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**Submission date:** 11-Mar-2025 05:37PM (UTC+0300)

**Submission ID:** 2581203071

**File name:** TEMPLATE\_ICONEV.docx (85.16K)

**Word count:** 5657

**Character count:** 35463

## Business Management Strategies to Enhance MSME Competitiveness

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### ABSTRACT

This study aims to analyze business management strategies to enhance the competitiveness of Micro, Small, and Medium Enterprises (MSMEs) in Pungpungan Village, Bojonegoro. Using a qualitative approach, this research explores the factors influencing the success of MSMEs as well as the challenges they face in market competition. Data was collected through in-depth interviews with MSME owners, direct observations, and document analysis related to local MSME development policies. The findings indicate that effective business management strategies involve product innovation, digital marketing, and human resource capacity development through training and mentoring. Support from local governments and business communities also plays a crucial role in improving access to capital and markets. However, challenges such as technological limitations, low financial literacy, and difficulties in establishing a broader distribution network persist. Collaboration between the government, academia, and business actors is necessary to create a business ecosystem that supports the sustainable growth of MSMEs. The implications of this research can serve as a reference for formulating strategic policies in MSME sector development, particularly in rural areas.

**Keywords:** MSMEs, Business Management Strategies, Competitiveness, Digital Marketing, Product Innovation

**JEL Codes:** XXX; XXX; XXX ([JEL Classifications codes](#) )

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Received: X Month  
20XX

Revised: X Month 20XX

Accepted:

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### Suggested citation:

xxx, x., & xxx, x. (20XX). Title?. *Indonesian Economic Review*, X(X), XX-XX.

### INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economy. According to data from the Ministry of Cooperatives and MSMEs, this sector contributes more than 60% to the Gross Domestic Product (GDP) and absorbs approximately 97% of the national workforce (Suhaili and Sugiharsono 2019). This highlights that MSMEs are not only the backbone of the national economy but also contribute to reducing unemployment rates and improving community welfare. Amid increasing business competition, MSMEs in Indonesia face various challenges, including limited capital, lack of access to technology, insufficient managerial skills, and competition from foreign products (Mukherjee 2018). Effective business management strategies are essential to enhance the competitiveness of MSMEs in Indonesia.

In the face of digitalization and globalization, many MSMEs still rely on conventional methods in their business operations (Wedeslassie et al. 2019). Adopting technology and modern management strategies can help MSMEs improve operational efficiency, expand market reach, and increase profitability. Effective business management including financial management, marketing, human resource development, and product innovation is a key factor in business sustainability (PRANATA et al. 2022). Without a well-structured management strategy, MSMEs will struggle to compete with large corporations and imported products, which have advantages in technology, distribution, and branding.

One of the main challenges MSMEs face is suboptimal financial management. Many MSME owners mix personal and business finances, making it difficult to measure profitability and manage cash flow effectively. Additionally, access to capital remains a significant obstacle, as many MSMEs struggle to obtain loans from formal financial institutions due to a lack of collateral and low financial literacy (Sekhar and Radha 2019). Marketing strategies also play a vital role in enhancing MSME competitiveness. Many MSMEs still rely on traditional word-of-mouth marketing and have not yet fully utilized digital marketing strategies (Ilahi 2015). With the advancement of information technology, MSMEs have significant opportunities to reach wider markets through e-commerce platforms, social media, and data-driven marketing strategies. Digital marketing enables MSMEs to build brand awareness, attract new customers, and significantly increase sales.

Apart from financial and marketing aspects, human resource management is also a key factor in MSME success. Many MSMEs struggle with workforce management issues, such as a lack of skills, minimal training, and inefficiency in task and responsibility allocation. Providing training and skill development programs for MSME workers can help improve productivity and product quality, allowing them to compete with large-scale industrial and imported products (Etuk, Etuk, and Michael 2014). Product and service innovation is another critical factor in enhancing MSME competitiveness. In a dynamic business environment, MSMEs must continuously innovate to meet changing market demands and preferences. Innovation is not limited to developing new products but also includes improvements in production processes, customer service, and business diversification. MSMEs that can quickly adapt to market changes will have a competitive edge.

