



## Empowering the UMKM Sector in East Java through PROKESRA: A Study of Sales Growth and Labor Absorption

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### Abstract

The Micro, Small and Medium Enterprises (MSME) sector in Indonesia supports the national economy by contributing 61% of Indonesia's Gross Domestic Product. The MSME sector also absorbs 97% of the total national workforce. The aim of the research is to examine the effect of implementing the Prosperous Credit Program (PROKESRA) on sales growth and labor absorption. This research also examines the effect of MSME sales growth on labor absorption and examines the impact of credit terms on the effect of PROKESRA policy implementation on sales growth. The type of research is quantitative. The research population was 191 MSME actors accessing credit with interest subsidies in the Regency/City areas of East Java Province. The sample of PROKESRA credit recipients with interest subsidies was 191 MSMEs. Implementation of PROKESRA has a positive effect on labor absorption. This shows that 94% of PROKESRA has been implemented. Implementation of PROKESRA has no effect on sales growth, nor does sales growth have an effect on labor absorption. This shows that PROKESRA has not been able to support optimal sales growth, which is still at 48% (<50%). Furthermore, the credit period has an impact on the positive influence of the implementation of PROKESRA on Labor Absorption. The impact of the credit term is categorized as a Pure Moderator.

**Keywords:** PROKESRA, sales growth, labor absorption, credit period

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**SDGs:** Decent Work and Economic Growth (8); No Poverty (1); Industry, Innovation, and Infrastructure (9); Reduced Inequalities (10)

## 1.0 INTRODUCTION

According to data from the Ministry of Cooperatives, Micro, Small and Medium Enterprises (MSMEs) in Indonesia, as of September 2023, there are 67 million MSMEs. The MSME sector in Indonesia is a pillar of the national economy through the contribution of MSMEs which reaches 61% of Indonesia's Gross Domestic Product (GDP) or around IDR 8,573 trillion annually. The MSME sector also absorbs 97% of the total national workforce or 116 million people. The number of MSMEs in East Java based on data from the 2016 Economic Census and the 2018 Intercensal Agricultural Survey is 9.78 million MSMEs. The number of MSMEs has continued to increase since 2006, in 2006 the number of MSMEs was 4.2 million people, in 2012 it was 6.8 million MSMEs, and increased in 2023 to 9.13 million MSMEs. Based on data from BPS East Java, MSMEs are classified into agricultural businesses, Non-Agricultural Micro and Small Enterprises (MSEs), and Non-Agricultural Medium and Large Enterprises. The number of agricultural businesses is 5,163,979 business units, Non-Agricultural MSEs are 4,569,822, and Non-Agricultural UMBs are 48,461 business units.

MSMEs are able to absorb a workforce of 18,827,593 people from three business sectors, namely agriculture, non-agricultural MSMEs and non-agricultural UMBs. Of the 9.78 million MSMEs, based on Law of the Republic of Indonesia Number 20 of 2008, the classification criteria are 99.5% are classified as micro businesses and 0.5% as medium and large businesses. The contribution of MSMEs to the Gross Regional Domestic Product (GRDP) of East Java from 2020 to 2022 has continued to increase. In 2020, the contribution was 57.25% or IDR 1,316 trillion, in 2021 the contribution increased to 57.81% or IDR 1,418 trillion, and in 2022 the contribution also increased to 58.36% or IDR 1,593 trillion.

The contribution of MSMEs is so large to the GRDP of East Java even though COVID-19 occurred, the contribution of MSMEs continues to increase from 2020 to 2022 when COVID-19 occurred and the ability of MSMEs to absorb labor is also large, reaching more than 18 million, so the East Java Provincial Government has extraordinary concerns in maintaining and developing MSMEs in East Java. The East Java Provincial Government achieves the vision and mission of the Governor and Deputy Governor, one of which is through the development of MSMEs included in the 7th Nawa Bhakti Satya di Bhakti, namely East Java Empowered, the vision and mission of the Governor and East Java are translated in the planning document for the Regional Medium-Term Development Plan (RPJMD), Regional Apparatus Work Plan (RKPD), Regional Revenue and Expenditure Budget (APBD), and its implementation is translated in the Budget Implementation Document for the Regional Apparatus Work Unit (DPA SKPD) of the East Java Cooperatives, UKM Service.

MSME development gives attention to 5 aspects, namely: (1) Institutions: strengthening the quality of MSME institutions, (2) Human Resources (HR): improving the quality of MSME Human Resources, (3) Products: improving the quality of MSME products, (4) Marketing: expanding marketing access, and (5) Financing: strengthening access to capital. Researchers focus on the 5th aspect, namely financing through strengthening access to capital. Regarding the financing aspect, the East Java Provincial Government has several programs: (1) the Prosperous Credit Program (PROKESRA) through the provision of credit loan interest subsidies, (2) Revolving Fund (DAGULIR) from the East Java Provincial Government, (3) LPDB (Revolving Fund Management Institution) of the Indonesian Ministry of Cooperatives and SMEs, (4) Corporate Social Responsibility (CSR) of State-Owned Enterprises (BUMN) and Regional-Owned Enterprises (BUMD), (5) People's Business Credit (KUR).

This study focuses on the first program, namely the Prosperous Credit Program (PROKESRA) by providing loan interest subsidies because it is a cheap credit program with a credit interest rate that should be 12.15% to 3% as conveyed by the representative of PT BPR Jatim-Anang Suwitoyo regarding the advantages of PROKESRA, namely fast, easy, and cheap (East Java Provincial Cooperatives and SMEs Service, 2023). The low interest rate is due to the interest subsidy provided by the East Java Provincial Government of 9.25% in the hope of encouraging the growth of Small and Medium Enterprises Cooperatives for the growth of an inclusive economy in East Java, so that they can become the main pillars of the economy. The results of the study by Huda et al. (2019) show that in taking credit, customers pay attention to the interest rate factor. High credit interest rates make customers think twice about applying for credit for their businesses. Interest rates are the bank's reward for customers for purchasing products. Nevitatama (2024) shows that the longer the credit repayment period, the lighter the customer's monthly installments, thereby increasing the company's ability to obtain sales for the work that has been done. The credit period is the repayment limit for a loan.

PROKESRA has different impacts on employment and sales growth. The impact on sales growth tends to be immediate and rapid. With additional working capital, MSMEs can purchase more raw materials and increase production capacity, enabling them to quickly meet higher market demand and boost sales volume and revenue. Meanwhile, the impact on employment tends to be more gradual, not as rapid as sales growth. While increased production requires additional workers, the decision to hire new employees permanently involves long-term considerations, such as demand stability, labor costs, and business prospects.

