Analysis of government policy on the development and empowerment of MSMEs through the lens of latest literature

Kartani¹*, Hayat², and Suyeno³
¹Universitas Islam Malang, Malang, Indonesia, email: anangkartani99@gmail.com
²Universitas Islam Malang, Malang, Indonesia, email: hayat@unisma.ac.id
³Universitas Islam Malang, Malang, Indonesia, email: suyeno@unisma.ac.id
*Corresponding author

ABSTRACT
This article explores the implementation of public policies regarding Micro, Small, and Medium Enterprises (MSMEs) with a focus on government collaboration with MSME stakeholders, mentoring programs, poverty alleviation, implementation effectiveness, and policy recommendations. The analysis encompasses several related studies that highlight government efforts to enhance community welfare through MSME development. Collaboration and synergy between the government and MSME stakeholders form the foundation of policies, emphasizing the significance of this collaboration in improving the economic conditions of MSME stakeholders. Additionally, MSME mentoring programs by the government become crucial elements to ensure sustainable development, although further improvements are needed. Efforts to alleviate poverty through MSME empowerment underscore the need for careful consideration of the strengths and strategies of actors involved in policy implementation. Evaluates the effectiveness and suitability of policy implementation, highlighting the importance of effective communication and optimal coordination in policy execution. Policy recommendations involve consistent budget allocation for MSMEs, bureaucracy acceleration, and broader collaboration with the private sector. This analysis demonstrates the complexity of public policy implementation for MSMEs and emphasizes the need for concrete steps to enhance its effectiveness.

Keywords: public policy; government collaboration; poverty alleviation

INTRODUCTION
Government Regulation number 7 of 2021 concerning convenience, protection, empowerment of cooperatives and Micro, Small and Medium Enterprises. Through this
regulation, the central and regional governments provide attention through guidance and providing facilities. Apart from that, there are provisions regarding the obligations of ministries/institutions and regional governments, BUMN, BUMD, and private business entities to provide places for the promotion and development of MSMEs on public infrastructure. In the context of policy analysis of Government Regulations on MSMEs, Government Regulation number 7 of 2021 is a relevant legal basis in an effort to provide convenience, protection and empowerment for MSMEs.

The importance of emphasizing the development and empowerment of micro, small and medium enterprises (MSMEs) as a crucial element in the global economy. Data from the Ministry of Cooperatives and Small and Medium Enterprises shows that MSMEs make a significant contribution, reaching 99% of total business units, contributing 60.5% to gross domestic product (GDP), and absorbing 96.9% of the workforce.

Article 97 of the Job Creation Law requires the Central Government and Regional Governments to allocate a minimum of 40% of MSME products/services from domestic production in the procurement of Government goods/services. Several policies that have been implemented to empower MSMEs include: (a) Infrastructure Development: Adequate infrastructure, including digital connectivity such as the Palapa Ring Satellite and Base Transceiver Station, is expected to increase operational efficiency and market reach of MSMEs; (b) Financing Program: Through the KUR program and Ultra Micro financing, the government provides support to around 18 million MSMEs that do not yet have access to formal financing as well as 46 million MSMEs that need additional financing; (c) Digitalization of MSMEs: Digitalization is expected to provide benefits such as operational efficiency, increased productivity, market expansion and increased competitiveness. The target is that 40 million MSMEs will be digitalized by 2024; (d) Synergy and Coordination: Increasing synergy with the public, academic and private sectors, including the development of sharia financial schemes, is considered very important in increasing the empowerment of MSMEs (Side et al., 2021).

