



Comparison Development of MSME Credit in The Sumatera Region

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Abstract

The purpose of this study was to determine and analyze the development of bank credit distribution in the MSME sector in Sumatera Region. This study uses secondary data for the 2016-2018 period from the publication of Bank Indonesia and the Central Statistics Agency. The data analysis used was comparative analysis. Comparative analysis is a quantitative analysis carried out by comparing the similarities and differences based on the data and the properties of the objects discussed in a certain period. The results showed that the highest MSME sector bank lending was in North Sumatra Province, while the lowest bank credit distribution was in the MSME sector in the Sumatera Region in the Bangka Belitung Islands Province. The government needs to develop and improve credit for MSME players, so that MSMEs in Indonesia, especially in the Sumatera region, can compete and be innovative in following the development of the business world. Well-channeled UMKM credit will result in a better development of the business world because of the ease of access to capital.

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are business activity units that run businesses in various fields. MSMEs produce goods and services that are the primary needs of lower middle class people (Widiastuti & Rita, 2017). MSME is a business that can survive in the national economy in sustaining economic growth when Indonesia experiences an economic crisis. The impact of the economic crisis caused the large-scale business world such as the industrial sector, trade and services to stagnate and even to a standstill. MSMEs can survive because the inputs or raw materials obtained do not depend on international trade activities, but rather come from the region itself. According to (Ananda & Susilowati, 2017) MSMEs in the economy develop into a place for providing productive employment.

The existence of MSMEs is currently very necessary for a region because it can be the backbone of the Indonesian economy, especially in the Sumatra region besides the agricultural and mining sectors. The MSME sector is the economic driver in the Sumatra Region after the agriculture and mining sectors. The MSME sector needs to be developed in the Sumatra Region, given the mining sector which cannot last forever in supporting the economy. The role of MSMEs in the economy can be viewed from four aspects according to (Nurhajati, 2016) namely first, MSMEs constitute the largest part of all business units. Secondly, MSMEs play a large role in employment. Third, the contribution of MSMEs is quite large towards Gross Domestic Product (GDP). Fourth, MSMEs contribute to the development of exports. (Kaunang, 2013) states that the MSME industry is one of the main pillars in the development of the Indonesian economy. Therefore, the existence of MSMEs for an economy is very important and has a significant contribution to economic growth.

Sumatra region consists of ten provinces, namely Aceh, North Sumatra, West Sumatra, Riau, Jambi, South Sumatra, Bengkulu, Lampung, Riau Islands, and Bangka Belitung

Islands. The development of MSMEs in the Sumatra Region can be illustrated by the number of industries in operation. The highest number of MSEs in the Sumatra Region until the end of 2015 was in the Province of North Sumatra with 99,022 units, while the lowest number of MSEs was in the Province of Bangka Belitung Islands with 6,151 units (Basic Statistics of BPS, 2019). In addition to the number of MSEs, it is also necessary to display the MSME Production Index in the Sumatra Region as follows:

Table 1. MSME production index (%)

No	The province	2017	2018
1	Aceh	153.23	165.69
2	North Sumatra	131.11	141.46
3	West Sumatra	114.01	116.66
4	Riau	113.89	124.41
5	Jambi	135.61	144.50
6	South Sumatra	120.64	121.83
7	Bengkulu	143.58	160.33
8	Lampung	126.29	130.17
9	Kep. Bangka Belitung	103.78	106.36
10	Kep. Riau	138.38	166.49

Source: BPS basic statistics, 2019.

The contribution of MSMEs in sustaining the economy in a region is identified through MSME's ability to produce output. Production output produced by MSME is measured using its production index in knowing the development of MSME production over a certain period of time. The MSME production index in Sumatra region tends to increase during the 2014-2018 period. The highest production index in 2017 in Sumatra was found in Aceh Province at 153.23%. However, in 2018 the highest MSME production index was in the Riau Islands Province with a production index of 166.49%, which was quite high compared to the previous year which was only 138.38%.

The lowest MSME production index in Sumatra is found in the Bangka Belitung Islands Province with a value of 103.78% in 2017 and 106.36 in 2018. Increasing production index in the Sumatra region indicates that MSMEs are

more consistent in conducting business in producing community goods and services. Of course, to increase the value of MSME production, capital access is easily accessible for MSME entrepreneurs. The convenience of MSMEs in accessing credit must be welcomed, because of the classic problems that exist, MSMEs are very difficult to get access to business capital, especially through bank credit. The ease of access to credit through the Bank is expected to encourage the development of MSMEs, (Zakia, 2016).

