

THE EFFECT OF INFLATION AND INTEREST RATE ON MSME TURNOVER IN MAKASSAR CITY

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ABSTRACT

This study aims to determine the effect of inflation and interest rates on MSME turnover in Makassar City. The type of data used is secondary data from library research, both quantitative and qualitative. The population in this study is all reports on inflation and interest rates as well as reports on the turnover of the Makassar City MSME Service. The data analysis techniques used are multiple linear regression analysis, f-test, and t-test. Simultaneously the comparison between F-count and F-table which shows that $F\text{-count} > F\text{-table}$, indicates that the independent variables together have a significant effect on the dependent variable, so that the Inflation Rate (x1) and Interest Rate (x2) variables jointly have a significant effect on the turnover of MSMEs in Makassar City at a significant level of 5%.

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1. INTRODUCTION

Economic development is very important in a country, especially in increasing economic income and improving the welfare of its people [1], [2]. Indonesia has enjoyed economic growth in the long term, until the exchange rate crisis escalated into a multidimensional crisis that began at the end of the 1997 period. When the 1998 economic crisis occurred, only the MSME sector survived the economic collapse, while the larger sectors fell by the wayside. This crisis has caused the position of the economic sector actors to change. One by one, large businesses went bankrupt because imported raw materials increased drastically, installment costs increased as a result of the rupiah's exchange rate against the dollar declining and fluctuating. It is proven in the crisis that occurred some time ago, MSMEs are present as a solution for a healthy economy. MSMEs are one of the industries that are slightly or not at all affected by the global crisis that hit the world. [3], [4].

The reasons for MSMEs to survive and tend to increase in number during the crisis are because: First; Most MSMEs produce consumer goods and services at a fairly low elasticity of demand for income. Second; Most MSMEs use their own capital and do not use capital from banks. The implication is that during the banking crisis and rising interest rates do not affect MSMEs. Third; with the prolonged economic crisis resulted in the formal sector laying off many workers. The unemployed switch to the informal sector by opening small-scale businesses, so that MSMEs increase [5], [6].

According to Muhammad that inflation also affects MSMEs because if there is inflation, the central bank will increase interest then it will have an impact on raising interest by commercial banks, also because if there is inflation the business world will experience sluggishness because aggregate demand will fall. [7]. This is an obstacle for entrepreneurs to get capital in maintaining the continuity of their business. Regarding the availability of funds and capital, the role of the government in providing capital from both banks and investors cannot be ruled out because it cannot be denied that the capital obtained from both central and private banks influences the turnover or income of MSMEs, the size of the capital managed by the government. MSMEs will determine how much income will be obtained from the capital, but the products produced also determine the MSME turnover whether the product is attractive to consumers or not so MSMEs must be creative in presenting their products in an effort to increase MSME turnover. [8], [9].

Therefore, the government's policy to control the inflation rate is very important. One of them is by determining interest rates in the financial market. Interest rates can be used as a monetary tool in order to control the supply and demand for money circulating in an economic system. When the demand for money is too high, the circulation of money in society is too large, the government can raise interest rates, so that

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the supply of money increases and the demand for money falls.[10], [11]. On the other hand, the government can lower interest rates to provide support and accelerate growth in the economic and industrial sectors, thereby encouraging or increasing production to be higher. With the increase in production, it is expected to be able to reduce the inflation rate and increase company profits, which has a positive impact on the development of the capital market[12], [13].

2. METHOD

2.1 Research Scope and Research Location

The scope of this research includes the factors that affect the turnover of MSMEs in Makassar City, especially the influence of inflation and interest rates. The research location was carried out in Makassar City.

2.2 Data Types and Sources

The type and source of research data is an important factor that becomes a consideration in determining the method of data collection. The data used in this study is divided into two types based on the grouping, namely, Primary data is a source of research data obtained directly from the original source (not through an intermediary). Primary data is specifically collected by the researcher to answer the research question. In this study, data were taken based on questionnaires interviewed to respondents. Secondary data is a source of research data obtained by researchers indirectly through intermediary media or obtained and recorded by other parties.

2.3 Method of collecting data

The method of collecting data is carried out by, field research, namely taking in the area / research location with the following data collection techniques, observation, namely data collection techniques carried out by observing objects, interviews, namely data collection techniques by conducting oral questions and answers to respondents. Library Research That is research through several reading books, literature or scientific information to obtain the underlying theories in analyzing the data obtained from the research location.

3. RELUST AND DISCUSSION

3.1 Inflation Rate

The inflation rate is the change in the inflation rate from period to period. The following is the inflation rate data for the period 1-14. The inflation rate that occurs in a country can have a positive and negative effect on the economic development of a country depending on the inflation rate that occurs in the low or high category. The following is the inflation rate data in Makassar City which occurred in the period 1-14

Table 1. Inflation Rate 1-14 . Period

Period	Inflation Rate (%)	Development(%)
1	8.25	-
2	3.01	(5.24)
3	6.47	3.46
4	15,20	8.73
5	7.21	(7.99)
6	5.71	(1.5)
7	11.79	6.08
8	3.24	(8.55)
9	6.82	3.58
10	2.87	(3.95)
11	4.03	1.16

From the table above, it can be seen that the inflation rate fluctuated from period to period. The highest inflation rate occurred in Periods 4 and 8, namely the inflation rate reached 15.20% and 11.79% while the lowest inflation rate occurred in Period 11, which was only 2.87%, this shows the government's role in suppressing the inflation rate successfully. although in period 12 it rose again to 4.03%. The developments that occur experience fluctuations in each period, a significant development occurs from period 5 which is 8.73 and the lowest occurs in period 9 which is equal to (-8.55) this shows that the inflation rate from period to period has decreased significantly.

