

Micro Small Medium Enterprises Business Development In Mataram City

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Abstract:

Background: MSMEs play an important role in Indonesia's economy, especially in the face of uncertain global economic conditions. With a significant contribution to the national GDP, the development and empowerment of MSMEs is a top priority for the government to ensure sustainable and inclusive economic growth. The ability to grow an economic entity, either on a macro or micro scale, depends on the accuracy in formulating economic strategies and policies. This research focuses on the condition of MSMEs in Mataram City to provide specific input for policy formulation.

Materials and Methods This descriptive research uses primary data collected through questionnaires from 127 MSME actors in Mataram City. The data was analyzed using the Interval scale and Likert scale to measure the competitiveness and growth of MSMEs.

Results: The study found that MSMEs in Mataram City are predominantly small-scale (53.54%) and micro-scale (41.73%). MSME actors have diverse educational backgrounds, with a significant number having higher education. The businesses show high resilience and growth potential, with improvements in production efficiency, product quality, market expansion, and competitive pricing was high among MSME actors.

Conclusion: MSMEs in Mataram City play a crucial role in the regional economy, with many businesses growing from micro to small scale. Continuous government support and tailored policies are essential for the sustainable growth and development of MSMEs.

Key Word: MSME, business development, economic resilience, policy formulation, competitiveness.

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I. Introduction

The ability to grow an economic entity, either on a macro or micro scale, depends on the accuracy in formulating economic strategies and policies (Gustaf, 2014). The ability to recognize comparative advantages is very necessary and the other side recognizes weaknesses to be eliminated periodically. Policy makers also really need to recognize external conditions or global economic conditions. This is important, so that the formulated policies are able to move the related dimensions, without having significant obstacles.

The empirical facts of Indonesia's internal economy and global economic conditions are characterized by recession-inflationary conditions, so the focus of Bank Indonesia and fiscal sector policy makers is more focused on efforts to accelerate the growth of economic recovery and maintain economic stability (BI, 2023). In the various policy mixes formulated (monetary and fiscal), one of them pays attention to supporting the existence of MSMEs in the Indonesian economy.

Indonesia's economic conditions in 2022 experienced a significant improvement compared to 2021, because in 2022 Indonesia's economic growth of 5.31% was higher than the average global economic growth of 3.40%. Previously in 2021 Indonesia's economic growth was 3.70%, much lower than the average world economic growth of 6.30% (RI BPS, 2023). This condition needs to be known as the contribution of certain economic sectors or certain economic actors, so that appropriate policies can be formulated. There are strong indications that in uncertain global economic conditions (recession-inflation plus unfavorable geopolitics), the economic growth is contributed by MSME actors. An empirical fact in the Indonesian national economy is that MSMEs are relatively resilient in unfavorable global economic conditions (BI, 2015).

The production value of MSMEs in 2023 was able to contribute 61.97% of Indonesia's national production value (GDP) (Ministry of Finance, 2023). At this level of contribution, it is certain that Indonesia's economic growth is contributed significantly from MSME economic activities. In this condition, the government through various ministries can continue to pay attention and have various concrete policies in developing MSMEs, so that every existing MSME has an increase in class and the emergence of new MSMEs.

Based on previous research, MSMEs play a crucial role in Indonesia's economy, especially in uncertain global economic conditions. Pribadi et al. (2022) found that during the Covid-19 pandemic, MSMEs required

incentive funds and productive assistance to survive and grow. Policies such as interest rate relief and postponement of principal payments were also necessary to support the sustainability of MSMEs. SMERU's research (2023) highlighted that urban MSMEs are generally still micro-scale and reluctant to use bank loan capital due to high interest rates. Additionally, MSMEs have limited access to government assistance programs. The study also found that MSMEs receiving government assistance in the form of production equipment, marketing, training, and product exhibitions showed improvements in their business capacity. Therefore, government policies focusing on providing assistance and training are essential to support MSME development. Lisnawati (2024) emphasized the importance of digital technology adoption and digital literacy for MSMEs post-pandemic. The study found that MSMEs face challenges in adopting digital technology, financial management, and product standardization. Hence, the government's role in providing business assistance, training, and other support is crucial to overcoming these challenges. Thus, this research provides a strong basis for evaluating and formulating more effective policies to support MSME development in Mataram City.