The existence of MSMEs to support economic growth in a region can be seen from one of the determining factors such as the ability of MSMEs to obtain financing or credit from banks. (Sujarwo, 2017). That is, the distribution of bank credit to MSMEs also largely determines the development of MSMEs in the Sumatra region. Lending of MSME loans by banks has played an important role in supporting the development of the MSME sector in the Sumatra region. According to Law Number 20 of 2008, MSME sector financing is the provision of funds by the government, regional government, business and community through banks, cooperatives, and non-bank financial institutions to develop and strengthen MSME capital. Bank Indonesia as the central bank gives obligations to all banks in Bank Indonesia regulation (PBI) Number 17/12 / PBI / 2015 to channel MSME loans at least 20% of the total loans channeled. Bank credit is a bank product that provides a sum of money to be lent to customers, with interest given. Based on the loan-lending agreement produced by the loan, the customer is required to pay off the loan together with the interest in stages over a period of time. Lending must be increased according to demand, and must be in line with the awareness that it turns out that MSMEs have been able to demonstrate their existence to the business world (Zakiatuzzahrah, 2016).

The government and the community must work together continuously in encouraging the development of MSMEs for the better in the economy. SMEs as part of the economy must further enhance competitiveness by innovating.

Excellence in competing based on innovation and creativity from MSMEs must be prioritized because it will have endurance and a longer period of time (Suci, 2017). MSME can develop well if there is no limited access to productive resources, especially on raw materials and capital, facilities and infrastructure as well as market information, capital support, and business licensing. Easy access to entrepreneurship, especially MSME credit, will gradually encourage community participation to take part in the MSME sector. The better MSME will encourage economic growth because it can provide new jobs for the community. (Hafni & Rozali, 2016) expressed their opinion that the assistance of MSMEs should be directed more in increasing their ability to become medium-sized entrepreneurs. However, it must also be realized that the development of MSMEs faces several obstacles such as the level of ability, skills, expertise, human resource managers, entrepreneurship, marketing, and finance. the lack of managerial skills and human resources at MSMEs results in small entrepreneurs not being able to run their businesses properly.

This research is based on several previous studies used as a reference in writing. Research conducted (Kaunang, 2013) uses multiple linear regression analysis with ordinary least square (OLS) analysis method. This study found that the loan interest rate has a negative and significant impact on the demand for MSME loans. However, bad loans have a negative and significant effect on the demand for MSME loans in Indonesia.

(Hafni & Rozali, 2016) in their research using a qualitative descriptive analysis research method. The results showed that MSMEs had a very large role in terms of employment, because this was triggered by the development of MSMEs which continued to increase. This will also affect the rate of employment.

Study (Sari, 2015) used a simple linear regression analysis method. The results of his research indicate that there is a significant effect on MSME credit distribution on the growth of MSMEs. The growth of MSMEs in this case is

measured by the amount of output produced. The increase in the distribution of MSME credit had an impact on increasing the output or GDP of MSMEs. Testing of the second hypothesis conducted states that MSME GDP growth has a close relationship with national economic growth as a whole. If there is an increase in the GDP of MSMEs, it will increase the contribution of the total GDP, which means that it shows economic growth

Research (Nisa, 2016) The analytical method used is descriptive method with non-parametric method analysis tools, Mann Whitney, and U Test. The results of this study indicate that the lending policy has not significantly impacted the increase in credit to MSMEs.

(Gunartin, 2017) also conducted a study, data analysis method used is descriptive qualitative research. This study shows the results that within a period of five years (2012-2017) given the green light to strengthen MSMEs in the form of capital and human resource development, it is evident that MSMEs are able to contribute in absorbing more workers and have increased from 96.99% to 97.22%. That is, the MSME sector is able to reduce unemployment and overcome poverty levels. The growth of MSMEs that has improved from year to year shows that MSMEs are proven to contribute to Gross Domestic Product which has increased from 57.84% to 60.34%.