Credit requirements play a moderating role in determining the effectiveness of PROKESRA, which transforms access to capital into employment and sales growth. There are two conditions: (1) The looser the credit requirements (such as lower interest rates and simplified processes), the more MSMEs can access the funds. Access positively moderates and strengthens both impacts. Ease of capital allows MSMEs to expand their businesses, which ultimately requires many new employees, contributing to a decrease in unemployment. (2) Conversely, strict credit requirements (for example, requiring large collateral, complicated bureaucracy, or a perfect credit history) will limit the number of MSMEs, even with low-interest programs.

The purpose of this study was to test the effect of the implementation of the Prosperous Credit Program (PROKESRA) policy on sales growth and labor absorption in the MSME sector in East Java Province. In addition, it also tests the impact of the credit period on the effect of the implementation of the Prosperous Credit Program (PROKESRA) policy on the growth of MSME sales in East Java Province. Furthermore, it tests the influence of the implementation of the Prosperous Credit Program (PROKESRA) policy on the absorption of labor in the MSME sector in East Java Province through the growth of MSME sales.

## 2.0 LITERATURE REVIEW

### Public Policy

Policy is what the government chooses to do or not to do. Policy is a series of actions proposed by a person, group, or government in a particular environment where there are obstacles (difficulties) and possibilities (opportunities) for the chosen policy. To achieve the goal, the government instrument (not only in the sense of government, not

only concerning state apparatus) touches various forms of institutions, both private companies, the business world and civil society (Meutia, 2013).

The use of the term policy is often interchangeable with other terms such as goals, programs, decisions, laws, provisions, proposals, and grand designs. The United Nations in Mutalib (2023) defines policy as a guideline for action. This guideline can be simple or complex, general or specific, broad or narrow, vague or clear, loose or detailed, qualitative or quantitative, public or private, and in the form of a declaration of guidelines for action, a certain direction of action, a program regarding a particular activity. Policy experts formulate that policy is: A purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern (a series of actions that have a certain purpose and are carried out by one or a group of actors to solve a particular problem) (Anderson, 1979).

Therefore, in this terminology, public policy is carried out by the government to address real problems that arise in the midst of society to find solutions either through laws and regulations, government regulations, decisions of bureaucratic officials, and other decisions (Wahab, 2008). According to Kristian (2023), public policy is a government decision for the benefit of the people, and the interests of the people are a combination of crystallization of opinions, desires, and demands of the people.

### Policy Implementation Perspective

Public policy implementation can be viewed from several perspectives. One of them is the implementation problems approach introduced by Edwards III (1984: 9-10) in Makmur (2023). Edwards III proposed an implementation problems approach by raising two main questions, namely: (1) what factors support the success of policy implementation? and (2) what factors hinder the success of policy implementation? Based on these two questions, 4 factors are formulated as the main requirements for the success of the implementation process, namely communication, resources, bureaucratic or implementer attitudes and organizational structure.

Program communication can be implemented well if it is clear to the implementer. This concerns the process of conveying information, clarity of information, and consistency of the information conveyed. There are 4 requirements for managing policy dissemination, namely: (1) public respect for government authority for the need to comply with laws made by the authorities; (2) awareness of accepting and implementing policies if the policies are considered logical; (3) belief that policies are made legally; (4) initially the policy was considered controversial, but over time the policy was considered something reasonable.

### Policy Implementation Model

According to Sabatier (1986: 21-48), there are 2 models in the policy implementation stage, namely the top-down model and the bottom-up model. Both of these models are found in every policy-making process. The elite model, the process model, and the incremental model are considered as a description of policy making based on the top-down model, description of the bottom-up model can be seen in the group and the institutional model.

Grindle (1980: 6-10) in Akib (2010) introduced the implementation model as a political and administrative process. The model describes the decision-making process, where the output is determined both by the program material achieved and through the interaction of decision makers in the context of administrative politics. The political process can be seen through the decision-making process involving various policy actors, while the administrative process can be seen through the general process of administrative actions that can be studied at a particular program level. The policy implementation flow is presented in Figure 1 below.

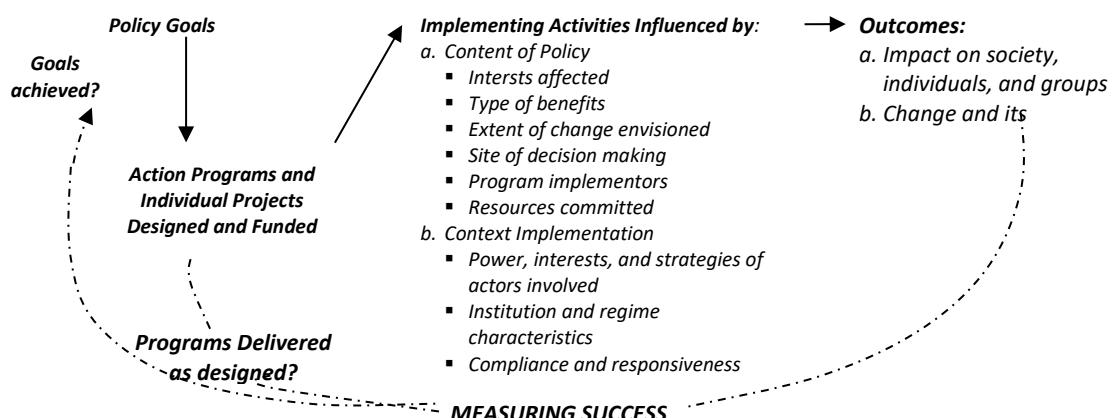


Figure 1. Implementation as a Political and Administrative Process  
Source: Grindle (1980) in Akib (2010)

The policy is implemented and the results are as much as possible in accordance with the expectations of the policy maker (Nakamura and Smallwood, 1980). In Figure 2, it can be seen that the policy has objectives as a manifestation of the policy value orientation. The objectives of policy implementation are formulated into action programs and projects that are designed and funded. Policy implementation is evaluated by measuring the output based on the policy objectives. The output of policy implementation is change and acceptance of change by the target group.

