

# Influence Investment, Financing, and MSMEs Against Growth Medan City Community Economy 2017-2022

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## Abstract

This study aims to analyze the influence of investment, financing, and MSMEs on the economic growth of Medan City from 2017 to 2022. It is a quantitative research study conducted through library research and reference studies. Data collection methods include questionnaires and documentation studies. The data analysis involves validity and reliability tests, classical assumption tests, t-tests (partial), F-tests (simultaneous), regression analysis, and coefficient determination. The results indicate that investment, financing, and MSMEs play significant roles in the economic growth of Medan City. Investment contributes 14.1% to economic development by enhancing infrastructure and technology, which supports the industrial sector and creates job opportunities. Financing, with a 99.1% contribution, facilitates business access to capital, improves efficiency, production capacity, innovation, and supports economic diversification. Although MSMEs contribute only 1.9%, they are crucial for the local economy by providing employment and reducing poverty. Supportive pro-MSME policies are essential for their growth. Overall, these three variables contribute 97.5% to the economic growth of Medan City's community between 2017 and 2022, underscoring their key roles in driving local economic development.

*Keywords:* investment, financing, MSMEs, growth economy, Medan City.

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## 1. Introduction

### 1.1. Growth

Economic growth is one of the main indicators used to evaluate the progress of a region. It reflects an increase in production and overall welfare. This is based on the principle that positive economic growth indicates enhanced production capacity and productivity, which ultimately contributes to higher income levels and improved public welfare. As the economy grows, there is an increase in employment opportunities, household incomes, and investments, all of which support an improved quality of life. Additionally, economic growth drives the development of infrastructure, access to healthcare and education services, as well as other public facilities, thereby strengthening the social and economic foundation of the community (Abadi, 2021).

The city of Medan is a rapidly developing metropolitan area, serving as a major economic hub in Sumatra. As the largest city on the island, Medan boasts robust infrastructure that supports economic growth, including industrial zones, shopping centers, and a well-connected transportation network. The economy in Medan is primarily driven by the trade, services, and industrial sectors, with numerous large companies and small enterprises contributing to the city's economic dynamism. Additionally, Medan plays a crucial role as a distribution center for goods and services to surrounding regions, further solidifying its position as an important economic hub in Indonesia (Jufrida et al., 2017).

In this research, the focus is on the investment, financing, and micro, small, and medium enterprises (MSMEs) sectors as key elements in analyzing their contribution to the economic growth of Medan City. The study aims to evaluate how investment flows, access to financing, and the development of MSMEs influence the city's economic dynamics. It examines how these three factors interact and impact local economic growth (Mann, 2005) The investment sector

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contributes to job creation and infrastructure improvement, financing provides the necessary capital for MSMEs to operate and expand, while MSMEs themselves play a crucial role in job creation, economic diversification, and enhancing the purchasing power of the population (Santoso, 2016).

In this research, the focus is on the investment, financing, and micro, small, and medium enterprises (MSMEs) sectors as key components in analyzing their contribution to the economic growth of Medan City. The study aims to evaluate how investment flows, access to financing, and the development of MSMEs influence the city's economic dynamics, examining the interaction and impact of these three factors on local economic growth. The investment sector plays a critical role in job creation and infrastructure development, financing provides the necessary capital for MSMEs to operate and grow, and MSMEs contribute significantly to job creation, economic diversification, and increasing the purchasing power of the community (Musianto, 2002).

This research is grounded in a literature review that reveals differing perspectives on the factors influencing economic growth. Some studies (Prajitno, 2013) suggest that investment does not have a significant impact on economic growth, implying that other factors may play a more dominant role. For instance, research concluded that financing does not affect economic growth, indicating that the availability of funds does not necessarily lead to economic expansion. Additionally, other studies indicate that Micro, Small, and Medium Enterprises (MSMEs) do not have a significant impact on economic growth, suggesting that the presence and development of MSMEs do not directly contribute to overall economic growth. suggests that investment does not have a significant influence on economic growth (Abadi, 2021) with, indicating that there are other factors that are more dominant in influencing this growth (Maulana, 2023) research concluded that financing also does not affect economic growth, indicating that the provision of funds does not always translate into economic growth. In addition, research states that MSMEs (Micro, Small and Medium Enterprises) do not have a significant impact on economic growth, highlighting that the existence and development of MSMEs does not directly increase overall economic growth (Purwadinata, 2017).