(Ananda & Susilowati, 2017) also conducted research with the analytical method used was descriptive qualitative. The results of the study found that Malang City has a number of potentials in 15 creative industry sectors, all of these sectors in each sector have different strengths, weaknesses, opportunities and threats. The problems in each sector are on Human Resources (HR) issues such as in the culinary, handicraft, fashion, and interactive games sectors. In Institutional factors, such as in the culinary sector, music, in Infrastructure and technology factors such as in the craft sector, interactive games. There are marketing factors in the culinary sector, crafts, fashion, music.

(Aliudin, 2019) also conducted research using quantitative descriptive research methods that would provide an overview of the development and growth of credit / financing distribution to MSME players as a whole. The results showed that the quality of credit, both general credit and MSME credit, in the last 6 years, the average value of non-performing loans (NPLs) for loans in general was 2.43%, while for the non-performing loans (NPLs) micro-business loans, Small and Medium Enterprises (MSMEs) of 3.80%, greater than the value of Non-Performing Loans (NPLs) for loans in general. Credit growth in general was 9.24%, with an average MSME credit growth in the last 5 years of 8.76%, experiencing a downward trend during the current period.

The background that has been presented regarding the explanation of MSMEs in the Sumatra region, it is necessary to know the development of MSME loans that are channeled in accessing business capital. So that research needs to be carried out with the title "Comparison of MSME Credit Development in the Sumatra Region". This research will focus on the problem on how to compare the development of MSME Credit in the Sumatra Region. So the purpose of this study is to find out and analyze the comparative development of bank credit in the MSME sector in Sumatra. Theoretical benefits of this study are expected to provide a deeper understanding and understanding as well as increase knowledge for academics and as information material for further research on comparative developments in the value of bank credit channeled to MSMEs in the Sumatra region. While the practical benefits of the results of this study are expected to provide benefits as education and information to find out matters relating to lending to Micro, Small and Medium Enterprises (MSMEs).

RESEARCH METHODS

This research uses descriptive comparative research that is empirical research that explains the data obtained by comparing the similarities and differences of two or more

properties and facts of objects studied in one period with another period or from one region to another.

Comparative research emphasizes data analysis by looking at comparison ratios by linking cause and effect. The scope of the problem that will be discussed in this study is, in the scope of the credit extended by the banking sector in the MSME sector in Sumatra, which is called the MSME Credit. The type of data used is quantitative data for the period 2014-2018.

Sources of data in this study are sourced from secondary data obtained from institutions that are relevant to this research. Secondary data is data obtained by researchers from existing sources. MSME credit data is obtained from data published by Bank Indonesia on an annual basis, while other supporting data such as the number of MSME industries and MSME production index are obtained from the statistical results of the Central Statistics Agency in the form of annual data.

Analysis of the data used in this research is descriptive quantitative research that is conducted by describing or explaining events or an event that occurs in the form of numbers, graphs, and diagrams.

RESULTS AND DISCUSSION

Results

Development of MSMEs in Sumatra Region

Sumatra region consists of ten provinces namely, Aceh, North Sumatra, West Sumatra, Riau Islands, Jambi, South Sumatra, Bengkulu, Lampung, Bangka Belitung Islands, and Riau Islands. The development of MSMEs in Sumatra Region shows a trend that is experiencing fluctuations every year. The number of MSME industries operating tends to increase in each province.

Overall, the number of UMK industries in the Sumatra region has shown a decline every year during the 2013-2015 period. In 2013, the number of UMK industries totaled 484,100 units, then in 2014 the number of UMK industries decreased to 482,706 units, in 2015 the number of UMK industries again experienced a significant decline to become

431,581 units. If the number of UMK industries in the Sumatra region is not properly considered, then in the next period it will also have an impact on the decline in the number of UMK industries. The following data is the number of micro and small business industries (MSEs) to present the development of MSMEs in the Sumatra Region by province:

Table 2. Number of MSE Industries

No	The Province	2013	2014	2015
1	Aceh	78,568	71,031	65,492
2	North Sumatra	82,888	86,063	99,022
3	West Sumatra	65904	76,520	67,697
4	Riau	17,049	15715	17,435
5	Jambi	25,100	27,447	24,169
6	South Sumatra	71,347	64,492	49,346
7	Bengkulu	11,706	12,048	12,281
8	Lampung	101,619	103,710	80,505
9	Kep. Bangka Belitung	11,685	8,267	6,151
10	Kep. Riau Sumatra	16,221	15,399	7,468
		484,100	482,706	431,581

