

Development of Umkm in the Riau Coastal Area

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ABSTRACT

Another aspect that affects the development of MSMEs is the problem of limited human resources (HR) in managing business administration. Many MSME actors in the coastal areas of Riau are less skilled in managing their business administration, from business planning, recording transactions, to tax reporting. This has implications for their inability to comply with regulations and standards set by the government, as well as reducing their access to various assistance programs or incentives provided for the development of MSMEs. The use of descriptive evaluative methods in the research topic of "MSME Development in the Riau Coastal Area" is very appropriate because this method allows researchers to not only describe but also evaluate in depth the experiences, views, and challenges faced by the government in developing MSMEs. Through a descriptive approach, researchers can describe various factors that influence MSME development, such as the challenges faced, as well as the impact of MSME development policies or programs implemented by the government or related institutions.

Keywords: UMKM, Riai Coast

INTRODUCTION

The development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia has a very important role in the national economy. Until October 2023, the development of MSMEs (Micro, Small, and Medium Enterprises) in Indonesia continues to show a positive trend, with a significant contribution to the national economy. MSMEs contribute around **60.5%** to Indonesia's Gross Domestic Product (GDP) in 2023 (Ministry of Cooperatives and SMEs, 2023). MSMEs absorb 97% of the total workforce in Indonesia, or equivalent to 120 million people (BPS, 2023).



Figure 1.1 MSME Growth Data 2021-2024 Ministry of Cooperatives and SMEs of the Republic of Indonesia

Source: Ministry of Cooperatives and SMEs of the Republic of Indonesia, 2024.

From Figure 1.1 above, the number of MSMEs in Indonesia will reach 65.5 million units in 2023 (Ministry of Cooperatives and SMEs, 2023). As many as 98.7% are micro-enterprises, 1.1% are small businesses, and 0.2% are medium-sized businesses. Around 23 million MSMEs (35% of the total MSMEs) have utilized digital platforms for marketing and sales (Ministry of Cooperatives and SMEs, 2023). MSMEs utilize many platforms such as Shopee, Tokopedia, and Bukalapak to increase sales. The government continues to encourage the digitalization of MSMEs through programs such as the MSME Digital Market and digital literacy training.

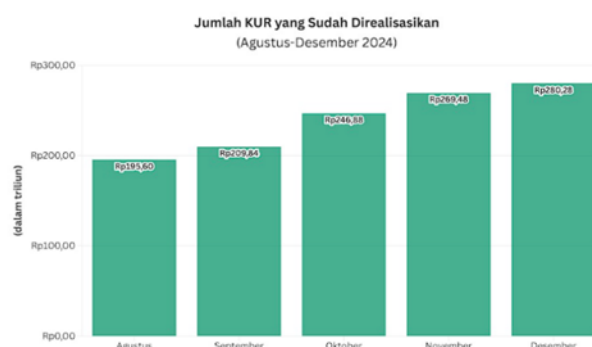


Figure 1.2 Realization of KUR distribution throughout 2024 Source: Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2024.

From Figure 1.2 realization of KUR distribution According to data from the Ministry of Economic Affairs of the Republic of Indonesia (Kemenko RI) in August 2024, the realization of KUR distribution could reach IDR 195.6 trillion or equivalent to 69.86% of the annual target. Then continued in September 2024, where the total distribution increased to IDR 209.84 trillion or around 73.85% of the target.

Entering October 2024, the distribution figure is getting closer to the target realization of IDR 246.88 trillion or 88.17% of the planned total. The development continued in November 2024, KUR disbursed reached IDR 269.48 trillion or 96.24% of the target.

Towards the end of 2024, KUR distribution has exceeded the set target, so that on December 23, 2024, the distribution realization was IDR280.28 or 100.10% exceeding the annual target (Bank Indonesia, 2023). The KUR *Non-Performing Loan* (NPL) rate remains low, which is below 1%, indicating the effectiveness of this program. Several MSME products such as handicrafts, processed foods, and fashion products have succeeded in penetrating the international market (Ministry of Trade, 2023). The government encourages MSMEs to go international through the Go Export program and participation in international exhibitions.

The challenges faced by MSMEs include, many MSMEs still have difficulty accessing capital for business development, local MSME products often lose out to cheaper imported products, many MSME actors are still lacking in terms of business management and marketing. However, the government is trying to provide support such as, Low interest rates to support business capital, Increasing the capacity of MSME actors, Encouraging MSMEs to utilize digital technology and Encouraging the use of local products.

With government support and increasingly massive adoption of technology, MSMEs in Indonesia are projected to continue to grow and contribute more to the national economy. The government's target is to increase the number of MSMEs that go digital to 50% of the total MSMEs by 2024.

Dumai City, located in the Riau Pesisir area, MSMEs are the backbone of the community's economy, especially in the trade, fisheries, and small industry sectors. However, the development of MSMEs in this area still faces various obstacles, such as limited access to capital, lack of product innovation, and low management capacity of business actors.

According to data from the Dumai City Cooperative and UMKM Service (2022), there are more than 5,000 registered UMKM, but only 30% of them are able to survive and develop sustainably. This shows that strategic efforts are needed to increase the competitiveness and productivity of UMKM in this area. The development of UMKM requires not only financial support, but also assistance in terms of business management, marketing, and technology.

Table 1.2 Growth and Development of MSMEs in Dumai City 2022-2024

No.	Business	Year		
		2022	2023	2024
1.	Craft	20	13	7

2.	Convection and Clothing	31	24	4
3.	Food/Beverage Processing	579	688	455
4.	Fishery	14	24	4
5.	Agriculture, Plantation and Forestry	96	131	37
6.	Farm	74	181	24
7.	Trading	1174	1075	568
8.	Service	270	349	160
9.	Innovative and Creative	6	10	1
Amount		2264	2495	1260

Source: Dumai City Cooperatives, SMEs and Industry Service

The theory of MSME development according to Tambunan (2011) states that the success of MSMEs is greatly influenced by internal factors such as the quality of human resources and business management, as well as external factors such as government policies, market access, and supporting infrastructure. Meanwhile, Porter (1990) in his competitiveness theory emphasizes the importance of innovation and competitive strategies to improve business performance. These two theories are relevant to be used as a basis for analyzing MSME development in the Riau Pesisir Area of Dumai City.