Researchers are encouraged to explore the impact of investment, financing, and MSMEs on economic growth in Medan City for several reasons. First, although there has been a steady increase in the contributions of investment and financing to the economy, the direct link between the growth of these sectors and their impact on MSMEs and the broader local economy is not always evident. This raises questions about the effectiveness and efficiency of investment and financing flows in driving overall economic growth. Second, while MSMEs significantly contribute to the economy of Medan City, they face challenges such as limited access to affordable capital, difficulties in keeping pace with technological advancements, and insufficient government policy support. These obstacles often hinder their growth potential. Third, there is a need for a deeper understanding of how these three factors investment, financing, and MSMEs interact and how these interactions can be optimized to foster more inclusive and sustainable economic growth. This research aims to address this gap by examining how investment and financing flows can more effectively support the development of MSMEs and identifying the factors that influence their contribution to local economic growth (Ansori, 2016).

Investment is the process of allocating resources, such as money, time, or effort, with the goal of generating profits or adding value in the future. It is a strategic decision that involves placing capital into various forms of assets with the expectation that their value will appreciate over time. Investment goes beyond merely spending money to acquire something; it requires careful planning, analysis, and a thorough understanding of the potential returns and risks involved (Laily, 2016).

## **2. Literature Review**

### *2.1. Investment concept*

Investment is the process of allocating resources such as money, time, or effort with the aim of generating profits or increasing value in the future. It is a strategic action that involves committing capital to various forms of assets with the expectation that their value will appreciate over time. Investment goes beyond simply spending money to acquire something; it requires careful planning, thorough analysis, and a deep understanding of the potential outcomes and risks involved (Athoillah, 2017).

One of the most common forms of investment is investing in shares. When investors buy company shares, they are purchasing a portion of ownership in the company. As shareholders, they have the right to receive dividends and potentially benefit from increases in the share price. However, the value of shares can fluctuate significantly,

influenced by various factors such as market conditions, the company's performance, and global economic factors (Karyanto, 2016).

Good investment planning involves setting clear financial goals, such as saving for retirement, purchasing a home, or funding children's education. By defining these objectives, investors can develop a strategy tailored to their needs and risk tolerance. Additionally, investments should be aligned with the time horizon and liquidity requirements of each goal to ensure they meet the desired outcomes effectively (Iryanto, 2018).

Market analysis and thorough research are crucial for making informed investment decisions. Understanding market trends, reviewing company financial reports, and considering macroeconomic factors can help investors make more informed choices. Additionally, using analytical tools such as financial ratios and valuation models can provide valuable insights and aid in evaluating potential investments more effectively (Sirait, 2019).

It is also important to continuously monitor and assess investment performance regularly. Market conditions and personal situations can change, impacting the performance of investments. By reviewing the portfolio regularly and making necessary adjustments, investors can ensure that their investments stay aligned with their established goals and strategies (Kurniawan, 2016).

## *2.2. Contribution of investment in Economic Growth*

Investment plays a crucial role in driving economic growth by providing the capital necessary for various development sectors. Investments enable companies to develop infrastructure, technology, and production capacity. Capital directed towards innovation and new technology allows businesses to offer more efficient and advanced products and services, which enhances productivity a key driver of economic growth. In Medan City, the role of investment in economic growth has shown a positive trend over the period from 2017 to 2022. The contribution of investment increased from 6.25% in 2017 to 7.35% in 2022, reflecting a growing impact on the city's economic development. Despite a decline in 2020, likely due to global economic conditions or local challenges, the overall trend remains positive. The increasing contribution of the investment sector highlights its significant role in driving Medan City's economic growth, contributing to infrastructure development, job creation, and the strengthening of local economic power (Wihastuti, 2008).

