The Effect Of Micro, Small And Medium Enterprises, Labor Absorption And Non Formal Education Level To Decrease The Poverty In Simalungun District

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Abstract - **This research is aimed to (1) get the empirical evidence about the effect of micro, small and medium enterprises and the importance of existence of micro, small and medium enterprisesas one of effort to decreasing the poverty in Simalungun District, (2) to know about the effect of labor absorption to decreasing the poverty in Simalungun District (3) to know the effect of non formal education level to decrease the poverty in simalungun district. The data that used in this research is primary data with the population number is 6.445 micro, small and medium enterprises and the sample is 40 respondents with data collection technique using questioner. The data analysis model that used is multiple linear regression with e-views 6 program. While the suitability test conducted with using R-Square, Partial Test and Simultan Test. The results of this research found that (1) the value of coefficient regression on micro, small and medium enterprises variable (-0,363), it means if the micro, small and medium enterprises variable is increased 1 unit, while the labor absorption variable and non formal education level are permanent, then the poverty (Y) will decrease in the amount of 36,34 percent. (2) the value of coefficient regression on labor absorption variable (-0,194), it means if labor absorption variable is increased 1 person, while the micro, small and medium enterprises variable and non formal education level are permanent, then the poverty (Y) will decrease in the amount of 19,46 percent. (3) the value of non formal education level variable (0,012), it means if non formal education level is increased 1, while the micro, small and medium enterprises variable and labor absorption are permanent, then the poverty (Y) will increase in the amount of 1,27 percent.**

Keywords - Micro, Small and Medium Enterprises, Labor, Non Formal Education , Poverty.

I. INTRODUCTION

The poverty is one of the fundamental issues that became the center of attention of the Governments of all countries or regions. This is because the condition of poverty in a country or region is a reflection of the level of population welfare. The more poor residents in an area the more prosperous regions, in contrast the less amount of them indicated the increase of the population welfare (Leasuwal, 2013).Simalungun Regency is one of the areas which is the poor population tends to increase every year. Based on the data (BPS, 2013) 54% of the population in Simalungun Regency are the farmer.
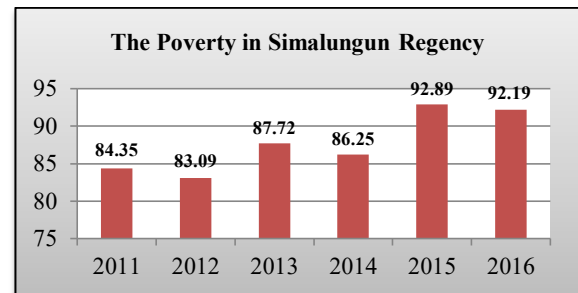

Fig 1. Poverty in Simalungun Regency in 2011-2016

Based on the graph, it can be seen that the Poverty in Simalungun Regency has increased in 2013 and 2015. It is caused by the lack of availability of employment which rises the large number of unemployed. Furthermore, the low of education level, and the unequal development in each region also became the factors that causes the high number of poverty in Simalungun Regency (*newsanalisisdaily*, 2017 in the three causes of Poverty).

Poverty reduction by developing the SMEs has the potential that was quite good, as it turns out the SMEs sector has great contribution in the absorption of labor. The role of the strategic sectors of micro, small and medium enterprises (SMEs) which is the ability of this sector become the main pillar of Indonesian Economy. Based on the data of the Central Bureau of statistics (BPS 2005), the number of Small Medium Enterprises reached 42.39 million units or approximately 99.85% of the total business units in Indonesia and is able to absorb less 99.45% of labor in Indonesia. The efforts to promote and develop Small Medium Enterprises sector will be able to absorb more of the existing workforce and itwill be able to improve the welfare of the workers who are involved in order to reduce the unemployment, it ultimately can be used for poverty reduction (Supriyanto, 2006).
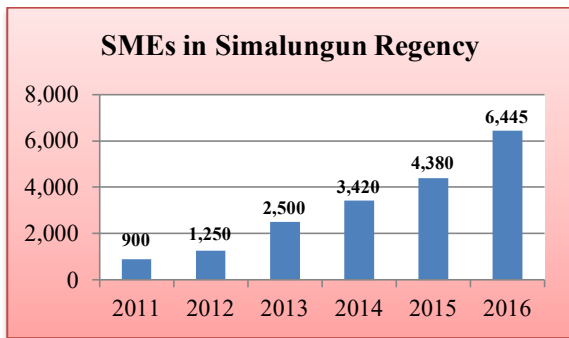
Fig 2. SME's in Simalungun Regency in 2011 - 2016

