

Effectiveness of Government Support in Policies and Programs for MSME Business Sustainability in Bungo Regency

Nanik Istianingsih^{1*}, Muhammad Nasir², Zulkifli³, Ariyanto M⁴, Dinda Misliani⁵

^{1,2,3,4,5}Institut Administrasi dan Kesehatan Setih Setio Muara Bungo, Indonesia

¹Orcid ID 0000-0002-3066-8285

KEYWORDS: effectiveness; sustainability

program: msme

JEL: E6, H8, O4

Corresponding Author:

Nanik Istianingsih

Publication Date: 10 July-2025

DOI: [10.55677/GJEFR/06-2025-Vol02E7](https://doi.org/10.55677/GJEFR/06-2025-Vol02E7)

License:

This is an open access article under the CC

BY 4.0 license:

<https://creativecommons.org/licenses/by/4.0/>

ABSTRACT

Micro, small and medium enterprises (MSMEs) in Indonesia contribute greatly to the economy. With this large contribution, the government helps the growth and sustainability of MSMEs through policies and programs. However, MSMEs still face many challenges. Therefore, this research aims to outline these challenges, to understand the effectiveness of government support for MSMEs, and to find the main support that MSMEs need and the strategies that MSMEs can implement. In this qualitative study, in-depth interviews will be conducted with entrepreneurs and government representatives. Finally, this research presents the challenges faced by entrepreneurs, strategies for pursuing growth, and proposed approaches in government policies and programs.

INTRODUCTION

Entrepreneurial practices are believed to have many benefits for both society and the government. For society, entrepreneurial practices can generate wealth and increase innovation and creativity (Jackson, 2020). On the other hand, the government motivates people to become entrepreneurs because this practice can increase the country's gross domestic product (GDP) and can provide job opportunities for educated and less educated people in the country (Respatiningsih et al., 2020).

However, starting a business does not directly generate wealth, increase GDP, or create job opportunities. A business must grow significantly to pursue these goals. Entrepreneurial growth is closely related to the supporting elements obtained by entrepreneurs, such as government policies, business environment, skills, financial assistance, and so on (Soto-Acosta et al., 2016). Unless entrepreneurs have access to this support, their businesses will not be able to grow. In its growth, many businesses in various industries have emerged, ranging from the agricultural industry, creative industry, trade and manufacturing industry, service industry to the tourism industry (Yani et al., 2020). Among them, one of the fastest growing industries in Indonesia is the culinary industry (Idawati & Pratama, 2020). Since 2008, this business sector has occupied the second position as the business sector most involved in Indonesia after agriculture (Diabate et al., 2019).

The Indonesian Statistics Agency (BPS) reports that Indonesian people's consumption patterns have shifted from product consumption to culinary consumption (Istianingsih et al., 2022). Besides that, (Fields & Sciences, 2022) states that culinary is no longer only considered as fulfilling needs but has also turned into a lifestyle. Coupled with the emergence of various types of innovative food and snacks that can be accessed very easily in recent years, the Indonesian government has become increasingly aware of the growth potential of this sector and has tried to provide assistance and guidance for Micro, Small and Medium Enterprises (MSMEs) involved in this culinary sector (Fields & Sciences, 2022).

The aim of this research is to understand the effectiveness of government support specifically for local MSMEs in the culinary sector in a district in Indonesia, namely Bungo District. Bungo Regency was chosen as the research location, because this area is considered to have the most conducive business environment among the 11 districts and cities in Jambi Province (BPS, 2017). Study (Istianingsih & Defit, 2021) said that the growth of MSMEs in Bungo Regency was higher than in other districts and cities in Jambi Province. However, reality shows that many micro entrepreneurs in the culinary sector in Bungo Regency do not

know and do not receive assistance or support from the government, which is shown from observations and interviews conducted in this research. In addition, a significant percentage of restaurant closures in Bungo District, especially for micro and small restaurants, cafes and street food vendors in the early stages of business(Istianingsih et al., 2022).

This study reveals the importance of developing the culinary sector for the government. This study will also provide advice to local and central governments on how to support MSMEs and what support MSMEs need most.

1. LITERATURE REVIEW

a. Growth of MSMEs

To be able to participate in economic growth, MSMEs must be able to stabilize their own growth. Market leadership, influence on the market, power and survival, and the ability to attract quality employees are some of the reasons companies can increase their growth(Management, n.d.).(Singh, 2018)states that we can measure business growth through parameters such as sales, profits, financial ratios, employment, and market share. They added that businesses that grow even at low rates are likely to remain in the market. However, we can find interesting statements that show that new ventures and small companies grow faster than older or larger companies(Cucculelli & Peruzzi, 2020).

In measuring the growth of a business, Literature emphasizes the use of the Growth Stage Model(Diabate et al., 2019). A growth stage model is a diagram that shows the stages of growth of a business accompanied by obstacles, advantages and the company's position at each stage. This explanation was then added by(Sahoo & Ashwani, 2020)which states that this model shows that certain businesses will go through certain stages where revenues and earnings times increase slightly before the market declines.

There is no specific time limit for a business to jump from one growth phase to another. Increasing business growth is increasingly difficult due to globalization, competition, industrial dynamics, and technological developments that change industrial life cycles, shorten product lifespans, and cause rapid shifts in business.(Diabate et al., 2019). The SGE Growth Model can be seen from the image below:

