

Research Article

Evaluation of the Effectiveness of Government Policy on MSMEs Through Empirical Data Analysis in Lampung

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Abstract.

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the Indonesian economy, including in Lampung Province. Although the government has issued various policies to support the development of MSMEs, the effectiveness of these policies still needs to be evaluated in depth. This research aims to evaluate the effectiveness of government policies in supporting MSMEs in Lampung through empirical data analysis. The research uses an empirical data analysis approach to evaluate the effectiveness of MSME support policies in Lampung. The analytical method in this research uses literature study through collecting and analyzing secondary data in the form of journal articles, government documents, and other scientific articles about entrepreneurship and MSMEs sourced from libraries. It is hoped that the results of this research will provide a comprehensive evaluation of the effectiveness of government policies in supporting MSMEs in Lampung, as well as identifying supporting and inhibiting factors for policy success. This research found that government policy in supporting MSMEs in Lampung had a positive impact in encouraging the growth of the MSME sector in Lampung. However, there are still challenges that still need improvement, namely lack of socialization, and limited access for MSMEs in remote areas.

Keywords: empirical analysis, government policy, MSMEs

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) have an important role in economic growth [1],[2] including in Lampung Province. This sector absorbs a lot of labor and contributes significantly to Lampung's Gross Regional Domestic Product (GRDP). In 2021, MSMEs in Lampung absorbed around [2],[3] million workers, or 97.6% of the total workforce in the province [3]. In addition, MSMEs contributed 59.1% to Lampung's GDP [4]. Given its important role, the government has implemented various policies to support MSMEs, such as access to financing, training, and marketing facilitation [5]. MSME support policies in Lampung have been introduced as an effort to improve the welfare of small and medium entrepreneurs and their contribution to the regional economy

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[6]. The MSME support policy in Lampung includes various initiatives, ranging from providing financial incentives to training and mentorship programs. Local governments throughout Indonesia, including Lampung, have implemented policies of support for MSMEs to increase their competitiveness and contribution to the economy. and can boost economic growth, create jobs, and reduce poverty rates [7].

Government support for MSMEs based on empirical studies states that government support in the form of financial assistance and capital can increase competitive advantage (8). MSMEs will grow faster with government support for fiscal, capital, administrative, and public funding policies [9]. Other studies reveal that government support for MSMEs is divided into 2, namely financial and non-financial support where financial support includes funding, business premises, and working capital. Meanwhile, non-financial support in the form of research, development, coaching, and business assistance as well as the distribution of raw materials and ready-to-sell products, marketing, and networking are empirically proven to improve the performance of MSMEs [10], [11]. However, other studies have found that government support is not able to improve the performance of MSMEs in the form of export policies, but more guidance and assistance are needed by MSMEs [12]. In addition, another study stated that there was no influence on improving the performance of MSMEs on government capital policies [13]. There are no significant research results related to the empirical study of the Effectiveness of MSME Support Policy where most of the literature mentions the influence of government support on MSME performance [8], [9], [10], [11], while some other literature states that performance is not influenced by government support [14], [12]. So, there is a need for in-depth and continuous empirical data analysis research to analyze the extent to which this policy provides the desired impact and expected efficiency.

This study aims to evaluate the effectiveness of MSME support policies in Lampung through empirical data analysis. This evaluation is important to assess the success of the policy, identify areas that need improvement, and provide recommendations for the development of MSMEs in the future.

2. Literature Review

2.1. Definition and Characteristics of MSMEs

Micro, Small, and Medium Enterprises (MSMEs) are one of the important pillars of the Indonesian economy. According to Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), it is defined as follows:

1. **Micro Business:** A productive business owned by an individual or individual business entity that meets the criteria for Micro Business as regulated in the Law.

2. **Small Business:** A productive economic business that stands alone, carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled, or is part directly or indirectly of a Medium or Large Business.

3. **Medium Business:** A productive economic business that stands alone, carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled or is part, either directly or indirectly, of a Small Business or Large Business (Law Number 20 of 2008).