Based on the chart above, it is clear to see that the number of SMEs are increasing every year in Simalungun Regency. SMEs is one of the Government programs to alleviate poverty, it is hoped by having SMEs the poverty will be decreased significantly. Therefore, it needs to be noticed how big will the SMEs Simalungun Regency be able to absorb the labor from the non-formal education and alleviate the poverty as the Small Medium Enterprises growing fast from year to year.

II. LITERATURE

The concept of poverty is interpreted varies in different point of view. It is because the poverty consists e of the space and time elements. The concept of poverty at the war will be different with the concept of poverty at the time, the independence and modern era. The definition of poverty is usually depends on where the concept is viewed. According Amarta Sen in (Prasetyo, 2008) someone called as a poor because having no access to pursue their needs.

Mamman (2015) says the concept of spiritualityty in SMEs should be included in the articulation and implementation of policy making. In addition, the program should be included in the entrepreneurial and SMEs development program provided by State agencies and development. It can achieve the significant progress in poverty reduction. SMEC has saved Indonesia's economy condition for absorbing many human resources which were unemployed or affected by the termination of employment relationships (LAYOFFS). In addition, SMEs is able to survive in the monetary crisis which tossed the price of household needs at that time. So, SMEs is clearly a vital role in the economic growth of Indonesia.

Nidar (2012) States that in case of absorption of labor, the poverty will be decreased and the welfare of society can be achieved. Absorption of labor is a certain amount of labor that is used in a particular business unit or that whom works within a business unit. It is closely related to the absorption of labor in the industrial sector where the available large number of business units will directly add the amount of labor required in an industry.

The existence of education is typical which is only in the human world and fully determined by human, , human life is just a matter of education in other word there is no education without human being, *human life is just matter of education* (Suparlan Suhartono, 2008 in Nugroho 2015). Tohani (2011) says that non formal education through the educational skills has shown a positive contribution towards a decrease in poverty. As we know that the purpose of education is that the education is a very complex job and need a long time. The results of an education can not immediately be seen or felt.

Desmawati, et al (2015) conducted a research entitled The Alleviation Of Crime-Prone Town Poor Community Through Empowerment in the Non-Formal Education In Semarang. This study aims to analyze the profile of the poor at the criminality prone in

Semarang; formulate the strategy of community empowerment and design the model of community empowerment through non-formal education. It supports the performance of the reformer agency in discharging the program of community empowerment activities.

Ebenezer, et al (2012) also conducted a research entitled Determining the performance of small and medium enterprises (SMEs) and poverty reduction in developing countries in Nigeria's Southwest. The results also showed that there was a substantial increase (133%) of the number of owners of SMEs that has been growing in terms of job creation from micro to small and medium enterprises over the span of 5 years.

