

# The Role of MSMEs in Driving the Economy of Singkawang: A Systematic Literature Review

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**Abstrak**— *The study emphasizes the important role of Micro, Small, and Medium Enterprises (MSMEs) in driving economic growth in Singkawang City, West Kalimantan. Using a Systematic Literature Review (SLR) approach, the research gathered and assessed data from various sources to understand the impact of MSMEs in the local context. The results indicate that MSMEs significantly contribute to increased production, income, and employment. The tourism sector, particularly through cultural festivals such as Cap Go Meh, also plays a crucial role in boosting regional income and economic growth. The study concludes that MSMEs and the tourism sector are essential for the economic development of Singkawang City. Furthermore, the participation of MSMEs in cultural festivals enhances tourism sector income and contributes to economic growth through the hotel and trade sectors. These findings have important implications for policymakers, business professionals, and academics, providing valuable insights for developing more effective strategies to support MSMEs and the tourism sector. Understanding the pivotal role of MSMEs and cultural festivals in local economic growth can guide the creation of targeted policies to achieve inclusive and sustainable economic development in Singkawang*

**Keywords:** *Economic Growth, MSMEs, Singkawang, Systematic Literature Review*

## 1. PENDAHULUAN

Slow economic growth has emerged as a significant concern for the country's economic development. To tackle this challenge, the role of Micro, Small, and Medium Enterprises (MSMEs) is increasingly being acknowledged as a potential solution. MSMEs not only form the backbone of the economy but also play a vital role in driving sustainable economic growth and improving people's welfare. They have the potential to directly benefit society by creating jobs, promoting inclusive economic growth, and fostering innovation and skills development (Vinatra et al., 2023). This research focuses on the growth of MSMEs in Singkawang, West Kalimantan, over five years from 2018 to 2022. Data from BPS indicates a consistent increase in MSMEs during this period. In 2018, Singkawang had 5,678 MSME units, which grew to 7,615 units in 2022. The data also reveals a yearly percentage growth of MSMEs ranging from 5.11% to 10.37%.

The proliferation and expansion of MSMEs serve as a crucial gauge of local economic vitality. This trend underscores the growth potential of the MSME sector in Singkawang, with the capacity to foster inclusive economic development. This study seeks to delve deeper into the role of MSMEs in addressing the primary challenge of economic growth in Singkawang City. The research examines factors impacting MSME performance to understand how MSMEs drive inclusive and sustainable economic progress. This study will provide valuable insights for policymakers, business professionals, and academics to develop more effective strategies and improve societal well-being.

Micro, Small, and Medium Enterprises are vital components of a country's economy, significantly contributing to economic growth, job creation, and social inclusion. Specific criteria, including a threshold for assets or annual sales and a limit on the number of employees, typically define these enterprises. The government and other institutions often offer tailored support to help MSMEs thrive, including training, access to capital, and guidance. MSMEs are characterized by their limited capital, small workforce, focus on local or regional markets, emphasis on innovation, flexibility, and often being family-owned or individually operated (Vinatra et al., 2023).

MSMEs are widely acknowledged as a vital component of the business landscape due to their significant contributions to economic activity. They contribute approximately 63.58 percent to the GDP, employ 99.45 percent of the labor force, and encompass about 99.84 percent of all business

units. (Windusancono, 2021). Economic growth is the ongoing process of improving a country's economic conditions over time. It can be understood as the continual increase in a nation's production capacity, resulting in a rise in national income. The definition of economic growth comprises three key components: the continuous expansion of goods supply, the pivotal role of advanced technology in fueling growth, and the necessity of adapting institutional and ideological frameworks to harness scientific innovations effectively (Kurniawan A, 2021).

Economic growth encompasses expanding activities that increase a country's production of goods and services. It is a broad term that signifies the level of development achieved. Economic growth is often used as a metric to assess progress in advancing an economy. Regional economic growth is closely tied to the Gross Regional Domestic Product (GRDP).

In the long term, economic growth involves raising output per capita. This process is dynamic and contains elements that evolve over time (Rahmola et al., 2024). Jhingan, M. (2010) defines economic growth as the sustained improvement in a country's capacity to provide a wider range of economic goods to its populace, and this capacity expands in tandem with technological progress and the requisite institutional and ideological adjustments (Lucya & Anis, n.d.).