Riau Province, especially in the coastal areas, has great potential in the micro, small and medium enterprises (MSMEs) sector which can be a driver of the local economy. However, although MSMEs in this area have great potential, there are still various problems that hinder the development and sustainability of these businesses.

Table 1.1 Problems and Impacts of Suboptimal MSME Policies

Problem	Impact
Many MSMEs in coastal areas have difficulty accessing formal financing, both from banks and other financial institutions. Many MSMEs do not have sufficient collateral to obtain loans.	The hampered business expansion, low product quality, and inability to increase competitiveness. This causes many MSMEs to have difficulty surviving and growing.
Many MSMEs in coastal areas lack managerial skills or technical knowledge in running a business. Adequate training and mentoring are often unavailable or unaffordable to them.	Low productivity and innovation, making it difficult for MSMEs to compete in larger markets. This also causes low business resilience to market challenges.
MSMEs in coastal areas tend to use simple and limited technology, both in terms of production and marketing. Lack of understanding of digital technology makes it difficult for them to utilize online platforms to develop markets.	Low product competitiveness, as well as lagging behind in adapting to market and technology changes. This also limits the ability of MSMEs to reach wider consumers, especially in the digital era.
Coastal areas are particularly vulnerable to the impacts of climate change, such as coastal erosion, flooding, or storms. MSMEs that rely on natural resources (such as fisheries) are often directly impacted by natural disasters or weather changes.	Huge losses for businesses that depend on natural resources, difficulties in business recovery after a disaster, and decreased incomes for coastal communities that affect their economic well-being.

Many policies designed to support MSMEs in coastal areas are not fully targeted, for example, the assistance provided does not match the real needs of business actors, or complicated administrative processes hinder their implementation.	The implementation of policies that should help MSMEs develop is hampered. This results in the assistance program not being optimal in increasing the capacity and welfare of MSME actors.
MSMEs in coastal areas often operate individually, without strong collaboration networks or associations with other MSMEs, the government, or the private sector. This hinders the sharing of information, knowledge, and access to market opportunities.	Limited opportunities to develop and increase business capacity, as well as the difficulty of obtaining support from various related parties.

Source: Compiled by Researchers

From table 1.1 above, it shows various problems of MSMEs, the development of MSMEs in the coastal areas of Riau requires special attention from the government, financial institutions, and various related parties. Integrated efforts are needed to provide skills training, increase access to capital, improve infrastructure, and strengthen marketing networks so that MSMEs in this area can grow and develop sustainably.

Sutrisno (2011) suggested that the government pay more attention to empowering coastal MSMEs, especially in terms of managerial assistance and access to funding. MSMEs in coastal areas often have difficulty in managing finances and face challenges in obtaining financing from formal financial institutions. Therefore, policies that support the provision of access to microfinance and training in business management are needed to help coastal MSMEs develop.

Many MSMEs in coastal areas have difficulty accessing formal financing, both from banks and other financial institutions. Many MSME actors do not have sufficient collateral to obtain loans. The Ministry of Cooperatives and SMEs of the Republic of Indonesia (2021) in its annual report stated that one of the main obstacles faced by MSMEs is the lack of access to affordable funding sources. Financing programs such as People's Business Credit (KUR) and microfinance schemes from non-bank financial institutions are expected to answer this challenge.

Furthermore, what is faced by MSMEs in the coastal areas of Riau is the lack of a good and efficient administration system in business management. Many MSME actors do not have knowledge of good administration management, so they have difficulty in recording transactions, preparing financial reports, and managing other aspects of the business professionally. These limitations in terms of administration lead to low accountability and transparency of the business, which in turn reduces the trust of external parties, such as financial institutions, in providing capital support.

According to Suwardjono (2017) in his book Financial Accounting for UMKM, a good administration system in UMKM is very important to document and track transactions accurately. Without an adequate administration system, UMKM will have difficulty knowing their financial position, which can lead to errors in decision making and difficulties in fulfilling tax obligations.

A good administration system helps in:

1. Manage bookkeeping and financial reports;
2. Ensure accurate recording of transactions; and
3. Prepare accountable financial reports.

In addition, although the government has issued various policies to support MSMEs, the implementation of these policies is often hampered by coordination problems between the central government, provincial governments, and district/city governments. At the local level, complicated bureaucracy and inefficient procedures often become obstacles for MSMEs to access various assistance and facilities provided by the government. For example, the credit application process for MSMEs is often complicated, as well as the lack of understanding of fiscal policies that favor small business actors, which also complicate the development of MSMEs in coastal areas.

According to the Ministry of Cooperatives and SMEs of the Republic of Indonesia (2020) In various reports and policies published by the Ministry of Cooperatives and SMEs of the Republic of Indonesia, government support for MSMEs is described as very important to overcome the various challenges faced by this sector. MSMEs in Indonesia often face limited capital, access to markets, and limitations in capacity and technology development. The government, through policies and financing programs such as People's Business Credit (KUR), business training, and digitalization programs, is expected to provide the assistance needed to strengthen the MSME sector.

Schneider and Wibowo (2012) emphasized that the role of government is very important in creating an ecosystem that supports the growth of MSMEs. This support can be in the form of regulations that facilitate business permits, provide access to affordable financing, and provide training facilities to improve the managerial and technical skills of MSMEs. Without supportive policies, MSMEs cannot compete with large business actors, because they do not have the capacity to innovate or grow rapidly.

Furthermore, according to the World Bank (2013), the government needs to play a central role in supporting MSMEs through policies that can improve access to financing, simplify the regulatory process, and create a more inclusive market. A healthy business world requires a supportive regulatory system that allows MSMEs to grow and innovate. In addition, the government must provide the basic infrastructure needed by MSMEs to increase production and distribution capacity.

Another aspect that affects the development of MSMEs is the problem of limited human resources (HR) in managing business administration. Many MSME actors in the coastal areas of Riau are less skilled in managing their business administration, from business planning, recording transactions, to tax reporting. This has implications for their inability to comply with regulations and standards set by the government, as well as reducing their access to various assistance programs or incentives provided for the development of MSMEs.