## *2.3. Financing concept*

Financing is a crucial process that supports various activities and projects requiring financial resources. It encompasses a range of mechanisms designed to meet the capital needs of individuals, companies, or organizations. Financing involves not only providing funds but also includes analyzing needs, evaluating risks, and effective management planning (Reinhard, 2004). In a corporate context, financing often entails strategic decisions related to growth and expansion. These decisions should be informed by market analysis, financial projections, and long-term business strategies. With proper planning and management, companies can use financing to achieve growth objectives and enhance market competitiveness. Additionally, the financing process must consider legal and regulatory aspects. This includes compliance with tax regulations, company laws, and relevant industry standards. Adhering to these regulations helps prevent legal issues and ensures that the financing process is conducted in a legal and ethical manner (Kamilah, 2022).

Financing can also involve collaboration with various parties, including financial institutions, investors, and business partners. These partnerships can help secure additional resources, share risks, and leverage existing expertise or networks. Building strong relationships with these partners can facilitate a smoother and more successful financing process. Overall, financing is a complex process that includes multiple stages and considerations. From identifying funding needs to effective planning and management, each step must be executed with care to ensure the optimal use of funds and achievement of desired goals. With a systematic and well-planned approach, financing can be a powerful tool to support projects and activities requiring financial resources (Nasution, 2023).

## *2.4. Contribution of Financing in Economic Growth*

Financing plays a crucial role in economic growth by providing the essential funds needed for productive investments and business development. Various financing mechanisms, such as bank credit, bonds, and venture capital, enable companies and individuals to access the capital required for expansion and innovation. Bank credit offers funds that can be utilized to increase production capacity, while bonds allow companies to raise long-term capital from investors

for significant projects. Venture capital, on the other hand, supports startups and high-growth potential companies that may not yet have access to traditional financing sources. Furthermore, financing is vital in supporting investments in strategic sectors like infrastructure, health, and education. Investments in infrastructure, including roads, bridges, and transportation networks, enhance connectivity and economic efficiency. In the health sector, financing helps develop hospitals and improve facilities, contributing to public well-being. Meanwhile, investment in education ensures that future generations acquire the skills necessary to contribute to the economy and build a foundation for long-term growth (Indrawan, 2021).

The contribution of financing to Medan City's economic growth has shown a positive trend over the period. The percentage contribution increased gradually from 4.52% in 2017 to 5.10% in 2022. This indicates that the financing sector has had a growing impact on the city's economic development, reflecting an increase in the total value of financing allocated across various economic sectors (Jufrida et al., 2017).

The increased contribution of financing highlights its strategic role in driving economic activity in Medan City. The continued rise in financing and its growing impact on economic growth underscore the sector's crucial role in achieving sustainable economic development. The stability and increase in financing contributions make it a key factor in strengthening the local economy and improving the well-being of the people of Medan City (Medan, 2024).

### *2.5. Micro, Small and Medium Enterprises (MSMEs)*

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the structure of the Indonesian economy. MSMEs encompass a range of businesses managed by individuals or groups, varying in scale from micro enterprises with limited assets and turnover to small and medium-sized businesses that are more developed but still smaller compared to large corporations (Sirait, 2019). Innovation is essential for MSMEs to remain competitive in the market. Developing new products, improving processes, and adopting the latest technologies can help MSMEs meet market demands and compete effectively with larger companies. Support in research and development, as well as access to technology, can enhance the innovative capacity of MSMEs. In addition to government and financial institution support, community involvement is vital in supporting MSMEs. Consumer awareness and preference for local products can boost demand and aid in the growth of MSMEs. By purchasing from these enterprises, consumers contribute to strengthening the local economy and creating jobs. MSMEs also hold significant potential for fostering sustainable economic development (Firmansyah, 2022). By adopting environmentally and socially friendly practices, MSMEs can contribute to sustainable development and make a positive impact on society. Supporting sustainable business practices can help MSMEs meet growing environmental and social standards. MSMEs also have great potential in encouraging sustainable economic development. By adopting environmentally and socially friendly business practices, MSMEs can contribute to sustainable development and create a positive impact on society. Support for sustainable business practices can help MSMEs meet increasingly important environmental and social standards (Tambunan, 2021).

