficient value of 0,010803, the influence of HDI on GRDP obtained a coefficient value of -0,0006866, the influence of poverty levels on GRDP obtained a coefficient value of 0,0212617, the influence of PAD on GRDP obtained a coefficient value amounting to 0,0009767, and the influence of the labor force on GRDP obtained a coefficient value of -0,0331359.

Keywords: BPUM, GRDP, HDI, PAD, Labor Force, Poverty.

1. INTRODUCTION

The Indonesian government, in order to build a community economy, has established a policy of developing Micro, Small and Medium Enterprises (MSMEs). These businesses are an integral part of Indonesia's independent economic system and have high potential in supporting the welfare of the community. The Indonesian economy has various important roles in the economic equality of small people, poverty alleviation, and foreign exchange earnings for the country (Kemenkeu, 2022).

MSMEs are the main driving force in the economic empowerment of the people. Employment opportunities are provided to many people in areas underserved by large industries. Thus, MSMEs play a role in reducing unemployment and increasing people's income. MSMEs help in economic equality by creating jobs and providing business opportunities in all parts of Indonesia. This is important for reducing economic inequality between regions. By providing employment and business opportunities, MSMEs can help families increase their income and reduce poverty. MSMEs are the first choice for those below the poverty line to create new economic opportunities.

Some MSMEs are also export-oriented and can contribute to the country's foreign exchange earnings. Although on a smaller scale compared to large enterprises, the contribution of MSMEs in exports can be significant in the context of the national economy. MSMEs are more flexible and able to adapt to market changes and consumer demand. They are the birthplace of innovation and creative ideas, which can improve the competitiveness

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of the national economy. MSMEs can be more flexible and responsive to changing market needs by developing new products and services that reflect creativity and customisation to specific consumer needs. Innovative and unique MSME products can provide differentiation in a highly competitive market. This not only attracts local consumers but can also attract the attention of international markets.

In addition to the economic aspect, MSMEs also have a role in social and cultural development by promoting local products and regional culture, and maintaining local wisdom. This helps introduce local products to a wider market, both domestically and internationally. MSMEs play a role in preserving local traditions and wisdom through products and services. For example, MSMEs that produce traditional handicraft items or regional specialities help maintain and sustain local culture. By providing access to resources, training and capital, governments and relevant agencies can help MSMEs grow and thrive, which can improve the welfare of business owners and employees.

According to the Ministry of Cooperatives and SMEs, in 2021 the number of MSME players in Indonesia reached 64.20 million. This shows that MSMEs are a very broad sector and include many business actors throughout Indonesia. MSMEs contribute 61.07 per cent to GRDP, which is equivalent to IDR 8,573.89 trillion. This shows that the MSME sector accounts for more than half of the total production value of goods and services in Indonesia, making it one of the main pillars of the country's economy. MSMEs are able to absorb 96.90 per cent of the total labour force. This means that almost the entire workforce in Indonesia is involved in the MSME sector, signifying that MSMEs are not only an engine of economic growth but also a very significant provider of employment. MSMEs accounted for 60.40 per cent of total investment, reflecting its role in attracting domestic investment. This shows that the MSME sector also plays an important role in creating investment opportunities and supporting long-term economic growth (Kementerian Keuangan, 2020).

MSMEs are indeed the most important pillar of the Indonesian economy (Dewi dan Suprapto, 2022). The condition of MSMEs in 2020 and 2021 has decreased since the Covid-19 pandemic. Based on a survey from the United Nations Development Programme together with the Institute for Economic and Social Research of the University of Indonesia in 2021 involving small entrepreneurs, it shows that more than 48 per cent of MSMEs face raw material problems due to travel restrictions disrupting the supply chain, making it difficult for MSMEs to obtain the necessary raw materials. Economic uncertainty and supply disruptions have also led to increases in raw material prices, burdening MSMEs that have limited financial capabilities. A 77 per cent drop in revenue due to the decline in purchasing power due to the pandemic led to a drop in MSME revenues.

Many consumers have postponed spending on non-primary needs. Some MSMEs have been forced to close their businesses or reduce operations, resulting in a significant drop in revenue. Product demand fell by 88 per cent as the pandemic changed people's consumption patterns and priorities. Certain products became less desirable while other products increased in demand. Reduced economic activity, including temporary closures or reduced business hours, reduces demand for MSME products and services. A 97 per cent decline in asset value due to reduced revenue and business activity, the value of assets such as inventory and property may decline, impacting the financial health of MSMEs. Many MSMEs face difficulties in meeting their debt obligations, which can reduce the overall asset value (Kemenkeu, 2023).