In addition, supporting infrastructure such as adequate information technology is also not evenly available, thus exacerbating the gap between MSMEs in coastal areas and MSMEs in more developed areas. The lack of facilities for developing administrative and managerial capacity has caused many MSME actors to be trapped in traditional business patterns that are less efficient and unable to compete with the wider market.

According to Suwardjono (2017), information and communication technology (ICT) plays an important role in the management of administration and financial reporting of MSMEs. With efficient accounting software and management applications, MSMEs can reduce errors in financial recording, as well as increase transparency and accuracy of financial reports. In addition, technology allows MSMEs to accelerate business processes and increase operational efficiency.

From a public administration perspective, this issue requires serious attention, because the policies implemented must be able to facilitate MSMEs to develop through a coordinated, data-based approach, and in the form of effective interventions. The role of the government in providing administrative training, easy access to capital, and improving the quality of bureaucracy in serving MSMEs is very important to ensure that existing policies truly have a positive impact.

From a public administration perspective, the main problems faced by MSMEs in the Riau Pesisir area are related to government policies that have not been fully effective in encouraging MSME growth. Government policies and programs to support MSME development, although they already exist, are often hampered by coordination problems between the central, provincial, and district/city governments.

This causes programs that should be able to accelerate the empowerment of MSMEs to be less than optimal in their implementation. In addition, complicated bureaucratic systems and inefficient administrative procedures often become barriers for MSME actors to access various facilities, such as training, financing, or technological assistance provided by the government.

According to Tenggara (2015), in his research on local economic development, emphasized that government policies that simplify regulations and reduce bureaucracy are very important to support MSMEs. MSMEs often face administrative obstacles that disrupt their operations. Therefore, policies that simplify licensing procedures and provide tax incentives for MSMEs will encourage more businesses to grow.

Arifin (2020) stated that government policies that support digitalization and technology training for MSMEs will greatly help them in facing competition in the global market. With technology, MSMEs can increase production efficiency, improve product quality, and access international markets.

One of the main challenges in business administration in MSMEs is the lack of knowledge about the importance of good record keeping, financial management, and the use of information systems that can help them to be more efficient in running their businesses. Uneven training or lack of support from the government and related institutions also causes many MSMEs to have difficulty managing their businesses professionally. In addition, many MSMEs do not understand the importance of legal aspects and tax management, which ultimately adds to the bureaucratic burden and business uncertainty.

Therefore, the development of MSMEs in the coastal areas of Riau requires comprehensive improvements in both public administration and business administration. On the public administration side, more coordinated policies, simplified bureaucratic procedures, and transparency in providing access to MSMEs to various assistance and convenience programs are needed. The government needs to ensure that the existing public administration system can facilitate and encourage MSMEs to develop.

Meanwhile, from the business administration side, more intensive training on the importance of good administration management, healthy financial management, and utilization of technology should be given to MSMEs in coastal areas. The government and financial institutions can work together to provide technical training that can help business actors to better understand professional business management based on accurate data.

Daryanto (2011:22) stated that in developing a new business, companies are required to survive and be able to compete with other products. As time goes by, and Dumai's proximity as a trade route, makes it easier for products to enter Dumai City.

In addition, MSMEs in coastal areas of Riau are generally still constrained by the lack of innovation in products and production processes. Many products produced still rely on traditional methods, which affect the quality and competitiveness of these products in the wider market. Therefore, improvements in aspects of business administration, especially in terms of managerial, financial, and product innovation, are important steps to increase the competitiveness and sustainability of MSMEs in coastal areas.

In this context, this research aims to analyze the problems faced by MSMEs in the coastal areas of Riau from both the perspective of public administration and business administration, and to identify solutions that can be implemented to overcome these obstacles. Thus, it is hoped that the results of this study can contribute to the development of more effective and relevant policies for MSMEs in coastal areas, as well as provide practical recommendations on improving business administration systems that can help MSMEs manage their businesses more professionally and competitively.

Theories Used in Business Administration (*Grand Theory*)

Taylor (1911) is known as the father of scientific management and the development of a more systematic administrative theory. According to him, business administration is the application of scientific principles in managing work to achieve maximum efficiency. Taylor emphasized the measurement and standardization of work processes to reduce waste and increase productivity.

Fayol (1916), a French manager, stated that business administration is a universal process consisting of five basic functions, namely planning, organizing, leading, controlling, and coordinating. Fayol stated that the management principles applicable in business administration can be applied in various types of organizations.

The business administration theory explained by Fayol (1916), can be a strong basis for understanding how to develop MSMEs. Although Fayol's theory was developed in the context of large companies, its principles are still relevant and can be applied in managing MSMEs. The application of Fayol's theory in developing MSMEs is:

1. Division of Labor and Specialization

In SMEs, owners and employees often wear many hats, playing roles in different aspects of the business. Applying Fayol's principle of division of labor can help SMEs organize tasks more efficiently and allow for specialization in certain jobs (e.g., some focus on production, some focus on marketing). This will increase productivity and operational efficiency.

2. Unity of Direction and Purpose

MSMEs often grow from small and family businesses. Setting a clear vision and mission, and ensuring that every team member is working towards the same goal, can help MSMEs achieve their goals faster and with more focus. Fayol's principle of unity of direction is particularly relevant in this context.

3. Discipline and Leadership

In SMEs, there are often limitations in supervision and management. Fayol emphasized the importance of discipline and strong leadership to ensure that the rules, procedures and values of the organization are followed. This will help create an orderly and productive work environment.

4. Centralization and Decentralization

While many SMEs centralize decision-making with the owner or key manager, this principle can be used to assess whether some operational decisions can be delegated to employees or business partners who are closer to day-to-day issues, to improve efficiency and speed of decision-making.

5. Payroll and Employee Satisfaction

Fayol's principle of fair remuneration focuses on the importance of compensation commensurate with employee contributions. In the context of SMEs, even with limited budgets, ensuring that employees are properly rewarded will increase their motivation and loyalty. This is essential to reducing turnover rates and improving overall business performance.

6. Innovation and Creativity

MSMEs need to be more innovative and creative to survive and thrive in a competitive market. Fayol's principle of initiative encourages business owners and employees to innovate and find new ways to improve products or services, and optimize business processes.

7. Team Spirit

One of the main challenges in SMEs is building solid teamwork, especially if the business is still small and the family is part of the team. The team spirit emphasized by Fayol is very important to build productive cooperation between team members, increase efficiency, and strengthen working relationships.