### *2.6. Contribution of MSMEs in Growth Economy*

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in economic growth by providing significant employment opportunities, especially at the local level. Often, MSMEs are major job providers in small communities and areas less accessible to large companies. They help reduce unemployment levels and offer employment opportunities that support local community welfare. Beyond fostering short-term economic growth, MSMEs contribute to building sustainable and equitable economic resilience across society. By generating jobs, facilitating innovation, and creating inclusive economic opportunities, MSMEs establish a strong foundation for long-term sustainable economic growth. In Medan City, the contribution of MSMEs to economic growth has shown a consistent increase. The percentage contribution rose from 33.45% in 2017 to 38.25% in 2022. This growth demonstrates that MSMEs are playing an increasingly significant role in supporting the city's economic development, with their impact growing in tandem with the total value they contribute. This positive trend highlights the importance of the MSME sector in Medan City's economy, reflecting its success in adapting to economic challenges and its continued substantial contribution to the city's economic prosperity (Suhaili, 2019).

### *2.7. Economic Theory and Aspects of Growth*

At the micro level, economics examines individual and corporate decisions related to the production, consumption, and distribution of goods and services. It involves analyzing how choices are made based on preferences and

available budgets. Central to microeconomic analysis is the concept of supply and demand, which explains how prices are set and how the quantities of goods and services produced and consumed are determined in the market. Economics also explores the impact of various economic policies and actions, such as government interventions, regulatory changes, and technological advancements. Economists use models and data to assess how these factors influence the economy as a whole and to forecast the outcomes of economic decisions. This analysis supports policymakers in making more informed decisions. Economic theories and models help in understanding patterns of economic behavior. Economic theory provides explanations of how individuals and markets operate, while economic models describe and analyze the relationships between different economic variables (Kuncoro, 2010). For instance, supply and demand models elucidate how prices and quantities of goods are determined, while economic growth models explain how economies evolve over time. Overall, economics is crucial for understanding how society functions and how various economic decisions impact societal welfare. By analyzing production, distribution, and consumption, and evaluating the effects of economic policies, economics offers valuable insights into managing limited resources to fulfill unlimited needs and wants (Syamhari, 2023).

### *2.8. Aspects of Economic Growth*

Economic growth is a primary objective for many countries aiming to enhance people's welfare. To achieve this, several key aspects must be considered and optimized (Maulana, 2023). Investment, financing, and support for Micro, Small, and Medium Enterprises (MSMEs) are three fundamental pillars that can drive economic growth and create jobs. Investment both domestic and foreign plays a crucial role in the economy. Foreign direct investment (FDI) brings in substantial capital, new technology, and managerial expertise, while domestic investment supports local business growth and strengthens the national economy. Effective policies that ease investment procedures and provide legal protection for investors are essential for attracting and retaining investment. Financing is another critical factor for stimulating economic growth. Adequate access to capital enables companies to invest in expansion and innovation. Traditional financial institutions, such as banks, are vital in providing loans and credit. However, alternative financing options, such as crowdfunding, peer-to-peer lending, and venture capital, are becoming increasingly popular and offer additional avenues for businesses. Diversifying financing sources helps mitigate risks and broaden opportunities for various types of businesses. MSMEs are the backbone of the local economy, significantly contributing to job creation and local economic growth. To maximize their impact, MSMEs require robust support. Access to affordable financing is crucial for expanding operations and increasing production capacity. Additionally, training and development of managerial skills are essential for MSME owners to manage their businesses effectively, improve marketing strategies, and understand market trends. Comprehensive training programs can help MSMEs address challenges and seize market opportunities. Innovation and technology adoption further influence economic growth. Investments in new technology can boost productivity and efficiency across various sectors. MSMEs, in particular, can leverage technology to enhance operational processes, reduce costs, and improve product quality (Lestari, 2016). Government policies that promote investment, provide incentives for entrepreneurs, and protect business rights are pivotal for fostering economic growth. Reforms in business regulations and licensing can alleviate administrative burdens and streamline investment and expansion processes. Moreover, collaboration between the public and private sectors, through initiatives such as business incubator programs and innovation centers, is essential for creating an ecosystem that supports and accelerates economic growth (Nasution, 2023).