During the pandemic, many MSMEs were hit hard, but now they are starting to return to normal operations. According to Bank Indonesia, around 87.50 per cent of MSMEs were affected by the Covid-19 pandemic. These impacts include decreased revenue, operational disruptions, and financial difficulties. The PEN programme is regulated in Ministerial Regulation No. 23/2020. Its main objective is to protect, maintain, and improve the economic capabilities of entrepreneurs, including MSMEs, in dealing with the impact of the pandemic. The programme is flexible, adaptive, and responsive, responding to and mitigating the impact of Covid-19 with various support schemes from individual, household, group, to corporate levels. One concrete form of support from the PEN programme is the Productive Micro Business Assistance (BPUM). BPUM aims to provide direct financial assistance to micro-entrepreneurs to maintain business sustainability. The BPUM programme helps small MSMEs by providing working capital assistance that can be used to purchase raw materials, equipment, or other operational costs. It aims to reduce the financial burden and help MSMEs to resume normal operations, (Kementerian Koordinator Bidang Perekonomian, 2022).

Government assistance for MSMEs, especially in the form of money through programmes such as the Productive Micro Business Assistance (BPUM), is part of the government's efforts to support small entrepreneurs during difficult times. The source of funds for this assistance comes from the State Budget (APBN), which shows the government's commitment in maintaining the economic sustainability of the MSME sector. In accordance with Government Regulation No. 7 of 2021 on the Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs), micro enterprises are productive businesses, owned by individuals or individual business enterprises.

The highest number of BPUM recipient businesses in Indonesia in 2020 and 2021 was obtained by West Java Province and the lowest in Papua Province. The high and low amount of BPUM is determined by the number of MSMEs receiving BPUM in each province. The government has set a target of 12 million MSMEs with a budget of IDR 28.80 billion with each micro business actor being given assistance of IDR 2.40 million. However, in 2021, there is a change in BPUM, which is given to small entrepreneurs at once according to predetermined criteria, to IDR 1.20 million. BPUM is distributed evenly throughout Indonesia, covering all provinces, regencies and cities in Indonesia (Kementerian Koordinator Bidang Perekonomian, 2022)

The government programme that is rolled out through BPUM aims to help people avoid falling into poverty by maintaining their businesses, maintaining employment, increasing productivity, and contributing to regional and national economic recovery. To achieve regional economic goals, BPUM is one of the government policies in the PEN programme. However, there are other variables that can be evaluated in supporting the achievement of these goals. These variables are poverty, human development index, local revenue and labour force.

The Covid-19 pandemic has had a negative impact on the economy, health and education. The impact on the economy is especially experienced by MSMEs such as a decrease in sales, difficulty in finding raw materials, capital, a decrease in income and a decrease in people's purchasing power. This condition is supported by data issued by the Ministry of Finance as described in the background above. This condition is caused by the

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Covid-19 handling policy which requires restrictions on activities in public places or facilities, maintaining distance and so on.

Economic growth in the region can be measured using indicators such as Gross Regional Domestic Product (GRDP). Related to the government's responsibility to maintain economic growth, the government has established policies in the economic sector, including by providing capital assistance for MSMEs through the BPUM programme. BPUM is an assistance programme aimed at helping MSMEs as the backbone of the economy in the regions and the centre. The assistance fund is expected to increase business capital so that MSMEs can continue to run. The 2020 BPUM funds received by MSMEs in 2020 amounted to Rp2.40 million and in 2021 decreased to Rp1.20 million.

MSMEs have a large contribution to GRDP, so the provision of BPUM funds is expected to maintain MSMEs to continue to grow and develop so as to increase GRDP. However, the Covid-19 pandemic has an impact on public health, education and poverty due to disrupted economic activities. Regional Original Revenue (PAD) is also affected due to restrictions on social activities that cause a decrease in economic activity. Based on this, this study aims to analyse the effect of BPUM on the regional economy by considering the poverty rate, HDI, PAD and the workforce in MSMEs.

2. LITERATURE REVIEW

The Indonesian government is committed to building a people's economy by developing Micro, Small, and Medium Enterprises (MSMEs). MSMEs are considered an integral part of the Indonesian economy due to their significant role in creating jobs, reducing poverty, and supporting economic equity. According to data from the Ministry of Finance (2022), MSMEs contribute 61.07% to the national GDP and absorb 96.90% of the total workforce in Indonesia.

2.1. The Role of MSMEs in the People's Economy

a. Economic Equalisation and Poverty Alleviation: MSMEs play an important role in creating jobs in various regions, especially in areas underserved by large industries. As such, MSMEs help reduce economic inequality between regions and contribute to poverty alleviation.
b. Contribution to Foreign Exchange Earnings: Some export-oriented MSMEs contribute to the country's foreign exchange earnings, albeit on a smaller scale than large enterprises. This shows that MSMEs have great potential in the international market.
c. Innovation and Adaptability: MSMEs are known to be more flexible and adaptive to market changes and consumer demand. They are often the cradle of innovation and creative ideas, which can improve the competitiveness of the national economy.
d. Social and Cultural Development: MSMEs also have a role in preserving local traditions and culture through products that reflect local wisdom. Local products produced by MSMEs not only help introduce regional culture to a wider market, but also maintain the cultural heritage.