Business Development

Development is a broad concept and is often used in various contexts, such as economic, educational, social, and technological. Here are the definitions of development according to several experts:

Development as an increase in productivity and prosperity obtained through increased efficiency and innovation in economic activities. (Smith, A, 1776). Various important concepts in economics, including how countries can achieve prosperity and increased productivity. Some key elements of this explanation:

a. **Productivity Increase:** Productivity refers to how effectively an economy or system produces goods and services. Increased productivity means that more goods and services can be produced with the same amount of resources, or that the same amount can be produced with fewer resources. Increased productivity can be achieved through a variety of means, including the division of labor, technological development, and improving the skills of the workforce.

b. **Prosperity:** Prosperity refers to a high level of well-being or economic prosperity in a society. This typically includes an increase in the standard of living, access to goods and services, and general welfare. **Relationship to Productivity:** that the prosperity of a society can be increased if economic productivity increases. With higher productivity, more goods and services are available, which in turn can improve the quality of life of the society.

c. **Efficiency and Innovation:** Refers to the ability to achieve desired results by optimally using resources. In an economic context, efficiency means that the production and distribution of goods and services are carried out in a way that minimizes waste and maximizes output. **Innovation:** Involves the development and application of new ideas that improve the way goods and services are produced or the quality of goods and services. Innovation can include new technologies, better production methods, or more efficient business models.

d. **Economic Activities:** This includes all activities related to the production, distribution and consumption of goods and services. Development in this context means

improvements in the way economic activities are carried out, which may include increasing efficiency and implementing new innovations.

Overall, Adam Smith's view of development emphasizes that the economic prosperity of a country or society depends on the ability to increase productivity through efficiency and innovation. In other words, to achieve greater prosperity, an economy needs to continually adapt, improve the way it works, and take advantage of new discoveries to maximize economic output.

Development is a process involving continuous improvement in the quality of life, with a focus on increasing human capacity to create and exploit opportunities. (Hirschman, AO 1967).

Development as a process of expanding the freedom and capacity of individuals to live the lives they choose. He emphasized the importance of well-being and basic rights in the development process. (Sen, A. 1999).

Development as a process involving the eradication of extreme poverty, the promotion of sustainable economic growth, and the achievement of better human development. (Sachs, JD 2005).

Development is a multidimensional process involving economic growth, more equitable distribution, and improved quality of life. (Streeten, P, 1981).

Business development is a process carried out to increase the capacity, reach, and success of a business. According to experts, the definition of business development can be seen from various perspectives. Here are some definitions from several experts:

Drucker suggests that business development involves creating and implementing innovative strategies to develop new products or services, expand markets, and improve operational efficiency. (Drucker, PF 2007)

Porter states that business development is related to the creation of competitive advantage through product differentiation, low-cost strategies, and specific market focus. (Porter, ME 1985)

Mintzberg sees business development as a process involving flexible and adaptive strategic planning, in which the company adjusts to changes in the market and business environment. (Mintzberg, H. 1994)

Aaker defines business development as an effort to build and strengthen a company's brand, which ultimately supports business growth through effective and innovative marketing strategies. (Aaker, DA 1996)

Schumpeter emphasized the importance of innovation and entrepreneurship in business development. According to him, business development involves a process of "creative destruction" in which innovation replaces old products or methods with new and more efficient ones. (Schumpeter, JA 1934).

Business development indicators according to Schumpeter (1934) business development can be seen through the innovation process which is the core of economic and business development. Schumpeter focused on the creative destruction process, where innovation replaces old products, processes, or methods with new and more efficient ones.

The following are indicators of business development according to Schumpeter (1934) which are listed in his theory of innovation and economic dynamics:

1. Product Innovation

Developing or introducing new products that have more value or are different from existing products in the market. Product innovation can create competitive advantage and increase market appeal.

2. Process Innovation

Changes in the way goods and services are produced or delivered more efficiently. These innovations may include the development of new technologies or production methods that can lower costs or increase productivity.

3. Market Innovation

Entering new markets or finding new ways to distribute products. This may involve geographic expansion or finding new, untapped market segments.

4. Resource Innovation

Exploitation of new resources or new ways of utilizing existing resources. This could be using cheaper or better quality raw materials, or utilizing more skilled labor.

5. Organizational Innovation

Changes in organizational or management structure to improve operational efficiency and effectiveness. This may include changes in work patterns, decision making, or the creation of a more flexible organizational structure.

MSME Study

Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises Chapter 1 Article 1 explains that Micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria of micro businesses. Small businesses are productive businesses that stand alone, carried out by individuals or business entities that are not subsidiaries of companies that are owned, controlled, or are part of either directly or indirectly of medium or large businesses that meet the criteria of small businesses.

Medium-sized businesses are independent productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or are part of either directly or indirectly with small businesses or large businesses with the same net assets or annual sales results.

The Ministry of Cooperatives and SMEs in Aufar (2014:8) explains that Small Businesses (UK), including Micro Businesses (UMI) are business entities that have a maximum net worth of IDR 200,000,000, excluding land and buildings where the business is located and have annual sales of at most IDR 1,000,000,000. Meanwhile, Medium Businesses (UM) are business entities owned by Indonesian citizens that have a net worth of more than IDR 200,000,000 to IDR 10,000,000 excluding land and buildings.

Bank Indonesia in Aufar (2014:9) explains that small businesses are productive businesses owned by Indonesian citizens, in the form of individual business entities, non-legal entities, or legal entities such as cooperatives; not subsidiaries or branches owned, controlled or affiliated, either directly or indirectly with medium or large businesses. Have a maximum net worth of IDR 200,000,000, excluding land and buildings or have a maximum sales result of IDR 200,000,000 per year, while medium businesses are businesses that have fixed asset criteria with amounts that are differentiated between manufacturing industries (IDR 200,000,000 to IDR 500,000,000) and non-manufacturing (IDR 200,000,000 to IDR 600,000,000).

Based on the definition above, it can be said that MSMEs are businesses owned by individuals, business entities that are not subsidiaries or branches of other companies with the criteria of having business capital that has certain limitations that do not include land and buildings where the business is located and are owned by Indonesian citizens.