Through the implementation of this policy, it is hoped that MSMEs in Indonesia can be more empowered, increase income, create jobs, and make a positive contribution to national and regional economic growth (Ariyanti, 2023; Hidayat et al., 2022). Micro, Small and Medium Enterprises (MSMEs) are not just elements of the economy, but vital pillars in the balance and sustainability of the economy. As the backbone of the economy in many countries, MSMEs have a major impact on labor absorption, economic growth and poverty mitigation (Antu et al., 2021). Government and international institutions consistently recognize the strategic contribution of MSMEs, encouraging programs of assistance, training and financial support. MSMEs, with their characteristics involving small scale, individual or small group ownership, and relatively limited capital, are present in various economic sectors such as trade, services, agriculture and manufacturing. Despite being a strong economic force, the MSME sector is not free from challenges (Nugraha, 2013).

Complex regulations, difficulties in accessing finance from formal institutions, and limited resources, such as skilled labor and capital, color the journey of MSMEs. Intense competition with larger businesses further adds to the complex dynamics of this sector. However, in an effort to provide sustainable support, the role of government policy is becoming the center of attention. Policies that are not well targeted can become serious obstacles to the development of MSMEs. Regulations that are too complicated and bureaucratic can harm MSMEs’ ability to meet requirements and obtain assistance (Dianingratri & Munandar, 2023).

Another problem involves limited government resources to provide support and assistance to MSMEs. Inconsistent or changing policies can disrupt business stability and
make long-term planning difficult (Astuti et al., 2020). The absence of adequate evaluation and monitoring of government policies can also reduce the effectiveness of programs and support for MSMEs. In understanding this problem, an in-depth analysis of the condition of MSMEs is essential (Kusnadi et al., 2020). From complex regulations to limited financial access, every aspect must be considered carefully. Good evaluation and monitoring is the key to ensuring that government policies provide real benefits for MSMEs.

Simultaneously, government policies that support increasing the competitiveness of MSMEs involve various aspects. Research and development support is crucial, along with promotion of local products. Regulations related to taxation, business licensing and the environment need to be considered as an integral part of government policy. In overcoming limited resources, credit assistance programs and support from the government and coaching support are important. Training and skills development, together with business capital support programs, can provide concrete solutions to the obstacles faced by MSMEs (Buchori, 2020).

The effectiveness of government policies in empowerment and development (MSMEs) through a review of the latest literature, using the Systematic Literature Review (SLR) approach is research that discusses certain topics. In this policy analysis, (SLR) is used to investigate certain topics with a focus on a single issue that have been identified in a planned manner. Journal evaluation and identification is carried out systematically, taking into account previously established criteria, and is based on evidence from research that is considered high quality and relevant (Aprilia et al., 2022).

The SLR method was chosen because it allows researchers to review and identify journals systematically, follow predetermined steps, and avoid subjective assessments. It is hoped that the results of this identification can provide additional literature on the application of the SLR method in the journal identification process (Side et al., 2021).

It is hoped that the contribution from the results of this identification will enrich the literature regarding the use of the SLR method in the context of analyzing government policies towards MSMEs, providing a more in-depth view of the effectiveness of the policies that have been implemented. This is a key element in ensuring continuity and success. Good financial management, human resource management, production, marketing, and business strategy are all integral parts of effective management. The government must ensure that government policies support good management of MSMEs to improve business performance and competitiveness. With a deep understanding of the challenges and potential of MSMEs, government policies can be designed and implemented more effectively. A holistic approach to government policy towards MSMEs is key to ensuring sustainable growth, job creation and maximum contribution to the economy.

**METHOD**

The preparation of this article was preceded by a literature review of research articles with a focus on "Analysis of Government Policy towards MSMEs". The evaluation method used involves certain steps to ensure the quality and relevance of the information presented (Sugiyono, 2018).

**Determining Research Questions;** the research question underlying the literature review is "Analysis of Government Policy towards MSMEs," providing the basis for determining the scope and focus of the review. **Selection of Keywords and Sources;** Article searches were carried out via Google Scholar with specific keywords, covering dimensions of government policy and MSMEs. This aims to identify relevant and current literature. **Article Selection Criteria;** the articles used in the review met several criteria, including: Administered over the last five years, namely from 2020 to 2023. The journal has a title and content that is appropriate to the research objectives. Full text available to ensure full access.
to information, demonstrates significant relevance to the MSME context. Exclusion Criteria; Articles that do not have a complete structure or are in the form of a review are not included in this review. This exclusion is carried out to ensure that the literature used has substance and high quality. Data retrieval; the data taken from each article covers important aspects related to government policy towards MSMEs. This information is analyzed to support the discussion and findings in this paper.