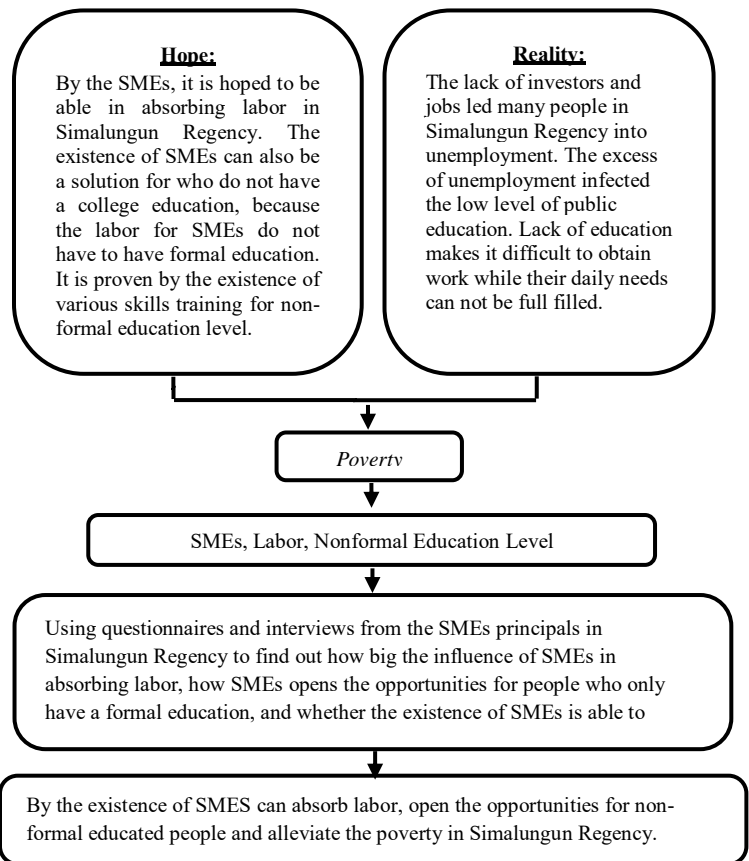The framework that will be used as the Base in this study are as follows:

Fig 3. Framework in this study

III. METHODOLOGY

This Study was conducted in Simalungun Regency. The population of SMEs were 6.445 and the sample were 40 of SMEs owner in Simalungun Regency.

The measurement scale used was the Likert scale. In this study, each respondent was required to choose one of several categories of answers which were appropriate to the recent circumstances in order the answers will be summed up to obtain the overall results of the research.

Technique of data analysis used was quantitative analysis. The analyzed data were the answers of the questionnaires from the respondents i.e. 40 owners of SMEs in Simalungun Regency. In this case the researcher used *eviews6* for regression analysis of the data field

Analysis method used was multiple linear regression (multiple regression). The equation model of (Rondhi, 2017) is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu \qquad (1)$$

Before testing the hypothesis, the prerequisites test should be done i.e. classical assumption deviation test in the form of: (1) Normality test, (2) Linearity Test, (3) Heteroskedastisity test, and (4) Multikolinerity.

Determination coefficient aims to find out the power of independent variables to affect the dependent variable. To find out the significance influences between independent variables and dependent variable, t test (partial) was used, if the value >, then rejected, so the conclusion was partially independent variables significantly affect the dependent variable. Furthermore, simultaneous tests carried out to find out the influence of all the independent variables simultaneously towards the dependent variable. If the value >, it is rejected. So the independent variables are simultaneously influenced the dependent variables.

IV. RESULT

Table 1. The Result of SMEs Field Observation in Simalungun Regency

TABLE 1. Division of Enterprise Scale

Enterprises Scale	Total
Micro Enterprises	2.500
Small Enterprises	2.050
Medium Enterprises	1.450
Total Of SMEs in Simalungun Regency in 2016	6.445

From the numbers of SMEs, 40 were chosen randomly based on the type and the enterprise scale to be the sample of this research.

TABLE 2. Research of Sample

Micro Enterprises	Small Enterprises	Medium Enterprises
Movaf Flower	Workshop	Supplies Store
LPG Retail	Rice Factory	Roti Ketawa
Coffe Shop	Barbershop	Car Reparation
Cassava Chips	Meatball	Chicken Farm
Food Stall	Banner Printing	Computer Service
Ulos Seller	Photto Copy	Wood Moulding
Tire Repairs	Restaurant	Furniture Reparation
Tshirt Printing	Car Wash	Tea Sachet
Custom Licence Plat	Bamboo Handicraft	Shoe Maker
Parfume Seed	Natural Resouces (Chocolate, Rubber trees, Palm tree, etc)	Brick Factory
Mini Gas Station	Charcoal	-
Fashion Taylor	Orchid Germ	-
Fingerlings	Laundry	-
Motorcycle Sticker	Computer Service	-
Stemp Seal	-	-
Water Depot	-	-

After doing the field research directly to the 40 SMEs in Simalungun Regency as the sample of this research, it could be known that :