Classification of MSMEs

Law No. 20/2008 also explains the criteria for MSMEs which are divided based on assets (excluding land & buildings for business premises) and turnover (in 1 year). The criteria for MSMEs according to Law No. 20/2008 are as follows:

1. Micro Enterprises, namely productive businesses owned by individuals or business entities that have a maximum net worth of IDR 50,000,000 (fifty million rupiah) with annual sales results of a maximum of IDR 300,000,000 (three hundred million rupiah).
2. Small Business, namely a stand-alone productive economic business carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or are part of either directly or indirectly a medium-sized business or large business that has the criteria of net assets of more than IDR 50,000,000 (fifty million rupiah) up to a maximum of IDR 500,000,000 (five hundred million rupiah) and has annual sales results of more than IDR 300,000,000 (three hundred million rupiah) up to a maximum of IDR 2,500,000,000 (two billion five hundred million rupiah).
3. Medium Enterprises, namely independent productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or are part of either directly or indirectly with small businesses or large businesses that have the criteria of net assets of more than IDR 500,000,000,- (five hundred million rupiah) up to a maximum of IDR 10,000,000,000,- (ten billion rupiah) and have annual sales results of more than IDR 2,500,000,000,- (two billion five hundred million rupiah) up to a maximum of IDR 50,000,000,000,- (fifty billion rupiah).

Contribution of MSMEs to the National Economy

The contribution of MSMEs to the National Economy is very significant, both in terms of providing employment, increasing gross domestic product (GDP), and in encouraging inclusive economic development. MSMEs (Micro, Small, and Medium Enterprises) are the backbone of the economy in many countries, including Indonesia. Here are some points that explain the contribution of MSMEs to the national economy:

1. Job Provider

Creating jobs: MSMEs absorb most of the workforce in Indonesia. Based on data from the Central Statistics Agency (BPS), MSMEs absorb more than 97% of the total national workforce. Most workers in the informal sector or in rural areas work in MSMEs, giving them the opportunity to earn income.

Reducing unemployment: With the growing number of MSMEs, this sector helps reduce unemployment rates, especially among workers with limited skills or those who have not yet gained access to jobs in the formal sector.

2. Contribution to Gross Domestic Product (GDP)

GDP growth: MSMEs contribute significantly to Indonesia's GDP. Although often overlooked in macroeconomic statistics, the sector's contribution is significant in supporting economic growth. In recent years, MSMEs have contributed around 60-70% of Indonesia's total GDP.

Source of State Revenue: In addition to creating products and services, MSMEs are also a source of state revenue through taxes and other contributions, although many MSMEs are in the informal sector and are not always recorded in tax statistics.

3. Driver of Innovation and Creativity

Innovation in Products and Services: MSMEs are often the pioneers in creating products and services that suit local needs. They are more flexible in responding to market trends and often adopt innovations faster than large companies.

Role in the Creative Economy: Many MSMEs are engaged in the creative economy sector, such as culinary, handicrafts, fashion, and information technology. This helps Indonesia develop a creativity-based economy and introduce local products to the international market.

4. More Even Economic Distribution

Regional and Rural Empowerment: MSMEs play an important role in economic equality, especially in rural and remote areas. MSMEs enable a more equitable distribution of resources, reducing the economic gap between cities and villages.

Reducing Dependence on the Formal Sector: MSMEs provide an alternative for people who may have difficulty accessing jobs in the formal sector. This is very important in building economic resilience across all levels of society.

5. Sources of Economic Diversity

Economic Diversification: MSMEs contribute to economic diversification, with many sectors involved, ranging from trade, manufacturing, to services. This diversity reduces dependence on one economic sector, such as natural resources or large industries.

Development of Natural Resources and Local Raw Materials: Many MSMEs use local raw materials and support the agriculture, fisheries and food processing industries, thereby strengthening the primary sector and increasing the added value of products.

6. Promoting Sustainable Economic Growth

Inclusive Economic Development: MSMEs often create economic opportunities for marginalized communities, including women, youth, and other marginalized groups. Therefore, MSMEs play a critical role in building an inclusive economy.

Local Economic Empowerment: By increasing the capacity of MSMEs, local economies can grow faster, encourage more investment in certain areas and increase regional competitiveness.

7. Economic Resilience

Facing Economic Crisis: MSMEs have better resilience in facing economic crises compared to large companies. They are more flexible, with lower operating costs and the ability to adapt quickly to market changes.

Economic Stabilization: MSMEs play a role in maintaining national economic stability because they operate in various interconnected sectors. When a particular sector declines, other smaller and more local sectors often survive and can support the economy as a whole.

8. Contribution to Social Development

Community Empowerment: MSMEs contribute to the empowerment of local communities by providing employment, improving local skills, and supporting community-based economies.

Economic Independence: MSMEs help create economic independence at the individual and family level, reducing dependence on the formal sector or government assistance.

RESEARCH METHODS

A scientific research can be held accountable for its truth if it uses a method that is in accordance with the research study. The research method is a way to seek the truth scientifically based on appropriate data and can be held accountable for its truth.

In writing this research, the researcher uses a descriptive method because it is to describe or explain something that is then classified so that a conclusion can be drawn. The conclusion can make it easier to conduct research and observation, so in this research the researcher uses a descriptive research method.

Research that describes, summarizes various conditions, various situations or various variables that arise in society that become the problem, then draws to the surface as a characteristic or description of a particular condition, situation or variable. Descriptive research can be qualitative and quantitative, while qualitative research is data expressed in the form of words or sentences and descriptions. (Bungin, 2001)

Qualitative research method with a descriptive evaluative approach. Strauss and Corbin (2016), explain that this method combines descriptive and evaluative approaches to analyze a phenomenon or program. Here is a brief explanation:

- a. This method aims to describe a situation, phenomenon, or program systematically, factually, and accurately. Researchers collect data about existing conditions without changing or influencing them, usually through observation, interviews, or questionnaires.
- b. The evaluative approach is used to assess the effectiveness or success of a program, policy, or phenomenon based on certain criteria. This includes assessing the results, processes, or impacts of the object being studied.