Source: BPS Basic Statistics, 2019

Lampung Province has the highest number of MSE Industries in Sumatra Region compared to other provinces during the period 2013-2014 with the number of MSEs in 2013 totaling 101,619 units and 103,710 units in 2014. However, in 2015 Lampung Province experienced a decrease in the number of MSEs from in 2013 amounted to 20.78%, so that in 2015 North Sumatra Province had the highest number of MSEs in Sumatra Region at 99,022 units or an increase from 2013 of 19.47%. Bangka Belitung Islands Province has the lowest number of MSE industries in the 2013-2015 period. In 2013 the number of MSEs in the Bangka Belitung Islands Province was 11,685 units, 8,267 units in 2014, and 7,468 units in 2015. The number of MSEs in the Bangka Belitung Islands decreased from 2013 to 2015 by

47.36%. This figure is really alarming because the number of MSE industries in the Bangka Belitung Islands has decreased so dramatically that it has almost reached 50% during the 2013-2015 period.

Development of MSMEs Credit in Sumatra Region

MSME loans in the Sumatra Region show an upward trend every year for the 2014-2018 period. Banks in the Sumatra Region have begun to be consistent in developing MSMEs through increased funding for venture capital for MSME actors. The consistency of MSMEs in conducting business has begun to convince banks to provide ever-increasing credit. The following is the MSME credit data presented in each Province in Sumatra Region:

Table 3. MSME Credit (million)

No	Province	2016	2017	2018
1	Aceh	8,434	9,119	11,432
2	North Sumatra	47,206	49,611	56,745
3	West Sumatra	14,084	14,857	17,944
4	Riau	21,769	22,617	26,710
5	Jambi	10,755	12,329	15,186
6	South Sumatra	21,073	23,709	28,089
7	Bengkulu	5,641	6,496	7,971
8	Lampung	14,817	15,990	18,950
9	Kep. Bangka Belitung	4,302	4,541	5,069
10	Kep. Riau	7,815	8,413	9,701
	Sumatra	157,912	169,699	199,815

Source: Bank Indonesia Publication, 2019.

Overall the highest increase of MSME credit in all provinces occurred in 2018. The highest MSME credit distribution in the Sumatra Region during the 2016-2018 period was in the Province of North Sumatra. North Sumatra Province has a higher MSME credit value and a greater value when compared to other provinces in the Sumatra Region.

The lowest MSME credit in the Sumatra Region is in the Bangka Belitung Islands Province. MSME loan disbursement in the Bangka Belitung Islands is relatively low when compared to other areas in the Sumatra Region. The total amount of credit extended to MSMEs in the Bangka Belitung Islands Province is still low when compared to other provinces in the Sumatra Region. The highest MSME credit in Bangka Belitung occurred in 2018 with a credit growth rate of 11.62% with a total credit distribution of 5.069 million rupiah. while the lowest MSME credit was in the Province of Bangka Belitung Islands in 2016 with a total MSME credit of 4.302 million rupiah.

MSMEs Credit Ratio

The UMKM credit ratio is a calculation in seeing the comparison of MSME credit realization to total credit in general (Aliudin, 2019). Bank Indonesia regulations state that banks must channel MSME loans at least 20% of the total funds distributed in general. Overall, the banking sector in the Sumatra Region has complied with the regulations of Bank Indonesia policies. The ratio of MSME credit in the Sumatra Region on average has reached above 20% of the general credit channeled by banks.

Table 4. MSME Credit Ratio (%)

No	Provinsi	2016	2017	2018
1	Aceh	25,10	24,00	25,15
2	North Sumatra	25,50	24,15	25,67
3	West Sumatra	27,13	26,73	31,76
4	Riau	24,63	25,18	25,52
5	Jambi	27,76	29,62	32,16
6	South Sumatra	20,04	21,36	22,34
7	Bengkulu	29,50	31,18	31,44
8	Lampung	22,73	23,47	24,11
9	Kep. Bangka Belitung	28,29	28,72	22,13
10	Kep. Riau	15,86	16,08	17,42

Source: Bank Indonesia Statistics, 2019

Table 4. shows that the MSME credit ratio in the Sumatra region as a whole has reached above 20%. Although the MSME credit ratio fluctuates, it has consistently reached figures above 20%. Riau Islands Province is the

only region that has a credit ratio of MSMEs which is still below 20% during the 2016-2018 period. This shows that the banking sector in the Riau Islands Province has not followed the directions from Bank Indonesia in providing credit to MSMEs.