TABLE 3. the Initial of Capital

Initial Capitals	SMEs	Percentage
500 Million – 10 Billion	4	10%
50 Million – 500 Million	24	60%
20 Million – 50 Million	9	22%
< 20 Million	3	8%
Total	40	100%

TABLE 4. Government of Capital Subsidies

The amaount of Capital	SMEs	Percentage
> 50 Million	16	40%
30 – 40 Million	12	30%
10 – 20 Million	11	27%
None	1	3%
Jumlah	40	100%

A. SMEs Labor Absorption in Simalungun Regency

Labor absorption is a certain amount of labor that is used in a particular business unit or in other words it is the amount of labor that works within a business unit.
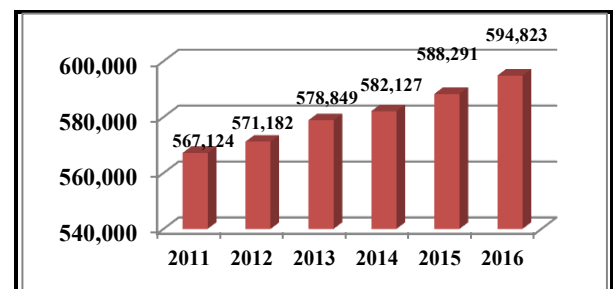

Fig 3. Labor in Simalungun Regency Year 2011–2016

From the abundance of Labor in Simalungun Regency, SMEs has absorbed many labors every year. It is Supported by the growth of SMEs which is increasingly developing. The developments can be seen in the table below:

TABLE 5. Labor of Absorption Based on Enterprise Scale in Simalungun

Enterprise Scale	Percentage of Labor Absorption (In a Year)
Micro Enterprises	40%
Small Enterprises	35%
Medium Enterprises	25%
Total	100%

B. Non Formal Education Level on SMEs in Simalungun

Nonformal education that emphasized the skills has shown the positive contributiuon to the poverty alleviation.

TABLE 6. SMEs based on the Enterprise Scale by Accepting the Traning/Skills

Enterprise Scale	Percentage
Micro Enterprises	40%
Small Enterprises	35%
Medium Enterprises	25%
Total	100%

C. The Alleviation of Poverty in Simalungun

The workers are paid variously in a month, 55% of the employees are paid of over 1 million rupiah per month, 42.5% are about 700 – 900 thousand, and the rest 2.5% are paid under 500 thousand per month.they also have various status of resudence. 40% of entrepreneurs say that their workers have home and some not. And the remaining 60% of workers say most of their employees are renting a house for shelter. There are also some unemployed workers who live with their relatives, but after getting a job time they decided to rent the house as their residence.

The condition of their home mostly already are made of concrete, some are made of half concrete and less of them are still living at a wooden home. Many of the workers said that 60% of them are capable to live in a place that is more feasible with a better social environment after their work in the SMEs business. The workers economic environment has also become better, about 47.5% of employers felt the economic environment of the workers have already begun to change, as some workers they decided to move residence to a better place than before.

Furthermore, spoken by business owners, by working in that ventures, 60% of workers were able to sharpen the level of knowledge and education of environmental business that he did. By the craft and their diligence in work, the workers can share their knowledge to each other for improving the production result of the SMEs.

D. Ordinary Least Square Analysis

$$\text{Poverty} = \alpha + \beta_1 \text{SMEs} + \beta_2 \text{PTK} + \beta_3 \text{PNF} + \mu$$
$$\text{Poverty} = 31.825 - 0.363\,\text{SMEs} - 0.194\text{PTK} + 0.012\text{PNF} + \mu$$

Based on the result of data analysis above, it could be seen that each 1 SMEs establishment could be alleviated the poverty as 36% in Simalungun Regency. Then, as absorbing a labor on SMEs, the poverty could be alleviated 19.46% in Simalungun Regency. Meanwhile, non formal education had no influences toward the poverty alleviation in Simalungun Regency.

Adjusted value was 0.878. It was shoen that SMEs variable, Labor absorb tion (PTK) and Non formal Education Level (PNF) can clarify the poverty variable 87.8% and 12.2% clarified by others variable which were not studied.