### 3. METODE PENELITIAN

The present study employs a Systematic Literature Review (SLR) methodology, which is a systematic approach for gathering, critically evaluating, synthesizing, and presenting diverse research findings related to a specific research question or topic (Khairunnisa et al., 2022). The data was gathered from previous research papers registered and indexed by Google Scholar, as well as from the direct URLs of the BPS and the Ministry of Cooperatives and SMEs, covering the period from 2018 to 2023. Subsequently, all identified articles were screened, and only pertinent ones meeting the inclusion criteria were included in the analysis phase (Ariati & Juandi, 2022).

### 4. HASIL PENELITIAN DAN PEMBAHASAN

#### Hasil

The findings from the research are presented in Table 1 below. Micro, Small, and Medium Enterprises (MSMEs) drive local economic growth. By utilizing local raw materials and resources, MSMEs increase productivity and income within their communities. The involvement of MSMEs in local supply chains creates a multiplier effect that positively impacts related sectors, such as logistics and services. Additionally, the income earned by MSME owners is often reinvested into the local economy, stimulating the growth of other businesses and generating further economic benefits (Vinatra et al., 2023).

**Table 1. Literature Review The Role of MSMEs in Increasing Economic Growth in Singkawang City**

| No | Author's Name          | Year | Title   | Journal Name                                  | Results  |
|----|------------------------|------|---|---|--|
| 1  | Yosafat Fantony et al. | 2023 | Study of Tourism Potential and Challenges in Singkawang City            | Journal of Tourism and Hospitality Management | The tourism sector has the potential to significantly increase Singkawang City's GDP. The positive impacts include increasing local government income, job creation, and regional economic growth. |
| 2  | Satriaji Vinatra       | 2023 | The Role of Micro, Small and Medium Enterprises (MSMEs) in the Economic | Public Accounting Journal                     | MSMEs have an important contribution to creating economic growth and employment and reducing social  |

|   |                             |      |  |   |  |
|---|-----------------------------|------|--|---|--|
|   |                             |      | Welfare of the State and Society   |   | inequality.  |
| 3 | Singgih Tiwut Atmojo et al. | 2019 | The Influence of the Cap Go Meh Festival on Increasing Income in the Trade and Services Sector of Singkawang City                                | Journal of Business Theory and Implementation | The Cap Go Meh Festival is one of the triggers for increasing income in the trade and services sector because it attracts foreign and domestic tourists. The average increase in income in the trade sector was 42.70 percent, while the average in the service business sector was 56 percent.  |
| 4 | Merry, Rianto               | 2020 | Potential of the Cap Go Meh Cultural Event as a Tourist Attraction in Indonesia (Case Study of the Cap Go Meh Cultural Event in Singkawang City) | Journal of Hospitality and Tourism            | Tourism has a positive impact on the economy, providing benefits for society and the government. In the hotel sector, room rates experience a significant increase during the Cap Go Meh festival, reaching up to 10 times the normal price. During low season, the room rate is IDR 219,000 nett, while it rises to IDR 2,190,000 nett during Cap Go Meh. |

Source: Google Scholar

Table 2 indicates a consistent positive trend in micro, small, and medium enterprises (MSMEs) growth in Singkawang City from 2018 to 2022. The number of MSMEs has steadily grown, from 5,678 units in 2018 to 7,615 in 2022. According to the BPS data, the economy of Singkawang City is projected to grow by 5.06 percent in 2023, surpassing the 4.97 percent growth achieved in 2022. The primary contributor to the GRDP growth in 2023 is the Wholesale and Retail Trade sector, including Car and Motorcycle Repairs, accounting for 1.41 percent. This is followed by Construction at 1.28 percent, Provision of Accommodation and Food and Beverage Services at 0.48 percent, Health Services and Social Activities at 0.36 percent, and Information and Communication at 0.32 percent. Additionally, other business sectors each contributed less than 0.30 percent (BPS Kota Surakarta, 2024).

**Table 2.**  
**MSME growth percentage in 2018 – 2022**

| Description | Unit | Year<br>2018 | Year<br>2019 | Year<br>2020 | Year<br>2021 | Year<br>2022 |
|-------------|------|--------------|--------------|--------------|--------------|--------------|
|-------------|------|--------------|--------------|--------------|--------------|--------------|

|                           |      |       |       |       |       |       |
|---------------------------|------|-------|-------|-------|-------|-------|
| Number of MSMEs           | Unit | 5.678 | 6.267 | 6.587 | 7.078 | 7.615 |
| Number of MSMEs Last Year | Unit | 5.177 | 5.678 | 6.267 | 6.587 | 7.078 |
| MSMEs Growth Percentage   | %    | 9,68  | 10,37 | 5,11  | 7,45  | 7,59  |

Source: <https://satudata.singkawangkota.go.id/>

Singkawang City's economic growth is bolstered by the significant increase in tourist visits, projected to grow by 40.83 percent in 2022. This growth generates income for the tourism sector and positively impacts the revenue of the Singkawang City government. Revenue from tourism is derived not only from tourism taxes and fees but also from associated sectors such as hotels, restaurants, transportation, and the local craft industry (Fantony & Nugroho, 2023).