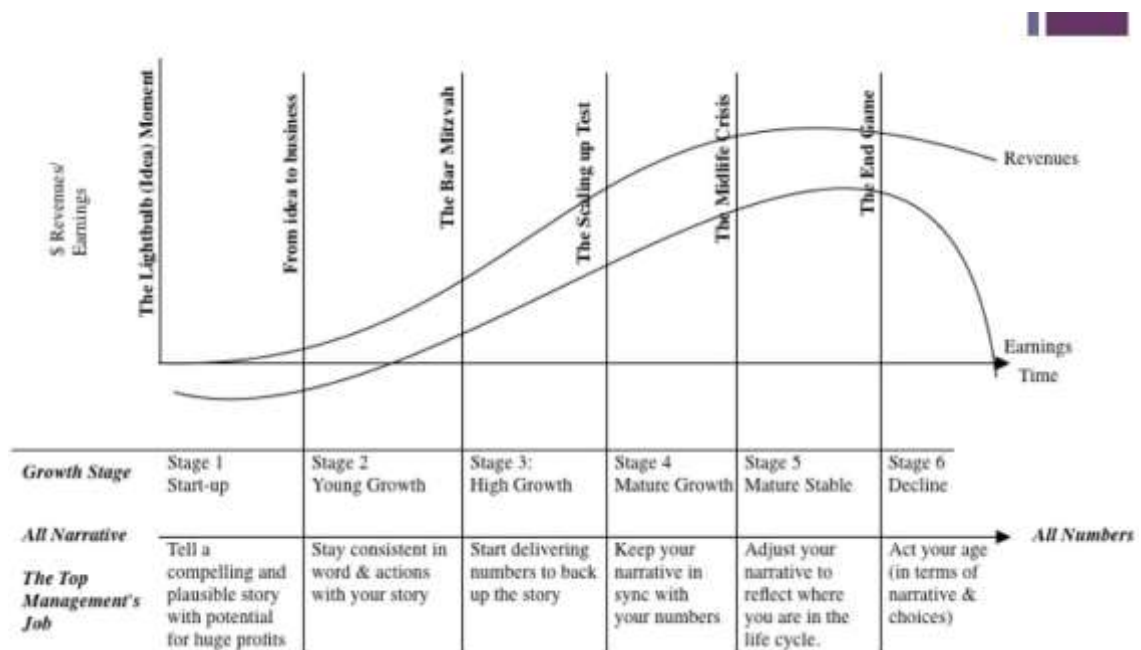


Figure 1. Growth Stage Model

This theory explains that every business will face six stages of growth. This model also shows a graph where income and productive time increase during the stages and decrease slightly when the business is in a mature stable stage until it reaches a declining market. Whatever motives and background are behind the growth of a business, such growth is important not only for business expansion but also for the company to survive in the market. Therefore, no matter how small or how big a company is, they must push themselves to grow(Mihardjo et al., 2019).

b. Survival of MSMEs.

The survival of MSMEs depends on choosing their respective business growth strategies. The growth strategy chosen must be in accordance with the internal and external environment of the business(Rodríguez et al., 2020).(KWABENA et al., 2021)writes that the company's internal environment includes all the resources the company has and the company's ability to manage these resources. These resources include all assets, knowledge, employees, information, organizational processes, capabilities, and activities that a business can carry out, such as marketing, sales, promotions, and so on. Meanwhile, the company's external

environment includes the economic, political, social, technological and economic situations. applicable laws in the country where the business operates.

The external environment is as important as the internal environment. The external environment can change the way people behave and their habits in purchasing products or using certain services. To find these external threats, the analysis created by Prof. Francis Aguilar in 1967 called PESTEL analysis is a suitable framework because it can describe all external problems that influence business strategy.(Chhavi Sharma, 2020). PESTEL analysis can be seen in Figure 2.

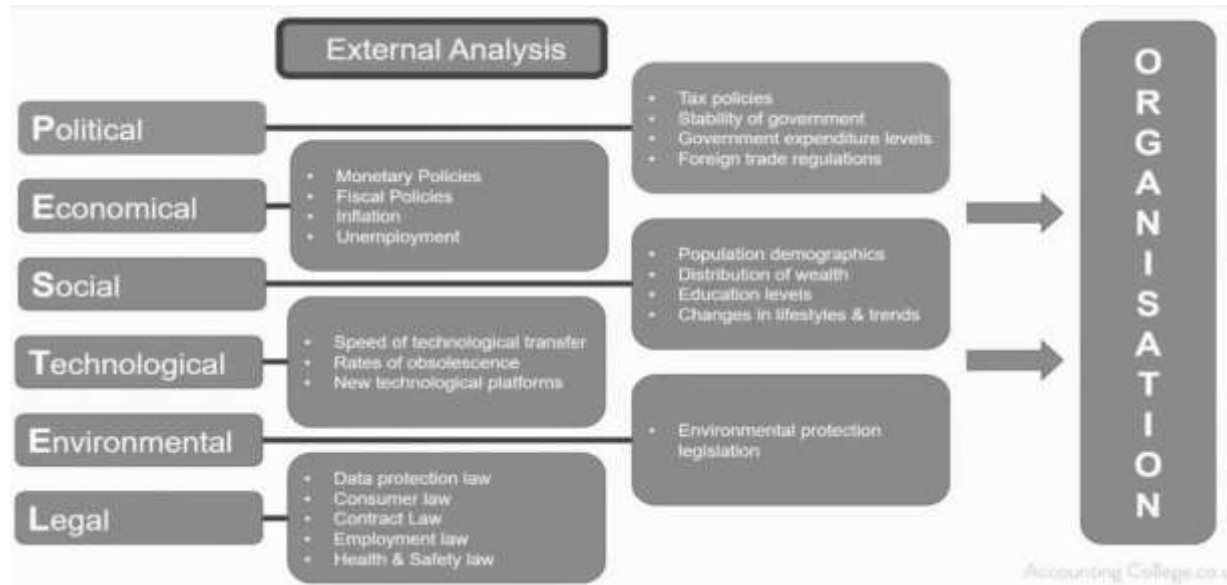


Figure 2. PESTEL

As seen above, PESTEL analysis consists of six external elements: political, economic, social, technological, environmental, and legal, where each element consists of several points as explained in the figure. These external elements force entrepreneurs to become more flexible and adaptable to survive in the industry(Morakinyo Akinseye et al., 2022).