### **3. Research Method and Materials**

This study employs a library research approach with a quantitative model, focusing on data collection and analysis. As explained by Sugiyono (2018), quantitative research is associated with the positivistic paradigm, where researchers aim to understand phenomena through measurable data. The library research approach was selected because it involves a literature review to assess the scale of economic growth in Medan City from 2017 to 2022. This method allows for the collection, evaluation, and analysis of secondary data from reliable sources, such as academic publications, government reports, and official statistical data. The research was conducted in Medan City, a metropolitan area with a notable economic growth trend. The study spanned five months, from February to June 2024, providing ample time for researchers to gather, analyze, and interpret data effectively (Sugiyono, 2018).

This study does not focus on a specific population as it utilizes a literature analysis approach. The sample comprises published data concerning the contribution of investment, financing, and MSMEs to economic growth in Medan City for the 2017-2022 period. The research includes a total of six data points for each variable. Secondary data sources,

including reports and studies detailing aspects such as investment developments, financing mechanisms, and the role of MSMEs, were used for this analysis. These sources provide insights into various elements affecting economic growth in Medan City (Kurniawati, 2017).

Measurements in this research were conducted using multiple regression analysis to assess the impact of investment, financing, and MSMEs on economic growth. Data collection techniques are a critical aspect of research and involve various methods to gather the necessary information according to the study's objectives. In this study, data collection involved observation and documentation study. Observation was conducted by indirectly tracking trends in investment, financing, and MSMEs and their influence on Medan City's economic growth from 2017 to 2022. The documentation study involved reviewing and analyzing relevant documents such as reports, notes, archives, books, articles, and other forms of documentation. According to Sugiyono (2018), data analysis techniques encompass the methods and procedures used to process, interpret, and present the collected data. The aim is to identify patterns, relationships, and relevant information to answer the research questions or objectives. Multiple linear regression analysis was employed to evaluate how investment, financing, and MSMEs impact economic growth in Medan City.

#### 4. Results and Discussion

##### 4.1. Medan City Description

In 2022, Medan City had a population of 494.512 people, making it one of the most populous cities in Indonesia with a population density of 9.413 people per square kilometer. As the third largest city in Indonesia, after DKI Jakarta and Surabaya, Medan plays a crucial role in the national demographic and economic context. This high density reflects significant urbanization and rapid population growth, consistent with the city's role as a hub for economic and social activities on the island of Sumatra. Medan City spans an area of 26.510 hectares, or 265.10 km<sup>2</sup>, which accounts for about 3.6% of the total area of North Sumatra Province. Despite its relatively small size compared to other cities or regencies in the province, Medan's population is substantial. The city serves as the primary economic and administrative center of North Sumatra, making it one of the main growth centers in the region. Geographically, Medan is situated between 3° 30' to 3° 43' north latitude and 98° 35' to 98° 44' east longitude. This location places Medan in the western part of Sumatra Island, near the east coast, significantly influencing its climate and weather patterns. The geographical position also affects growth and land use in Medan, with urban areas expanding alongside population growth. MSMEs have made a substantial contribution to the economy of Medan City, with their contribution increasing from 33.45% in 2017 to 38.25% in 2022. This growth highlights the critical role of MSMEs in job creation, economic diversification, and enhancing purchasing power. Overall, the data indicates that these three sectors—investment, financing, and MSMEs synergistically contribute to Medan City's economic dynamics. MSMEs make the largest contribution to local economic growth, while the investment and financing sectors support MSME development and the infrastructure necessary for sustainable economic growth.