2.2. Government Support in MSME Development

During the Covid-19 pandemic, the MSME sector was severely affected. However, the Indonesian government through the National Economic Recovery Programme (PEN) provided various forms of assistance, such as the Productive Assistance for Micro Enterprises (BPUM), to maintain the sustainability of MSMEs. BPUM aims to provide direct financial assistance to micro-entrepreneurs to reduce their financial burden and help them return to normal operations (Coordinating Ministry for Economic Affairs, 2022).

In an effort to encourage regional economic growth, the government also provides capital assistance for MSMEs through BPUM. This assistance fund is expected to increase business capital, so that MSMEs can continue to grow and contribute significantly to Gross Regional Domestic Product (GRDP) and Regional Original Revenue (PAD). Overall, the development of MSMEs is an important strategy in the government's efforts to create an inclusive and sustainable economy, as well as reduce poverty and economic disparities in Indonesia.

3. RESEARCH METHODS

This research uses a quantitative approach to test hypotheses relating to the relationship between the variables or phenomena under study. This approach allows numerical analysis of the collected data to determine statistical patterns and relationships. Hypothesis testing is done using statistical techniques appropriate for panel data, such as panel data regression, analysis of variance, or other statistical methods. The data used in this study is panel data, which combines cross sectional data (from various cities and districts) and time series data (over the period 2020 and 2021). Panel data allows for the analysis of dynamics across time and across entities (cities and districts). Data Source Ministry of Cooperatives and SMEs on MSMEs, including information on assistance received and performance of MSMEs. Directorate General of Fiscal Balance (DJPK) Data Sources on budget allocations and realisations that impact MSMEs. Badan Pusat Statistik (BPS) Data Sources cover a range of economic and social indicators relevant for MSME analysis.

The data collected covers 2020 and 2021 to analyse changes and impacts of interventions or policies implemented during the period. The study covers 514 cities and districts across all provinces in Indonesia, providing a broad and representative coverage. All districts and cities in Indonesia during 2020 and 2021, totalling 514 cities and districts. Since the entire population (514 cities and regencies) was taken as the sample, this research falls under the category of census research or population study.

4. RESULTS AND DISCUSSION

4.1. Research Results

4.1.1. MSME Performance Overview

Micro, Small and Medium Enterprises (MSMEs) are a very important sector in the Indonesian economy. MSMEs play a key role in job creation, poverty alleviation, and overall economic growth. Enterprises that have a net worth of up to IDR 50 million, excluding land and building assets, and have an annual profit of no more than IDR 300 million. Small businesses are usually managed by individuals or small groups, are generally not

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incorporated, operate on a very small scale and are located in local communities. MSMEs absorb the majority of labour, providing employment opportunities to local communities and helping to reduce unemployment. MSMEs drive local economic growth by creating added value and stimulating economic activity in small communities. MSMEs are a source of innovation and entrepreneurship, providing diverse products and services and introducing new ideas to the market. MSMEs contribute to the economic empowerment of communities, especially in less developed areas.

MSMEs can absorb a lot of labour with the large number of MSMEs. The following data shows the number of MSMEs and labour in Indonesia between 2020 and 2022.

Table 1. Number of MSMEs in 2020 and 2022

Year	MSMEs (in millions of units)	Labour (people)
2020	11,34	33.889.652
2021	24,57	9.109.297
2022	64,20	9.416.779

Source: Central Bureau of Statistics (BPS), 2023

The data in the table shows that the number of MSMEs from 2020 to 2022 increased significantly. Seen from the number of workers, there is an imbalance where in 2020 with the number of MSMEs of 11.34 million, it can absorb up to 22.88 million workers. Meanwhile, in 2021 with 24.57 million MSMEs, only 9.10 million people were employed. In 2022, there were 64.20 million MSMEs, but the number of workers absorbed only increased slightly compared to 2021, namely only 9.41 million people.

A very significant decrease in the workforce in 2021 due to Covid-19. The number of MSMEs in 2021 which increased sharply was due to the government's assistance policy through the Micro Business Productive Assistance (BPUM), so there were many new MSMEs to get BPUM funds. BPUM funds can help MSME capital, considering that many MSMEs cannot access financing from banking institutions. The following data shows the position of MSME loans at commercial banks, but does not show the total number of MSMEs.

Table 2. Credit Position of Micro, Small, and Medium Enterprises (MSMEs) at Commercial Banks in 2019 - 2021 (In Billion)

Year	Amount (IDR)
2019	1.107.240
2020	1.088.333
2021	1.221.015

Source: BPS, 2023

MSMEs play a strategic role in the national economy, including in terms of job creation, local economic development, and contribution to Gross Domestic Product (GDP). However, despite their importance, MSMEs face various constraints that can hinder their growth and development. These constraints relate to capitalisation and access to resources. MSMEs face difficulties in gaining access to financing from financial institutions. Many

MSMEs lag behind in terms of technology and innovation, which can affect competitiveness. Administrative and regulatory processes are complicated and resource-intensive, which can be a burden for MSMEs. MSMEs face difficulties in marketing and market access, especially in larger and more competitive markets.