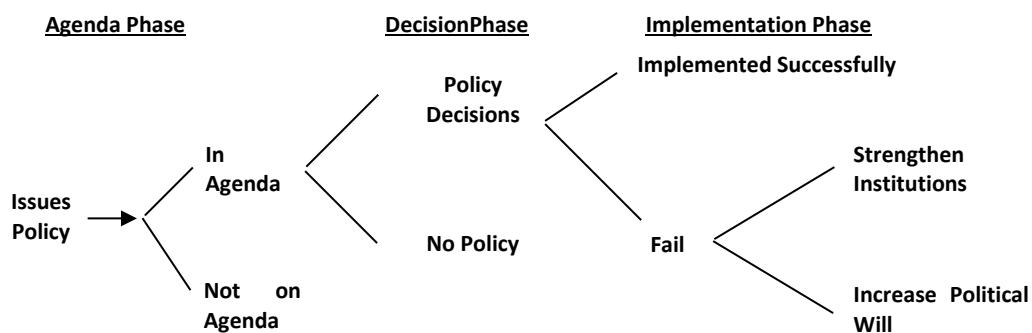


Figure 2. Linier Model of Policy Implementation

Source: Nakamura dan Smallwood (1980)

In terms of implementation, there are 2 models of public policy implementation, namely the linear model and the interactive model. In the linear model, the decision-making phase is the most important aspect, while the policy implementation phase receives less attention or is considered the responsibility of other groups. The success of policy implementation depends on the ability of the implementing agency. If the policy implementation fails, the management is blamed for lacking commitment, so better efforts need to be made to improve the capacity of the implementing institution.

Figure 3 shows that although resource input requirements are a must in the policy implementation process, it does not guarantee that the policy will be implemented properly. Resource input can be used optimally if the decision-making and policy implementation processes involve positive and dynamic interactions between policy makers, policy implementers and policy users (the community) in a conducive atmosphere and environment. A program will be successful if there is a match between the 3 elements of program implementation: (1) Match between the program and the beneficiary, namely the match between what is offered and what is needed (beneficiary), (2) Match between the program and the implementing organization, namely the match between the required tasks and the implementer's abilities, (3) Match between the beneficiary group and the implementing organization, namely the match between the requirements made by the organization and those carried out by the program group (Korten, 1988 in Herman, 2019).

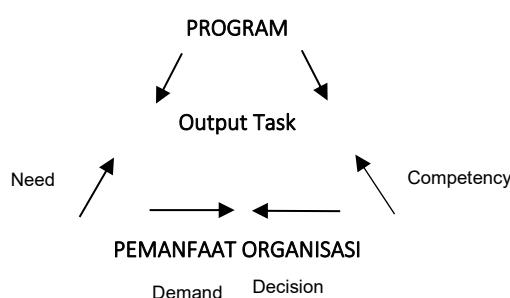


Figure 3. Suitability Model (Source: Korten, 1988 in Herman, 2019)

#### Business Credit Program Policy

According to Law of the Republic of Indonesia Number 10 of 1998, credit is the provision of money based on an agreement or loan agreement between a bank and another party that requires the borrower to repay their debt after a certain period of time with interest or profit sharing. According to Anton (2016), credit is the provision of money or something that is equivalent to it based on a loan agreement between the bank and the borrower. The borrower is obliged to repay their debt after a certain period of time with a specified amount of interest. According

to Banking Law No. 10 of 1998, credit financing is the provision of money or bills that can be equated with it, based on an agreement between the bank and another party that requires the financed party to return the money or bills after a certain period of time with compensation or profit sharing. Before credit is given, the bank first conducts a credit analysis. Credit analysis includes the customer's background, business prospects, collateral provided and other factors. If the analysis is wrong, the credit will be difficult to collect. However, this wrong analysis factor is not the main cause of bad debts, although worst debts are due to wrong analysis (Laryea et al., 2016).

The credit program was rolled out by the East Java Provincial Government by providing loan interest subsidies through the Prosperous Credit Program (PROKESRA) credit program. The provision of loan interest subsidies for PROKESRA credit in East Java is regulated through the Decree of the Governor of East Java No. 188/562/KPTS/013/2022 dated August 4, 2022 concerning Recipients of Interest Subsidies managed by the East Java Provincial Cooperatives and SMEs Service. The interest rate is 12.25%, with 9.25% interest borne by the East Java Provincial Budget. The 3% interest rate is borne by beneficiaries with a maximum ceiling of IDR 10,000,000 for 12 months. Payment of subsidies through installments applied to the KUR subsidy pattern. The interest subsidy program is guided by the provisions of the Minister of DN Regulation Number 77 of 2020 concerning Guidelines for Regional Financial Management.

Meanwhile, the implementation of interest subsidies in 2023 is carried out based on the Decree of the Governor of East Java dated January 20, 2023 Number: 188/29/KPTS/013/2023 concerning the Determination of Interest Subsidy Recipients Managed by the Cooperatives, Small and Medium Enterprises Service of East Java Province. The interest rate is 12.25%, with 9.25% interest borne by the East Java Provincial Budget and 3% interest borne by the beneficiary (IJP borne by the beneficiary) with a maximum ceiling of IDR 50,000,000 for 36 months. Subsidy expenditure is paid in the amount of the realization of credit interest installments paid by the beneficiary until December 31, 2023.

### **Micro, Small, and Medium Enterprises**

According to Government Regulation (PP) Number 7 of 2021, MSMEs are defined as follows: (1) Micro Enterprises: productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as stipulated in this PP, (2) Small Enterprises: independent productive economic enterprises, carried out by individuals and/or business entities that are not subsidiaries or branches of companies, controlled, or are part of either directly or indirectly a Medium Enterprise or Large Enterprise that meets the criteria for Small Enterprises, (3) Medium Enterprises: independent productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part of either directly or indirectly a Small Enterprise or Large Enterprise with the amount of net assets or annual sales results.

MSMEs are grouped into several criteria, namely based on business capital or annual sales results and are presented in table 1 as follows:

**Table 1. Micro, Small, or Medium Enterprise Categories**

Categories	Capital for Business*	Annual Sales
Micro Business	up to Rp1.000.000.000,00.	up to Rp2.000.000.000
Small Business	more than Rp1.000.000.000 - Rp5.000.000.000	More than Rp2.000.000.000 - Rp15.000.000.000
Medium Business	more than Rp5.000.000.000 - Rp10.000.000.000	more than Rp15.000.000.000 - Rp50.000.000.000

\*Business capital does not include land and business buildings

### **Credit Term**

Credit term (Kasmir, 2012:90) is the period that separates the granting of achievements from the counter-achievements received in the future. According to Kasmir (2012:90) there are 3 credit terms: (1) Short-Term Credit: credit with a maximum credit term of 1 year, and is usually used for working capital purposes, (2) Medium-Term Credit: credit that has a credit term of between 1 year and 3 years, and the credit is used for investment, (3) Long-Term Credit: credit with a repayment period of more than 3 years or 5 years.