SMEs significantly influences toward the poverty by the value (4.008) >(2.028) the probability $0.0002 < \alpha = 0,05$. Labor Absorption (PTK) significantly influences toward toward the poverty by the value (2.024) >(2.028) and the probability $0.040 < \alpha = 0.05$. Non Formal Education Level (PNF) has no significantly influences toward the poverty by the value (0.164) <(2.028), the probability $0.870 < \alpha = 0,05$.

Based on the table above, simultan test showed 86.92% by the probability 0,000 and (2.630). If it was compared to (2.630). Then > from the probability $0.000 < \alpha = 0.05$, it means that SMEs variable, Labor absorption(PTK) dan Non formal Education Level (PNF) significantly influence toward poverty alleviation in Simalungun Regency.

Linearity test in this research used *Ramsey Reset Test* by the probability *F-Statistic* $0.12 > \alpha = 0.05$.it showed that regression model analysis wa linear.

Normality test in this research used probability *Jarque-Bera value. Based on the table of the normality test above* the probability JB value was $(0.88) > \alpha = 0.05$ it means Ho was rejected and there was no normality assumption deviation and it can be said that the residual was normally distributed.

Heteroskedastisity test in this research used *Heteroskedasticity Test Glesjer* yang to find out the value of *F-Statistic* probability. *The*

value was $(0.78) > \alpha = 0.05$. so, there was no heteroskedastisity problem.

Multikolinerity test of this research could be seen from the correlation value between the independent variable. From the correlation value among SMEs, Labor Absorption, and Non Formal Education Level, it could be seen that the value less than 0.8. So, it can be concluded that there was no multikolinierity in this model.

V. DISCUSSION

The poverty is one of the fundamental issues that became the center of attention of the Governments of all countries or regions. This is because the condition of poverty in a country or region is a reflection of the level of population welfare. Based by Desmawati, et al (2015) conducted a research entitled The Alleviation Of Crime-Prone Town Poor Community Through Empowerment in the Non-Formal Education In Semarang. This study aims to analyze the profile of the poor at the criminality prone in Semarang; formulate the strategy of community empowerment and design the model of community empowerment through non-formal education. It supports the performance of the reformer agency in discharging the program of community empowerment activities. Ebenezer, et al (2012) also conducted a research entitled Determining the performance of small and medium enterprises (SMEs) and poverty reduction in developing countries in Nigeria's Southwest. The results also showed that there was a substantial increase (133%) of the number of owners of SMEs that has been growing in terms of job creation from micro to small and medium enterprises over the span of 5 years.

Poverty reduction by developing the SMEs has the potential that was quite good, as it turns out the SMEs sector has great contribution in the absorption of labor. Mamman (2015) says the concept of spiritualityty in SMEs should be included in the articulation and implementation of policy making. In addition, the program should be included in the entrepreneurial and SMEs development program provided by State agencies and development. It can achieve the significant progress in poverty reduction. Nidar (2012) States that in case of absorption of labor, the poverty will be decreased and the welfare of society can be achieved. Tohani (2011) says that non formal education through the educational skills has shown a positive contribution towards a decrease in poverty.

VI. CONCLUSIONS

From the result and the evaluation that has been done, it could be concluded that:

1. The presence of SMEs in Simalungun Regency was able to be the way in improving economy which affected the poverty alleviation in Simalungun Regency. It could be seen from the analysis model of OLS where each 1 SMEs establishment could be alleviated the poverty as 36.34% in Simalungun.

2. Labor Absorption of SMEs in Simalungun Regency woul be able to give the economical changing and improve the welfare of the workers. It could be seen from the results of the analysis model of OLS where an absorbing worker on SMEs, the poverty could be alleviated 19.46% in Simalungun Regency.

3. Non-formal Education did not have the significant effects for poverty alleviation in Simalungun. It could be seen from the results of the field research that non-formal education did not give any changes for poverty if the skills are not applied in their life. And some businessmen said that skills were not too important to be applied. From the results of the analysis model of OLS non-formal education which has value (0.164) < (2.028) with probability $\alpha = 0.870 < \alpha = 0.05$. So in this case, non-formal Education has no effect against poverty.

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