One form of business that faces difficulties in accessing capital is MSMEs, a DSInnovate survey of 1,500 MSMEs found that there are several obstacles experienced by MSMEs. The survey details that 70.20 per cent of MSME owners experience product marketing constraints due to a lack of knowledge about effective marketing strategies, limited access to a wider market, or a lack of skills in digital and traditional marketing. Access to capital 51.20 per cent were related to difficulties in accessing loans from financial institutions, which could be due to a lack of collateral, credit history, or complex administrative requirements. Raw material inventory 46.30 per cent had problems with the supply chain, fluctuations in raw material prices, or limitations in inventory planning and management. Digital adoption of 30.90 per cent includes the use of technology for online marketing, business management, and e- commerce. Lack of digital knowledge and skills can limit MSMEs' ability to compete in an increasingly digitally connected marketplace (Mawarsari, 2023).

According to Bank Indonesia's survey in the MSME Empowerment Report 2022, 69.50 per cent of MSMEs have not received loans from financial institutions. This underscores the huge challenges in access to capital faced by MSMEs, which can hinder business growth and expansion (Eka, 2023). Based on a Pricewaterhouse Coopers survey, many Indonesian MSMEs still do not have access to financing, as many as 74 per cent of MSMEs. This shows that many MSMEs have not been able to utilise the various sources of financing available, both from traditional and alternative financial institutions (Sandi, 2023).

4.1.2. Relationship between independent and dependent variables
a.   Relationship between BPUM and GRDP

The results of the description analysis to determine the relationship between BPUM and GRDP simply using a scatter plot are presented in the following chart
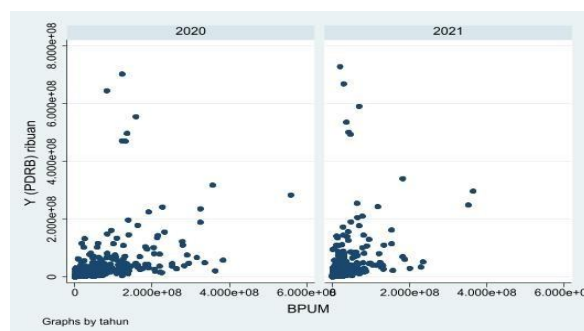

Figure 1. Relationship between BPUM and GRDP in 2020 and 2021

The scatter plot data between BPUM and GRDP in 2020 and 2021 is relatively reduced with a tendency for a positive relationship distribution. The reduction is due to the fact that BPUM in 2021 is reduced to IDR 1.20, which in 2020 was given IDR 2.40 million. As BPUM increases, it will be followed by an increase in GRDP. The data distribution also

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collects at one point with several outliers. Outliers are in provinces that get BPUM higher than BPUM nationally, namely Riau, Banten, West Java, East Java, Central Java, DKI Jakarta, North Sumatra, Lampung, Bali and NTB. Meanwhile, the rest of the distribution of other provinces is more sloping or the same at one gathering point.

b.   Relationship between HDI and GRDP
The results of the description analysis to determine the relationship between HDI and GRDP simply using a scatter plot are presented in the following graph.
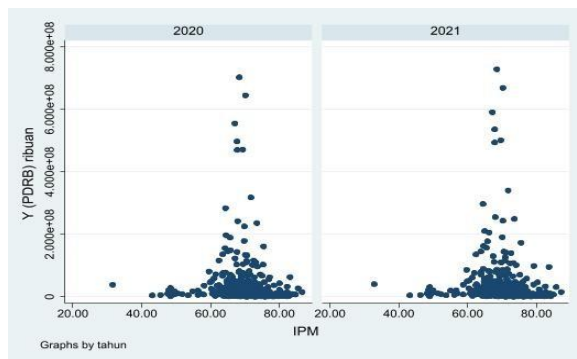

Figure 2. Relationship between HDI and GRDP in 2020 and 2021

The scatter plot data between HDI and GRDP in 2020 and 2021 is relatively the same, where an increase in HDI will not be followed by an increase in GRDP. The data distribution is also collected at one point with several outliers. Outliers are obtained from several provinces that have a higher HDI than the national HDI, namely Banten Province, West Java, DKI Jakarta, Central Java, Yogyakarta, East Java, Bali, South Kalimantan, Central Kalimantan, East Kalimantan, North Kalimantan, South Sulawesi and North Sulawesi. Meanwhile, the gathering point is obtained from other provinces with the same HDI growth.