The government has implemented various support programs to enhance MSME competitiveness, such as the People's Business Credit (KUR) program, entrepreneurship training, and marketing facilitation through digital platforms (Kardi, Hutahuruk, and Handoyo 2024). The effectiveness of these programs requires synergy between the government, academia, and business actors to ensure optimal implementation. Additionally, MSMEs must be aware of the importance of continuous learning and adaptation to take advantage of emerging opportunities. Given the challenges and opportunities in the MSME sector, this study aims to analyze business management strategies that MSMEs can implement to enhance their competitiveness.

The focus of this research includes financial management, marketing, human resources, and innovation as the primary pillars of effective business management. The findings are expected to provide practical recommendations for MSME entrepreneurs

to develop their businesses and contribute to national economic growth. The success of MSMEs in enhancing their competitiveness largely depends on their ability to implement appropriate business management strategies. By adopting a systematic and data-driven approach, MSMEs can be better prepared to compete in the era of globalization and digitalization. Therefore, this research is highly relevant in providing insights and solutions for MSMEs to grow and develop sustainably.

## LITERATURE REVIEW

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in global economic growth, employment generation, and poverty reduction (Nursini 2020). MSMEs often face challenges in maintaining competitiveness due to resource constraints, limited market access, and inadequate financial support. Effective business management strategies are essential for enhancing MSME competitiveness in the global and local markets. This literature review explores key business strategies that can improve the performance and sustainability of MSMEs, including digital marketing, financial management, innovation, and strategic partnerships.

Digital marketing has emerged as a vital tool for MSMEs to expand their market reach and enhance brand visibility. According to (Caraballo Payares, Luna, and Carbal Herrera (2024), digital marketing strategies such as search engine optimization (SEO), social media marketing, and content marketing enable MSMEs to target broader audiences at lower costs compared to traditional marketing (Caraballo Payares, Luna, and Carbal Herrera 2024). Studies by Dwivedi et al. (2020) highlight that social media platforms such as Facebook, Instagram, and LinkedIn allow MSMEs to interact with customers, gather insights, and build brand loyalty. Furthermore, e-commerce platforms, including Shopify and Amazon, provide opportunities for MSMEs to sell products beyond their geographical limitations, thereby improving competitiveness in a digitally connected world.

Access to capital remains a significant challenge for MSMEs, affecting their ability to invest in growth and innovation. Effective financial management strategies, including budget planning, cash flow management, and credit utilization, are crucial for business sustainability (Brigham & Ehrhardt, 2019). According to Beck & Demirgüç-Kunt (2006), financial inclusion programs, microfinance institutions, and government-backed loan schemes have been instrumental in supporting MSME growth. Additionally, fintech innovations such as peer-to-peer lending and crowdfunding provide alternative financing options, reducing dependency on traditional banking institutions. A study by Atkinson (2017) found that MSMEs with structured financial management practices are more likely to attract investors and achieve long-term stability (Atkinson 2017).

Innovation is a key driver of MSME competitiveness, allowing businesses to differentiate their products and services in the market. Jackson (2021) theory of innovation emphasizes the importance of creative destruction, where businesses must continuously innovate to stay ahead of competitors (Jackson 2021). A study by aiva, Ribeiro, and Coutinho (2020) on open innovation suggests that MSMEs can enhance their product development by collaborating with external partners, including universities and research institutions (Paiva, Ribeiro, and Coutinho 2020). Additionally, digital transformation through artificial intelligence (AI) and the Internet of Things (IoT) enables MSMEs to optimize operations and enhance customer experiences (Porter and Heppelmann 2014).

Collaboration and strategic partnerships play a crucial role in enhancing MSME competitiveness. Research by Holland (2018) emphasizes that inter-firm collaborations create value by sharing resources, knowledge, and market access (Holland 2018). Supplier-buyer relationships, industry alliances, and public-private partnerships can help MSMEs access new markets and technologies. According to a study by Lavie (2006), strategic alliances foster

learning opportunities and enable firms to leverage each other's strengths(Lavie 2006). Moreover, participation in business incubators and accelerators provides MSMEs with mentorship, funding opportunities, and exposure to industry best practices (Mian, Lamine, and Fayolle 2016).

