

CHAPTER V

Conclusion and Suggestion

This section will give a conclusion and some suggestions after analyzing the estimation results as explained below.

5.1 Conclusion

Manufacturing industry has an essential role in Indonesia's economic development. Its contribution to the total value-added can prove it and made it the most significant contributor to GDP in 2017-2020. The development of industrialization occurred in all firm levels, including micro and small. Since the sector has a great potential, the development of this industry from the micro and small level is expected to contribute more significantly to the GDP. Thus, it is necessary to examine what factors influence the performance of MSI which represent by the number of value-added.

Based on the Fixed-Effect model with cluster-robust standard errors, the conclusions are:

1. The estimated value of F-test is 0.000. This means that all independent variables (or at least one independent variable) affect the dependent variable significantly.
2. The R-squared obtained is 0.8692, which means that explanatory variables simultaneously explain the performance of MSI by 86.92%.
3. Bank credit has a positive and significant effect on the MSI performance with coefficient value of 0.1673454. This means if the total MSI use bank credit to get more funds is increasing by 1%, the MSI performance will be increased by 16.73454%.
4. Educated labor has a positive and significant effect on the MSI performance with coefficient value of 0.235286 at 5% confidence level. This means if the labor graduated from university increases by 1%, the MSI performance will be increased by 23.5286%

5. Internet user has positive but insignificant effect on the MSI performance with a coefficient value of 0.0687323. The low usage of internet for marketing, advertising, and product sales purposes is one of the reasons why the effect is insignificant. Moreover, the ability of human resources in MSI sector is still low to access the internet and utilize its benefit.

6. COVID-19 has negative and significant effect on the MSI performance with a coefficient value of 0.2198501 at 5% confidence level. This means the performance of MSI is declining in 2020 by 21.98% because of COVID-19 pandemic.

5.2 Suggestion

Although this study has many drawbacks, the result of this study may contribute in providing some suggestions for further research.

1. The guidance or training is needed for MSI in enlarging their production capacity, having an ability to record their financial cash flows, and promoting their product through digital marketing to increases their performance level. This guidance and training need to be tracked or reviewed periodically so the goals setting can be achieved. The support from the government or other parties to give the training is really important.

2. Due to the availability of data, this study can not use bank credit total amount by the MSI. The analysis using this data expected to have a more significant result in the future. The bank credit for MSI is helpful to get sufficient funds to grow the business. The usage of bank credit must be precise for the right purposes; capital investment for the growth of the business, not for personal purposes of the owner. So, the financial records is needed to track the cash flow in the business operation (production activities).

3. The pandemic hit the world and cause an economic shock, the MSI is affected. The help from the government to maintain the business by implement some policies are really matters.