### **Labor Absorption**

Labor absorption is the number of workers absorbed in a business unit. If the number of available jobs is in accordance with the number of workers, then labor absorption can accommodate the existing workforce. Labor

demand refers to the relationship between salary levels and the number of workers employed. Employers employ employees to help companies produce goods or services that are marketed to the public. The increase in labor demand depends on the increase in public demand for the goods and services produced. Based on the nature of MSMEs that are close to the common people, MSMEs are one of the sectors that contribute to labor absorption in Indonesia (Gunawan & Saputri, 2018).

### The relationship between Public Policy Theory and PROKESRA

Public policy theory serves as a crucial analytical framework in determining the success or failure of PROKESRA in East Java, as effective policies must be formulated, implemented, and evaluated accurately. The relationship between Public Policy Theory and PROKESRA is linked to several key stages in the public policy cycle: (1) Policy Formulation (Problem Formulation & Solution Formulation). Success: Policies formulated based on data and analysis of the real needs of MSMEs in East Java (for example, identifying barriers to access to capital, licensing, or digital literacy) tend to be more effective. Failure: If policy formulation does not involve a deep understanding of local conditions or is only top-down without input from MSME actors, the program risks being irrelevant to the real problems faced by MSMEs in the region. (2) Policy Implementation (Program Implementation). Success: Success depends heavily on clear targets and measurable policy distribution. Good coordination between local governments (Cooperatives and MSMEs Office, Industry and Trade Office) and other stakeholders (quadruple helix model) will ensure the program runs optimally. Failure: Weak implementation, lack of resources (human, budget, infrastructure), and complex bureaucracy can hinder the distribution of program benefits, such as working capital assistance or training, to the right target MSMEs. (3) Policy Evaluation (Impact Assessment). Success: Policy theory emphasizes the importance of regular evaluation to measure the effectiveness of programs in improving community welfare and the contribution of MSMEs to GDP. The results of this evaluation are used to improve future policies. Failure: Without a clear evaluation mechanism, the government may continue to run programs that are inefficient or do not provide a significant impact on MSMEs.

### Conceptual Framework

Figure 4 below presents the conceptual framework of the research study on the impact of credit terms on the influence of the welfare credit program policy (PROKESRA) on the growth of MSME sales and labor absorption in the MSME sector in East Java.

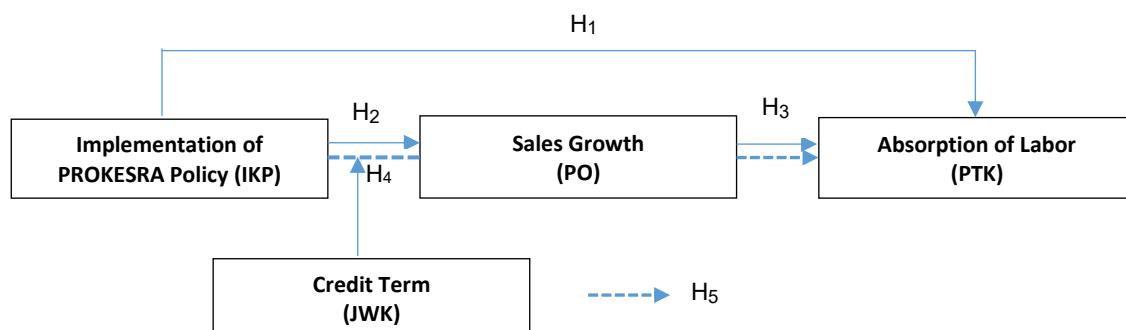


Figure 4. Conceptual Framework of Research

### The Impact of PROKESRA Policy Implementation on Labor Absorption in the MSME Sector

MSMEs as productive businesses help drive the rate of economic growth so that capital credit is needed so that businesses can grow and contribute to economic growth. Open access to financial facilities is a door for businesses to be run so that they can grow and be more productive (Rezeki et al., 2024).

The government's credit provision policy is aimed at increasing labor absorption for the advancement of society. According to Sari et al. (2021), the entry of investment expands employment for the population and reduces open unemployment. Based on previous theories and research, the hypothesis proposed is:

H<sub>1</sub> : There is a positive influence of the implementation of the PROKESRA policy on labor absorption in the MSME sector

### The Impact of PROKESRA Policy Implementation on MSME Sales Growth in East Java

Financing for MSME entrepreneurs in economic centers is carried out to meet capital needs and reduce interest burdens, so the East Java Cooperative and MSME Service (Diskop UKM Jatim) facilitates capital through PROKESRA which has been running since 2022.

The realization of PROKESRA credit from March to December 11, 2023 was 97.48% of the realization of MSME debtors receiving PROKESRA credit from March to December 2023 amounted to 11,889 MSMEs (86.52%) of the target of 13,741 MSMEs. Through PROKESRA, the sales of business actors increases, thereby supporting development. Based on previous theories and research, the hypothesis proposed is:

H<sub>2</sub> : There is a positive influence of the implementation of the PROKESRA policy on the growth of MSME sales

### **The Influence of MSME Sales Growth on Labor Absorption in the MSME Sector in East Java**

According to Sarfiah et al. (2019) MSMEs are able to increase people's income with their role in reducing unemployment and poverty. The role of MSMEs is important in improving people's welfare to face situations and create equal welfare.

The successful development of MSMEs has an impact on the high value of MSME production and is able to absorb labor. If the sales value is high, it will benefit MSME actors in developing their businesses and will be able to absorb more labor (Irwanto & Ie, 2023). Based on previous theories and research, the hypothesis proposed is:

H<sub>3</sub> : There is a positive influence of MSME sales growth on labor absorption in the MSME sector in East Java Province

### **The Impact of Credit Term on the Influence of PROKESRA Implementation on MSME Sales Growth**

The realization of PROKESRA credit in March 2023 to December 11, 2023 was 97.48%. The realization of MSME debtors receiving PROKESRA credit from March 2023 to December 2023 was 11,889 MSMEs (86.52%) of the target of 13,741 MSMEs. This PROKESRA program is quite inclusive and trendy in its implementation.

Nevitatama (2024) shows that the longer the credit term, the lighter the installments that must be paid by business actors, so that it can increase the company's ability to obtain sales. Based on previous theories and research, the hypothesis proposed is:

H<sub>4</sub> : There is an impact of the credit term on the influence of the implementation of the PROKESRA policy on the growth of MSME sales in East Java

### **The effect of PROKESRA implementation on labor absorption in the MSME sector in East Java through the growth of MSME Sales**

People's Business Credit (KUR) is a government program to strengthen the development of the real sector and empower MSMEs. KUR is stated in Presidential Instruction No. 6 of 2007 concerning the policy of accelerating the development of the Real Sector and Empowerment of MSMEs, the provision of KUR through the distribution of funds for business capital needs or investment in MSME actors. MSMEs are a promising job opportunity for prospective workers in Indonesia, especially in the era of globalization (Setiyawati & Hermawan, 2018). Approximately 90% of businesses in the world are contributed by MSMEs (Lubis & Junaidi, 2016).