Policy alignment from the central government to local governments, including in each ministry is needed, so that the strengthening of MSMEs occurs in real terms. This research is focused on the condition of MSMEs in Mataram City, in order to provide more specific input. In the condition of micro-scale businesses (ownership of less than five workers), the need is not for financing with bank loans, but most likely still requires capital assistance in the nature of charity. More clearly, it is necessary to conduct an in-depth study of the business conditions of MSMEs in Mataram City. This research is not limited to providing a mere description of the business conditions of MSMEs in Mataram City, but is expected to be one of the bases for evaluating policies directed at developing MSMEs in the previous period as well as improving policies in the next period.

The identification of problems in this study needs to be clarified, where Indonesia's national economic conditions have improved in 2023 compared to the average conditions of the global economy, especially seen from GDP growth. So the focus of attention is on improving the regional economy of Mataram City through the development of MSME businesses. In order to be precise about the policies that will be formulated, it is very necessary to know the condition of the MSME business in Mataram City. For this reason, the important problem in this research is how is the development of MSME businesses in Mataram City?

Research Conceptual Framework

This research seeks to provide information on the condition of MSME businesses in Mataram City. This is important to evaluate, then as input for all parties in making improvements. More detailed information about this research can be seen in the following conceptual framework.

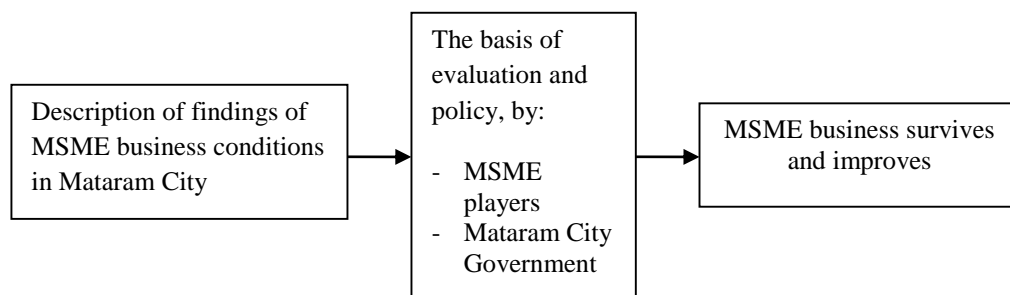


Figure 1. Research Conceptual Framework

All parties directly or indirectly involved in the existence of MSMEs in Mataram City are needed, because their existence is not only for the internal interests of the perpetrators. It is also ensured that the awareness of MSME actors to receive information as a basis for improvement in running their business, so that they can survive and grow into a bigger business. All of this boils down to improving the economy on a micro scale (MSME actors), regional and national economies.

II. Material And Methods

This research presents or describes the findings regarding the condition of MSME businesses in Mataram City. Analysis is ensured to be carried out on the facts found as a basis for answering the problems posed. In relation to the process carried out in this study, the type of research used is descriptive research, which is research that aims to describe existing phenomena, namely natural phenomena, man-made phenomena or those used to analyze or describe subject results (Adiputra, et al, 2021). Descriptive research is not limited to providing a description of a single variable, but is more complex.

The subjects in this study are MSME actors where MSME actors are taken at a certain number, with the help of correspondents. The data in this study comes from primary data, especially related to MSME business

conditions. The data collection technique uses questionnaire techniques for data sourced from MSME actors, specifically for the ability to survive and grow MSMEs using the concept of measuring competitiveness set by BAPPENAS (2014), with measurement items for increasing production efficiency, product quality, selling prices, production capacity, market share, excellence in raw materials and increasing the number of employees.