Through this approach, this literature review aims to provide an in-depth analysis of government policies towards MSMEs, by ensuring that the literature used is quality, relevant and in accordance with the research objectives. This approach also ensures the up-to-dateness of research results and the up-to-dateness of database retrieval, supporting a meaningful contribution to the understanding of the topics discussed.

RESULT AND DISCUSSION

The influence of regulations and bureaucracy on the development of MSMEs

Complex and complicated bureaucracy can be an obstacle for MSMEs to fulfill requirements and obtain assistance. Apart from that, regulations that are not on target can be detrimental. Regulations and bureaucracy have a significant influence on MSMEs. Regulations that enable MSMEs to develop. Bureaucratic and regulatory reforms were carried out to improve the system and facilitate MSME access to support and assistance. Simplification of regulations is carried out through the Job Creation Law (Kusnadi et al., 2020). The Head of the National Legal Analysis and Evaluation Center at the Ministry of Law and Human Rights, Yunan Hilmy, emphasized that one of the concrete steps to increase the empowerment and development of Micro, Small and Medium Enterprises (MSMEs) depends on regulations that support it. Even though Law Number 20 of 2008 concerning MSMEs is 15 years old, it is necessary to update the legal framework (Badan Pembinaan Hukum Nasional, 2024). Judging from its age, Law Number 20 of 2008 is already 15 years old and has many dynamics. BPHN of the Ministry of Law and Human Rights has carried out an analysis and evaluation in 2023 of the laws and regulations related to MSMEs through the National MSME Legal Analysis and Evaluation Working Group. This working group consists of members from the Ministry of Cooperatives and SMEs, the Coordinating Ministry for Economic Affairs, Bank Indonesia, and the Financial Services Authority. The initial findings from the Working Group show several crucial issues that are challenges in developing and empowering MSMEs (Widiasih & Suminar, 2015). These crucial issues include changes in MSME criteria, government assistance at both central and regional levels, the use of digital technology in MSME activities, as well as obstacles related to increasing competitiveness, limited human resources, product development, marketing, legal aspects, taxation, and the lack of competent MSME actors. Success in penetrating the export market is also a prominent issue that needs to be addressed.

In the framework of public policy analysis towards MSMEs, economic development theory is such as the stages of economic growth model Robert Solow used as a conceptual basis. This theory provides an understanding of the factors that play a role in economic growth and the role of economic agents, including MSMEs, in the development process. The Solow growth model is a framework used to measure the rate of economic growth of a country over a certain period of time, focusing on factors such as population, savings and technological progress. This model considers the relationship between economic inputs and the production of output, and identifies the costs per unit involved in production. This can be used to understand the role of MSMEs in economic development and how public policy can influence MSME growth (R. N. Sari, 2020).
Astuti et al. (2020) provides several policy recommendations that can become the basis for developing MSMEs. This includes determining the minimum nominal APBD allocation, accelerating bureaucratic processes, wider collaboration with the private sector, building special places for MSMEs, and making APBD allocations the main source of funding for the recovery and development of MSMEs. These recommendations provide a comprehensive framework to guide policy makers in designing government policy strategies that are sustainable and have a positive impact on MSMEs and the welfare of society as a whole. Implementation of government policy towards Micro, Small and Medium Enterprises (MSMEs) begins with a crucial step, namely the preparation of a clear and measurable action plan. This plan must be created before government policies are implemented to ensure the sustainability and effectiveness of the steps taken.