In addition, MSMEs must overcome market uncertainty and instability. Market uncertainty and instability are caused by short product life cycles, short product design cycles, new technologies, frequent entry by unexpected products/services, repositioning by incumbent companies, and radical redefinitions(Gamage et al., 2020). Based on this internal and external environment, appropriate strategic steps can be determined. These strategic steps will be carried out using internal resources, and the strategy must be implemented based on the external environment(Jamison et al., 2020). The most common strategies implemented by most businesses include marketing innovation and the pursuit of competitive advantage, promotions, and pricing(Verdu-Jover et al., 2018).(Tarigan & Siagian, 2020)adding that the integration of internal and external research and development (R&D) strategies and reducing internal costs and time are also considered strategic moves in the pursuit of growth.

However, to survive in the industry, growth is not the only consideration on which MSMEs must focus. Another important issue that MSMEs must resolve is challenges, which (like strategy) originate from the internal and external environment.(Bouwman et al., 2019) argue that low technological capabilities, low awareness of business expansion through e-commerce, and low ownership of international and national certifications can be internal obstacles in maintaining the business life cycle and surviving in the industry. Finally, challenges from the external environment can come from regulations, infrastructure and market access(OECD Secretary General, 2020).

c. Government and MSMEs

In the last few decades, studies on the role of government in entrepreneurial activities have relatively increased. Because entrepreneurship is categorized as a heterogeneous activity, policies and regulations are needed to develop and strengthen its position in society(Istianingsih & Defit, 2021). The government is considered the backbone of entrepreneurial activities because of its inevitable role in the entrepreneurial process(Djaing & Allorante, 2019).

Each country's government clearly realizes the great benefits of developing and increasing the number of MSMEs. As mentioned above, MSMEs provide several benefits for national growth, such as providing jobs, paying taxes and foreign exchange.(Anggriliani, 2022). Thus, to obtain maximum benefits, policies and assistance are provided broadly to all business sizes from micro to small and medium companies.

(Ambya, 2020)states that the government's influence on MSMEs is related to its authority in the entrepreneurial environment. This statement was elaborated by(Tuma, 2021) which states that the government promotes MSMEs by providing access to technology, R&D, intellectual property (IP), and finance.

From the explanation above, research is needed to understand the support that the government must provide to MSMEs. To survive in the market, MSMEs cannot stand alone; they need help and support from the government. This support will influence the growth of MSMEs and avoid business failure. Therefore, the policies and programs set by the government produce significant effects for MSMEs. In fact, policies and programs have been prepared and provided widely to MSMEs throughout Indonesia. However, the author can still easily find MSMEs that have never received support from the government. Ultimately, there are still a large number of closed businesses in Bungo District, especially new businesses.

2. RESEARCH METHOD

This research will use qualitative methods. Kothari (2004) argues that a qualitative approach is used to discover people's attitudes and feelings by assessing subjective opinions and behavior. This approach also allows us to conduct in-depth studies and offers a better attitude in selecting topics of interest (Dr. Sandu Siyoto, SKM, M.Kes, M. Ali Sodik, 2015).

Data was collected in two ways: first, using secondary data collected from several government organizations in Indonesia, such as the local government of Bungo Regency, the National Agency for City Statistics of Bungo Regency (BPS), Cooperatives and the Indonesian Ministry of MSMEs, and Trade, Cooperatives, Industry and Bungo Regency MSME Institutions

Second, primary data was obtained through purposive sampling. Purposive sampling uses representative subjects, and discretionary sampling takes samples without any rules. (Hamed Taherdoost, 2018). (Hameed Taherdoost, 2016) explains that purposive sampling is used to identify and select information related to certain interests. Purposive sampling is considered the most effective method for collecting information, especially for qualitative methods (Susanti et al., 2019).

This sampling begins by determining knowledgeable individuals or groups who have an interest in a preferred topic or have experience in it. At this initial stage, there are 54 MSMEs that meet the requirements. The sample was then categorized based on business type and size. Structured interviews were conducted with 20 MSMEs that met the requirements based on the categories above. Structured questions asked to the sample then produce variables used in the final stage, namely: open-ended questions. At this final stage, only 12 MSMEs met the requirements to become research objects in the open-ended questions stage.

3. RESULT AND DISCUSSION

a. Motivation to become an entrepreneur

(Abdulrab et al., 2020) states that 'Motivation should come from within a person rather than from external controlling forces such as teachers or parents. This statement carries two important messages. First, people cannot depend on external motivation. Rather, it is triggered within the individual and one must discover their own motivation by looking deeper. Internal sources of motivation can be based on the activities that people most enjoy and are fulfilling. In addition, the quote above shows that motivation can arise from external factors, such as our role models, parents, and the environment (Kopren & Westlund, 2022).

In relation to entrepreneurial practice, (Diabate et al., 2019) revealed the main reasons for becoming an entrepreneur: the ability to control working hours, maximize creativity, and learn more and become more independent. On the other hand, market availability, fewer competitors, and greater opportunities and simplicity provided by the government can be external drivers for becoming an entrepreneur (Kopren & Westlund, 2022). The following are comments made by four interviewees:

No.	Source	Comment
1	Respondent 1	I want to have flexibility in my working hours and I see promising opportunities in the hospitality industry especially in the F&B sector, which I can develop more to become more profitable for me
2	Respondent 2	My motivation to become an entrepreneur is to gain more experience in entrepreneurial practices so that I can develop both myself and my business in the future
3	Respondent 3	Maximize the function of my unused space by using it as a place of business. Apart from that, my interest in business was the trigger to start this business
4	Respondent 4	I saw a huge opportunity when I started this business. Due to the lack of competitors in my cafe location, I am confident that I can attract more customers

Source: Researcher, Primary Data (2024)

(Rinova et al., 2019) argue that motivation can arise from opportunities in industry in both new and mature industries. In addition, opportunities have great potential in marking profits, so the ability to find opportunities can lead entrepreneurs to further achievements. Finally, comparing the literature with field interviews, the motivations in the literature are in line with the interview results. Internal motivation, such as interest in business, achievement, challenge, and learning and independence, is the main motivation. Apart from that, external motivation, such as the availability of supporting capital (financial and real resources) can also be a trigger for starting a business.

b. Business failure

According to (Hrytsiuk & Sak, 2021) more than 50% of small businesses fail in the first year, and 95% fail within five years. This data shows that understanding business failure is substantial not only for business owners but also for many parties, such as government, suppliers, society, and so on. Since entrepreneurship provides a variety of benefits from job creation and increasing GDP to reducing unemployment and increasing one's wealth, understanding why businesses fail and preventing it from happening is critical.