The rise in income was also attributed to the Cap Go Meh Festival. This traditional event, celebrated by the ethnic Chinese communities in Indonesia, takes place on the fifteenth day of the first month of the Chinese New Year and has been passed down through generations (Merry & Rianto, 2020). The trade sector saw an average income increase of 42.70 percent, while the service business sector experienced a 56 percent rise, indicating a significant impact of the events in Singkawang (Atmojo, 2019).

Table 3 shows the occupancy ratio in hotels located in Singkawang during Cap Go Meh festival. The minimal rise in room rates was inversely proportional to the Hongkong Inn Hotel. According to Mrs. Agnesia, the receptionist, during the Cap Go Meh festival, the room rate could go up to 10 times the normal price. The regular room rate in the low season is IDR 219,000 net, whereas, during Cap Go Meh, it is IDR 2,190,000 net (Merry & Rianto, 2020).

**Table 3.**  
**Hotel Occupancy in Singkawang City during Cap Go Meh 2019**

| No | Hotel Name        | Number of Room | Room Price (*000 in IDR) |            | %   | Occupancy  |            |     |
|----|-------------------|----------------|--------------------------|------------|-----|------------|------------|-----|
|    |                   |                | Low Season               | Cap Go Meh |     | Low Season | Cap Go Meh | %   |
| 1  | Hongkong Inn      | 30             | 219                      | 2.190      | 900 | 16         | 30         | 88  |
| 2  | Rajawali          | 42             | 175                      | 450        | 157 | 10         | 42         | 320 |
| 3  | Sentosa           | 57             | 245                      | 278        | 13  | 25         | 57         | 128 |
| 4  | Sinar Khatulistwa | 26             | 154                      | 206        | 34  | 3          | 26         | 767 |

Source: (Merry & Rianto, 2020)

From the information provided, it can be inferred that the substantial increase in room rates, reaching 10 times the normal price during the Cap Go Meh festival, demonstrates this event's positive impact on Singkawang City's economy. This underscores the significant role of the Cap Go Meh festival in boosting the revenue of the tourism sector, particularly in the hotel industry and, more broadly, in the economic growth of the city..

## 5. KESIMPULAN DAN SARAN

MSMEs have been widely acknowledged as playing a pivotal role in fostering economic advancement in Singkawang City, Indonesia. A recent study has highlighted the substantial promise of the tourism sector in bolstering local economic progress, particularly through the organization of festivals and cultural events such as Cap Go Meh. This traditional festival holds great significance and draws in a large number of tourists. The active participation of MSMEs in these festivities has been noted to contribute significantly to tourism revenue. Furthermore, it has a profound impact on

economic growth by boosting income in the hotel and trade industries, thereby creating a positive ripple effect throughout the local economy.

The research findings underscore the vital role of MSMEs in driving local economic growth by generating income, creating employment opportunities, and reducing social inequality. This study deepens our understanding of the interconnectedness of MSMEs and the tourism sector in bolstering local economic growth, highlighting the need for comprehensive policy integration to support both sectors. For policymakers and business practitioners in Singkawang City, this research provides valuable insights into the significance of bolstering MSMEs and the tourism sector to foster inclusive economic growth.

The findings can inform the development of more effective policies and support programs for these sectors. Additionally, managers can leverage collaboration between MSMEs and the tourism sector to organize cultural festivals and events, maximizing their positive economic impact. The Systematic Literature Review (SLR) method proved effective in this research, offering a comprehensive understanding of the role of MSMEs and the tourism sector in local economic growth. This suggests that the SLR approach can be widely adopted in future studies to gain deeper insights into related topics in various contexts. Looking ahead, future research could explore more advanced research methods or multidisciplinary approaches to delve further into the dynamics of the relationship between MSMEs, the tourism sector, and local economic growth.

The implementation of this research is subject to certain limitations. Specifically, obtaining specific data on MSMEs in Singkawang City is challenging, which hinders a comprehensive understanding of their economic contribution. Additionally, accurately measuring the direct impact of MSMEs on Singkawang City is complicated due to the influence of various other factors on economic growth. Furthermore, limited access to relevant information about MSME activities, such as their financial data, restricts the ability to conduct in-depth analyses of their contributions.

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