In this study, the scale used is the Interval scale. The interval scale is a certain arithmetic measurement scale that states the rank and distance of the construct from what is measured in the data collected by respondents (Sekaran & Bougie, 2016). The technique of making a scale of researchers using a Likert scale in this study. Sekaran & Bougie's Likert scale (2016) is designed to examine how strongly subjects agree or disagree with questions on a five-point scale. With a Likert scale, the variables to be measured are translated into variable indicators and the indicators are used as a starting point for compiling instrument items in the form of statements or questions. If the direction of the assessment is getting to the right, it shows a Strongly Agree opinion which means it is getting stronger. If the direction of the assessment is increasingly to the left, it shows a Strongly Disagree opinion which means it is getting weaker. The assessment weight of the Likert scale includes:

Table 1. Weighted Questionnaire Score

Description	Value Weight
Strongly Agree	5
Agree	4
Moderately Agree	3
Disagree	2
Strongly Disagree	1

Furthermore, data analysis is carried out with the initial procedure of providing a description of the business conditions of MSMEs in Mataram City. Based on general theoretical concepts of existing facts, referring to theories and concepts, analysis is carried out to provide an assessment of empirical conditions by MSME actors and of course it is hoped that it can be a contribution to the Mataram City government for the coming period as a basis for formulating policies directed at strengthening the ability to survive and grow in related MSMEs.

III. Result

3.1. Business Conditions of MSMEs in Mataram City

The accumulative number of MSMEs in Mataram City is quite large, namely 22,473 units, with a composition of 70.01% micro scale, 27.56% small scale and 2.37% medium scale (Office of Cooperative Industry and MSMEs of Mataram City, 2023).

Tracing the existence of MSME actors has not been able to fully refer to related secondary data, because there is only information on the number, this has caused researchers to conduct surveys directly, relying on correspondents who can collect as much data as possible within the research period (approximately one month). Correspondents in this study could only collect 127 MSME actors who were determined randomly (probability sampling). The determination of this number does not refer to the population size, but is related to the correspondent's ability to collect the number of respondents alone.

MSME actors in Mataram City, in terms of gender, are not a problem. Empirical facts found were 43.31% by men and 56.69% by women. All parties who are able to visualize consumer needs into products can carry out business activities. More complete information on the actors and business activities of MSMEs in Mataram City is shown below.

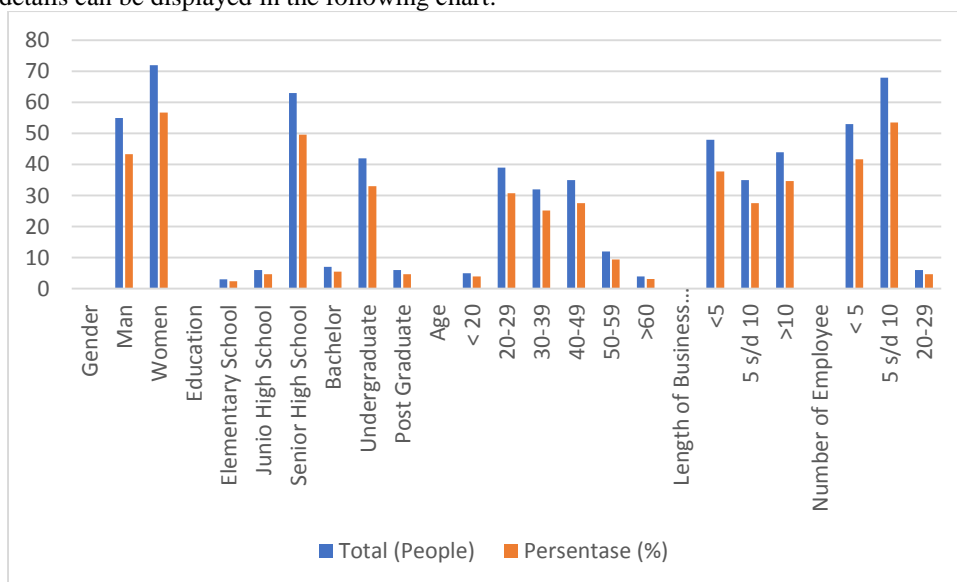
Table 1. Condition of MSMEs in Mataram City in 2024

No.	Description	Number (Person)	Percentage (%)
A.	Gender		
	Male	55	43,31
	Women	72	56,69
B.	Education		
	Elementary School	3	2,36
	Junior High School	6	4,72
	Senior High School	63	49,61
	Bachelor	7	5,51
	Undergraduate	42	33,07

	Master's Degree	6	4,72
C.	Age (Year)		
	< 20	5	3,94
	20-29	39	30,71
	30-39	32	25,2
	40-49	35	27,56
	50-59	12	9,45
	>60	4	3,15
D.	Length of Business (Years)		
	<5	48	37,8
	5-10	35	27,56
	>10	44	34,65
E.	Number of Employees (Person)		
	< 5	53	41,73
	5-19	68	53,54
	20-29	6	4,72
	Total	127	100

Source: Primary data processed

More details can be displayed in the following chart:



Source: Primary data processed

People can generally run a business in Mataram City, where the gender aspect is not an obstacle. It depends on one's own condition and ability to produce products. As long as they are able to produce products and are accepted by consumers, then the business can be started and run. Family and community or the social context in general from the gender aspect is not a problem. The ability to produce innovative products is an important aspect in running an MSME business.