Specifically in the F&B sector in Bungo Regency, Indonesia, the main background reasons for the closure of many restaurants, cafes and street food vendors, especially in their initial stages include inappropriate marketing ideas and execution, too many items on the menu for sale, lack of experience, no pricing strategy, and a lack of capital, service, concept, and support (Abu Hatab et al., 2021). In addition, in-depth interviews were conducted with the target interviewees conveying several reasons behind business failure, which is also in line with the literature. The following are comments made by four interviewees:

No.	Source	Comment
1	Respondent 5	In my view, the reason a business closes is because the owner gives up and loses hope too quickly. In addition, customer uncertainty sometimes deceives trade owners because of its relationship to sales and profits
2	Respondent 6	Many reasons can lead to business failure, namely, unsatisfactory service, failure to meet customer needs, setting prices higher than competitors, lack of innovation, and lack of control.
3	Respondent 9	Quality, service, and management are necessary for a business. A lack of them could potentially result in a failed venture
4	Respondent 12	The sustainability of a business really depends on the owner's desire to run the business. Apart from that, persistence, hard work and management are the keys to sustaining a business. Without this, certain businesses will find it difficult to survive in the market

Source: Researcher, Primary Data (2024)

c. Government support

The role of government in significantly increasing the level of entrepreneurship is very large. There are two main keys that make this character irreplaceable. First, the government's role as a regulator and, second, as a supporter of MSME development in both finance and marketing (Ali et al., 2019).

The growth of MSMEs in Indonesia is higher than neighboring countries, such as Thailand, Malaysia, the Philippines, and so on. However, the contribution of MSMEs to exports is still lower than these countries (Istianingsih et al., 2022). Apart from that, MSMEs in Indonesia are still less developed than other countries because the educational background of most MSME owners is only elementary school. (Angelakoglou & Gaidajis, 2020) Even though in Bungo Regency 60% have high school or equivalent education, knowledge and insight are still limited (Istianingsih et al., 2022).

From in-depth interviews regarding government support in the form of aid, not all respondents have received assistance from the government. The following are comments made by four interviewees:

No.	Source	Comment
1	Respondent 1	I am aware of government policies and programs for MSMEs. However, I haven't received any support from them, and I don't have any plans to seek their help yet. However, it is good to consider planning for our future
2	Respondent 4	I don't know about any policies and programs to help MSMEs, and there is no information offered or outreach from the government
3	Respondent 7	No ideas. There were no public officials to visit and offer assistance. One time, they came here but only asked about my payment of taxes and advertising levies
4	Respondent 10	Actually, we know about the programs and policies. However, in practice, there are no specific programs and policies to help us. We started the business purely using our own strength. In fact, local public officials only came when our efforts started to go well to collect taxes and advertising levies

Source: Researcher, Primary Data (2024)

Compared to the literature, the government has tried several steps to help MSMEs. However, with the large population and quite large number of MSMEs in Indonesia and with the limited budget provided for MSMEs, it is difficult to cover and help all MSMEs.

d. The main support needed by MSMEs

(Ali et al., 2019) explained that there are many businesses that seek help but are confused by various initiatives and ultimately give up seeking help. To overcome this, the government must have strong synergy with related parties to provide the best support for MSMEs (Harel et al., 2020). Additionally, the government needs to work hard to consolidate its aid and make it easier to maneuver (Fidiana et al., 2020). However, in practice, MSMEs have various needs to improve their businesses. Based on in-depth interviews, business owners need more support for their business operations.

The following are comments made by four interviewees:

No.	Source	Comment
1	Respondent 3	The primary assistance we have needed to expand our efforts thus far includes additional funding to scale up our operations, simplify licensing procedures, and largely, rebuff illegal allegations by public officials.
2	Respondent 5	The main thing we need so far is government support in providing culinary centers in strategic locations, which can be rented daily or monthly. Additionally, we need the government to control the raw materials needed for business operations
3	Respondent 8	There are two concerns about expanding this business that requires assistance from the government. They are a help in promotion and advertising and also a help in expanding the business
4	Respondent 12	The type of assistance we ask for from the government is funding for access to MSMEs, availability of parking spaces, and security from accusations of illegality and thuggery.

Source: Researcher, Primary Data (2024)

As seen in the in-depth interview results above, each business has its own priorities in the form of support. Therefore, to overcome this, the government requires synergy to provide funding and support and to facilitate organization, etc. Lastly, to address the selection needs of MSMEs, the government must discuss needs with different institutions.

e. Strategy to survive in the market

(Pozo et al., 2019) proposes that strategies for maintaining the market depend heavily on business leadership and creative imitation planned by MSMEs. Leadership has a big influence on business because of its importance in leading the business forward and setting targets for the next business. Meanwhile, creative imitation means that MSMEs can enter established markets and be creative to set up their own businesses that are different from their competitors.

Business maintenance strategies differ from one business to another. MSMEs have established their own strategies depending on their environment, competitors, internal resources and market opportunities. Here are some strategies discovered from in-depth interviews. The following are comments made by interviewees:

No.	Source	Comment
1	Respondent 4	There are four strategic steps we took to maintain our position in the market: first, evaluating the balance sheet, products, services, and customer satisfaction, second, adding product variations in the menu based on market trends, third, social media promotion, and, finally, establishing the company with communities and government/private institutions
2	Respondent 6	There is no special strategy. We just try our best to provide the best service and best quality products to customers
3	Respondent 7	Promoting and organizing events proves to be the best strategy so far. Some special discount events for students or special discounts on every national holiday or competition for eating spicy food without drinking water. These events always appeal to customers of all ages. Apart from that, good relationships and communication between the owner and customers must be well strengthened, and this is proven because I received a lot of feedback, criticism and suggestions in developing my business.