##### 4.2. Validation analysis

Based on the validity analysis presented in Table 1, it can be observed that all research items, including those related to investment, financing, and other variables, demonstrate validity. This indicates that the research items effectively measure the intended constructs and contribute to the reliability and accuracy of the study.

##### 4.3. Investment to Growth Economy

**Table 1.** Analysis Output Partial  
(Investment to Growth Economy)

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	15.771	.681		23.162	<.001
	Investment	-1.204 x 10 <sup>-6</sup>	.000	-.029	-.059	.956

a. Dependent Variable: Growth Economy

The partial analysis results in Table 1 reveal a t-value of 0.59 with a significance level of 0.956. Since the t-value is less than the t-table value of 2.131 and the significance level is greater than 0.05, it can be concluded that, on a partial basis, investment does not have a significant influence on the economic growth of Medan City for the 2017-2022 period. According to Ghazali (2018), a significance level greater than 0.05 leads to the rejection of the hypothesis, indicating that the effect is not significant.

4.4. *Financing Economic Growth*

**Table 2.** Analysis Output Partial (Financing to Growth Economy)

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	6.672	.959		6.959	.002
financing	.000	.000	.978	9.482	<.001

a. Dependent Variable: Economy growth

Based on the analysis in Table 2, a t-value of 9.482 with a significance level of less than 0.001 indicates that financing has a significant influence on the economic growth of Medan City for the 2017-2022 period. According to Ghazali (2018), a significance level less than 0.05 supports the acceptance of the hypothesis, confirming that the effect is statistically significant.

4.5. *MSMEs on economic growth*

**Table 3.** Analysis Output Partial (MSMEs to Growth Economy)

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	15.125	.577		26.196	<.001
MSMEs	1.693 x 10 <sup>-5</sup>	.000	.531	1.252	.279

a. Dependent Variable: Growth Economy

Based on the analysis in Table 3, a t-value of 1.252 with a significance level of 0.279 indicates that MSMEs do not have a significant influence on the economic growth of Medan City for the 2017-2022 period. The significance level is greater than 0.05, suggesting that the effect of MSMEs on economic growth is not statistically significant.

4.6. *Simultaneous Analysis*

**Table 4.** Analysis Output Simultaneous (Investment, Financing, and MSMEs to Growth Economy)

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.074	3	1.025	26.356	.037 <sup>b</sup>
	Residual	.078	2	.039		
	Total	3.152	5			

a. Dependent Variable: Growth Economy

b. Predictors: (Constant). MSMEs. Investment. Financing

Based on the simultaneous analysis presented in Table 4, the F-count value is 26.356 with a significance level of 0.037. Since the F-count exceeds the F-table value of 9.28 and the significance level is less than 0.05, this result indicates that the null hypothesis (Ho) is rejected. According to Ghazali (2018), if the F value is greater than the critical threshold in the F distribution table at the 5% significance level, the alternative hypothesis (Ha) is accepted.

Thus, it can be concluded that, taken together, the Investment, Financing, and MSME variables have a significant effect on the economic growth of Medan City for the 2017-2022 period.

4.7. Analysis of the Coefficient of Determination

**Table 5.** Analysis Output Coefficient Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.988 <sup>a</sup>	.975	.938	.197

a. Predictors: (Constant), MSMEs, Investment, Financing

Based on the analysis in Table 5, the R Square value of 0.975 indicates that Investment, Financing, and MSMEs collectively account for 97.5% of the variation in the Economic Growth of the Medan City Community for the 2017-2022 period. According to Ghozali (2018), an R Square value close to one suggests that the independent variables offer substantial predictive power for the dependent variable. The use of Adjusted R<sup>2</sup> ensures that the model's explanatory power is accurately represented, especially when additional independent variables are included, providing a more precise explanation of the relationship between the variables.

