

## THE IMPACT OF THE INCREASE IN FUEL ON THE INCOME OF SMEs IN KARANGBESUKI KELURAHAN MALANG

Risnaningsih<sup>1</sup>, Dyah Agustin Widhi Yanti<sup>2</sup>, Poppy Indrihastuti<sup>3</sup>, Agus Kusnanto<sup>4</sup>

Tribhuwana Tunggal University<sup>1,3,4</sup>

Hang Tuah University<sup>2</sup>

E-mail: [ningsihrisna@yahoo.com](mailto:ningsihrisna@yahoo.com)<sup>1</sup>

**Abstract:** Micro, small and medium enterprises (MSMEs) are one of the business fields that can develop and be consistent in the national economy. Micro, small and medium enterprises (MSMEs) are a good platform for job creation and can absorb a large number of workers, especially during a crisis, as well as in terms of their contribution to the formation of regional output growth. The aim of this research is to examine the impact of rising fuel prices on the income of micro, small and medium enterprises (MSMEs) in Karangbesuki Malang. In this study using quantitative methods, namely analyzing and interpreting the relationship between variables through accurate and up-to-date data according to the problems in this study using simple linear regression analysis. that the increase in fuel prices resulted in a corresponding increase in the prices of goods and services, hampered the public production process due to rising prices, as well as decreased public purchasing power and inflation. Thus, the increase in fuel prices will have a negative impact on the economy of the wider community. This has been proven in this study, where the results of the analysis of the research data (t test) show that the sig t value is smaller than the specified significance value ( $0.017 < 0.05$ ) so that  $H_0$  is rejected and  $H_a$  is accepted. However, the regression coefficient  $\beta_X$  is negative -0.194, which means that every one percent increase in the impact of the increase in fuel prices will further reduce the income of MSME players in Karangbesuki Village Malang by -0.194.

**Keywords:** *Increase in fuel prices, SMEs, IMPACT*

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### 1. Introduction

Covid-19 has caused people's purchasing power or consumption, which supports 60 percent of the national economy, to experience a significant decline. Where this condition has an impact on the sluggish activity of the business world, including MSMEs (Suhendri, et,al, 2022). Micro, small and medium enterprises (MSMEs) are one of the business fields that can develop and be consistent in the national economy. Micro, small and medium enterprises (MSMEs) are one of the elements of strength to support development and economic growth. MSMEs have a very important role because these business groups can absorb a large number of workers. In terms of its contribution to the formation of regional output growth. From a local perspective, MSME has a very important position in overcoming regional fiscal dependence on the central

government. The interaction between business and the community, MSME development strategies and MSME development patterns are things that must immediately get a response from policy makers at the local level. MSMEs have an important role, so their existence must be maintained. Attention to the type of MSME business must also be maximized, so that any changes that are seen as disrupting the stability of MSMEs must be observed, including the impact of the increase in fuel prices (Wahyudi, 2014).

Fuel Oil (BBM) is a commodity that plays a vital role in all economic activities. The increase in fuel prices has not only increased the burden on the common people in general but also on the business world in particular. This is due to an increase in production cost items thereby increasing overall costs and resulting in an increase in the cost of production. The effects of this increase in fuel include increasing factory overhead costs due to rising raw material costs, transportation costs plus demands from employees to increase wages which in turn reduces company profits (Apriani, Magfiroh, Ro, Saryono, & Yuliana, 2022).

Various problems experienced by this nation, starting from the moral crisis, monetary crisis, economic crisis, to various other crises, including the increase in fuel prices in recent years, is a condition that requires a proactive attitude in finding solutions. It is understandable that with the increase in fuel prices in Indonesia, of course it will have an impact on the economic life of the people themselves. When viewed from the purchasing power of the people in general, the increase in fuel prices has caused people's purchasing power to decrease, because the value of people's income substantially has also decreased.

In the last few weeks, Indonesia has been shocked by the increase in the price of fuel oil (BBM). This has an impact on society, both at the individual level and at the corporate level. Large and small companies from any sector will certainly feel the impact. The role of the government is of course very much needed by the community in terms of dealing with rising fuel prices such as intervening in the market so that the prices of other goods do not also rise along with rising fuel prices as recently which has made it difficult for people to run their economy. Covid-19 has caused people's purchasing power or consumption, which supports 60 percent of the national economy, to experience a significant decline. Where this condition has an impact on the sluggish activity of the business world, including MSMEs (Suhendri, et.al, 2022)

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## **2. Research Methods**

The paradigm used in this quantitative research is positivism. According to Sugiyono (2015), quantitative research is referred to as positivistic research because it is based on the philosophy

of positivism. Philosophy of positivism views a reality, symptom or phenomenon as something that can be classified, concrete, observable, measurable, relatively fixed, and there is a causal relationship.

According to Suharsaputra (2012), quantitative research based on positivism empiricism sees that truth lies in facts that can be proven or tested empirically. This study elaborates on three important points to gain a deeper understanding. The first point is to explain phenomena or symptoms that occur as an illustration of curiosity and a desire to gain an understanding of a condition or event. The second point is the use of numerical data types or data in the form of numbers as the main material for conducting analysis. The third point is to use statistics in conducting the analysis. The procedure for carrying out quantitative research is very strict because generally this research is conducted to verify a theory through testing hypotheses that have been determined from the start with reference to a certain theoretical framework (Suharsaputra, 2012, p. 53).