The increase in sales indicates that there are additional job opportunities, so that the demand for new workers increases. The addition of job opportunities will increase the opportunities for the workforce which increases every year. Based on previous theories and research, the hypothesis proposed is:

H<sub>5</sub> : There is an effect of the implementation of the PROKESRA policy on labor absorption in the MSME sector in East Java through the growth of MSME sales

## **3.0 METHODOLOGY**

### **Type of Research and Description of Population and Sample**

This type of research is quantitative research with hypothesis testing on research variables and analysis using statistics (Sugiyono, 2020). The research population is MSME actors who access the Prosperous Credit Program (PROKESRA) in East Java. The study used a saturated sample, namely all MSME actors who received PROKESRA credit with the provision of interest subsidies totaling 191 MSME actors.

### **Research Variable**

The dependent variable is Labor Absorption (PTK) in MSMEs. According to data from the Coordinating Ministry for Economic Affairs of the Republic of Indonesia (2022), labor absorption is determined based on the amount of labor absorption in the MSME sector.

$$PTK = \frac{\text{Number of Workers after Receiving Credit}}{\text{Number of Workers before Receiving Credit}}$$

The independent variable is the Implementation of the Prosperous Credit Program (PROKESRA) (IKP) policy, which is a credit rolled out by the East Java Provincial Government through the provision of loan interest subsidies through the PROKESRA credit program. The provision of PROKESRA loan interest subsidies is regulated through the Decree of the Governor of East Java No.: 188/562/KPTS/013/2022 dated August 4, 2022 concerning Recipients of Interest Subsidies managed by the East Java Provincial Cooperatives and SMEs Service. The amount of interest rate is set at 12.25%, the interest rate of 9.25% is borne by the East Java Regional Budget, while the interest rate of 3% is borne by the beneficiary with a maximum ceiling of IDR 10,000,000 for a period of 12 months. The implementation of the PROKESRA policy is measured by the amount of PROKESRA credit received by MSME actors.

$$IKP = \ln(\text{PROKESRA Credit Received})$$

The moderating variable is the Credit Term (JWK) which is the time span for the debtor to repay the credit. The longer the credit repayment period, the lighter the installments that must be paid by the customer each month, thereby increasing the company's ability to obtain sales from the work done. The credit term is the repayment limit of a loan (Nevitatama, 2024).

$$JWK = \text{Length of Loan Term}$$

The intervening variable is the growth of MSME sales after receiving credit compared to MSME sales before receiving PROKESRA credit access.

$$PO = \frac{\text{Business Turnover (After)} - \text{Business Turnover (Before)}}{\text{Business Turnover (Before)}}$$

### Model 1: Multiple Regression Analysis

The purpose of regression modeling is to explain the influence of variables and to predict future conditions. The regression equation for model 1 is:

$$PTK = \alpha + \beta_1 IKP + \beta_2 PO + \beta_3 JWK + e$$

Description:

PTK : Labor Absorption

$\alpha$  : constant

$\beta_1$ - $\beta_4$  : Regression coefficient

IKP : Implementation of PROKESRA Policy

PO : Sales Growth

### Model 2: Moderated Regression Analysis

The Moderated Regression Analysis (MRA) interaction test is a special application of multiple linear regression that contains interactions, multiplication of two or more independent variables (Ghozali, 2021). The regression equation of model 2 with the MRA model is:

$$PO = \alpha + \beta_1 IKP + \beta_2 JWK + \beta_3 IKP * JWK + e$$

Description:

PO : Sales Growth

$\alpha$  : constant

$\beta_1$ - $\beta_7$  : Regression coefficient

IKP : Implementation of PROKESRA Policy

JWK : Credit Term

IKP \* JWK : Interaction of PROKESRA Policy Implementation with Credit Term

e : Error term

### Model 3: Path Analysis

Path analysis is an analytical tool to trace the influence (both direct and indirect) of independent variables on dependent variables. Path analysis has a close relationship to form a causal influence model.

## 4.0 RESULTS AND DISCUSSION

### Results of Descriptive Statistical Test

Descriptive statistics provide an overview of the data description. The results of the descriptive statistical analysis in this study are as follows:

Table 2. Descriptive Analysis Results

	N	Min	Max	Mean	Std. Deviation
IKP	191	0,15	0,18	0,17	0,01
PO	191	-1,00	14,00	0,48	1,53
JWK	191	-1,20	3,58	1,77	1,33
PTK	191	0,00	3,00	0,73	0,88

Data Source: Secondary Data (processed)

The statistical results with research observations of 191 companies are the variable Implementation of PROKESRA Policy (IKP) has the smallest value of 0.15 and the largest value of 0.18 with an average of 0.17 and a standard deviation of 0.01. The variable Sales Growth (PO) has the lowest value of -1.00, the largest value of 14.00 with an average of 0.48 and a standard deviation of 1.53. Negative MSME turnover growth means the business is experiencing a decline in revenue or sales compared to the previous period. A sales growth value of -1.00 indicates a 100% decline in MSME turnover growth and has serious implications. This can be influenced by: (1) Declining Sales means the MSME is generating less revenue from the sale of their products or services compared to, for example, last month, last quarter, or last year and (2) Deteriorating Performance: This is a key indicator that the business's financial performance is deteriorating.

The variable Credit Term (JWK) has the lowest value of -1.20, the largest value of 3.58 with an average of 1.77 and a standard deviation of 1.33. The variable Labor Absorption (PTK) has the lowest value of 0.00, the largest value of 3.00 and an average value of 0.73 and a standard deviation of 0.88.

### Normality Test

The normality test is a regression model test tool, whether the variables used have a normal distribution or not, the normality test uses P-Plot analysis with data distribution rules around the diagonal line and no significantly different data. Below are the results of the Normal P-Plot Model 1 test and are presented in Figure 5 below:

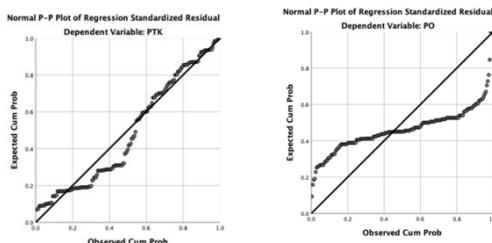


Figure 5. Normal P-Plot Results of Model 1 & 2  
Source: Secondary Data (processed)

The Normal P-Plot results show that the graph has a pattern of dots that are spread out approaching a straight line, so the data in the research model is said to be normal.