In descriptive evaluative research, researchers describe and simultaneously evaluate the state or implementation of a program or policy. The data collected not only describes the current state, but is also analyzed to assess whether certain goals or standards have been achieved. According to Creswell (2014), this method is useful for understanding how a program is running and evaluating strengths, weaknesses, and areas that need improvement.

The use of descriptive evaluative methods in the research topic of "Development of MSMEs in the Riau Coastal Area" is very appropriate because this method allows researchers to not only describe but also evaluate in depth the experiences, views, and challenges faced by the government in developing MSMEs. Through a descriptive approach, researchers can describe various factors that influence the development of MSMEs, such as the challenges faced, as well as the impact of MSME development policies or programs implemented by the government or related institutions.

The evaluative approach allows researchers to assess the effectiveness of strategies used by the government in developing MSMEs, so that this study not only describes existing conditions, but also evaluates the extent to which capacity building efforts have been successful and identifies areas that need improvement. This method provides more comprehensive insights into the patterns, themes, and dynamics revealed, and offers a more in-depth assessment of MSME development in the Riau Pesisir area.

RESULTS AND DISCUSSION

Dumai City Government Policy

Improving the quality of basic infrastructure such as roads, bridges, and drainage. Construction and repair of roads, development of ports, and improvement of transportation access to remote areas. Facilitating community mobility

and supporting economic growth. Optimizing the oil and gas, palm oil, and trade sectors. Providing incentives for investors in the industrial and trade sectors. Developing industrial areas and ports to support exports and imports.

Improving access and quality of education. Reducing educational gaps and improving quality human resources. Improving access and quality of health services through the development and improvement of health facilities such as health centers and hospitals, Improving public health.

Addressing environmental problems caused by industry and human activities. Creating a clean and sustainable environment. Developing the potential of natural and cultural tourism. Increasing tourist visits and regional income. In general, the Dumai City Government has established various policies that focus on infrastructure development, improving the economy, education, health, and community welfare. However, the implementation of this policy still requires continuous support and evaluation to ensure that its benefits are felt evenly by all Dumai residents.

Future Challenges and Potential

Dumai City has challenges in terms of economic dependency, infrastructure, and environment, but also has great potential in the industrial, trade, tourism, and renewable energy sectors. With the right policies and collaboration between the government, private sector, and community, Dumai can become a more advanced and sustainable city in the future.

Government Regulation Number 7 of 2021 concerning Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs)

Government Regulation (PP) Number 7 of 2021 is a derivative regulation of the Job Creation Law which aims to provide convenience, protection, and empowerment for Cooperatives and Micro, Small, and Medium Enterprises (MSMEs). This PP is designed to create a more conducive business environment, increase the competitiveness of MSMEs, and encourage the contribution of cooperatives and MSMEs to the national economy.

In terms of ease of doing business, this PP regulates the simplification of the licensing process for MSMEs through a risk-based licensing system. MSMEs with low risk only need a Business Identification Number (NIB) as their business legality. In addition, the government also provides convenience in terms of market access, both through e-commerce and partnerships with large businesses.

In terms of business protection, this PP guarantees support for MSMEs, including in the provision of business premises in public spaces, shopping centers, and access to financing through People's Business Credit (KUR) and other funding sources. The government also provides tax incentives and special policies to help MSMEs survive and grow, especially in the midst of challenging economic situations.

In empowering MSMEs, this PP emphasizes the importance of training, mentoring, and technological support for small business actors. The central and regional governments are obliged to encourage innovation, digitalization, and increase the capacity of MSME human resources to be more competitive. In addition, cooperatives as part of the people's economy also receive attention through various policies that strengthen their capital and business governance.

Overall, PP Number 7 of 2021 is a strategic regulation that strengthens the MSME and cooperative ecosystem in Indonesia. With this policy, it is hoped that MSMEs can be more competitive, get adequate protection, and contribute more to national economic growth.

Impact of Government Regulation Number 7 of 2021 concerning Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs)

The impact of Government Regulation Number 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs) is very positive for the development of MSMEs in Indonesia. This PP provides convenience in business licensing through a risk-based system, which allows MSMEs to obtain business licenses faster and without complicated procedures. In addition, the government also provides protection for micro business actors with easier access to financing, tax incentives, and policies that favor MSMEs.

Empowerment is carried out through training, mentoring, and strengthening technological capacity to help MSMEs develop. With this PP, it is hoped that the MSME sector can be more competitive, contribute to job creation, and become a main pillar of the national economy. However, challenges still exist in terms of implementation that

requires effective coordination between the central and regional governments and further simplification of regulations.

Challenges and Criticism of Government Regulation Number 7 of 2021 concerning Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs)

Challenges and criticisms of Government Regulation Number 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs) are mainly related to implementation in the field. One of the main criticisms is the difficulty in implementing the risk-based licensing system, which although intended to simplify the process, in some regions still encounters obstacles related to understanding and coordination between the central and regional governments. In addition, although this PP aims to provide protection and empowerment to MSMEs, many business actors complain about limited access to financing, especially for MSMEs that are just developing or in remote areas. On the other hand, despite the ease in licensing and incentives, major challenges remain in ensuring that this policy can truly be implemented effectively and evenly throughout Indonesia, especially to increase the competitiveness and sustainability of MSMEs.

Dumai City Cooperatives, SMEs and Industry Service

The Dumai City Cooperatives, SMEs, and Industry Service has an important role in supporting the development of micro, small, and medium enterprises (MSMEs) and the local industrial sector. One of its main tasks is to provide coaching and training to MSMEs so that they can improve product quality, business management, and competitiveness in the market. The training programs held cover various aspects, such as digital marketing, business licensing, and product innovation. In addition, this service also plays a role in facilitating business legality by helping MSMEs obtain a Business Identification Number (NIB), Halal Certification, and distribution permits from BPOM, so that their products are more easily accepted in national and international markets.

