

A Comprehensive Study on the Role of Universities in the Empowerment of Micro Small and Medium Enterprises

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Abstract. This paper aims to present an overview of the status of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. It investigates the potential role of local universities in bolstering the Indonesian economy. The researcher employs a qualitative approach, incorporating the review of scholarly works and related materials, organizing focus group discussions to collect feedback for structuring the research report, and adopting subjective methods to examine existing data and resources. The study reveals that MSMEs in Indonesia are seeking financial aid from the government. For future studies, the researcher recommends a detailed analysis of government initiatives designed to support MSMEs in Indonesia.

Keywords: Higher Education Institution, Guidance, Small Enterprises, The Archipelago Nation

1 Introduction

Theoretical Background Regarding the Role of Universities Empowering Micro, Small, and Medium Enterprises (MSMEs) Empowering Micro, Small, and Medium Enterprises (MSMEs) in Indonesia is an important initiative that aims to support the growth of small businesses in the country. They can be understood from several points of view as follows:

One of Indonesia's most strategic efforts to solve poverty problems is empowering MSMEs. The LIPI Iptekda Empowerment Program—Application and Utilization of Science and Technology in Indonesian Institute of Science (LIPI) Regions—Technology Program for Indonesian Institute of Science Regions proposes a new social entrepreneurship approach to overcome this problem. As centers of science and research, universities can be essential in empowering MSMEs. They can provide these companies with the necessary skills, knowledge, and technology, thereby increasing their competitiveness [1].

Therefore, a comprehensive study of this theme will involve understanding these challenges and exploring potential solutions. According to research conducted by The Hong Kong and Shanghai Banking Corporation (HSBC), small enterprises in Indonesia hold a positive outlook

for their future growth. Approximately 64% of small enterprise owners in Indonesia are boosting their investments in business development, while 44% are broadening their operations. The small enterprises act as a vital indicator of the nation's economic well-being. Small, medium, and micro enterprises (SMMEs) play a crucial role in Indonesia's economy, representing 98.68% of all businesses in the country. Around 64 million of these enterprises employ 97% of the workforce, which amounts to roughly 116.9 million individuals [2].

The government has set a target of 24 million more MSMEs to gain digital access in 2023. A report by The World Economic Forum The COVID-19 pandemic has hastened the digital transformation of businesses, but it has also exacerbated the digital divide in Indonesia. To address the struggles of Micro, Small, and Medium Enterprises (MSMEs), a new platform has been introduced to provide support. Small and medium enterprises (SMEs) exhibit limited innovation but possess a considerable ability to adapt. The primary sector leading this adaptation is the creative processing industry due to its low replication competition and potential to become a signature product. However, SMEs face several challenges in achieving competitive superiority, such as market expansion, access to financial services, and a lack of skilled human resources. In summary, SMEs grapple with issues related to marketing, capital, innovation, the adoption of information technology, use of standard materials, production tools, workforce absorption, and strategic business development planning [3]. In summary, SMEs grapple with issues related to marketing, capital, innovation, the adoption of information technology, use of standard materials, production tools, workforce absorption, and strategic business development planning.

Table 1. According to a survey WVI, conducted from May 12 to 18, 2020, with 900 households and 943 children across nine provinces in Indonesia, the data spans rural (88.1%), semi-urban (4.1%), and urban (7.8%) areas.

Table 1. Survey Wahana Visi Indonesia (WVI)

Survey Conducted By	Date	Households Surveyed	Children Surveyed	Provinces Covered	Rural Areas	Semi-urban Areas	Urban Areas
Wahana Visi Indonesia (WVI)	May 12-18, 2020	900	943	9	88.1%	4.1%	7.8%

According research by [4] that Micro, Small, and Medium Enterprises (MSMEs) affected by the pandemic urgently require assistance from external sources, including the government, private sector, and non-profit organizations. The study identifies that the most critical support needed by MSMEs is financial assistance (44%) and marketing help (16%) for their products and services. Furthermore, businesses seek aid in accessing production resources (9%) and improving their business knowledge and skills (4.90%).

2 Method

According to [5] qualitative Inquiry, explain approaches, qualitative methods related with this study, is a qualitative approach, review of Scholarly Works and Related Materials: This involves examining existing literature and resources to provide a comprehensive understanding of the current state of MSMEs in Indonesia. Qualitative research is well-suited for this type of in-depth review and synthesis. Stated that qualitative Inquiry, explain approaches, qualitative methods related with this study, is a qualitative approach, review of Scholarly Works and Related Materials: The involves examining existing literature and resources to provide a comprehensive understanding of the current state of MSMEs in Indonesia. Qualitative research is well-suited for this type of in-depth review and synthesis.

Focus Group Discussions: Organizing discussions with relevant stakeholders allows for the collection of diverse perspectives and feedback. This method is effective for gathering nuanced insights that can shape the structure and direction of the research report.

Subjective Methods: The use of subjective approaches to review existing data and resources enables the researcher to interpret the data within the context of the study. This approach allows for a deeper exploration of the experiences and perceptions of MSMEs. Exploring the Role of Local Universities: Investigating how local universities can support the Indonesian economy involves understanding complex social dynamics and institutional interactions, which are best explored through qualitative methods [6].