### Autocorrelation Test

Autocorrelation test occurs when there is a deviation from the observation, the test uses the Durbin Watson test, there is autocorrelation seen from the  $DU < DW$  and  $DW < 4-DU$  values.

Table 3. Autocorrelation Test Results (Durbin Watson)

Model	Std. Error of the Estimate	Durbin-Watson
1	0,83408	1,221
2	1,50370	2,034

Source: Secondary Data (processed)

Based on Table 3, the DW value of model 1 is 1.221 and compared with the DW table (sig 5%, n = 191, and 3 independent variables, then the DU value = 1.7314 and 4-DU (4-1.7314 = 2.2686).  $1.221 < 1.7314$  results indicate

DW < DU so that the research model has autocorrelation. The DW value of model 2 is 2.034 and compared with the DW table (sig 5%, n = 191, and the number of independent variables 3, then the DU value = 1.7314 and 4-DU (4-1.7314 = 2.2686). 1.7314<2.034<2.2687 indicates DU<DW< DL so there is no autocorrelation.

### Multicollinearity Test

The multicollinearity test examines whether the regression model finds correlation between independent variables or not. The regression model is free from multicollinearity if the Tolerance value is > 0.10 and VIF < 10. Table 4 below presents the results of the multicollinearity test for model 1.

**Table 4. Results of Multicollinearity Test for Model 1**

Model	Collinearity Statistics			
	Tolerance		VIF	
	1	2	1	2
1 (Constant)				
IKP	.977	.549	1.024	1.821
PO	.984	.002	1.016	464.54
JWK	.961	.002	1.040	471.202

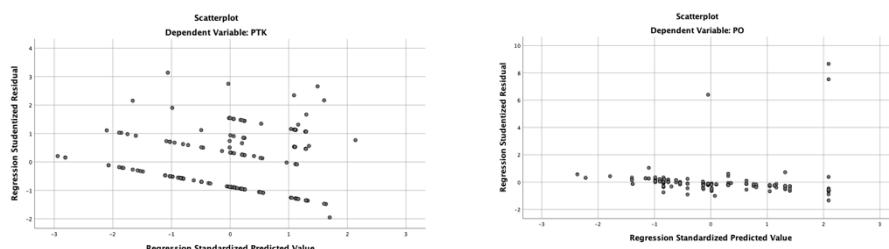
Dependent Variable: PTK

Source: Secondary Data (processed)

Based on Table 4, models 1 and 2 show a Tolerance value > 0.10 and a Variance Influence Factor (VIF) value < 10, so the model used is free from multicollinearity.

### Heteroscedasticity Test

The heteroscedasticity test tests whether the regression model has inequality of variance from one observation residual to another, using the scatterplot test. The results of the analysis are in Figure 6.



**Figure 6. Heteroscedasticity Test for Model 1 dan 2**

The test results show that there is no particular regular pattern, so it can be said that heteroscedasticity does not occur.

**Table 5. Results of the Determination Coefficient Test (R<sup>2</sup>)**

Model	R	R Square	Adj R Square
1	.344	.118	.104
2	.219	.048	.033

Predictors: Model 1 (IKP, PO, JWK); Model 2 (IKP, JWK, IKP\*JWK), Dependent Variable: Model 1 (PTK) dan Model 2 (PO)

Source: Secondary Data (processed)

Based on table 5, the coefficient of determination of model 1 is 0.118, indicating that the variables IKP, PO, and JWK affect PTK by 11.8% while the remaining 88.2% is influenced by other variables. Furthermore, the coefficient of determination of model 2 is 0.048 indicating that IKP, JWK, and IKP\*JWK affect PO by 4.8% while the remaining 95.2% is influenced by other variables.

### Model Feasibility Test (F Test)

The F test in table 6 aims to test the feasibility of the research model with  $\alpha = 5\%$ . If  $\text{sig} > \alpha$  then the research model is not feasible, if the  $\text{sig}$  value  $< \alpha$  then the research model is feasible to test.

Table 6. Results of the Feasibility Test of the Research Model

	Sum of Squares	df	Mean Square	F	Sig.
<b>Model 1</b>					
Regression	17,482	3	5,827	8,376	,000 <sup>b</sup>
Residual	130,093	187	,696		
Total	147,575	190			
<b>Model 2</b>					
Regression	21,386	3	7,129	3,153	,026 <sup>b</sup>
Residual	422,830	187	2,261		
Total	444,216	190			

Dependen Variable: PTK (Model 1); PO (Model 2)

Predictors: Model 1 (IKP, PO, JWK); Model 2 (IKP, JWK, IKP\*JWK)

Data Source: Processed SPSS Output Results Appendix

From table 6, the sig level of the feasibility test of model 1 = 0.000 < 0.05, indicating that the research model is feasible. This indicates that the rise and fall of PTK is determined by how high IKP, PO, and JWK are. While the sig level of the feasibility test of model 2 = 0.014 < 0.05, indicating that the research model is feasible. This indicates that the rise and fall of PO is determined by how high IKP, JWK, and IKP\*JWK are.

### Path Analysis

Using path analysis, the results of the research data processing are presented in Figure 7 as follows:

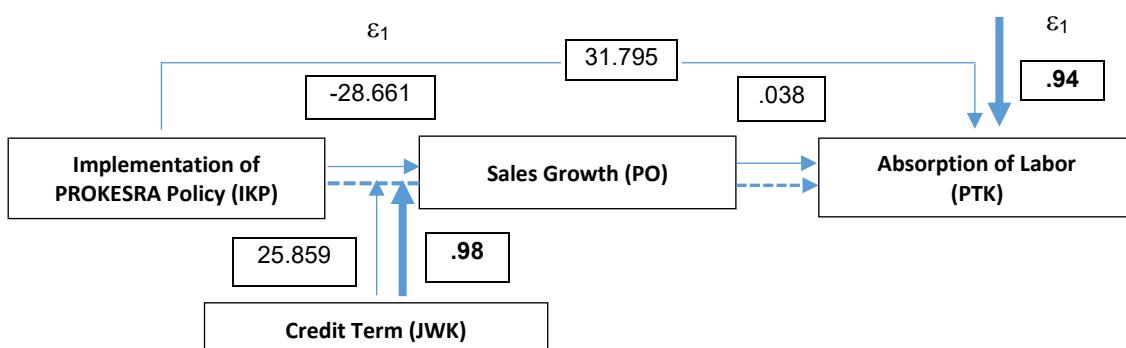


Figure 7. Illustration of Path Diagram Analysis Results

$$\epsilon_1: \sqrt{1 - R^2}, \text{ Model 1} = 0,94 \text{ and Model 2} = 0,98$$

Based on Figure 7 path analysis, the relationship among linear variables, i.e. unidirectional flow does not occur backplaying (looping) is created. The structural equation of path analysis includes X1 (GDP) as the independent (exogenous) variable, Z (PO) as the (variablePTK) as the intervening endogenous variable, Y E = The following error.