c.   Relationship between PAD and GRDP
The results of the description analysis to determine the relationship between PAD and GRDP using a simple scatter plot are presented in the following graph.
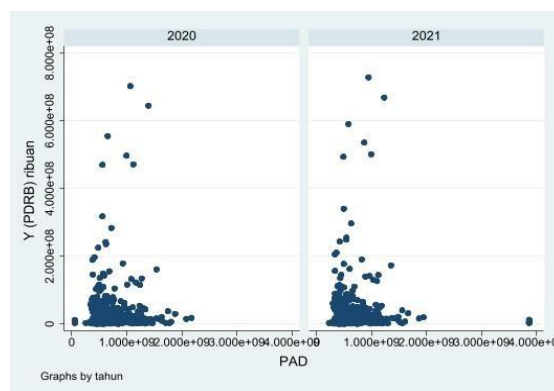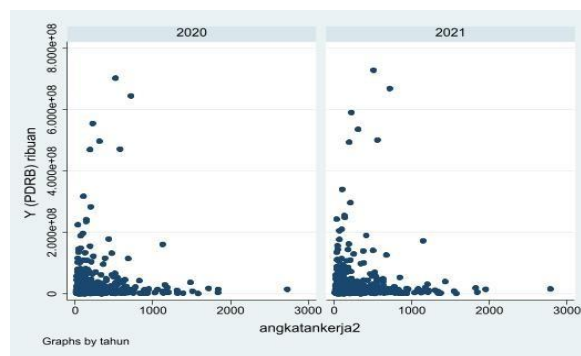

Figure 3. Relationship between PAD and GRDP in 2020 and 2021

The scatter plot data between PAD and GRDP in 2020 and 2021 is relatively the same, where an increase in PAD will not be followed by an increase in GRDP. The data distribution is collected at one point with several outliers. The outliers come from 7 provinces whose PAD is higher than the national average, namely Banten Province, West Java, DKI Jakarta, Central Java, Yogyakarta, East Java and Bali. Meanwhile, the gathering point comes from the HDI of other provinces with close to the same PAD.

d.   Relationship between labour force and GRDP

The results of the description analysis to determine the relationship between AK and GRDP using simple scatter plot are presented in the following graph.
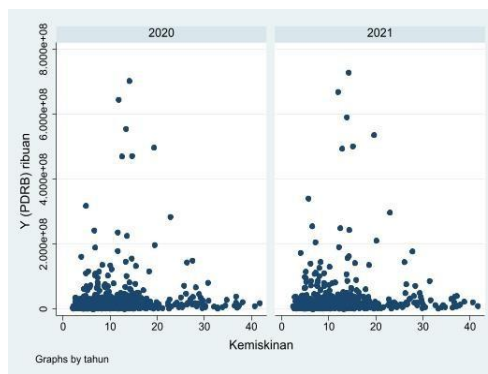

Figure 4. Labour Force Relationship with GRDP in 2020 and 2021

The scatter plot data between Labour Force and GRDP in 2020 and 2021 is relatively the same, where an increase in labour force will not be followed by an increase in GRDP. The data distribution has a tendency to be at one point with several outliers. Labour availability is a key production factor that affects economic growth in a region. When a region has a gathering point or concentration of labour, this can provide a number of benefits and influence economic growth.

e.   Relationship between Poverty and GRDP

The results of the description analysis to determine the relationship between poverty and GRDP simply using scatter plots are presented in the following graphs

Figure 5. Poverty Relationship with GRDP in 2020 and 2021

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The scatter plot data between poverty and GRDP in 2020 and 2021 is relatively the same, where an increase in poverty will not be followed by an increase in GRDP. The distribution of poverty data has a pattern with one gathering point with several outliers. Outliers come from provinces with higher poverty rates than the national average, namely Aceh, Bengkulu, South Sumatra, Lampung, Yogyakarta, East Java, NTB, NTT, Gorontalo, Central Sulawesi, Southeast Sulawesi, Maluku, West Papua and Papua. Meanwhile, the rest of the provinces have almost the same poverty rate, causing it to be clustered at one point.

4.1.3. Classical Assumption Test
a.   Normality Test

The results of the data normality test found that the research data were not normally distributed with a probability value <0.05. To overcome this, the data is transformed in natural logarithm (ln).

b.   Multicollinearity Test

The results of the multicollinearity test are presented in the following table.

Table 3. Multicollinearity Variance Inflation Factor Value

Variables	VIF
BPUM	6,50*
PAD	4,83*
Poverty	8,80*
HDI	8,97*
LF	3,29*

* VIF < 10

To determine the presence or absence of multicollinearity, it is known from the Variance Inflation Factor (VIF) value. The overall VIF value is less than 10, so it is concluded that there is no multicollinearity.

c.   Heteroscedasticity Test

The results of the heteroscedasticity test are presented in the following table.

Table 4. Heteroscedasticity Test Results

	Wald
Chi	15,325*
Prob	0,0620*

* p > 0,05

If the probability is below 0.05, there is heteroscedasticity. If the probability is above 0.05, then there is no autocorrelation. The heteroscedasticity test on the data studied obtained a probability> 0.05, so it was concluded that there was no heteroscedasticity.

d.   Correlation Test

The correlation test is carried out to ensure that there is no correlation between independent variables. The results of the correlation test between independent variables in the 2020 and 2021 research data obtained the correlation value between variables as a whole <0.15 which is very small, so it is concluded that there is no autocorrelation between the independent variables studied.