Effective human resource management is essential for sustaining MSME growth and competitiveness. Studies by Barney (2000) on the resource-based view (RBV) suggest that skilled human capital is a competitive advantage for firms(Barney 2000). Employee training, leadership development, and performance management contribute to higher productivity and innovation (Pfeffer, 1998). Furthermore, transformational leadership, as discussed by Bass (2016), fosters a culture of continuous improvement and adaptability among MSME employees(Bass 2016).

## **5** **METHOD**

This study employs a qualitative approach using a case study method, aiming to gain an in-depth understanding of business management strategies applied by MSMEs in Pungpungan Village, Bojonegoro, to enhance their competitiveness(Creswell 2007).

### **Type of Research**

A qualitative approach was chosen because this study focuses on an in-depth exploration of the business management strategies used by MSMEs and the factors influencing their competitiveness. The case study method is used to obtain a broader understanding of the phenomena occurring in the field(Yin 2009).

### **Research Location and Subjects**

The research was conducted in Pungpungan Village, Bojonegoro, which has a variety of MSMEs in the fields of handicrafts, culinary businesses, and agriculture. The research subjects include MSME owners and managers as the key players in business strategy, village government and relevant agencies responsible for MSME empowerment policies and programs, as well as consumers who influence the competitiveness of MSME products. Subjects were selected using purposive sampling, choosing individuals or groups with relevant information for the study.

### **Data Collection Techniques**

To obtain in-depth and comprehensive data, the following data collection techniques were employed(Seidman 2006):

1. **In-Depth Interviews:** Semi-structured interviews were conducted with MSME owners, business managers, and related parties to gather information about marketing strategies, financial management, product innovation, and challenges faced.
2. **Field Observation:** Direct observation was carried out on MSME business activities, including production processes, marketing, and customer interactions. This observation aimed to understand the actual business strategies being implemented.
3. **Documentation:** Document collection was conducted through business reports, financial records, government policies related to MSMEs, and statistical data on MSME development in Pungpungan Village.

### **Data Analysis Techniques**

Data analysis in this study follows the model of Miles, Huberman, and Saldaña, which consists of three stages(Miles, Huberman, and Saldaña 2014):

1. **Data Reduction:** Data from interviews, observations, and documentation were categorized based on key themes, such as marketing strategies, operational management, and competitiveness challenges.
2. **Data Presentation:** The reduced data was presented in the form of narratives, tables, and diagrams to identify patterns and relationships between research variables.
3. **Conclusion Drawing and Verification:** After analyzing the data, conclusions were drawn by comparing field findings with relevant theories to understand effective business strategy patterns for MSMEs.

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#### Data Validity

To ensure data validity, this study applied triangulation techniques as follows (Lewis 2015):

1. **Source Triangulation:** Comparing data from various respondents (MSME players, government officials, customers).
2. **Method Triangulation:** Using interviews, observations, and documentation to obtain more accurate data.
3. **Time Triangulation:** Conducting interviews and observations at different times to assess the consistency of information.

#### RESULTS AND DISCUSSION

This study aims to analyze the business management strategies implemented by MSMEs in Pungpungan Village, Bojonegoro, to enhance their competitiveness. Based on observations, interviews, and documentation studies, several factors were found to influence the success of MSMEs in competing in the market, including digital marketing, financial management, product innovation, government support, and access to business capital.

##### Digital Marketing Strategy to Expand Market Reach

The research findings indicate that most Micro, Small, and Medium Enterprises (MSMEs) in Pungpungan Village have started adopting digital marketing as a strategy to expand their market reach. Digital marketing is considered an effective way to enhance the competitiveness of MSMEs amid changing consumer behavior that increasingly favors online transactions. Several platforms frequently used by entrepreneurs in the village include WhatsApp, Facebook, Instagram, and marketplaces such as Shopee and Tokopedia. The use of social media allows business owners to promote their products more broadly, without being limited by geographical location.