In addition to the coaching aspect, the Dumai City Cooperatives, SMEs, and Industry Service also plays a role in supporting the marketing of local products through various promotional activities, such as bazaars, exhibitions, and digital platforms. The Local Digitalization Program (Digiloka) is one of the initiatives to help SMEs adapt to technological developments and expand their market reach online. Not only that, this service also collaborates with various parties, including universities and the Chamber of Commerce and Industry (KADIN), to create a more conducive business ecosystem. With these various programs, it is hoped that SMEs and local industries in Dumai City can develop more rapidly, contribute to the regional economy, and open up more jobs for the local community. The following are the results of the answers given by the Dumai City Cooperatives, SMEs, and Industry Service:

1. Background & Policy

What is the role of the Cooperatives, SMEs, and Industry Service in developing MSMEs in Dumai City: *The Cooperatives, SMEs, and Industry Service of Dumai City acts as a facilitator and mentor for micro, small, and medium enterprises (MSMEs). The main tasks of this service include providing training, mentoring, and providing access to capital and marketing to increase the capacity and competitiveness of local MSMEs.*

What are the policies or regulations implemented to support the growth of MSMEs in the Riau Pesisir area: *The Dumai City Government has stipulated Mayor Regulation Number 45 of 2022 concerning the Position, Organizational Structure, Duties, and Functions and Work Procedures of the Dumai City Cooperatives, Small and Medium Enterprises, and Industry Service. This regulation aims to strengthen the role of the service in supporting the growth of MSMEs through various structured programs and initiatives.*

What is the government's strategy in increasing the competitiveness of local MSMEs: *The government's strategy includes improving product quality through training and certification, facilitating access to capital, and developing digital marketing. In addition, the government also encourages collaboration between MSMEs and various stakeholders to expand networks and market access.*

2. Programs & Initiatives

What are the leading programs that have been implemented to help MSMEs develop: *Leading programs include business management training, capital assistance through Micro Business Actor Assistance (BPUM), and holding bazaars and exhibitions to promote MSME products. In addition, the Local Digitalization (Digiloka) program was also launched to support the digital transformation of MSMEs.*

How is the coaching and training process for MSME actors: *Coaching and training are carried out routinely through workshops, seminars, and technical training tailored to the needs of MSMEs. The materials presented include financial management, marketing, product innovation, and the use of digital technology.*

Are there any special programs that support the digitalization of MSMEs in Dumai City: *Yes, the Digiloka program has been launched to support the digitalization of MSMEs. This program not only functions as a promotional media, but also includes the digitalization of supply chain management for MSMEs, thereby increasing their efficiency and market reach.*

How the Cooperatives Office helps MSMEs in obtaining business permits and certifications such as PIRT, Halal, or BPOM: *The Cooperatives Office provides consultation and assistance services for MSMEs in the process of managing business permits and certifications. Through training and socialization, the office helps business actors understand the requirements and procedures needed to obtain certifications such as PIRT, Halal, or BPOM.*

3. Capital & Mentoring

Is there any capital assistance or credit access provided for MSMEs: *Yes, the government provides capital assistance through the BPUM program which is aimed at supporting and maintaining the sustainability of micro businesses and restoring the national economy after the Covid-19 pandemic.*

How mentoring is carried out so that MSMEs can manage their finances better: *The Cooperatives Office collaborates with educational and professional institutions to provide training and mentoring in financial management. The goal is for MSMEs to be able to prepare good financial reports, thus facilitating their access to capital sources and increasing business credibility.*

4. Marketing & Business Expansion

What strategies are implemented to help MSMEs expand their markets, both locally and nationally: *The strategies implemented include holding exhibitions and bazaars to promote MSME products, as well as digital marketing training to expand market reach through online platforms.*

Is there any collaboration with marketplaces or digital platforms to market MSME products: *Yes, through the Digiloka program, the Cooperatives Office encourages MSMEs to utilize digital platforms and marketplaces as a means of marketing their products, so that they can reach wider consumers.*

To what extent does the role of exhibitions or bazaars play in promoting MSME products in Dumai City: *Exhibitions and bazaars play a significant role in promoting MSME products, increasing visibility, and opening up opportunities for business cooperation. This activity is also a means for MSMEs to get direct feedback from consumers.*

5. Challenges & Solutions

What are the main obstacles faced in the development of MSMEs in the coastal areas of Riau: *The main obstacles include limited access to capital, lack. Many MSME actors still have difficulty getting access to financing or business credit due to lack of collateral or limited understanding of good financial administration. MSME products are often only circulated in the local market and have difficulty penetrating the national or international market due to the lack of effective marketing and distribution strategies.*

Interview Results with MSME Actors

1. Background & Policy

What is the role of the Cooperatives, SMEs, and Industry Service in developing UMKM in Dumai City: *"The Cooperatives and SMEs Service is quite active in supporting us, especially in providing training and assistance. They also often hold bazaars and assist in processing business permits."*

What policies or regulations are implemented to support the growth of MSMEs in the Riau Pesisir area: *"We see that there are supportive policies, such as ease of processing Business Identification Numbers (NIB) and capital assistance. However, the procedure for applying for capital assistance is still rather complicated for some small business actors."*

What is the government's strategy in increasing the competitiveness of local MSMEs: *"The government often holds training and encourages us to enter the digital platform. However, competition is still tight because many products from outside the region also enter."*

2. Programs & Initiatives

What are the leading programs that have been implemented to help MSMEs develop: *"We have received assistance in the form of production equipment from the government. In addition, online business training programs have also been quite helpful, especially after the pandemic."*

How is the coaching and training process for MSME actors: *"There is business management training, digital marketing, and training on how to manage halal certification. However, sometimes the training is not in accordance with our business needs."*

Are there any special programs that support the digitalization of MSMEs in Dumai City: *"Yes, there is digital marketing training and the use of e-commerce. But many of us still have difficulty understanding how to make the most of this technology."*

How the Cooperatives Office helps MSMEs in obtaining business permits and certifications such as PIRT, Halal, or BPOM: *"They help in the permit processing process, but sometimes we have to wait a long time. The processing costs are also an obstacle for some MSMEs."*

3. Capital & Mentoring

Is there any capital assistance or credit access provided for MSMEs: *"There is BPUM assistance and the people's business credit program (KUR), but not all MSMEs get it. The process is also quite selective."*

How is mentoring carried out so that MSMEs can manage their finances better: *"There is financial management training, but many of us are still not used to recording business finances properly."*

4. Marketing & Business Expansion

What strategies are being implemented to help MSMEs expand their markets, both locally and nationally: *"The government invites us to participate in exhibitions and bazaars, but reaching the national market is still difficult because distribution costs are high."*