4.1.4. Estimation Model Selection

Based on the results of the three panel data regression estimation models, namely the Common Effect Model, Fixed Effect Model, and Random Effect Model, the most appropriate model is selected to estimate the desired regression equation model by conducting the Chow Test, Breusch Pagan Test and Hausman Test.

a.   Chow Test

The Chow test is used in the first stage to test the hypothesis between the Fixed Effect Model and the Common Effect Model that should be used. The Chow test results obtained a significance of 0.0000 <0.05, so it can be concluded that H1 is accepted using the Fixed Effect Model.

b.   Breusch Pagan Test

Furthermore, the Breusch Pagan Test was used to select the hypothesis between the Common Effect Model and the Random Effect Model. The Breusch Pagan test results obtained a significance of 0.000 <0.05, so it can be concluded that H1 is accepted using the Random Effect Model.

c.   Hausman Test

At the final stage, the Hausman Test is used to select the hypothesis between the Random Effect Model and the Fixed Effect Model in estimating panel data. The Hausman test results obtained a significance of 0.0000 <0.05, so it can be concluded that H1 is accepted using the Fixed Effect Model. Thus, the model used in this study is the Fixed Effect Model.

4.2.   Discussion

4.2.1. Panel Data Regression Analysis

The results of the research data analysis to determine the effect between the variables studied using the Fixed Effect Model are presented in the table. In this study, a Robustness Test will also be conducted to ensure that the results of the main model remain consistent when control variables are added. The main model of the study is the BPUM variable, while other models add control variables, such as HDI, poverty, PAD and AK. The Robustness Test was conducted by performing all regression tests, t-test, F-test, and coefficient of determination on these variables. The results of the Robustness Test are considered consistent if the coefficient of BPUM and its statistical significance remain significantly unchanged when control variables are added. This indicates that the effect of BPUM remains substantial and is not influenced by other controlled variables. Based on the Fixed Effect Model results, the Fixed Effect Model data processing displays and explains the relationship between time variation and city and district variation. The Fixed Effect Model to be used

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can show the contribution of BPUM, HDI, poverty, PAD and AK to GRDP in 2020 and 2021 of 0.1171 or 11.71 per cent, while the remaining 88.29 per cent is explained by other factors not studied.

Table 5. Data Analysis Results

Independent Variable	Coefficient	
	(1)	(2)
BPUM	-0,0213447**	0,010803*
HDI		-0,0006866
Poverty		0,0212617
PAD		0,0009767
Labour Force		-0,0331359
Year 2021		0,071918
N	1.028	1.028
Adj R square	0,4041	0,1171
F	0,0009***	0,0000***

*$p < 0,1$, **$p < 0,05$, ***$p < 0,01$

Source: Data processed from the Regional Economic Survey
and BPUM in 2020 and 2021 (2024)

The model analysis is based on the regression coefficient, namely the effect of BPUM on GRDP in 2020 and 2021. The coefficient value is 0.010803, which indicates that every 1 per cent increase in BPUM will result in an increase in GRDP of 1.0803. These results show that BPUM partially affects GRDP positively and significantly. The explanation for the positive effect of BPUM on GRDP is because assistance during the Covid-19 pandemic caused economic business activities to try to grow and develop properly. In accordance with Permenkop UKM Number 2 of 2021, BPUM recipients in the previous fiscal year can get BPUM again in 2021 as long as they fulfil the applicable terms and conditions. Typically, this includes administrative requirements and documents required for re-verification.

The total realisation of BPUM in 2020 was IDR 28.80 trillion received by 12 million small business owners. The total realisation of BPUM in 2021 is IDR15.24 trillion with 12.8 million micro businesses receiving the funds. The number of micro business actors who received BPUM funds again in 2021 reached 9.8 million micro businesses. Research results by Natasya & Hardiningsih (2021) the study was conducted during the Covid-19 pandemic that social assistance, tax incentives, and expansion of working capital provided by the government were able to increase the development of MSMEs. The same with research, Rahim et al (2021) which found that BPUM had a significant impact on MSME income, including in Kerato Village, Unter Iwes Sub-district. Other research by Hapsari (2023) concluded that there is a positive and significant effect of BPUM policy on the resilience of MSMEs.

The effect of HDI on GRDP in 2020 and 2021 obtained a coefficient value of -0.0006866. It can be concluded that there is a negative but insignificant partial effect of HDI on GRDP. Research results by Pratiwi (2021) shows that HDI has a significant influence on GRDP of regencies and cities in East Java Province. Research by Mashita & Anggresta (2022) results in that HDI will result in changes to GRDP.

The effect of poverty level on GRDP in 2020 and 2021 obtained a coefficient value of 0.0212617. It can be concluded that there is a partially insignificant positive effect of poverty level on GRDP. Research by El-Nasharty (2022) yields that the poverty rate will directly affect economic performance. The poverty rate in 2020 was 10.19 per cent and fell to 9.71 percent in 2021.