Non Performing Loan (NPL) for MSME Loans

The health of a bank can be assessed and seen from the bank's NPL, which shows whether or not the return on financing or investment has been channeled. NPL is a parameter in measuring problematic financing or bad credit. The maximum ratio of NPLs based on Bank Indonesia regulations is 5%. If a bank has an NPL value exceeding 5%, it will also have an impact on the assessment of the bank's soundness level. Overall, there are NPLs in Sumatra that have reached 5%. This is a warning to the upgrading parties in the distribution of MSME loans that are still problematic or bad credit. The following is the MSME credit NPL data in the Sumatra Region during the 2016-2018 period :

Table 5. MSME credit NPL (%)

NO	Provinsi	2016	2017	2018
1	Bengkulu	4,38	5,07	5,28
2	Jambi	4,48	3,12	3,28
3	Aceh	7,14	5,42	4,57
4	Sumatera Utara	5,01	4,76	4,67
5	Sumatera Barat	6,71	5,78	5,12
6	Riau	5,96	5,01	4,66
7	Sumatera Selatan	5,45	5,02	5,48
8	Kep. Riau	3,98	5,92	3,88
9	Kep. Bangka Belitung	4,93	10,51	2,98
10	Lampung	3,97	4,04	3,49

Source: Bank Indonesia Statistics, 2019

Table 5. shows that at the beginning of the 2016 period there were still areas that had NPL values above 5%. However, during the period running until 2018 the NPL value in each region in the Sumatra Region has decreased quite well. The highest NPL ever recorded occurred in 2017 at 10.51% in the Bangka

Belitung Islands Province. The lowest NPL in the Sumatra Region during the 2016-2018 period was also found in the Bangka Belitung Islands Province which occurred in 2018. The NPL value in Bangka Belitung Islands Province has decreased drastically to 2.98% and has the lowest NPL when compared to other regions in the Sumatra Region. A better NPL value will also provide a good picture of the level of the Bank's health assessment.

Discussion

Comparison of the development of MSMEs in the Sumatra Region

MSMEs in the Sumatra Region have good opportunities in an economy to provide public service goods and goods at relatively lower prices than other business actors such as large businesses / modern markets (malls). MSMEs that have developed quite well are caused by market conditions, availability of capital, access to information, improvement of product quality, and improvement in the quality of human resources as managers of MSMEs. The development of MSME can be seen from how many MSMEs in an area are able to compete with other business actors. Following is a comparison diagram of the number of MSE industries in each Province in Sumatra Region:

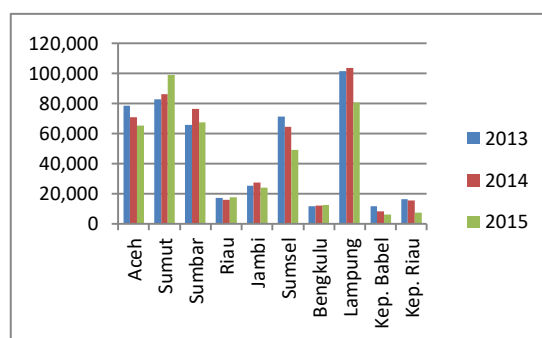


Figure 1. Number of MSE industries
Source: BPS Basic Statistics, data processed 2019

The highest number of MSME industries in 2013 and 2014 in Sumatra Region was in Lampung Province, this indicates the high level of community participation in doing business in the MSME sector, which was encouraged by incentive training by the local government to improve the quality of business competitiveness,

and MSMEs in Lampung Province had applying information technology that aims to introduce MSME products as an expansion of market access. However, along with the current period, the number of MSE Industries in Lampung Province has decreased because this MSME business activists have lost competitiveness because not all MSEs can implement information technology properly, so that many MSEs shut down businesses which caused the number of industries to continue to decline each year during the 2013-2015 period by 20.78%. In 2015 the highest number of MSEs was in North Sumatra Province because of the consistency of MSEs and the high level of community participation thus making the MSE industry increasingly developed and is evident from the increasing number of MSE industries which are increasing every year during the 2013-2015 period by 19.47%. The main products of MSMEs in the Province of North Sumatra are leather shoes, passion fruit, coffee, cooking spices and cooking oil, most of which results from agricultural products that have crept into export activities. In 2015 the highest number of MSEs in the Province of North Sumatra was due to the consistency of MSEs and the high level of community participation that made the MSEs industry flourish and as evidenced by an increase in the number of MSEs that had been increasing each year during the 2013-2015 period by 19.47%.