An important finding for MSMEs in Mataram City is that business owners have a variety of education. Individuals with higher education (S2 and S3) who already have jobs in the formal sector are also interested in owning MSME businesses, of which the number is 4.72%. MSME actors with a very high level of education are very important, because they have managerial skills that have an impact on the continuous development of MSMEs.

MSME actors with basic education (elementary and junior high school; 9 years of education) are quite few, totaling 7.08%. In relation to the criteria for MSMEs, low education is a characteristic of micro business

actors (BI, 2015). It is expected that this condition will occur, so that most MSMEs in Mataram City are mostly in the middle criteria.

MSME actors in Mataram City, in terms of education, predominantly have a high school education, totaling 49.61%. The next percentage is actors with a bachelor's degree, totaling 33.07%. Referring to this level of education, there is a strong indication that the ability to manage a business, partner with other parties, including banks, is not a problem, because the knowledge is sufficient.

Many people are interested in doing business (MSME scale), both in terms of gender and education level. People with a variety of education are involved in these businesses, with a high level of educational diversity. The existence of business actors from senior high school education and so on is a potential, especially since many university graduates (diploma, S1, S2 and S3) are interested in opening a business.

This potential can also be seen from the age aspect, because business actors from a young age (less than 20 years old) to an age classified as non-productive (> 60 years old) are still actively running businesses. The dominance of MSME actors from the age aspect is in the form of age intervals of 20-29 years, totaling 30.71%; 40-49 years totaling 27.56% and 30-39 years totaling 25.20%. Cumulatively, in the age interval of 20-49 years, there were 83.47% of MSME actors. This indicates that many people have made the choice to do business on an MSME scale as a profession, because it is able to provide high economic benefits for themselves, their families, and in general, even have employees.

In line with the age interval of business actors, there are still many business actors who have just started their business for less than five years, totaling 37.80%. Accumulatively, those who have been running a business for more than five (5) years are 62.21%. Over time, business actors can make various improvements and innovations in their business, especially many actors with higher education.

Other important information is in the form of labor ownership, as a basis for classifying the scale of the business. 41.73% of MSMEs have less than five employees, indicating that the percentage is still on the micro scale. The number of MSMEs that are considered small-scale is 53.54% (5-19 employees) and 4.72% are considered medium-scale. These findings have shown that micro-scale businesses have experienced an increase in business scale to become small-scale. This condition requires a specific policy, different from the general national policy, where the scale of business is still dominated by the micro scale.

In order to strengthen the results in this study, an in-depth study was conducted on the business conditions of MSMEs in Mataram City. The information relates to the ability to survive and grow. Correspondents attempted to obtain information on items that measure the ability and growth of a business. Measurement by providing a level of assessment in accordance with the actual conditions of running a business by MSME actors. The assessment procedure provides a score of 1-5; to provide information on conditions from very low to very high criteria. The measurement results are as follows:

Table 2. General Conditions of Survivability and Business Growth of MSMEs in Mataram City

No.	Measurement Items	Average Score	Criteria
1.	Improved production efficiency	3,94	High
2.	Improved product quality	3,98	High
3.	Competitive selling price	3,34	High enough
4.	Increased production	4,01	High
5.	The market is expanding	4,02	High
6.	Improving raw material excellence	3,87	High
7.	Increase in the number of employees, machines or other	3,66	High
	Average	3,83	High

Source: Primary data processed

The information provided by MSME actors on the condition of their business, especially in terms of their ability to survive and grow, is high (the average score for the seven items is 3.83); indicating their ability to survive and become bigger than when they first started their business. For more details, a description of each item is provided. MSME actors generally provide information on their ability to improve production efficiency. This is simply because in each product produced, improvements have been found in the production process or the possibility of raw or auxiliary materials that increase production results, so that on a per unit basis, the cost of production decreases. In this item, cost push due to inflation (cost push or demand push) is ignored, but is absolutely seen from the ability to produce products.