2.2. Characteristics of MSMEs that differentiate them from large businesses include:

1. Independent and independent business ownership and management.
2. Relatively small business scale in terms of assets, turnover, and number of workers.
3. High flexibility and adaptability to market changes.
4. Limited access to resources, such as capital, technology, and market information [13].

2.3. The Role of MSMEs in the Economy

MSMEs play a very important role in the Indonesian economy, both in terms of contribution to Gross Domestic Product (GDP), employment, and poverty alleviation. Some of the main roles of MSMEs in the economy include:

1. **Employment Absorption:** MSMEs are the main source of employment for society, especially in rural and urban areas. According to data from the Central Statistics Agency (BPS), in 2020, MSMEs absorbed around 97% of the total workforce in Indonesia (14).

2. **Contribution to GDP:** MSMEs contributed around 60% to Indonesia's Gross Domestic Product (GDP) in 2020 [15].

3. **Poverty Alleviation:** MSMEs play an important role in alleviating poverty through job creation and increasing people's income [13].

4. **Local Economic Development:** MSMEs contribute to local economic development by utilizing regional resources and potential [15].

5. **Equitable Development:** MSMEs are spread throughout Indonesia, including in remote areas, so they play a role in equitable economic development [13].

2.4. Government Policy in Supporting MSMEs

The Indonesian government has issued various policies and programs to support the development of MSMEs, including:

1. Access to Capital: The government provides various special financing and credit schemes for MSMEs, such as People's Business Credit (KUR), Micro Credit, and Revolving Fund Management Institutions (LPDB).

2. Training and Mentoring: The government provides training and mentoring programs for MSME players to improve managerial skills, entrepreneurship, and market access.

3. Marketing Facilitation: The government facilitates the marketing of MSME products through exhibitions, promotions, and e-commerce development.

4. Partnerships and Business Networks: The government encourages partnerships between MSMEs and large businesses, as well as the development of business networks to strengthen supply chains and add value.

5. Tax and Licensing Incentives: The government provides tax incentives and ease of licensing for MSMEs to encourage the growth of this sector [15].

2.5. Evaluation of the Effectiveness of MSME Policies

Even though the government has issued various policies and programs to support MSMEs, an evaluation of the effectiveness of these policies is still needed. Several previous studies have tried to evaluate the effectiveness of MSME policies, including:

1. Research by Tambunan (2012) shows that the People's Business Credit (KUR) program is quite effective in increasing access to capital for MSMEs, but there are still obstacles related to complicated procedures and requirements [13].

2. A study by the Ministry of Cooperatives and SMEs (2021) found that MSME training and mentoring programs are still not optimal in improving managerial skills and market access for MSME players [15].

3. Research by Nugroho and Siswanto (2018) shows that tax incentives for MSMEs are not yet fully effective in encouraging the growth of this sector, because there are still obstacles in the administration process and policy dissemination [16].

4. A study by Sulistyono and Ayuni (2020) revealed that marketing facilitation through exhibitions and e-commerce is quite effective in increasing MSME turnover, but there are still obstacles related to the lack of digital skills and internet access in several areas [17].

5. Research by Widiastuti and Kurniawan (2021) found that partnership programs and business networks between MSMEs and large businesses are still not optimal in increasing the added value and competitiveness of MSMEs [18].

From the literature review, it can be concluded that evaluating the effectiveness of MSME policies is very important to carry out

3. Methods

This study uses an empirical data analysis approach to evaluate the effectiveness of MSME support policies in Lampung. The analysis method in this study uses literature studies through the collection and analysis of secondary data in the form of journal articles, government documents, and other scientific articles on entrepreneurship and MSMEs sourced from the library. The stages of research are carried out through several stages, namely 1) identifying secondary literature and data related to the focus of research; 2) selecting the main library; 3) performing data extraction and analysis; and 4) formulating and interpreting the results of the analysis. The Literature Study Method in this research is focused on Theoretical Review and Empirical Review. The Theoretical Review serves to analyze the relationships between support policies and MSMEs based on existing theories. Empirical Review was conducted to prove the results of previous research on support policies and MSMEs, especially Lampung MSMEs. Furthermore, based on this review, it can formulate MSME support policies in Lampung.