Based on the collected data, around 70% of MSME owners use social media to market their products. Among them, 45% reported an increase in sales after implementing digital marketing strategies. This demonstrates that social media and marketplaces have a significant impact on the growth of small businesses in the village. However, many MSMEs still face challenges, particularly in understanding more effective digital marketing techniques.

An interview with one MSME owner, who runs a banana chips business, revealed that she has benefited from digital marketing despite facing some challenges: *"Previously, I only sold my products at small shops around the village, but after promoting through Facebook and WhatsApp, I received many orders from outside the village. However, I am still learning how to take better product photos to attract more customers."*

This statement reflects that digital marketing has indeed helped expand MSME markets, but challenges remain in the aspects of visual presentation and product branding. Most MSME owners in the village lack the necessary skills to create attractive marketing content, such as professional product photography and persuasive product descriptions. Additionally, many are unfamiliar with paid promotion strategies or how to utilize marketplace features to enhance product visibility.

From the collected data and interviews, it is evident that training and mentoring in digital marketing are essential to help MSMEs optimize their use of social media and marketplaces. This training could include product photography techniques, copywriting strategies for promotion, and the use of paid digital advertising to broaden market reach. By improving their digital marketing capacity, MSMEs in Pungpungan Village are expected to become more competitive and achieve sustainable growth.

Although digital marketing offers significant opportunities for MSMEs, several challenges remain in the overall implementation of business management strategies. One major obstacle is the limited digital literacy among business owners. Most MSME owners in



Pungpungan Village are over 40 years old, making them less familiar with digital technology and requiring more time to adapt to these changes.

In addition to digital literacy, limited access to capital is another significant barrier. Many MSME owners struggle to obtain additional funding to expand their businesses, particularly for acquiring more modern production equipment or covering larger promotional expenses. In an interview, the owner of a small garment business in the village, stated: *"I want to expand my business by purchasing an automatic sewing machine to speed up production, but I don't have enough capital. If there were assistance or low-interest loans, it would be a great help for small businesses like ours."*

This statement highlights that financial constraints are a major challenge hindering the growth of small businesses. Therefore, government support and financial institutions must provide easier and more affordable access to capital for MSMEs. Apart from financial issues, another challenge faced by MSMEs is the difficulty in expanding their distribution networks. Most business owners in the village still rely on traditional marketing methods, such as direct sales and consignment selling at local shops. While digital marketing has been adopted, there are still limitations in managing product shipments to other regions. **Based on the research findings, several measures can be taken to improve the competitiveness of MSMEs in Pungpungan Village.** First, more intensive training programs on digital marketing and product branding strategies are needed. These training sessions could involve academics or experienced business practitioners in online marketing. Second, collaboration between the village government, cooperatives, and financial institutions is necessary to provide easier access to capital for MSMEs (Sudipa and Lestari 2019).

This could include initiatives such as low-interest microcredit programs or financial management assistance for small businesses (Sunggara et al. 2022). With better financial support, MSME owners can have more flexibility in expanding their businesses. Third, strengthening distribution networks through partnerships with business partners outside the village is also a crucial strategy. By expanding their distribution channels, MSME products can reach a broader market at regional and even national levels. Business management strategies that encompass digital marketing, improved access to capital, and strengthened distribution networks will have a positive impact on the development of MSMEs in Pungpungan Village. If these challenges can be addressed with appropriate strategies, the competitiveness of MSMEs in the village can significantly improve, contributing to sustainable local economic growth.

#### **Limited Financial Management**

One of the main challenges identified in this study is the limited financial management among **Micro, Small, and Medium Enterprises (MSMEs) in Pungpungan Village.** Many business owners do not have a proper financial recording system, making it difficult to separate personal and business finances. This situation leads to various issues in capital management, business planning, and decision-making. Without proper financial records, MSME owners struggle to determine their profits or losses, ultimately affecting the sustainability of their businesses in the long run.