Source: Researcher, Primary Data (2024)

Based on interviews, general strategies can be set so that MSMEs can survive in the market. However, this strategy must be in accordance with the reality of the conditions in which the business is established because each business will face different obstacles due to the external conditions of their business location.

f. Suggestions for the government

The Indonesian Ministry of Cooperatives and MSMEs reports that there has always been better progress in policies and programs over the years aimed at developing MSMEs in Indonesia. 'The government itself is always open to suggestions improvements from all parties,' added the ministry spokesperson. In addition, as previously mentioned, due to the large number of MSMEs in Indonesia, policies and programs have not been accepted by all MSMEs (Hastuti et al., 2019).

On the other hand, MSMEs have their own suggestions for the government to improve government services to MSMEs. Below are some ideas gleaned from the in-depth interviews. The following are comments made by four interviewees:

No.	Source	Comment
1	Respondent 5	Eliminate illegal fees and the culture of give-and-take between public officials and us as business owners. Mostly, we need the government to simplify permits and legal processes
2	Respondent 6	I think local and central governments should care more about MSMEs, for example by inviting us for training, discussions and sharing success stories from other successful entrepreneurs. Furthermore, funding support is very important for us to develop our business. Lastly, simplify the legal and other permits required
3	Respondent 9	We need a balance between the support provided by the government and the taxes we pay. For the most part, public officials only come to collect our tax payments. I never had the government visit to offer us help
4	Respondent 10	My suggestion to regional and central governments is to pay more attention to young entrepreneurs in the city because, in my opinion, the progress of certain regions is greatly supported by the creativity of young people. Simultaneous cooperation in the form of creative centers, for example, is needed, in addition, capital injections with small interest are very helpful for young people to develop their businesses

Source: Researcher, Primary Data (2024)

g. Government Interview

Getting support from the government can strengthen MSME assets, increase entrepreneurial knowledge about the industry and skills, enable access to markets, help business growth, and more. (Widagda et al., 2020) believes that, although MSMEs can grow and survive, without support from the government, the number of MSMEs will be limited and their contribution to economic development will be low. There is no doubt that the government's role in empowering MSMEs is necessary for MSMEs both in their initial and mature stages. By empowering MSMEs, the government will be able to obtain maximum profits and secure MSMEs, empower micro businesses, and entrepreneurship and competitive advantages to expand MSMEs (Rajapathirana & Hui, 2018) (Valminen, 2019).

Body Bungo Regency National Statistics (BPS Bungo Regency City) in 2023 also recorded the percentage of population occupation based on gender, which is explained in Table 3.

Table 3. Percentage of population in Bungo Regency City (BPS, 2023)

No	Occupation	Gender		Total
		Male	Female	
1.	Solopreneurs	9.52	11.65	21.16
2.	Entrepreneurs with unpaid employees	4.75	3.61	8.36
3.	Entrepreneurs with paid employees	2.80	1.52	4.32
4.	Employee / Labour	30.43	21.48	51.92
5.	Freelance	4.16	0.38	4.54
6.	Unpaid employee / Volunteer	3.14	6.57	9.71
	Total	54.80	45.20	100.00

As shown in the table above, more than half of the population of Bungo Regency are employees in both the public and private sectors. However, the percentage of entrepreneurs is also quite high. In addition, the number of solopreneurs has reached one fifth of the total population. The percentage of employers with unpaid employees has increased slightly to 2.38% from 5.78% in 2022. Employers with paid employees has also increased 0.30% from 4.29% in 2022 (BPS, 2023). In the same year, further statistical data identified that MSMEs in Bungo Regency reached 5,012 units of which 800 had successfully obtained bank loans. Of this number, more than half or around 2,868 units have been trained/trained by local governments and become government-led businesses (Istianingsih et al., 2022) (Istianingsih & Defit, 2021).

Even though there is a trend of increasing MSMEs in Bungo Regency, opening new businesses and maintaining businesses in industry cannot be carried out solely by business owners and management. Apart from that, the role of the government, in this case, is very necessary to develop businesses, and one way the government can help MSMEs is by providing them with financial support.(Istianingsih & Defit, 2021).

Finally, based on the results of interviews and data obtained from interviewees, both local and central governments have provided assistance. Therefore, there is a correlation between literature and facts. The following are comments made by some of the interviewees:

No.	Source	Comment
1	Respondent 13	Our data shows an increasing trend in entrepreneurial practices in Bungo District over the years. And in correlation with that, the percentage of poverty has also decreased. This is a very good sign
2	Respondent 15	Bungo District is on the right track now. Open investment, dramatic poverty reduction and excellent infrastructure make Bungo Regency have a higher level of competitiveness and make this city have the best MSME potential compared to other city districts in Jambi Province

Source: Researcher, Primary Data (2024)

h. Government Program

MSMEs in Indonesia contribute 61.9% to GDP through taxes. In this percentage, micro businesses contributed 36.28%, small businesses contributed 10.9%, and medium companies contributed 14.7% (Hadi, 2020). So it can be concluded that MSMEs have great potential to be developed to increase Indonesia's economic growth. With this potential, both local and central governments really want to promote entrepreneurial activities to the community, attract people to be part of the activities, launch many programs to create new entrepreneurs, maintain the business life cycle, and expand the scope of business.

As mentioned, MSMEs face several challenges in pursuing their growth and existence. To help MSMEs overcome these challenges, the government has established various programs aimed at overcoming the various challenges faced by MSMEs.