Improvements not only occur in production efficiency, but can also produce better quality products. In the context of a trading business, with the passage of time, it becomes more experienced in finding suppliers that

provide competitive prices and guaranteed product quality. In the context of production, with the passage of time, there is more experience in carrying out production activities, so that the quality of production is getting better.

MSME actors who were respondents in this study have been able to survive in their business, some have even been running their businesses for more than 10 years. These MSME actors generally know the benefits of setting competitive selling prices.

Many items have improved in the MSME business in Mataram City, including the passage of time that can increase production capacity. This finding is very important, as there is a strong indication that the current small-scale MSMEs are an implication of the ability to grow from the micro-scale.

Discussion

The condition of MSMEs in the Indonesian macro economy and the Mataram City region is recognized as having an important role, both in terms of production and employment. In accordance with the concept of economic development, including the management of microeconomic entities, the internal advantage factor must be managed optimally to obtain external opportunities.

MSME businesses are known as businesses that are resilient to uncertain global economic conditions (recession-inflation and geopolitics that are heating up), so all elements of government are expected to continue to pay attention in empowering and developing MSME actors. The central government, including through each ministry, has policies in empowering and developing MSMEs, including activities in Mataram City.

In order to synchronize policies for empowering and developing MSMEs in Indonesia, the following efforts were formulated (TNP2K and Demografi Institute UI, 2021):

- a. Increasing the capacity and competence of MSMEs, with strategies of 1) expanding market access; 2) increasing competitiveness; 3) developing entrepreneurship.
- b. MSME-friendly financial institutions, with a strategy to accelerate financing and investment.
- c. Improved cross-sectoral coordination to support the ecosystem, with strategies 1) ease and opportunity of doing business and 2) cross-sectoral coordination.

The scale of MSMEs in Mataram City runs with the time of doing business, many of which have experienced an increase in capacity. Based on the findings of MSME business conditions in Mataram City, many are on a small scale (53.54%), while the micro scale is 41.73%; then the government and banks should provide greater access. It is emphasized that because MSMEs in Mataram City have enough experience in running a business, on the one hand as a manifestation of their ability to survive, the concept of providing soft credit for small scales is very necessary. Banks will not experience too high a risk, because in general, these business actors have a fairly high education, many even have a bachelor's degree.

Especially for the micro-scale (41.73%), the main development policy is related to capital, which can apply revolving credit, even assistance for work facilities (the concept of charity is still very much needed; by learning a revolving system through applied assistance in groups). Policy diversity is still needed, even for empowerment and development. There are actors with basic education, high school and university graduates who need different policies.

The internal capabilities of MSME actors in running businesses have been proven, both in their ability to survive in business, including their ability to grow. In general, MSME actors are internally able to improve their production capabilities, both in terms of efficiency and product quality, realizing the importance of competitive pricing, increasing production capacity and the number of workers. This has certainly received support from the Mataram City government in the aspect of empowerment which has been carried out continuously. So it can be said that the empowerment of MSMEs is expected to help and have a positive impact on business actors which will also have an impact on the economy (Dewi, Isti Fadah: 2024).

The Mataram City Government can make MSMEs a regional economic potential, because its long-term vision makes Mataram City the center of trade and services. The existing MSME players in Mataram City are still minimal in the service business, so the role of the government through the utilization of fresh graduates is very important. This work is not a big problem for the government, because of the fact that there are many MSME players in Mataram City who have a bachelor's degree, even at the master's and doctoral levels.

IV. Conclusion

The condition of MSME businesses in Mataram City is in general demand by the community, both in terms of gender and education level. The businesses run are able to withstand various economic conditions, including during the pandemic. There is great potential in terms of business actors, as they are in demand by people with higher education. The existence of many MSMEs has also grown from micro to small scale, as a manifestation of their ability to survive and grow.

The people of Mataram City who are in the MSME business can continue to improve their managerial skills, production aspects and other aspects, because they are in demand by many parties. Continuous learning is

an important key, including efforts to complete the requirements to access the banking system and empowerment by the government (central and provincial).

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