Based on the data collected in this study, 60% of MSMEs do not have a well-structured bookkeeping system, causing difficulties in controlling cash flow and allocating funds for business development. Additionally, 30% still mix their business and personal finances, making financial management even more unstructured. This situation prevents MSME owners from distinguishing between business capital and personal income, which may hinder their business growth.

An interview with one of the business owners, the owner of Batik Tulis Pungpungan, illustrates how financial recording remains a challenge for MSMEs: *"I used to record my income and expenses in a regular notebook, and I often forgot to note transactions. After attending*

*training from the cooperative office, I started using simple bookkeeping. Although it's not yet well-organized, it's easier to calculate profits."*

This statement highlights that proper financial recording is an aspect that many business owners still need to improve. Even though government or relevant institutions have provided financial management training for MSMEs, many business owners have yet to adopt systematic and organized financial recording. This issue may stem from a lack of understanding of the importance of bookkeeping, time constraints, or the perception that financial records are not necessary for small businesses.

These findings indicate that many MSMEs are still not accustomed to proper financial record-keeping, even though systematic bookkeeping is crucial for managing businesses more professionally. Good financial records not only help in calculating profits and losses but also serve as a basis for business decision-making, such as determining selling prices, planning business expansions, and applying for loans or additional capital from financial institutions. To address this issue, strategic steps are needed to help MSME owners improve their financial literacy. One possible solution is to provide specialized training on simple financial management for MSME owners in Pungpungan Village. This training could include how to create simple financial records, such as manual bookkeeping or using accessible financial applications. Nowadays, many mobile-based financial applications can assist MSMEs in managing their financial transactions, such as BukuKas, Akuntansi UKM, or applications from marketplaces that offer sales report features.

Support from local governments or cooperative institutions is essential to help MSMEs implement more disciplined financial record-keeping. The government can play a role in providing periodic training programs and offering mentors to guide business owners in better understanding financial concepts. With this guidance, MSME owners are expected not only to record income and expenses but also to learn how to manage capital effectively to help their businesses grow (Hasanudin 2023). Another approach is encouraging MSMEs to adopt digital-based financial recording systems, which are more practical and efficient. The use of digital financial applications can help MSMEs create more organized and accurate financial reports. Some MSMEs in other regions that have adopted digital bookkeeping systems have shown improvements in financial management, allowing them to prevent financial losses and allocate capital more effectively.

The role of local business communities can be a supporting factor in raising awareness of the importance of financial management. Business owners can share experiences and strategies in managing their finances, learning from the best practices applied by more advanced MSMEs. Through discussions and knowledge-sharing, business owners can be motivated to start implementing better financial record-keeping in their businesses (Mohammad Chaidir et al. 2023). Effective financial management is one of the key factors in enhancing the competitiveness of MSMEs. With a more structured and transparent financial recording system, business owners can analyze their business progress more easily and make better decisions for the future. Therefore, efforts to improve financial literacy among MSME owners in Pungpungan Village must continue through training, mentoring, and the use of digital technology to simplify their financial recording processes. With the right strategies, MSMEs in this village will be better prepared to grow and compete in a larger market.

#### **Product Innovation as an Effort to Increase Competitiveness**

In facing increasingly fierce market competition, product innovation has become one of the key strategies adopted by Micro, Small, and Medium Enterprises (MSMEs) in Pungpungan Village. This innovation includes developing new products, improving product quality, and diversifying products to better suit consumer needs and preferences. Through innovation, MSMEs can not only attract more customers but also increase the market value of their



products. Additionally, innovation enables MSMEs to compete with products from other regions and larger industrial enterprises.

According to data obtained in this study, approximately 50% of MSME entrepreneurs have started innovating their products by introducing new variants, enhancing packaging appeal, and improving raw material quality. For example, some food and beverage businesses have introduced a wider variety of flavors, while local artisans have experimented with new designs and motifs to enhance the attractiveness of their products. However, despite these innovation efforts, MSMEs still face several challenges, particularly in terms of raw material availability and production costs. Data shows that 40% of MSME entrepreneurs struggle to obtain high-quality raw materials, which results in higher production costs and difficulties in maintaining product consistency.