The lowest number of MSEs in the Sumatra Region was in the Bangka Belitung Islands Province during the 2013-2015 period. The decrease in the number of MSEs in the Bangka Belitung Islands Province during the 2013-2015 period has reached 47.36%. The high percentage value of the decline in the number of MSE industries indicates that the number of businesses closed from the MSE industry so that in the 2013-2015 period the number of MSE industries declined drastically to nearly 50%. The undeveloped MSMEs in the Bangka Belitung Islands are due to the fact that people still dominate the livelihoods in the mining

sector. Lack of community participation in the business of UMKM has become a major factor in the development of MSMEs in the Bangka Belitung Islands, which is still not optimal compared to other provinces in the Sumatra Region.

Comparison of MSME Credit in Sumatra Region

Distribution of MSME loans by banks in the Sumatra Region has experienced a good increase every year. In 2014 the amount of credit received by UMKM amounted to 138,908 million Rupiah has increased until the end of the 2018 period by 42.3% with a value of 197,797 million Rupiah UMKM credit has increased every year, this indicates that the access to capital given by banks to the MSME sector has increased every year. This condition is in line with research (Nisa, 2016) which states that commercial banks, cooperatives, venture capital, and microfinance institutions have been able and proven to provide large amounts of credit to large small MSMEs with maintained quality.

Of course, this increase is due to the growing development of business activities that have been involved in and has penetrated export activities, although there is still a fact that there are still SMEs who choose to close their businesses because they cannot compete with other MSMEs that are more advanced in mastering information technology well. Business activities that tend to be conducive and able to withstand the economic turmoil that can convince credit providers such as banks in channeling funds to MSMEs. MSME credit in each province in Sumatra Region has a different value. The highest MSME credit in the Sumatra Region is in the Province of North Sumatra. This is because the proportion of the trading business sector in North Sumatra is the most dominant economic sector as the main livelihood of the people.

The following MSME credit by Province in Sumatra Region:

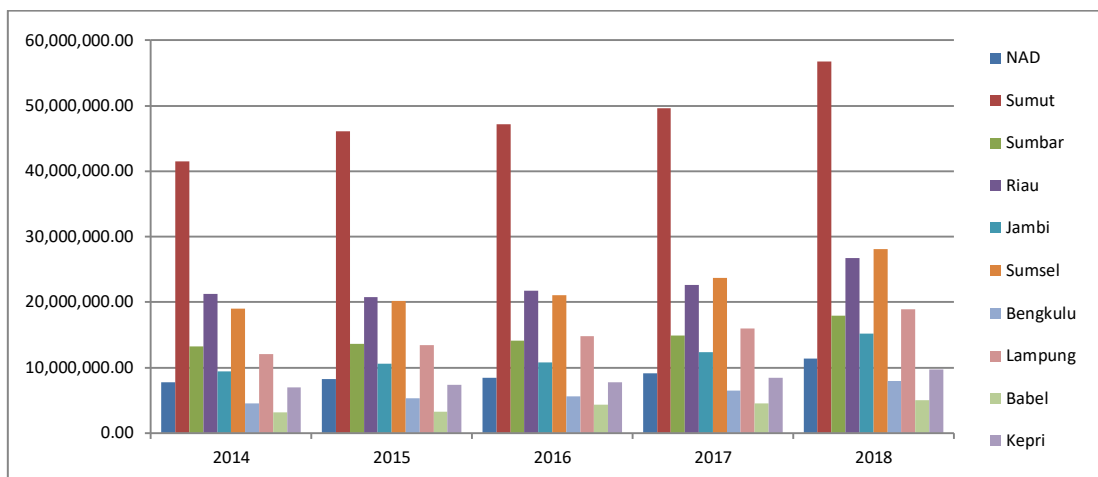


Figure 2. MSME Credit

Source: Bank Indonesia publications, data processed 2019.