In the 2020-2024 RPJMN, the government is committed to strengthening entrepreneurship and MSMEs to increase economic added value, employment, investment, exports and economic competitiveness through five priority areas, namely developing human resources (HR), increasing access to financial services, increase the added value of MSME products in domestic and international markets, strengthen partnerships, and improve regulations and policies that influence the sustainability of MSMEs. The government has long been rolling out MSME empowerment or development programs. This program is implemented by various ministries/institutions (K/L) with several focus areas, namely increasing access to markets; increasing access to financial services; improving the quality of human resources through competency training and mentoring; as well as improving policies to create a conducive business ecosystem such as ease of licensing. However, the implementation of the MSME program is seen as not yet supporting the development of MSMEs(Istianingsih & Defit, 2021).The following are comments made by interviewees:

No.	Source	Comment
1	Respondent 14	PNPM is a useful program for improving community welfare and has succeeded in reducing poverty levels, especially in the rural sector. PNPM is used to open new micro and small businesses and help owners to maintain the life of the business
2	Respondent 15	We are developing revolving fund assistance or credit from the Revolving Fund Management Institute. In addition, KUR and credit/working capital and/or investment facilities for micro, small and medium enterprises in productive but not bankable business fields with a credit limit of up to IDR 500 million are widely provided to entrepreneurs in all fields. From Indonesia
3	Respondent 15	Low productivity, limited competence, such as low technological mastery and managerial skills, are big challenges for MSME owners. So, the government helps them not only in funding but all parts of support for the business
4	Respondent 14	Apart from maintaining quality, MSMEs are required to be punctual in the production process and able to carry out mass production to meet market needs. Our institution is responsible for improving the productivity and performance of MSMEs and we will not stop doing that

Source: Researcher, Primary Data (2024)

The Indonesian government recognizes the importance of managerial and entrepreneurial skills for business owners; Thus, the government regulates management development for competency and marketing networks.

i. Government policy

The program is not the only assistance provided by the government to MSMEs and entrepreneurs. In addition, other policies have been established and strengthened to support the existence of businesses of all sizes. Policies, such as tax reductions and tax exemptions, have been implemented to help MSMEs. Cooperatives and the Ministry of MSMEs continue to reduce the KUR interest

percentage, where it reduces the interest rate from 22% to 12% and then to 9% (Idawati & Pratama, 2020). The following comment was made by an interviewee: “Massive changes in KUR policy create great opportunities for MSME practitioners to expand their businesses. And, on the other hand, this policy helps the growth of new micro and small businesses throughout Indonesia, including in the city of Bungo Regency. (Respondent 6)”

It is clear, financial policy is the main aid for businesses to develop. However, that's not the only help needed. Apart from that, the Indonesian government has also produced other policies to serve MSMEs. Policies include access to support services, technology and technology transfer, expansion of international markets, and promotion of entrepreneurship education which has the same level of importance as funding policy.

4. CONCLUSIONS

Government support is very important to help MSMEs pursue growth, expand their businesses and sustain them in the market. However, before helping MSMEs, the government must be sensitive, aware and understand entrepreneurial and entrepreneurial practices. Help and advice is not available given widely and generally to all MSMEs, but needs to be adjusted and adapted to what MSMEs need.

Additional internal factors, such as technology, systems, and skilled human resources, bring many benefits and can also harm the business. When a business does not develop its technology, systems, and employees, it is more likely to fail in sustaining and pursuing its growth due to a lack of resources and capabilities, as the most powerful weapons in establishing corporate strategy.

Challenges originating from external factors are considered substantial in efforts to achieve sustainability in the market. External challenges considered in this research include limited access to capital and markets, complexity in bureaucratic procedures in obtaining business permits, difficulties in marketing and distribution, difficulties in obtaining cheap raw materials, and the high frequency of illegal levies imposed by public officials. Apart from that, infrastructure, lack of participation in global value chains, and the legal context are external factors that can cause problems for MSMEs.

Strategies that can be developed include evaluating products, services and customer satisfaction, evaluating balance sheets, diversifying the products or menus served, social media promotions, collaborating with the community and government in organizing events, and maintaining good relationships with customers. The strategy can also be implemented by increasing managerial knowledge by participating in training, carrying out e-commerce promotions, participating in exhibitions, increasing business networks and productivity, and engaging in workshops.

Strategy must be flexible to adapt to changing environments of all kinds. Therefore, the strategy must be dynamic. Dynamic strategy refers to the way a company maintains its competitive advantage through its resources and capabilities over time. In practice, growth strategies must continually change based on environmental changes and must be dynamic and flexible. However, the most important point is that MSMEs must continue to explore new opportunities.

The effectiveness of government support for MSMEs can be measured by the following success indicators: reducing poverty levels, increasing the number of new businesses, and increasing the number of independent groups. Therefore, to meet this indicator, the government has taken several main steps, such as providing initial capital, improving product quality, participating in export markets, improving the quality of human resources, increasing business protection through improving policies, and reduce complexity in business..

AUTHORS CONTRIBUTIONS

The authors listed have made a substantial, direct and intellectual contribution to the work, and approved it for publication.

CONFLICT OF INTEREST STATEMENT

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

REFERENCES

1. Abdulrab, M., Alwaheeb, M. A., Al-Mamary, Y. H. S., Alshammari, N. G. M., Balhareth, H., Soltane, H. B., & Saleem, I. (2020). Effect of entrepreneurial orientation and strategic orientations on financial and nonfinancial performance of small and medium enterprises in Saudi Arabia. *Journal of Public Affairs*, July. <https://doi.org/10.1002/pa.2305>
2. Abu Hatab, A., Lagerkvist, C. J., & Esmat, A. (2021). Risk perception and determinants in small- and medium-sized agri-food enterprises amidst the COVID-19 pandemic: Evidence from Egypt. *Agribusiness*, 37(1), 187–212. <https://doi.org/10.1002/agr.21676>
3. Ali, I. I., Sutarna, I. T., Abdullah, I., Kamaluddin, K., & Mas'ad, M. (2019). Faktor Penghambat Dan Pendukung Badan Usaha Milik Desa Pada Kawasan Pertambangan Emas Di Sumbawa Barat. *Sosiohumaniora*, 21(3), 355–364. <https://doi.org/10.24198/sosiohumaniora.v21i3.23464>
4. Ambya, A. (2020). How Government Spending on Public Sector Affect The Economic Growth? *Jejak*, 13(1), 218–229.