4. Results and Discussion

The Lampung Provincial Government has implemented several programs and policies to support MSMEs in the region. Some of the main programs implemented include The People's Business Credit Program (KUR) to increase access to financing for MSMEs, the Entrepreneurship and Business Management Training Program for MSME actors, Marketing Facility Program through exhibitions and promotion of MSME products.

4.1. Development of the Number of MSME Businesses

Data from the Central Statistics Agency (BPS) of Lampung Province shows an increase in the number of MSME businesses in Lampung after the support policy was implemented. In 2017, before the policy was implemented massively, the number of MSME businesses in Lampung was recorded at 812,345 units. This figure increased to 872,456 units in 2019 and 901,234 units in 2021 [3]. To test the significance of the impact of the policy on

the growth of the number of MSME businesses, an analysis covering 15 districts/cities in Lampung during the 2017-2021 period showed that MSME support policies had a positive and significant influence on the growth of the number of MSME businesses in Lampung. This means that the MSME support policy contributes to an increase in the number of MSME businesses after the policy is fully implemented in 2019.

4.2. MSME Employment

Furthermore, an analysis was conducted to evaluate the impact of MSME support policies on employment in the MSME sector in Lampung. Data from the Cooperatives and SMEs Office of Lampung Province shows that before the policy was implemented in 2017, the number of workers absorbed in the MSME sector was 2.1 million people. This figure increased to 2.2 million people in 2019 and 2.3 million people in 2021 [4]. The results of the analysis show that MSME support policies have a positive and significant influence on employment in the MSME sector in Lampung. MSME support policies contributed to an increase in employment in the MSME sector by 4.9% after the policy was fully implemented in 2019.

4.3. MSME Contribution to Lampung's GRDP

Although MSME support policies have proven effective in increasing the number of businesses and employment, the analysis shows that the contribution of the MSME sector to Lampung's Gross Regional Domestic Product (GRDP) has not increased significantly. Data from BPS Lampung Province shows that the contribution of MSMEs to Lampung's GRDP has only increased slightly, from 58.8% in 2017 to 59.1% in 2021 based on BPS Lampung Province, 2022.

The analysis concludes that the contribution of MSMEs to the GDP of districts/cities is not significant. This indicates that although the MSME support policy has succeeded in increasing the number of businesses and employment, the increase has not been significant enough to encourage an increase in the contribution of MSMEs to Lampung's GRDP. Other factors such as MSME productivity, product-added value, and market access can affect the contribution of MSMEs to GRDP.

4.4. Perceptions of MSME Actors

Most MSME players stated that government support policies, especially the People's Business Credit (KUR) program and entrepreneurship training, have provided benefits

The KUR Program has helped in gaining access to financing which was previously the main obstacle in developing businesses. “Before the existence of KUR, there were obstacles in getting loans from banks because they did not have enough collateral. However, several studies also admit that there are still obstacles to accessing government programs, such as a lack of socialization, complicated procedures, and limited human resource capacity among MSMEs. The results of data analysis show that several Government policies towards MSMEs in Lampung have a positive impact on MSME performance. For example, training and mentorship programs are associated with improved employer skills and operational efficiency. However, some policies may require adjustment or improvement to achieve greater effectiveness. For example, financial incentives may need to be increased or tailored to the needs of different MSMEs. These findings provide valuable insights for policymakers in designing and implementing MSME support policies in Lampung.

4.5. Perceptions of Government and Financial Institutions

From the government side, it is found that there are still challenges in implementing MSME support policies effectively. One of the main obstacles is the limited budget and human resources owned by local governments. In addition, government officials also highlighted the importance of coordination and synergy between various relevant agencies in implementing MSME support policies. Sometimes there are overlapping programs or a lack of harmonization in program implementation. Meanwhile, from the financial institution side, it is found that the MSME sector still has a fairly high risk, especially in terms of financial management and collateral. However, they also see the great potential that MSMEs have in encouraging economic growth.