The following is a table for preparing a clear action plan for implementing government policies towards Micro, Small and Medium Enterprises (MSMEs) accompanied by relevant citation sources:

<table>
<thead>
<tr>
<th>Action plan</th>
<th>Citation</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify resources and time</td>
<td>According to Sastrywanto (2016) The preparation of an action plan for the growth and strengthening of MSMEs in Pasuruan Regency aims to overcome the problem of the unavailability of action plans capable of encouraging the birth of strong entrepreneurs and the low competitiveness and independence of MSMEs.</td>
<td>Action plans help in clearly identifying the resources required, including manpower, time, and assets that support policy implementation.</td>
</tr>
<tr>
<td>Ensuring Effectiveness</td>
<td>Article &quot;A Systematic Literature Review: Strategy for Development of Micro and Medium Enterprises (MSMEs) Through Improving the Quality of Human Resources&quot; by Hakam et al. (2023) discusses strategies for developing micro and medium enterprises (MSMEs) through improving the quality of human resources. The aim of this research is to determine effective and sustainable MSME development strategies.</td>
<td>A measurable plan helps ensure that each stage of implementation can be carried out effectively and efficiently, preventing potential obstacles or uncertainty in the policy implementation process.</td>
</tr>
<tr>
<td>Avoiding Ambiguity</td>
<td>Poluakan (2017) stated that to develop MSMEs, it is important to conduct surveys, observe and build relationships between fellow entrepreneurs. This emphasizes the importance of a clear action plan to avoid ambiguity and ensure a uniform understanding of the objectives and steps to be taken.</td>
<td>By having a clear action plan, ambiguity and different interpretations can be minimized, so that all parties involved have a uniform understanding regarding the goals and steps to be taken.</td>
</tr>
</tbody>
</table>

Table Source: author

Before implementing government policies to provide tax incentives to MSMEs, the government needs to design an action plan that includes steps such as identifying eligibility criteria, calculating incentives, and monitoring mechanisms. With a measurable action plan, the government can more easily allocate budgets, measure the impact of policies, and provide clear guidance to MSME players.

Support for the development and empowerment of MSMEs by the Government to improve product quality and increase MSME market access.

The importance of MSME development programs by local governments, as discussed by Kusnadi et al. (2020) emphasized that training for MSME players is an important element. Even though these programs have been implemented, there needs to be continuous improvement to ensure that this training is effective in encouraging the development of MSMEs. Ongoing support, regular evaluation, and adjustments to coaching programs will help maximize the positive impact.
Empowering and developing Micro, Small and Medium Enterprises (MSMEs) is the main focus of the Indonesian government's commitment to encouraging national economic growth. In line with this commitment, the government has designed a number of strategic policies to provide holistic support to MSMEs. The National Economic Recovery Program (PEN) is an important initiative in overcoming the economic impact caused by the COVID-19 pandemic, while the implementation of the Job Creation Law and its derivative regulations shows proactive steps in streamlining regulations and opening the door to investment. Meanwhile, the Proudly Made in Indonesia (BBI) program plays an important role in increasing exposure and appreciation of local products, providing a significant boost to the competitiveness of MSMEs in domestic and international markets. In its efforts to foster MSMEs, the government not only pays attention to the empowerment aspect through regulations, but also places special emphasis on financing as a fundamental pillar. Expanding access to financing is aimed at increasing the business capacity of MSMEs, ensuring that this sector has strong financial resilience. In addition, fiscal facilities and marketing support are also integrated into the development strategy to provide a conducive environment for the growth and development of MSMEs (Ramdhani & Ramdhani, 2017).

Technically, there are two things that must be paid attention to in improving production quality and increasing global market access; (1). Providing technical support is an important step in improving the quality of production and management of MSME businesses. Technical challenges often arise in MSME operational activities, such as production and management problems (R. N. Sari, 2020). Therefore, an inclusive approach is needed through technical training programs. The government can collaborate with educational institutions or training institutions to organize training that focuses on improving the technical skills of MSMEs. This includes aspects of efficient production, application of new technology, and better management, so that MSMEs can compete more effectively in an increasingly complex market. (2). Increasing market access is an important goal in government policy towards MSMEs. Policies that support market access open up opportunities for MSMEs to increase turnover and business growth. In this case, implementing promotional and incentive programs is key. The government can design local product promotion campaigns through various channels, including social media, exhibitions, or partnerships with well-known retail stores. Through this promotion, MSMEs can build a strong brand identity, increase consumer appeal, and explore market expansion opportunities.