The effect of PAD on GRDP in 2020 and 2021 obtained a coefficient value of 0.0009767. It can be concluded that there is a positive but insignificant partial effect of PAD on GRDP. Research results by Sabilla & Sumarsono (2022) which found that increases and decreases in PAD will be followed by significant increases and decreases in GRDP. Similar to the research by Suharlina (2019) that increases and decreases in PAD will be followed by significant increases and decreases in economic growth.

The effect of labour force on GRDP in 2020 and 2021 obtained a coefficient value of 0.0331359. The negative but insignificant partial effect of labour force on GRDP is because the existing labour force has not been able to be absorbed in the world of work due to the Covid-19 pandemic. Research in Bangladesh found that labour force participation has a positive effect on economic growth. (Haque et al., 2019). Similarly, research on ASEAN countries highlights the importance of labour force productivity in addressing the challenges posed by population aging (Manansala et al, 2022). Furthermore, studies in Saudi Arabia reveal that labour force and market transparency contribute positively to economic growth in both the short and long run (Islam et al, 2022).

4.2.2. Analysis of Java and Non-Java Subsamples

In this section, the effect of BPUM on Java and Non-Java subsamples is analysed. Java Island consists of Banten, DKI Jakarta, West Java, Central Java, DI Yogyakarta and East Java.

Table 6. Data Analysis Results

Independent Variable	Java	Non-Java
BPUM	0,0001324	0,011834*
HDI	-0,0158146	-0,0010133
Poverty	-0,027214	0,0323518
PAD	-0,0005181	0,1284411
Labour Force	0,0450695	-0,0332751
Year 2021	0,0742975	0,0872795
N	236	792
Adj R square	0,0348	0,1408
F	0,0000***	0,0000***

$*p < 0,1$, $**p < 0,05$, $***p < 0,01$

Source: Data processed from the Regional Economic Survey
and BPUM in 2020 and 2021 (2024)

Model analysis based on the table, the effect of BPUM on Java Island obtained a coefficient of 0.0001324. It can be concluded that the provision of BPUM has a positive and insignificant effect partially on GRDP. On the island of Java, BPUM recipients based on data from the Ministry of Cooperatives and SMEs in 2020 were IDR 15.41 billion and IDR 8.06 billion in 2021. The GRDP obtained by Java Island based on BPS data in 2020 was

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IDR 489.88 million and IDR 514.34 million in 2021. From this data, it can be concluded that there was an increase in the amount of GRDP revenue from 2020 to 2021, but it was not significant with an increase in the number of BPUM recipients of 6,422 MSMEs in 2020 which increased to 6,720 MSMEs in 2021. The largest recipient is from West Java and the smallest is from DI Yogyakarta. The effect of BPUM on GRDP on Non-Java Island has a coefficient of 0.011834, which can be concluded that there is a positive and significant effect with a 1 per cent increase in BPUM will increase GRDP by 1.1834.

The BPUM received in 2020 was IDR 11.81 billion and IDR 6.67 billion in 2021. The GRDP data on Non Java Island is IDR 1.62 billion in 2020 and IDR 1.76 billion in 2021. On Non-Java Island, the assistance provided by the government during the Covid-19 pandemic significantly helped ongoing economic activities grow and develop well, with BPUM recipients in 2020 being 4,922 to 5,559 in 2021. The largest recipient is from NTB and the smallest recipient is from Papua. However, the research results on Java Island are not the same as the research results from the study by Rahim et al. (2021) with the subject in Kerato Village, Unter Iwes Subdistrict, Java Island with the result that BPUM has a positive and significant effect on MSME income.

The effect of HDI on GRDP on Java Island and Non-Java Island obtained a coefficient of -0.0158146 and -0.0010133, which means that there is a negative effect that is not partially significant. Based on data from BPS, the HDI on Java Island in 2020 resulted in an index of 448.86 and 450.80 in 2021. Meanwhile, on Non-Java Island, in 2020 the index was 1,967.89 and 1,975.48 in 2021. The insignificant increase in the HDI index has not been able to describe the increase in GRDP obtained. The results of this study are not in accordance with research by Pratiwi (2021) which focuses on the regencies and cities of East Java Province or Java Island with the result that HDI has a significant influence on GRDP.

The effect of poverty on GRDP partially on Java Island and Non Java Island obtained a coefficient of -0.027214 and 0.0323518. On Java Island, the effect of poverty is negative and insignificant on GRDP. In contrast to Non-Java Island, the effect of poverty on GRDP is positive and insignificant. Based on data from BPS, poverty on Java Island in 2020 is 26,424 thousand people and 27,543 thousand people in 2021. The increase in poverty on Java Island has a negative but insignificant effect followed by an increase in GRDP. Meanwhile, on the Non-Java Island, it is 12,371 thousand people in 2020 and 12,789 thousand people in 2021. An insignificant increase in poverty causes GRDP to increase insignificantly as well. This research is in line with research results by El-Nasharty (2022) which states that the poverty rate will directly affect economic performance.