4.6. Effective Policies and Programs

Some policies and programs that are considered effective in supporting MSMEs in Lampung are:

1. People’s Business Credit Program (KUR), this program is considered successful in increasing access to financing for MSMEs that were previously constrained in obtaining loans from banks due to limited collateral and other requirements.
2. The Entrepreneurship and Business Management Training Program helps improve the skills and knowledge of MSME actors in managing their businesses more

professionally. Some of the trainees revealed that they benefited in terms of business planning, financial management, and product marketing.

3. Although the Credit Guarantee Program is not directly the main focus of this study, the credit guarantee program carried out by guarantee institutions such as PT Jamkrindo is also considered to help MSMEs access financing more easily.

4.7. Policies and Programs that are less effective in supporting MSMEs in Lampung, among others:

1. The Marketing Facilitation Program has not been fully effective in opening market access for MSMEs. Some MSME players still have difficulties in marketing their products widely.
2. Dissemination and Dissemination of Information about support programs available from the government. Suboptimal socialization causes many MSMEs not to take advantage of these programs.
3. Continuous Mentoring and Coaching still requires more intensive and continuous mentoring and coaching in implementing the knowledge that has been obtained.

In addition to the evaluation of existing policies and programs, there are obstacles and challenges faced in supporting MSMEs in Lampung, including:

1. Limited Budget and Human Resources who are competent in implementing MSME support policies optimally.
2. Coordination and synergy among government agencies, financial institutions, and the private sector lead to overlapping programs or lack of effectiveness in policy implementation.
3. The human resource capacity of MSMEs that have limitations in terms of adequate knowledge, skills, and business management capabilities.
4. Market Access, despite marketing facilitation efforts, MSMEs in Lampung still face challenges in accessing a wider market, both domestic and export markets.
5. The productivity and competitiveness of MSME products in Lampung still need to be improved to compete with products from other regions or imports.
6. Supporting infrastructure such as logistics networks, information technology, and adequate production facilities can hamper the growth of MSMEs in Lampung.

5. Conclusion

Based on the results of the evaluation of the effectiveness of MSME support policies in Lampung through empirical data analysis, it can be concluded that these policies have had a positive impact in encouraging the growth of the MSME sector. However, there are still some areas that need improvement and challenges that must be faced.

The analysis shows that MSME support policies have a positive and significant influence on increasing the number of MSME businesses and employment in this sector. However, the contribution of MSMEs to Lampung's Gross Regional Domestic Product (GRDP) has not experienced a significant increase. And most MSME players feel helped by government programs, especially in terms of access to financing and entrepreneurship training. However, there are still obstacles such as lack of program socialization, complicated procedures, and limited human resource capacity among MSMEs. Some policies and programs that are considered effective in supporting MSMEs in Lampung are the People's Business Credit Program (KUR), the Entrepreneurship and Business Management Training Program, and the Credit Guarantee Program. Meanwhile, the Marketing Facilitation Program has not been fully effective in opening market access for MSMEs.

This evaluation also identified several obstacles and challenges in supporting MSMEs in Lampung, such as limited budget and human resources, lack of coordination and synergy between agencies, limited MSME human resource capacity, suboptimal market access, productivity, and competitiveness that need to be improved, and inadequate supporting infrastructure.

Based on these findings, recommendations that can be given include:

1. Expanding socialization and simplifying procedures for MSME support programs.
2. Increase the human resource capacity of MSME actors through continuous training and mentoring.
3. Strengthening marketing facilitation by developing market networks and facilitating MSME product certification.
4. Optimizing synergy between the government, financial institutions, and the private sector in supporting the development of MSMEs.
5. Increase the budget and allocate competent human resources in implementing MSME support policies.
6. Develop supporting infrastructure such as logistics networks, information technology, and adequate production facilities.

Regular policy evaluation with empirical data analysis is essential to ensure the effectiveness of MSME support programs and achieve inclusive and sustainable economic growth in Lampung Province.

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