In table 7, the substructure of model 1 is to test the effect of PROKESRA Policy Implementation (IKP) and Sales Growth (PO) on Labor Absorption (PTK) with the substructure of Model 1, namely  $PTK = \alpha + \beta_1 IKP + \beta_2 PO + e$ . While the substructure of model 2 is to test the effect of IKP interaction with JWK on PO with the substructure of model 2  $PO = \alpha + \beta_1 IKP + \beta_2 JWK + \beta_3 IKP*JWK + e$ .

Table 7. t-Test Results for Model 1 and 2

Model	Unstandardized Coefficients		Coefficients Std. Error
	B		
1	(Constant)	-4,520	1,232
	IKP	31,795	7,210
	PO	,038	,040
	JWK	-,337	,047
2	(Constant)	5,172	2,975
	IKP	-28,661	17,333
	JWK	-4,296	1,774
	IKP*JWK	25,859	10,313

Dependent Variable: Model 1 (PTK); Model 2 (PO)

Data Source: Processed SPSS Output Results Appendix

**Model 1:** PTK = -4,520 + 31,95 IKP + 0,038 PO - 0,337 +  $\varepsilon_1$

**Model 2:** PO = 5,172 - 28,661 IKP - 4,296 JWK + 25,859 IKP\*JWK +  $\varepsilon_2$

#### Mediation Hypothesis Testing with Sobel Test

Path analysis is used to test the direct and indirect influence of PROKESRA Policy Implementation (IKP) on Labor Absorption (PTK) mediated by Sales Growth (OP). Based on the testing of model 1 and model 2 above, the path analysis of direct influence in this study is as follows:

Table 8. Coefficient Value of Direct Influence

Variable	Nilai Standardized Coefficient	
	IKP	→ PTK
		0,306

Sumber: Secondary Data (Processed)

IKP = Implementation of PROKESRA Policy, PTK = Absorption of Labor

The direct coefficient result is 0.306 and the indirect coefficient value is 0.0009. The indirect effect uses the Sobel test by testing the indirect effect of the independent variable on the dependent variable through the intervening variable using the Sobel test formula, namely:

$$p_{value} = \frac{a \times b}{\sqrt{(a^2 \times Se_b^2) + (b^2 \times Se_a^2)}}$$

Note: a = regression path coefficient of the independent variable against the dependent variable, b = regression path coefficient of the dependent variable against the mediating variable,  $Se_a$  = standard error of the regression of the independent variable against the mediating variable,  $Se_b$  = standard error of the regression of the dependent variable against the mediating variable.

Based on the calculation results, the sig value of  $0.929 > 0.05$ , it is concluded that the indirect influence value of 0.0009 is not significant, Sales Growth (PO) is not able to mediate the influence of the Implementation of the PROKESRA Policy (IKP) on Labor Absorption (PTK).

#### Hypothesis Testing (t-Test)

Hypothesis testing of the influence of PROKESRA Policy Implementation (IKP) and Sales Growth is presented below:

Table 9  
t-Test Results of Model 1

Model	Unstandardized Coef.		t	Sig
	B			
1	(Constant)	-4,520	-3,669	,000
	IKP	31,795	4,410	,000
	PO	,038	,944	,346

Model	Unstandardized		t	Sig
	Coef.	B		
2	JWK	-,137	-2,934	,004
	(Constant)	5,172	1,738	,084
	IKP	-28,661	-1,654	,100
	JWK	-4,296	-2,422	,016
	IKP*JWK	25,859	2,508	,013

Dependent Variable: Model 1 (PTK); Model 2 (PO)

Data Source: Processed SPSS Output Results Appendix

### Discussion of Hypothesis Testing

#### The Effect of the Implementation of the Prosperous Credit Program Policy (PROKESRA) on Labor Absorption in the MSME Sector

Table 11 model 1 shows the coefficient value of the Implementation of the Prosperous Credit Program Policy (PROKESRA) (IKP) is positive 31.795 with a significance value of 0.000 < 0.05, then H<sub>1</sub> is accepted, meaning that IKP has a positive effect on Labor Absorption (PTK) in the MSME sector. Based on the results of data processing of 191 companies, it is known that the average value of the descriptive statistics of IKP reached 0.17 from a maximum of 0.18 PROKESRA policy. This means that 94% of PROKESRA is implemented through the provision of credit interest subsidies for loans which should be 12.15% to 3%. The interest subsidy given by East Java Province is 9.25% and is able to encourage the growth of Small and Medium Enterprise Cooperatives (KUKM) so that they can become a buffer for the East Java economy. The amount of PROKESRA distributed to 191 business actors is Rp5,992,000,000, so business actors utilize PROKESRA on average of Rp31,371,728. Obtaining credit with low interest is able to absorb labor, data on the number of workers before obtaining PROKESRA credit is 234 people and increases after obtaining credit to 336 people. The research results support Basri (2018) who showed that the absorption of labor in the industrial sector was influenced by industrial sector banking credit by 84.2%.

#### The Effect of the Implementation of the Prosperous Credit Program Policy (PROKESRA) on the Growth of MSME Sales

The coefficient value of the Implementation of the Prosperous Credit Program Policy (PROKESRA) (IKP) in table 11 model 2 is -28.661 with a significance value of 0.100 > 0.05, then H<sub>2</sub> is rejected, meaning that IKP has no effect on the Growth of MSME Sales (PO). The implementation of PROKESRA reached 0.17 out of a maximum of 0.18 PROKESRA policies (94% of PROKESRA policies have been implemented). However, PROKESRA has not been able to support the achievement of optimal sales growth because sales growth is still 48% (<50%). This is also because the financing period is <2 years (average credit period 1.77 years), MSME businesses are in the process of strengthening their businesses and mapping the market. Furthermore, the acquisition of PROKESRA funds for each business actor is IDR 31,371,728, this value needs to be increased, especially regarding the fulfillment of capital for productive businesses to increase sales. This is in line with the new PROKESRA scheme "there are demands from business actors so that in 2023 there will be a change in the program design, the maximum ceiling which was initially IDR 10 million this year was increased to IDR 50 million with a term that was initially 1 year to 3 years with a fixed interest of 3% and subsidies also remain at 9.25%.