The partial effect of PAD on GRDP in Java Island and Non-Java Island obtained a coefficient of -0.0005181 and 0.1284411. So it can be concluded that on Java Island it has a negative and insignificant influence, in contrast to the Non-Java Island which has a positive and insignificant influence. Based on DJPK data in 2020, the PAD generated for Java Island was IDR 200,812.50 billion and decreased to IDR 187,919.30 billion in 2021. So that on Java Island it can be concluded that there is a negative but insignificant effect with an increase in GRDP. On Non-Java Island in 2020, PAD was IDR 127,606.20 billion and decreased to IDR 122,248.80 billion in 2021. The insignificant decrease in PAD has a positive and insignificant effect on the increase in GRDP on Non-Java Island. The results of this study are in accordance with research by Sabilla & Sumarsono (2022), which found that increases and decreases in PAD will be followed by significant increases and decreases in

GRDP. This is similar to research by Suharlina (2019) that increases and decreases in PAD will be followed by significant increases and decreases in economic growth.

The effect of AK on GRDP partially on Java Island and Non Java Island has a coefficient of 0.0450695 and -0.0332751. On Java Island, it has a positive and insignificant effect, while on Non-Java Island it has a negative and insignificant effect. Based on BPS data, 78.89 million people were obtained in 2020 which increased to 79.79 million in 2021 on Java Island. This increase is in accordance with the positive increase in GRDP, but has not been able to describe the relationship significantly. On the Non-Java Island, 59.32 million people were obtained in 2020, which also increased to 60.35 million people in 2021.

The insignificant increase with a large area means that the effect on GRDP is still negative and insignificant. This research is not in accordance with research in Bangladesh which found that labour force participation has a positive effect on economic growth (Haque et al., 2019). Similarly, research on ASEAN countries highlights the importance of labour force productivity in addressing the challenges posed by population aging (Manansala et al, 2022). Furthermore, a study in Saudi Arabia revealed that labour force and market transparency contribute positively to economic growth in both the short and long term (Islam et al, 2022).

5. CONCLUSION

The results of data analysis show that the BPUM policy has an influence on the community economy. BPUM has a positive and significant influence on GRDP, especially on Non-Java Islands. This shows that this assistance is able to encourage economic activity and increase people's purchasing power. BPUM assistance is an important stimulus for MSME businesses to survive and thrive in the midst of the challenging Covid-19 pandemic situation. The government's target to distribute BPUM to 12 million MSMEs with a budget of Rp28.80 billion has been achieved and spread throughout Indonesia. The distribution of BPUM is carried out selectively to business actors who meet the requirements, such as having a micro-scale business, being a citizen, having an electronic ID card, not being a government employee, and not having other loans.

In Non-Java Island, the impact of BPUM on GRDP has a significant positive effect compared to Java Island. This suggests that this assistance is more effective in encouraging economic growth in the region. In Java, the effect of BPUM on GRDP is not statistically significant. This can be caused by the fact that own capital is still dominated by BPS data. The high proportion of own capital indicates that MSME businesses in Java Island are still relatively traditional and this poses a challenge for their sustainability and development.

Although BPUM helps to increase GRDP, control variables such as the quality of human resources and employment opportunities have not shown a significant effect. This has resulted in a high unemployment rate. The government's achievement in distributing BPUM has not fully overcome poverty in the regions, especially in areas significantly affected by the pandemic. The lack of labour skills is one of the factors that cause the labour force not to be absorbed in the world of work.

As a follow-up, the government can re-collect data on businesses that are entitled to receive assistance to make it more equitable. Increase the number of beneficiaries in accordance with the budget allocation and collaborate with non-bank financial institutions

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to distribute the assistance. The value of assistance can also be adjusted to current economic conditions and business needs so that the assistance can provide benefits to recipients. Monitoring and evaluation is carried out on the BPUM programme on a regular basis to ensure that the programme is running effectively and efficiently. The results of monitoring and evaluation are used to make improvements and refinements to other support programmes in the future.

The limitations of BPUM funds to increase MSME working capital need to be accompanied by an increase in the ease with which MSMEs can access financing from banking institutions. The procedures and requirements for bank loans for MSMEs need to be simplified, where the requirements that must be fulfilled by MSMEs in applying for loans generally must attach administrative requirements such as SIUP, NPWP, and financial statements that are difficult for MSMEs to fulfil. MSMEs are also constrained by collateral or guarantees, so there is a need for credit guarantee institutions for MSMEs. The accessibility of financing for MSMEs needs special attention, so as to ensure the availability of sufficient capital for MSMEs. The capital factor is one of the important factors for MSMEs in order to carry out their business activities. MSMEs that can grow and develop can in turn drive the economy, which has an impact on increasing GRDP.

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