4.8. Linear Regression Analysis

**Table 6.** Analysis Output Regression

Coefficients a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.373	1.180		5.399	.033
	Investment	5.774 x 10 <sup>-6</sup>	.000	.141	1.153	.368
	Financing	.000	.000	.991	7.268	.018
	MSMEs	5.931 x 10 <sup>-7</sup>	.000	.019	.126	.911

a. Dependent Variable: Growth Economy

Based on the regression analysis in Table 6, the regression coefficient (β) values for the Investment, Financing, and MSME variables are 0.141, 0.991, and 0.19, respectively. These findings indicate that Investment contributed 14.1% to the Economic Growth of the Medan City Community during the 2017-2022 period, Financing contributed 99.1%, and MSMEs contributed 1.9%. These coefficients reflect the strength and direction of the relationship between each independent variable and economic growth, highlighting the significant role of Financing in driving economic growth in this context.

The percentage of 97.5% shows that the Investment, Financing, and MSME variables together have a very strong influence on the Economic Growth of the Medan City Community during the 2017-2022 period. In other words, the regression model used in this analysis is able to explain 97.5% of the variability that occurs in Economic Growth. This means that almost all variations in economic growth can be explained by changes in investment, financing, and MSME activities. The high percentage indicates that these three variables are important and relevant factors in determining economic growth in Medan City during the period studied.

Even though investment's contribution to the economy may not be as large as other variables, its role remains crucial. Investment serves as the foundation for long-term economic growth. Without sufficient capital flows, infrastructure development and technological advancements may be hindered, which can negatively impact the region's competitiveness and overall economic growth. In the long term, well-planned and effective investments can yield sustainable benefits, fostering stable and sustained economic growth.

Financing plays a highly dominant role in economic growth, with a contribution of 99.1% to economic development. This figure highlights the critical importance of access to financing for economic growth in Medan City. Easy access to financing, whether through banking or non-banking institutions, enables business actors to secure the necessary capital to develop their enterprises. This capital is essential for expanding production capacity, increasing operational efficiency, and optimizing various managerial aspects of their businesses.

Convenient access to financing allows business actors to significantly increase their productivity. With adequate funds, they can invest in advanced technology, workforce training, and product quality improvement. Moreover, sufficient financing enables small and medium-sized businesses to expand their marketing networks, reach broader markets, and compete more effectively on a global scale. This directly impacts the enhancement of competitiveness and the growth of the local economic sector.

Financing also plays a crucial role in driving innovation and the development of new products. With funds allocated for research and development, business actors can create innovative products that meet market needs. This innovation not only enhances the competitiveness of businesses but also contributes to the economic diversification of the area. Newly developed products can open new market opportunities and provide significant added value to the local economy. MSMEs, although their contribution to economic growth is relatively small at 1.9%, still hold a very important role as the backbone of the local economy. MSMEs play a crucial role in creating job opportunities, directly impacting the income levels of the public. In Medan City, MSMEs not only provide employment for many people but also contribute to reducing poverty by offering more economic opportunities to the community. With the presence of many MSMEs, individuals and families have a source of income, increasing their overall well-being. The research results in this thesis show that the variables of Investment, Financing, and MSMEs have a significant influence on the economic growth of the people of Medan City during the 2017-2022 period, with the regression model used capable of explaining 97.5% of the variability in economic growth. Investment contributes 14.1% to economic development, playing an important role in infrastructure development and technological advancements. Financing, with a dominant contribution of 99.1%, highlights the importance of access to capital for business development, innovation, and economic diversification. Meanwhile, MSMEs, though their contribution is relatively small at 1.9%, remain the backbone of the local economy with their role in job creation and poverty reduction. Overall, this research confirms that these three variables are key factors in driving sustainable economic growth in Medan City.

## 5. Conclusion

The research results indicate that investment, financing, and MSMEs significantly influence the economic growth of Medan City during the 2017-2022 period. Investment contributes 14.1% to economic growth and plays a crucial role in infrastructure development and technological improvements, which support industrial efficiency and job creation. Financing, with a dominant contribution of 99.1%, facilitates access to capital, which is essential for business expansion, innovation, and economic diversification. Although MSMEs contribute a relatively modest 1.9%, they remain vital to the local economy by providing employment opportunities and helping to reduce poverty. Overall, these three variables collectively account for 97.5% of the variability in economic growth, underscoring their significant impact on the city's economic development.

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