Based on the North Sumatra BPS report, the figures stated that the highest MSME credit position was in the business sector in the trade sector with contributions already exceeding 50% during the 2014-2018 period. The position of MSME credit towards the trading business sector has reached 28,953 Million Rupiah and has increased by 25% during the 2014-2018 period. As the main livelihood of trade which requires substantial capital to run and develop the business, this makes North Sumatra the highest MSME credit supplier in the Sumatra Region. The second biggest contribution after trade is the agriculture sector, with total MSME loans channeled to the agricultural sector amounting to 11,677 Million Rupiahs until the end of 2018. The leading products of this agricultural sector are palm oil, rubber, paddy rice and coffee which have penetrated the main export activities in North Sumatra.

The lowest MSME credit in the Sumatra Region is in the Bangka Belitung Islands Province. this is because the highest MSME credit growth in the Bangka Belitung Islands Province is still dominated by the mining sector, moreover the Bangka Belitung Islands directly export tin commodities to the importing country without being processed into semi-finished goods to increase the added value of tin and the largest tin management is only in PT Timah so that this makes the growth of other business fields slow down. Economic sectors such as

mining, construction, and transportation and communication as business fields that receive the highest proportion of MSME credit in the Bangka Belitung Islands. Despite being the lowest in terms of MSME credit in the North Sumatra Region, MSME credit in the Bangka Belitung Islands has increased every year with a relatively high growth rate of MSME credit disbursement that has reached 57.73% during 2014 to 2018 with a total MSME credit value that has reached 5.069 million Rupiah.

MSME credit which has increased will have a good impact on the economy in the Sumatra Region. The distributed UMKM credits will spur MSME players in increasing production and business development, which will have a good impact on employment. This is in line with research (Sari, 2015) which states that an increase in the number of MSME loans disbursed by banks will encourage MSME players to develop their businesses, increase business units which will have an impact on increasing labor, meaning that both of these will have an impact on increasing output. per business unit and output per labor. (Kaunang, 2013) also expressed his opinion that the development of MSMEs would provide positive things because the development of MSMEs would bring a lot of demand for foreign exchange through exports carried out by this industry, so that it would also have an impact

on increasing people's income and reducing unemployment.

The increase in MSME credit in the Sumatra Region can also be seen from the percentage of the market share of banks that distribute credit. Bank Indonesia gives obligations to all banks in Bank Indonesia regulation (PBI) Number 17/12 / PBI / 2015 to channel at least 20% of total loans specifically to target SME customers. Even so, until the end of 2018 there were still a number of banks in the Sumatra Region that had not individually reached a minimum ratio of 20% of the total credit to the MSME loan portfolio by banks targeted by Bank Indonesia.

West Sumatra Province had the highest share of MSME loans in 2014 with a value of 30.15%. The high share of MSME credit reflects that in West Sumatra it wants to focus the financing of MSMEs in increasing the quantity and quality of businesses. The lowest share of MSME loans is found in Riau Islands Province with a share of only 16.20%. There are a number of banks in Riau Islands that have not yet followed the policy directions from Bank Indonesia because they have a share of MSME loans that is still below 20%. The highest MSME credit ratio over the past five years occurred in 2018 with a share of 31.76% found in North Sumatra Province, while the lowest MSME credit ratio occurred in 2015 with a share of 15.34% found in Riau Islands Province.

Riau Islands Province which has the lowest UMKM credit ratio with a figure below 20%, but that does not mean that the MSME credit that is distributed is small. Although the ratio of MSME credit is low, MSME credit distributed in the Riau Islands Province is not the lowest in the Sumatra region. This shows that the banking sector has not yet focused on lending to MSMEs, so that the MSME credit ratio is still below the standard set by Bank Indonesia. In addition, the low UMKM credit ratio indicates that credit growth is still low and credit quality is not good as part of the assessment of banking performance in lending to MSME players nationally. This is in line with research (Aliudin, 2019) which states that the

higher the MSME credit ratio, the better the credit rating. If the MSME credit ratio is below the standard of Bank Indonesia regulations, then one of the contributing factors is the quality of credit both in general and the quality of credit for Micro, Small and Medium Enterprises (MSMEs). In addition, in terms of the maximum amount of credit extended by banks, there are differences in determining the maximum credit amount for Micro, Small and Medium Enterprises (MSMEs) distributed.