### **3. Results and Discussion**

The government's policy to increase fuel prices since September 2022 has had many impacts on the Indonesian people in general. The increase in fuel prices triggered an increase in the prices of basic commodities, whereas previously the prices of basic commodities had soared. This is because the role of fuel is so big in people's economic activities. Of course, the increase in fuel prices will have a direct impact on economic activity and people's welfare. As Hrp and Aslami (2022) argue that the increase in fuel prices will result in a corresponding increase in the prices of goods and services, delays in the people's production process due to rising prices, and reduced people's purchasing power and inflation. Thus, the increase in fuel prices will have a negative impact on the economy of the wider community.

This has been proven in this study, where the results of the analysis of the research data (t test) show that the sig t value is smaller than the specified significance value ( $0.017 < 0.05$ ) so that  $H_0$  is rejected and  $H_a$  is accepted. However, the regression coefficient  $\beta_X$  is negative -0.194, which means that every one percent increase in the impact of the increase in fuel prices will further reduce the income of MSME players in Karangbesuki Village Malang by -0.194. Thus, it can be argued that the impact of rising fuel prices formed by scarce/expensive raw materials, new price strategies, MSME sales volume, MSME performance, and weak investment has a negative influence on the income of MSME players in Karangbesuki Village, Malang.

From the explanation above, it can be concluded that there is a significant negative effect of the impact of the increase in fuel prices on the income of MSMEs in Karangbesuki Village, Malang. The meaning of the results of this study is that if the impact of rising fuel prices is high (raw materials are scarce and expensive, there is a new selling price set, sales volume decreases, MSME performance declines, and investment is weak) then the income of MSME actors will decrease. Conversely, if the impact of rising fuel prices is low (raw materials are easy to obtain and prices are stable, setting new selling prices is right on target, sales volume is stable, MSME performance is stable, and investment is stable) then MSME players' income will be stable or even increase. This is in accordance with the theory put forward by Maryono, et al. (2020) that the increase in fuel prices was the initial reason for the decline in MSME income. This is because business actors certainly participate in adjusting the selling price of their products, which results in consumer purchasing power falling, so that sales volume automatically goes down, which results in a further decline in MSME income.

Any increase in fuel prices will certainly be followed by an increase in the price of basic commodities. For this reason, business actors will of course also set a new selling price for their products. The increase in product prices then became the cause of the decline in people's purchasing power, so that business productivity also decreased. This is because according to Hrp and Aslami (2022) that the economic principle regarding the large number of goods circulating in the market without purchasing power will encourage business actors to reduce their products. Reducing production will certainly have an impact on tightening the business sector to reduce operational costs, including reducing labor or labor costs.

The increase in fuel prices not only increases the burden on the poor in general, but also on the business world. This is because the result is an increase in production cost items thereby increasing overall costs and resulting in an increase in the cost of production. The increase in fuel prices in Indonesia will certainly have an impact on the economic life of the people themselves. According to Putri (2020), when viewed from people's purchasing power in general, the increase in fuel prices has caused people's purchasing power to decrease, because the value of people's income has actually substantially decreased. As the opinion of Apriani, et al. (2022) that the effects of the increase in fuel include increasing industrial overhead costs due to rising raw material costs, transportation costs have also increased, plus demands from employees to increase wages which in turn has reduced industry profits.

#### **4. Conclusions**

Based on the results of the analysis and discussion as described in the previous chapter, it can be concluded that there is a significant negative impact of the increase in fuel prices on the income of MSME players in Karangbesuki Village, Malang. That is, the higher the impact of rising fuel prices, the lower the income of MSMEs.

#### **Recommendations**

Some suggestions that can be put forward related to the results of this study, as follows:

1. For MSME owners
  - a. Before deciding to increase product prices, you should take into account the new prices that are set right on target to keep consumers' purchasing power from dropping drastically.
  - b. Should start utilizing the internet and social media to promote their business. Besides being efficient, this promotional step is effective for introducing products to the wider community and it is possible to boost sales volume.
  - c. It should be prudent in utilizing government assistance funds for the operation of MSMEs, so that they still have the opportunity to develop their business even though the fuel price rises.
2. For the government
  - a. Must provide the right solution to MSME actors for the scarcity of raw materials due to rising fuel prices, so that they can still get raw materials for their business easily.
  - b. The policy of increasing fuel prices should also be accompanied by strategic efforts to provide cheap transportation, communication and financial services so that they can meet the needs of the wider community, so that the impact of rising fuel prices on MSME income is not too burdensome for MSME players in order to maintain their business existence and develop their business.
3. For further researchers

- a. It should add other predictors as independent variables, such as tax intensive programs, government assistance funds, scarcity of raw materials, promotion strategies, and pricing strategies, so that the effect on the income of MSME actors can be known.
- b. It is recommended to add to the sample under study, for example researching all MSME actors in Malang City so that it can expand the results of this study.
- c. It is recommended to add in-depth interview techniques to dig deeper information from MSME actors regarding the performance and income of their MSMEs after the increase in fuel prices.

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