<https://doi.org/10.15294/jejak.v13i1.21943>

5. Angelakoglou, K., & Gaidajis, G. (2020). A conceptual framework to evaluate the environmental sustainability performance of mining industrial facilities. *Sustainability (Switzerland)*, 12(5). <https://doi.org/10.3390/su12052135>
6. Anggriliani, S. (2022). *Efektivitas Penerapan E-Government Dalam Meningkatkan Pelayanan Publik Bidang Informasi Pendidikan (Studi Kasus Dinas Pendidikan Provinsi Jambi)*.
7. Bidang, P., & Sains, K. (2022). *Jurnal Edik Informatika*. 8(2).
8. Bouwman, H., Nikou, S., & de Reuver, M. (2019). Digitalization, business models, and SMEs: How do business model innovation practices improve performance of digitalizing SMEs? *Telecommunications Policy*, 43(9), 101828. <https://doi.org/10.1016/j.telpol.2019.101828>
9. Chhavi Sharma. (2020). *Strategic Management / Airbnb / Strategic Management*. 34–37.
10. Cucculelli, M., & Peruzzi, V. (2020). Innovation over the industry life-cycle. Does ownership matter? *Research Policy*, 49(1), 103878. <https://doi.org/10.1016/j.respol.2019.103878>
11. Diabate, A., Sibiri, H., Wang, L., & Yu, L. (2019). Assessing SMEs' sustainable growth through entrepreneurs' ability and entrepreneurial orientation: An insight into SMEs in Côte d'Ivoire. *Sustainability (Switzerland)*, 11(24). <https://doi.org/10.3390/su11247149>
12. Djaing, H., & Allorante, A. I. (2019). Rectifying Performance Measurements in Indonesia'S Government Agencies. *International Journal of Civil Engineering and Technology (IJCIET)*, 10(5), 129–137. <http://www.iaeme.com/IJCIET/index.asp129http://www.iaeme.com/ijmet/issues.asp?JType=IJCIET&VType=10&IType=5http://www.iaeme.com/IJCIET/issues.asp?JType=IJCIET&VType=10&IType=5http://www.iaeme.com/IJCIET/index.asp130>
13. Dr. Sandu Siyoto, SKM, M.Kes, M. Ali Sodik, M. (2015). *Buku Metode Penelitian Kualitatif dan Kuantitatif* (Issue April).
14. Fidiana, F., Rochdianingrum, W. A., Retnani, E. D., & Widyawati, D. (2020). Peningkatan Kapabilitas dan Performa UMKM melalui Monitoring dan Pendampingan. *PengabdianMu: Jurnal Ilmiah Pengabdian Kepada Masyarakat*, 5(4), 376–382. <https://doi.org/10.33084/pengabdianmu.v5i4.1268>
15. Gamage, S. K. N., Ekanayake, E. M. S., Abeyrathne, G. A. K. N. J., Prasanna, R. P. I. R., Jayasundara, J. M. S. B., & Rajapakshe, P. S. K. (2020). A review of global challenges and survival strategies of small and medium enterprises (SMEs). *Economies*, 8(4). <https://doi.org/10.3390/ECONOMIES8040079>
16. Hadi, S. (2020). *Pemetaan Program Pemberdayaan Usaha Mikro, Kecil, dan Menengah (UMKM)*.
17. Harel, R., Schwartz, D., & Kaufmann, D. (2020). The relationship between innovation promotion processes and small business success: the role of managers' dominance. *Review of Managerial Science*, 0123456789. <https://doi.org/10.1007/s11846-020-00409-w>
18. Hastuti, T. D., Haryanti, K., & Lako, A. (2019). Implementation of University Social Responsibility as a Corporate Social Responsibility Catalyst in SMEs. *5Th International Conference on Opportunities and Challenges in Management, Economics and Accounting*, 18517. [http://repository.unika.ac.id/21796/%0Ahttp://repository.unika.ac.id/21796/1/Implementation of University Social Responsibility as a Corporate Social Responsibility Catalyst in SMEs.pdf](http://repository.unika.ac.id/21796/%0Ahttp://repository.unika.ac.id/21796/1/Implementation%20of%20University%20Social%20Responsibility%20as%20a%20Corporate%20Social%20Responsibility%20Catalyst%20in%20SMEs.pdf)
19. Hrytsiuk, N., & Sak, T. (2021). Impact of the Covid-19 Pandemic on the Global Economy. *Economic Scope*, 18–30. <https://doi.org/10.32782/2224-6282/165-6>
20. Idawati, I. A. A., & Pratama, I. G. S. (2020). Pengaruh Literasi Keuangan Terhadap Kinerja dan Keberlangsungan UMKM di Kota Denpasar. *Warmadewa Management and Business Journal (WMBJ)*, 2(1), 1–9. <https://doi.org/10.22225/wmbj.2.1.1644.1-9>
21. Iistianingsih, N., Defit, S., & Zefriyenni, Z. (2022). Improving MSMES Sustainability in Bungo Regency: Direct and Indirect Performance, Innovation and Manager Behavior as Antecedent. *Journal of Tianjin University Science and Technology*, 55(9), 15–29. <https://doi.org/10.17605/OSF.IO/WUXE3>
22. Istianingsih, N., & Defit, S. (2021). *Enhancing MSME Performance through Digital Marketing and Innovation with Government Policy as Moderating Effect*.
23. Jackson, E. A. (2020). *Fostering Sustainable Innovation Through Creative Destruction Theory*. 102174, 1–13. https://doi.org/10.1007/978-3-319-71059-4_119-1
24. Jamison, E., Simpson, J., Kumar, P., Kemp, A., Awate, K., & Manning, K. (2020). *STRATEGIC MANAGEMENT Adapted by Reed Kennedy*. <https://doi.org/10.21061/strategicmanagement>
25. Kopren, A., & Westlund, H. (2022). *Entrepreneurship bridging ethnic divides*. 45(4), 423–449.
26. KWABENA, G. Y., MEI, Q., GHUMRO, T. H., LI, W., & ERUSALKINA, D. (2021). Effects of a Technological-Organizational-Environmental Factor on the Adoption of the Mobile Payment System. *Journal of Asian Finance, Economics and Business*, 8(2), 329–338. <https://doi.org/10.13106/jafeb.2021.vol8.no2.0329>
27. Management, S. (n.d.). *Strategic management: concepts & process 1*.