MSME credit, which is increasingly showing an increase, means that the NPL or bad credit in the Sumatra Region is getting better. The improving NPL of UMKM illustrates that the rate of return of funds by MSME players is getting higher over the current period. MSME credit NPL is one of the indicators of credit risk which is volatile and uncertain, therefore it requires special attention from both the bank and the government. The lower the NPL, the lower the level of non-performing financing, which means the better the condition of the bank. Likewise, on the contrary, the higher the NPL, the higher the level of non-performing financing which will have an impact on the worsening condition of the bank concerned.

The highest NPL value in the Sumatra Region occurred in the 2017 period of 10.51% in the Bangka Belitung Islands Province. This shows that the soundness level of the bank is very bad because the NPL has exceeded 5% in the Bangka Belitung Islands Province. One of the causes is the slowdown in economic growth over the past 5 years. Economic growth in the Bangka Belitung Islands Province ranges from 4%. The economic slowdown will cause the economy to slow down and will have a negative impact on the financial sector of the banking sector which will increase the risk of non-performing loans. This result is in line with research (Firmansyah, 2014), (Havidz & Setiawan, 2015), and (Iqbal, 2017) which state that economic conditions in an area experiencing slowing growth will be the main cause of high levels of NPL or non-performing loans on the banking sector. The lowest NPL in

the Sumatra region is also found in the Province of Bangka Belitung Islands which occurred in the 2018 period of 2.98%. The slowdown in economic growth had a clear impact on the very high level of fluctuation in NPL values in the Bangka Belitung Islands Province. This slowdown in economic growth occurred due to a slowdown in business growth from the mining sector. The mining sector is a sector that has the largest contribution in the Province of Bangka Belitung Islands, therefore if there is a slowdown in growth in the mining sector it will also have an impact on overall economic growth.

CONCLUSION

The development of MSMEs in this study is seen from two indicators, namely the number of industry MSMEs and MSME loans extended by banks. Furthermore, the number of MSME industry and MSME credit is compared to see the comparison between regions including the Sumatra region. The highest number of UMK industries is in Lampung Province and North Sumatra Province. This shows the high level of community participation in MSME activities as a livelihood as well as the ability to improve the quality of business products. In addition, the ability to compete with other types of businesses is the most important thing for the survival of MSMEs. The lowest number of MSE industries is in the Province of Bangka Belitung Islands, this is because the community still dominates the livelihoods of the mining sector as an economic support. The lack of community participation in the Bangka Belitung Islands towards MSME actors has slowed the development of MSMEs when compared to other areas in the Sumatra Region.

Distribution of bank credit to the MSME sector in the Sumatra region has increased during the last five years. The highest distribution of bank funds in the Sumatra Region is in the MSME sector in North Sumatra Province. The highest increase in credit in the Sumatra Region was in the MSME sector in North Sumatra Province due to the main livelihoods of the community coming from the

trade and agriculture sectors, so that the demand for credit for business capital is high and continues to increase every year. The lowest MSME credit distribution in the Sumatra Region is in the Province of Bangka Belitung Islands. MSME lending in the Bangka Belitung Islands is still low when compared to other areas in the Sumatra Region. This is due to the low number of MSME players in the Bangka Belitung Islands Province and there are still many UMKM players who get capital not from the banking sector.

The MSME credit ratio in the Sumatra Region shows a very good score. Overall, the UMKM credit ratio has reached and has even passed the minimum 20% according to the provisions of Article 12 of Bank Indonesia Regulation number 17/12 / PBI. 2015. Riau Islands Province is the only one with an MSME credit ratio below 20%. In terms of credit quality, the NPL value in the Sumatra region showed a favorable downward trend during the current period. This means that the development of MSMEs through additional capital from MSME loans will be realized in the future.

This research can provide advice to MSME actors, in order to increase the competitiveness of innovative and creative businesses according to the times so that they are not less competitive with other types of businesses. For the government, it can be used as input through the description of MSME credit that has been described in order to optimize good access to capital, as well as provide business assistance for MSME players. For the banking sector, research can be taken into consideration so that they can always be consistent in distributing MSME loans with a minimum ratio of 20% of the total distributed general credit. Suggestions for further research are to focus on the workforce absorbed from the MSME industry.

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