Regular Monitoring and Evaluation

Evaluation is an inseparable aspect of the monitoring process and the two are closely related. Antu et al. (2021) states that evaluation has a role as an assessment of the progress of a program, as well as a planning and improvement tool. Monitoring, as explained by Dianingratri & Munandar (2023) is carried out to ensure conformity between program implementation and planning in order to achieve results in accordance with the stated objectives (Buchori, 2020).

In the context of monitoring implementation, (Widiasih & Suminar, 2015) indicates that the techniques used may vary according to the level of complexity of the element being monitored. This approach becomes relevant for evaluating the extent to which program objectives have been achieved and designing necessary improvements. In other words, evaluation and monitoring work together to measure progress, plan future steps, and provide a basis for improvement. This emphasizes the importance of monitoring as a vital instrument in ensuring conformity between plans and reality in achieving desired results. Monitoring and evaluation are critical aspects in assessing the effectiveness of government
policies towards MSMEs. It is important to carry out regular monitoring and evaluation to ensure that the policies implemented are running according to the action plan and achieving the expected goals. Collaboration between the government, related institutions and MSME players is key in ensuring this success. By involving related parties, including MSME associations and financial institutions, problems that arise during implementation can be identified. The results of this monitoring and evaluation become the basis for improving and adjusting policies so that they can provide maximum benefits for MSMEs and society as a whole. Description of Monitoring and Evaluation Carried Out So Far:

Obstacles and Opportunities: Even though the monitoring and evaluation process is carried out seriously, several obstacles may arise. One of the main obstacles is the lack of resources, both in terms of budget and manpower. An adequate monitoring and evaluation process requires a significant investment of resources, and a lack of budget support can hinder smooth implementation. Apart from that, involving related parties can also be an obstacle if there is no effective cooperation between the government, related institutions and MSME actors. However, these obstacles can be overcome by building stronger synergy between all relevant parties, including encouraging active participation from the private sector and civil society. Involving more parties can help expand the resources available for monitoring and evaluation. Improving communication and coordination between relevant institutions is also key to overcoming this obstacle.

Opportunities to Increase Added Value: Next steps to increase the added value of the monitoring and evaluation process involve strengthening collaboration and improving the quality of data collected. The government can consider using more sophisticated information technology and data management systems to increase the efficiency and accuracy of the monitoring process. In addition, more active involvement of the private sector, academics and non-governmental organizations in the evaluation process can bring diverse and comprehensive perspectives. Increasing the capacity of human resources involved in monitoring and evaluation is also a crucial step. Training and skills development will help improve data analysis capabilities and interpretation of results, so that the resulting policies are more relevant and effective. In addition, hearing directly from MSME actors through consultation and dialogue forums can provide valuable insight for improving policies that are more targeted.

By overcoming obstacles and taking advantage of these opportunities, monitoring and evaluation processes can become more effective, provide more accurate results, and support better policy improvements to support the sustainable growth and development of MSMEs.

Effectiveness and Suitability of Policy Implementation:

Study by I. P. Sari et al. (2023) emphasizes evaluation of the effectiveness and suitability of implementation of government policies towards MSMEs. Effective communication, optimizing bureaucracy, and matching the number of staff with their respective duties are the keys to ensuring policies can run according to plan and provide the expected benefits. By ensuring there is synergy between the various implementation components, the policy can be more responsive to the needs of MSMEs.

Evaluation is an assessment of issues that show goodness or badness, which is related to a program, usually evaluation is carried out in order to measure the effect of a program in achieving the stated goals (R. N. Sari, 2020).