3.2 Interest Rate

The interest rate is a measure of the investment profit that can be obtained by the owner of capital and is also a measure of the cost of capital that must be incurred by the company for the use of funds from the owner of capital. The following is the interest rate data for the period 1-11

Table 2. Interest Rates Period 1-11

Period	Commercial Bank Loan Interest Rate (%)	Development (%)
1	18.04	-
2	15.38	(2.66)
3	13.73	(1.65)
4	17.95	4.22
5	15.09	(2.86)
6	13.01	(2.08)
7	14.81	1.8
8	13.80	(1.01)
9	12.56	(1.24)
10	12.10	(0.46)
11	11.08	(1.02)
AVERAGE	14.3	

From the table above, it can be seen that the interest rate fluctuated starting in periods 1-14, but the highest interest rate occurred in period 1, which was 18.04%, while the lowest interest rate occurred in period 11, which was 11.08. %. This is in line with the inflation rate in periods 10 and 11 which also tended to fall. The development of interest rates from period to period did not experience a significant spike, it can be seen that changes in interest rates from period to period only increased by around 1% 46 from period to period. The development of the highest interest rate occurred in period 7 which was 1.8 and the lowest occurred in period 5 which was equal to (-2.86).

3.3 MSME Turnover Development

MSME turnover is income or income obtained from the production or sale of goods. As it is known that the classification of MSMEs consists of trading businesses, agricultural businesses, industrial businesses and service businesses. The income or turnover of MSMEs has a large enough role in improving the economy of a country. The following is the turnover data (income) for the types of MSMEs in the trade and industry sectors in the city of Makassar for the period 1-11.

Table 3. Total Trade & Industry Turnover in Makassar City for

Period	MSME Turnover (Rp)	MSME Turnover Growth (%)
1	564.24	0.061
2	615.41	0.067
3	615.29	0.068
4	1,805.45	0.20
5	26,564.32	2.29
6	31,926.61	3.51
7	24,926.61	2.74
8	46,516.61	5,12
9	165,385.82	18.23
10	245,385.82	20.95
11	365,724.36	40,16

From the table above shows that turnover continues to increase from period to period, this can be seen from the growth in turnover in the form of percentages from periods 1-4, turnover is not too increasing, but starting from period 5-11 it continues to experience a significant increase even though in the period 6-7 percentage growth decreased from 3.51 to 2.74 so the difference is 0.77%. A drastic increase occurred in the percentage period 8-9, namely 5.12 to 18.23, the difference reached 13.11%, this shows

that the turnover achieved is quite large, the same thing can also be seen in the 10-11 period, namely 20.95 to 40.16 the difference reach 19,

3.4 Testing the Hypothesis of Factors That Affect the Turnover of MSMEs in Makassar City Simultaneously

After testing the hypothesis that the inflation rate and interest rates together have a significant effect on MSME turnover in Makassar City 1-11. Inflation and interest rates greatly affect capital. Similar to the capital that occurs on the MSME side, on the other hand some MSMEs use capital that comes from their own capital, but not a few MSMEs use capital from the central bank, this is done by medium-sized business units whose capital has reached hundreds of millions. So that interest rates and inflation affect the turnover of MSMEs.

3.4 Hypothesis Testing Factors That Affect MSME Turnover in Makassar City Partially

From the partial test results, it is found that the inflation rate has no significant effect (according to the theory) but has a positive effect on MSME turnover for the period 1-11 where t-count (1,113) < t-table (1.859). This result is not in accordance with the hypothesis that the inflation rate has a positive and significant effect on employment opportunities in Makassar City for the period 1-11 from the regression results obtained t-count (1,113) < t-table (1,859). This shows that the inflation stick has no significant but positive effect. From the partial test results obtained that interest rates have a negative (according to theory) and significant effect on MSME turnover where t-count (3.569) > t-table (1.895). These results are in accordance with the hypothesis that interest rates have a negative and significant effect on MSME turnover in Makassar City.

4. CONCLUSION

Based on the results of the research on the effect of inflation and interest rates on MSME turnover in Makassar City, it can be concluded, Simultaneously the comparison between F-count and F-table which shows that F-count > F-table, indicates that the independent variables jointly influence significantly to the dependent variable, so that the variables of Inflation Rate (x1) and Interest Rates (x2) together have a significant effect on MSME Turnover in Makassar City at a significant level of 5%. Partially based on the results of the t-test analysis that has been carried out, it can be seen that: For the X1 variable (inflation rate) t-count < t-table so that the hypothesis is rejected where the inflation rate has no significant effect but has a positive effect on MSME turnover, while for the X2 variable (interest rate) t-count > t-table so that the hypothesis is accepted where interest rates have a significant but negative effect on MSME turnover. The magnitude of the correlation between the inflation rate and interest rates on MSME turnover is 0.655 where the relationship is classified as very strong or 65.5% of the effect on MSME turnover, this means that the effect of inflation and interest rates on MSME turnover is 65.5% while the remaining 34 ,5 percent is influenced by other factors not examined in this study.

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