PROKESRA in East Java, despite providing access to credit with low interest rates, has not had a significant impact on MSME sales growth due to several structural and operational constraints faced by business actors outside of the pure capital aspect, including: (1) This is also because the financing period is <2 years (average credit period 1.77 years), MSME businesses are in the process of strengthening their businesses and mapping markets, (2) Despite post-pandemic recovery, MSMEs still face challenges such as supply chain disruption, rising raw material costs, or decreased demand from domestic and international markets, which directly suppress sales potential, (3) There is a possibility that the capital obtained has not been fully invested in aspects that directly drive sales, such as product innovation or increasing operational efficiency, (4) MSMEs face difficulties in marketing their products, especially in adopting digital technology and expanding market reach online, meaning that access to capital alone is not enough if it is not accompanied by an effective marketing strategy. Furthermore, access to credit needs to be supported by effective mentoring programs, including technical guidance on production, business management, and improving the quality of human resources. Without proper mentoring, capital may not be optimally utilized for innovation or increasing production capacity.

The results of the study support Devina & Lusy (2020), that the provision of credit from banking does not affect the increase in sales, one of which is influenced by the lack of readiness of business actors to run their businesses and the ability to compete in the market.

### **The Effect of MSME Sales Growth on Labor Absorption in the MSME Sector in East Java**

The coefficient value of Sales Growth (PO) in model 1 is 0.038 with a significance value of  $0.346 > 0.05$ , so  $H_3$  is rejected, meaning that MSME Sales Growth (PO) has no effect on Labor Absorption (PTK). The growth in sales of MSME actors is 48% (<50%). This is supported by a financing period of <2 years (average credit period of 1.77 years), so that MSME businesses are focusing on strengthening business governance and positioning market share. The number of MSMEs in 2024 is 9.78 million MSMEs, the East Java Provincial Government is optimistic that it will increase in 2024. With this number, there are still few who utilize PROKESRA funding (a total of 191 business actors) in strengthening MSME business capital. If the demand for the company's products increases, but the company does not increase its production capacity, it will have little impact on increasing the utilization of its workforce. The results of the study support Susanto et al. (2018) who stated that a company with a low sales does not require additional input to produce the goods, so that labor, which is an input in production, is not needed.

### **The Impact of Credit Term on the Influence of the Implementation of the Prosperous Credit Program Policy (PROKESRA) on the Growth of MSME Sales in East Java**

Table 11 shows the coefficient value of the direct influence of the Implementation of the Prosperous Credit Program Policy (PROKESRA) (IKP) on Sales Growth (PO) of -28.661 with a significance value of  $0.100 > 0.05$ , meaning that IKP has no effect on PO. Meanwhile, the impact of the moderating variable, the credit term, has a positive coefficient value of 25.859 with a significance value of  $0.013 < 0.05$ , meaning that the credit term has an impact on the positive influence of IKP on PO in the MSME sector, so  $H_4$  is accepted. The impact of the credit term meets the pure moderator category. The flexibility of the credit term given to business actors helps business actors organize and manage finances better and lightens the burden of installment payment obligations to plan a wider business in the future. The research results support Nevitatama (2024) which shows that the longer the credit period, the lighter the installments paid by business actors, this will increase the company's ability to obtain sales.

### **The Effect of PROKESRA Implementation on Labor Absorption through MSME Sales Growth**

The direct effect of the Prosperous Credit Program (PROKESRA) Implementation (IKP) on Labor Absorption (PTK) in table 11 shows a coefficient value of 31.795 and it is concluded that there is a (positive) effect on Labor Absorption (PTK). Meanwhile, the results of the calculation of the indirect effect of IKP on PTK through the credit period show an indirect coefficient value of 0.0009 and a significance value of  $0.929 > 0.05$ , which means that Sales Growth (PO) is unable to mediate the effect of PROKESRA Policy Implementation (IKP) on Labor Absorption (PTK), thus  $H_5$  is rejected. The results of this study support the research conducted by Basri (2018). With the high population in Indonesia, the workforce available in Indonesia is also large so that the supply of labor is also large. The development of small industries will help overcome the problem of unemployment considering that the technology used is labor-intensive technology so that it can increase employment and business opportunities, which in turn encourages regional and rural development.

## **5.0 CONCLUSION**

Based on the tests that have been conducted, it is concluded: (1) Implementation of the Prosperous Credit Program Policy (PROKESRA) (IKP) has a positive effect on Labor Absorption (PTK). This shows that 94% of the PROKESRA policy has been implemented through the provision of credit interest subsidies with the credit interest rate that should be 12.15% to 3%, (2) Implementation of the Prosperous Credit Program Policy (PROKESRA) (IKP) has no effect on Sales Growth (PO). PROKESRA has not been able to support the achievement of optimal sales growth because the sales growth achieved is still 48% (<50%), (3) Sales Growth (PO) has no effect on Labor Absorption (PTK). This is supported by the existence of a financing period of <2 years (average 1.77 years), so that MSME businesses are in the process of strengthening their businesses and mapping markets, (4) The credit period has an impact on the positive influence of the Implementation of the Prosperous Credit Program Policy (PROKESRA) (IKP) on Labor Absorption (PTK). The flexibility of the credit period helps business actors to organize and manage finances better and lighten the burden of installment payments to plan wider businesses, (5) Sales Growth (PO) is unable to mediate the influence of the Implementation of the PROKESRA Policy (IKP) on Labor Absorption (PTK). The problem of employment is not only limited job opportunities and low productivity but also the failure to create new jobs comparable to the rate of industrial growth.

The research suggestions are: (1) Researchers are expected to be able to develop research by adding factors that influence labor absorption so that they are able to support the government in the SDGs (Sustainability Development Goals) concept, (2) For the East Java Cooperatives and SMEs Service to continuously socialize the PROKESRA program, including its benefits, terms and conditions, and be supported by the ability of business actors

to carry out financial analysis, and (3) Expanding the scale of PROKESRA needs to be integrated with training programs, market access, and digitalization. This will have significant positive implications, especially in increasing competitiveness, expanding market reach, and improving the overall economic welfare of the community. Increasing competitiveness and product quality through integrated training will equip MSMEs with relevant knowledge and skills, from basic business management, financial bookkeeping, to product standardization. Expanding market access through digitalization has implications for MSMEs to reach consumers outside their region, even to the global market and increase product visibility at a more efficient cost. Improving the economic welfare of the community through increased income, job creation, and economic equality. Integration with digitalization will accelerate access to digital financing and facilitate transactions with digital payment systems.

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