28. Mihadjo, L. W. W., Sasmoko, Alamsyah, F., & Elidjen. (2019). Boosting the firm transformation in industry 5.0: Experience-agility innovation model. *International Journal of Recent Technology and Engineering*, 8(2 Special Issue 9), 735–742. <https://doi.org/10.35940/ijrte.B1154.0982S919>
29. Morakinyo Akinseye, E., Oludayo Onimole, S., Ayoade Ekundayo, O., & Busayo Adebuseye, A. (2022). Impact of Marketing Strategies on Organizational Growth: A Study of Selected Industries in Lagos State Nigeria. *International Journal of Business and Economics Research*, 11(1), 1. <https://doi.org/10.11648/j.ijber.20221101.11>
30. OECD Secretary General. (2020). *Covid-19: SME Policy Responses*. March, 1–55.
31. Pozo, H., Akabane, G. K., & Tachizava, T. (2019). Innovation and technology processes in micro and small business. *Cogent Business and Management*, 6(1). <https://doi.org/10.1080/23311975.2019.1588088>
32. Rajapathirana, R. P. J., & Hui, Y. (2018). Relationship between innovation capability, innovation type, and firm performance. *Journal of Innovation and Knowledge*, 3(1), 44–55. <https://doi.org/10.1016/j.jik.2017.06.002>
33. Respatiningsih, H., Arini, A., & Kurniawan, B. (2020). Kemampuan Adaptasi UMKM di Era Revolusi Industri 4.0. *SEGMENT Jurnal Manajemen Dan Bisnis*, 16(2), 99–113.
<http://akuntansiperpajakan.unw.ac.id/assets/images/penelitian/Bayu.pdf>
34. Rinova, D., Oktaviannur, M., Lestari, B., & Efendi, N. (2019). Marketing Strategy Determination of Lampung Typical Batik in Micro Small Medium Enterprises in Bandar Lampung City by using SWOT Analysis. *Review of Integrative Business and Economics Research*, 8(2), 244. <https://search.proquest.com/docview/2159640951?accountid=17242>
35. Rodríguez, A. J. G., Barón, N. J., & Martínez, J. M. G. (2020). Validity of dynamic capabilities in the operation based on new sustainability narratives on nature tourism SMEs and clusters. *Sustainability (Switzerland)*, 12(3). <https://doi.org/10.3390/su12031004>
36. Sahoo, P., & Ashwani. (2020). COVID-19 and Indian Economy: Impact on Growth, Manufacturing, Trade and MSME Sector. *Global Business Review*, 21(5), 1159–1183. <https://doi.org/10.1177/0972150920945687>
37. Singh, H. (2018). Marketing Management. In *Essentials of Management for Healthcare Professionals*. <https://doi.org/10.4324/9781315099200-17>
38. Soto-Acosta, P., Cismaru, D. M., Vătămănescu, E. M., & Ciochină, R. S. (2016). Sustainable entrepreneurship in SMEs: A business performance perspective. *Sustainability (Switzerland)*, 8(4), 1–12. <https://doi.org/10.3390/su8040342>
39. Susanti, A., Soemitro, R. A. A., Suprayitno, H., & Ratnasari, V. (2019). Searching the Appropriate Minimum Sample Size Calculation Method for Commuter Train Passenger Travel Behavior Survey. *Journal of Infrastructure & Facility Asset Management*, 1(1), 47–60. <https://doi.org/10.12962/jifam.v1i1.5232>
40. Taherdoost, Hamed. (2018). Sampling Methods in Research Methodology; How to Choose a Sampling Technique for Research. *SSRN Electronic Journal*, September. <https://doi.org/10.2139/ssrn.3205035>
41. Taherdoost, Hameed. (2016). Sampling Methods in Research Methodology ; How to Choose a Sampling Technique for Research Hamed Taherdoost To cite this version : HAL Id : hal-02546796 Sampling Methods in Research Methodology ; How to Choose a Sampling Technique for. *International Journal of Academic Research in Management (IJARM)*, 5(2), 18–27.
42. Tarigan, Z. J. H., & Siagian, H. (2020). The Effect of Enterprise Resource Planning Sustainability on Operational Performance through Planning and Control. *International Journal of E-Education, e-Business, e-Management and e-Learning*, 10(1), 86–94. <https://doi.org/10.17706/ijeeee.2020.10.1.86-94>
43. Tuma, Z. (2021). Corporate Governance of Financial Stability. *Finance a Uver - Czech Journal of Economics and Finance*, 71(4), 268–281. <https://doi.org/10.32065/CJEF.2021.04.01>
44. Valminen, T. (2019). *IMPROVING LARGE AND ESTABLISHED INDUSTRIAL ORGANIZATIONS' INNOVATION CAPABILITY THROUGH INNOVATION BARRIERS AND INNOVATION CULTURE A Structural Equation Modeling approach*. www.aalto.fi
45. Verdu-Jover, A. J., Alos-Simo, L., & Gomez-Gras, J. M. (2018). Adaptive culture and product/service innovation outcomes. *European Management Journal*, 36(3), 330–340. <https://doi.org/10.1016/j.emj.2017.07.004>
46. Widagda, I. G. N. A. J., Kerti Yasa, N. N., mia, S., & Saputra, K. L. (2020). The Model Development of Business Strategy of Sme Restaurant Industry During The Covid 19 Pandemic: A Conceptual Model. *International Journal of Economics and Management Studies*, 7(10), 39–44. <https://doi.org/10.14445/23939125/ijems-v7i10p107>
47. Yani, A., Eliyana, A., Hamidah, Sudiarditha, I. K. R., & Buchdadi, A. D. (2020). The impact of social capital, entrepreneurial competence on business performance: An empirical study of SMEs. *Systematic Reviews in Pharmacy*, 11(9), 779–787. <https://doi.org/10.31838/srp.2020.9.110>