In increasing the effectiveness of government policies towards MSMEs, strong collaboration between the government, related institutions and MSME actors is essential. This collaboration includes good coordination in designing, implementing and evaluating policies. The government needs to listen to input from MSME associations and financial
institutions to better understand the challenges faced by MSMEs in the field. By accommodating various perspectives, the resulting policies will be more in line with actual needs. MSME associations can act as representatives who bring the aspirations and needs of MSMEs to the government. By facilitating open dialogue between the government and MSME players, the resulting policies will be more responsive to market dynamics and the needs of MSMEs. Financial institutions also have an important role in supporting the success of MSMEs. Through collaboration with banks and other financial institutions, the government can create financial support programs that suit the conditions of MSMEs. This includes providing low-interest loans, financing facilities, and adequate accessibility of banking services.

The role of MSME associations is important as representatives who bring the aspirations and needs of MSMEs to the government. By facilitating open dialogue between the government and MSME players, the resulting policies will be more responsive to market dynamics and the needs of MSMEs. Financial institutions also have an important role in supporting the success of MSMEs. Through collaboration with banks and other financial institutions, the government can create financial support programs that suit the conditions of MSMEs. This includes providing low-interest loans, financing facilities, and adequate accessibility of banking services.

These steps, which include careful evaluation, close collaboration and appropriate financial support, are expected to strengthen the implementation of government policies towards MSMEs and have a greater positive impact on the MSME sector and overall economic growth.

**Improved collaboration**

Collaborative Governance is a tool applied to overcome a problem. Collaborative governance is the right tool to deal with problems, because collaborative governance creates the concept of “shared ownership” of the problem. Diverse actors have diverse points of view on an issue, and creating a shared understanding between them is not an easy task. Collaborative governance functions as a mediator to help these actors formulate a common understanding on a problem (Astuti et al., 2020).

In addition, collaboration involves continuous exchange of information between the government, related institutions and MSME actors. This increased communication helps all parties understand the latest developments in the MSME sector, monitor the impact of policies, and respond more quickly to market dynamics. Successful policy implementation requires a deep understanding of the needs and challenges of MSMEs at every stage. Therefore, regular meetings between the government and MSME players can form a forum to exchange views, convey input and develop joint solutions.

Collaboration can also include providing supporting facilities for MSMEs, such as training centers, business incubators and adequate infrastructure access. By creating a supportive environment, MSMEs can grow and develop sustainably. Thus emphasizing that the success of government policies towards MSMEs is very dependent on effective collaboration between the government, related institutions and MSME actors. Only by building solid partnerships can policies truly meet the needs of MSMEs, increase their competitiveness, and make a positive contribution to overall economic growth (Buchori, 2020).

Good cooperation between the government or related agencies and MSME actors, as found in research Antu et al. (2021) is essential for improving the economic conditions of MSMEs. This effective collaboration not only provides financial support, but also helps form a sustainable market for MSME products. Through policies that encourage the government
to use MSME products, this collaboration can create an environment that supports the growth and sustainability of MSMEs.

Collaboration is not only about providing financial support, but also about creating an ecosystem that supports the overall development of MSMEs. Thus, the concept of collaborative governance is key in stimulating the growth of the MSME sector and its positive contribution to the national economy.

CONCLUSION

Overall, this article outlines a number of concrete steps in implementing government policies towards Micro, Small and Medium Enterprises (MSMEs). The focus on cooperation between the government and MSME actors, development programs, poverty alleviation, effectiveness of policy implementation, and policy recommendations for MSME development provides an in-depth picture of the complexity of the challenges faced by the MSME sector. The implications and relevance emphasize the need for concrete steps and close coordination between various parties to achieve inclusive economic growth through empowering MSMEs. Thus, this article provides valuable insights for policy designers, practitioners and stakeholders in efforts to improve community welfare through sustainable development in the MSME sector.

REFERENCES