Is there any collaboration with marketplaces or digital platforms to market MSME products: *"There is training to enter marketplaces such as Shopee and Tokopedia, but some of us still have difficulty managing online stores."*

To what extent does the role of exhibitions or bazaars play in promoting MSME products in Dumai City: *"Exhibitions and fairs help us a lot in getting new customers, but the effect is short-term. After the exhibition is over, sales often drop again."*

5. Challenges & Solutions

What are the main obstacles faced in developing MSMEs in the coastal areas of Riau: *"Capital, marketing, and competition with products from outside the region are the main challenges. Access to raw materials is also sometimes difficult, especially for processed seafood products."*

What are the main obstacles faced in developing MSMEs in the coastal areas of Riau: *"Capital, marketing, and competition with products from outside the region are the main challenges. Access to raw materials is also sometimes difficult, especially for processed seafood products."*

How the Cooperatives Service overcomes challenges such as limited human resources, access to technology, and product competitiveness: *"They help with training and digital marketing access, but need more hands-on support."*

Interview Results with Academics

1. Background & Policy

What is the role of the Cooperatives, SMEs, and Industry Service in developing MSMEs in Dumai City: *"The Cooperatives Service has an important role in fostering, assisting, and facilitating MSMEs, both in terms of*

regulation, capital, and market access. However, the effectiveness of the program needs to be further evaluated to ensure that its benefits are widely felt."

What policies or regulations are implemented to support the growth of MSMEs in the Riau Pesisir area: *"Policies such as simplifying business permits through OSS (Online Single Submission), the People's Business Credit (KUR) program, and facilitating certification such as Halal and BPOM have been implemented. However, challenges still exist in terms of socialization and implementation at the business actor level."*

What is the government's strategy in increasing the competitiveness of local MSMEs: *"The strategy includes entrepreneurship training, digital marketing assistance, and promotion through exhibitions. However, this strategy needs to be more integrated with the academic and industrial worlds so that MSMEs can be more innovative and highly competitive."*

2. Programs & Initiatives

What are the leading programs that have been implemented to help MSMEs develop:

"The BPUM (Micro Business Productive Assistance) program, business assistance, and digital marketing training are some of the leading programs. However, their effectiveness needs to be measured with clear indicators, such as increased turnover and market expansion."

How is the coaching and training process for MSMEs: *"Training is often done through seminars and workshops. However, a case study-based approach and personal mentoring are more needed so that MSMEs can apply the knowledge they have gained in real terms."*

Are there any special programs that support the digitalization of MSMEs in Dumai City: *"Yes, there are programs that encourage MSMEs to enter the marketplace and use social media for marketing. However, the biggest challenge is the low digital literacy among MSME actors."*

How the Cooperatives Office helps MSMEs in obtaining business permits and certifications such as PIRT, Halal, or BPOM: *"The office often holds socialization and training on the importance of certification. However, cost and bureaucratic barriers are still obstacles that need to be considered."*

3. Capital & Mentoring

Is there any capital assistance or credit access provided for MSMEs: *"The KUR and BPUM programs are capital solutions for MSMEs. However, many business actors have difficulty accessing them due to a lack of supporting documents or collateral."*

How mentoring is carried out so that MSMEs can manage their finances better: *"Most financial training is still basic. There must be a more in-depth program, such as application-based bookkeeping training or regular business consultations."*

4. Marketing & Business Expansion

What are the strategies used to help MSMEs expand their markets, both locally and nationally: *"Encouraging MSMEs to enter e-commerce, participating in national exhibitions, and strengthening local product branding are some of the main strategies."*

Is there any collaboration with marketplaces or digital platforms to market MSME products: *"Several programs have connected MSMEs with marketplaces, but not all MSMEs can take full advantage of this facility."*

To what extent is the role of exhibitions or bazaars in promoting MSME products in Dumai City: *"Exhibitions and bazaars are effective in introducing products, but the impact is still short-term. There must be a follow-up strategy so that buyers remain connected with MSMEs after the event is over."*

5. Challenges & Solutions

What are the main obstacles faced in developing MSMEs in the coastal areas of Riau: *"Some of the main obstacles are limited capital, low digital literacy, lack of product innovation, and limited market access."*

How the Cooperatives Office addresses challenges such as limited human resources, access to technology, and product competitiveness: *"Through training, mentoring, and providing access to technology. However, its effectiveness still needs to be improved with an approach based on the specific needs of MSMEs."*

6. Hopes & Future Plans

What are the hopes and targets of the Cooperatives Service for the development of MSMEs in the next 5-10 years: *"The hope is that MSMEs can be more independent, innovative, and have global competitiveness. There needs to be a clear roadmap with synergy between the government, academics, and business actors."*

How to encourage more people to get involved in the MSME sector: *"By improving early entrepreneurship education, providing easy access to capital, and creating a conducive business ecosystem for MSMEs to grow."*

Role of Local Government

The local government through the Cooperatives, SMEs, and Industry Service has a central role in the development of UMKM, especially through regulation, facilitation of access to capital, and entrepreneurial skills training. However, policy implementation still faces obstacles, such as the lack of ongoing assistance and complex bureaucracy.

Impact of Policy and Regulation

Several policies implemented, such as ease of business licensing through OSS (Online Single Submission), the People's Business Credit (KUR) program, and halal certification for food products, have provided benefits for MSMEs. However, the effectiveness of these policies still depends on the level of financial and digital literacy of business actors.

MSME Development Program

Mentoring and training programs organized by the government and private institutions have helped increase the capacity of MSMEs. However, the low adoption of technology and digitalization is still a major obstacle in increasing product competitiveness in the national and global markets.

Challenges in MSME Development

The main challenges faced by MSMEs in the coastal areas of Riau include:

- a. Limited access to capital and difficulty in obtaining low-interest loans.
- b. Lack of digital literacy in online product marketing.
- c. Limited logistics infrastructure hampers product distribution outside the region.
- d. Lack of product innovation due to limited resources and market research.

MSME Strengthening Strategy

To increase the competitiveness of MSMEs, several strategies that can be implemented include:

- b. Increasing digitalization capacity through online marketing and digital business management training.
- c. Providing incentives for MSMEs that are able to implement technology-based innovations.
- d. Strengthening the MSME ecosystem through collaboration between government, academics, and the private sector in supporting product research and development.

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