3 Results and Discussion

Research Questions:

Are the universities able to assist the Micro, Small, and Medium Enterprises (MSMEs)?
Universities can provide significant assistance to Small and Medium Enterprises (MSMEs).

1. Knowledge Transfer: Universities are centers of knowledge and innovation. They can provide the latest research and development to MSMEs in their fields, helping them stay competitive.
2. Talent Acquisition: Universities, with their talented students and graduates, are looking for opportunities. MSMEs can benefit from this pool of talent to advance their businesses.
3. Collaborative Projects: Universities and MSMEs can collaborate on projects, allowing MSMEs to take advantage of university resources and expertise.
4. Training and Development: Universities can provide customized training programs tailored to the needs of MSMEs, helping them develop their workforce.
5. Networking Opportunities: [7] They provide knowledge and resources and actively participate in public service to educate and support these enterprises. If small and medium-sized enterprises (SMEs) decide to accept support, what forms of assistance are most critical? Data on reported obstacles has been utilized in empirical research on businesses in developing countries, but it comes with certain limitations. In various independent surveys on challenges, the phrasing of questions can differ, affecting how the results are interpreted. More crucially, many businesses may lack a comprehensive understanding of the market or their own growth potential to identify the true issues impeding their

operations. The fact that Indonesian MSMEs possess significant potential for resilience during crises does not necessarily translate into productive capabilities. Additionally, several factors contribute to the relatively low profile of Indonesian MSMEs; these include challenges in competing in the global market and findings from assessments of the obstacles they face [8].

1. Competitive pressures
2. Difficulty accessing funding
3. High energy costs
4. Technological issues
5. Inefficient production expenses
6. Financial constraints
7. Management capabilities
8. Limitations in the sales process
9. Access to raw materials

The majority of SMEs believe that the government needs to take more targeted actions to address these challenges, such as improving security standards, creating supportive programs, implementing effective financial policies, adopting rational energy policies, evaluating sustainability performance, committing to anti-corruption measures, and supporting programs tailored to the needs of SMEs. The study can support government initiatives aimed at empowering small and medium enterprises (SMEs), establishing them as crucial components of Indonesia's economy.

If small and medium enterprises (MSMEs) decline to receive assistance, what challenges arise in offering support from universities to MSMEs? Micro, Small, and Medium Enterprises (MSMEs), also known as small businesses, encounter various challenges. Micro, Small, and Medium Enterprises (MSMEs), also known as small businesses, encounter various challenges. Potential obstacles that can influence their willingness or ability to accept help, especially from universities or educational institutions. Here are the main challenges: 1) Quality and Human Resources: The quality of products or services offered by MSMEs and the skills of their workforce are crucial to their success. If these aspects are not functioning as they should be, it can hinder the effectiveness of the assistance provided; 2) Capital: Adequate funding is significant for MSMEs to grow and expand their operations. Implementing changes or improvements suggested by university assistance may only be possible with sufficient capital; 3) Infrastructure and Technology: A lack of adequate infrastructure and technology can also pose significant obstacles for MSMEs. This includes physical infrastructure and the necessary technology for modern business operations; 4) Perception of Benefits: MSMEs may only be able to adopt a new strategy or tool if they see clear benefits. This is especially applicable to digital tools or e-commerce platforms; 5) Digital Transformation: The era of digital reform presents its challenges. These obstacles highlight the importance of tailoring assistance to each MSME's needs and circumstances. It is also essential for any aid program to include steps to overcome these challenges.

4. Conclusion

Universities have the potential to play a vital role in supporting Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. They can significantly contribute through various means such as knowledge transfer, talent acquisition, collaborative projects, training and development, and providing networking opportunities. The Department of Public Administration at the University of Indonesia's proposed social entrepreneurship approach exemplifies how universities can combine market mechanisms and social welfare to address MSMEs' challenges.

MSMEs face numerous obstacles, including competitive pressures, limited access to financing, high energy costs, technological issues, inefficient production expenses, financial constraints, management capabilities, sales process limitations, and difficulty in obtaining raw materials. These challenges highlight the critical areas where government intervention and university support are necessary.

If MSMEs choose to accept assistance, the most critical forms include financial aid, marketing support, access to production resources, and enhancing business knowledge and skills. However, the acceptance and effectiveness of this assistance are influenced by factors such as the quality of human resources, available capital, infrastructure and technology, perception of benefits, and readiness for digital transformation. For MSMEs that decline assistance, challenges arise from the quality of their products and services, capital adequacy, infrastructure and technology, perceived benefits, and digital transformation needs. Tailoring support programs to address these specific challenges is essential for the successful empowerment and development of MSMEs. The study underscores the importance of targeted and collaborative efforts by universities, the government, and other external parties in empowering MSMEs. By addressing these obstacles and leveraging available resources, MSMEs can become a cornerstone of Indonesia's economy, fostering sustainable growth and development.

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