A concrete example of this challenge can be seen from an interview, the owner of a goat milk processing business in Pungpungan Village. She shared her experience of how innovation helped her attract market interest but also brought production challenges: *"I tried making goat milk-based products like soap and candy. Initially, many people were skeptical, but after distributing free samples, many became interested. The problem is that raw materials are still hard to find, and production costs are quite high."*

This interview highlights that innovation positively impacts market acceptance. However, the difficulty in obtaining high-quality raw materials at affordable prices remains a major challenge for MSME entrepreneurs. These difficulties arise from several factors, such as limited local suppliers, fluctuations in raw material prices, and lack of access to distributors that offer bulk pricing. Additionally, high production costs make it challenging for some entrepreneurs to set competitive selling prices without compromising product quality.

To overcome these challenges, strategic steps are needed to help MSMEs optimize their product innovation. One potential solution is forming a raw material cooperative, where entrepreneurs can collaborate to purchase materials in bulk at lower prices. By establishing a cooperative, MSMEs can leverage collective purchasing power to negotiate better prices with suppliers, ensuring more stable and affordable raw material costs.

Local governments can play a role in providing subsidies or incentives for MSMEs engaged in product innovation. Such support could take the form of raw material subsidies, training on more efficient production techniques, or access to technology that helps reduce production costs. For instance, adopting modern production machinery can enhance production capacity without significantly increasing labor costs.

Enhancing MSME competitiveness can also be supported by strengthening marketing networks and collaborating with other sectors. For example, MSMEs can partner with creative communities, educational institutions, or social organizations to develop more innovative products aligned with market trends. Additionally, establishing partnerships with retail stores, supermarkets, or online marketplaces can help MSMEs expand their market reach and increase sales volumes.

Training and mentoring in product innovation are also crucial. Many MSME entrepreneurs have creative ideas for product development but lack sufficient skills in production, branding, and marketing. Therefore, the government or relevant institutions need to provide training programs focused on product development, such as attractive packaging techniques, digital marketing strategies, and the utilization of alternative raw materials that are more accessible and cost-effective.

Besides raw material and production cost factors, product standardization and certification are also challenges that need attention. Some MSMEs producing food and beverages often face difficulties in obtaining distribution permits or halal certification, which limits their market access. Therefore, government agencies should facilitate MSMEs in obtaining product legality and standardization to enhance consumer trust.

Product innovation is a crucial strategy for MSMEs to increase their competitiveness. However, this innovation must be accompanied by easier access to raw materials, more efficient production costs, and support from various stakeholders to ensure sustainable growth. With collaboration between entrepreneurs, the government, and the business community, MSMEs in Pungpungan Village are expected to continue innovating and competing in broader markets, both locally and nationally.

#### **Government Support and Training Programs**

In an effort to enhance the competitiveness and sustainability of Micro, Small, and Medium Enterprises (MSMEs), the village government and relevant agencies have initiated various assistance and training programs. These programs include business management training, marketing strategies, product innovation, and access to financial assistance. With this support, MSME entrepreneurs are expected to develop their businesses more professionally and sustainably.

According to research data, 65% of MSME entrepreneurs acknowledge the existence of government support programs, either in the form of training or financial assistance. These programs often involve various institutions, including cooperative agencies, universities, and private organizations concerned with MSME development. The training provided covers financial management, digital marketing, and more efficient production techniques. Additionally, some programs offer access to business capital through low-interest loans or grants from local governments.

Despite the availability of these programs, 35% of MSME entrepreneurs have not taken advantage of them. Several factors contribute to this low participation rate, including a lack of awareness about available programs and skepticism regarding their benefits. Some entrepreneurs still feel comfortable with conventional ways of running their businesses and are reluctant to participate in training or apply for financial assistance. A village official in charge of economic affairs in Pungpungan, stated in an interview that despite the village government's active encouragement for MSMEs to join the available programs, participation remains a major challenge: *"We always encourage MSMEs to join training programs and apply for financial assistance. However, some entrepreneurs are still reluctant because they feel content with their current methods. We continue to promote the benefits of these programs."*

This statement highlights a gap between the availability of programs and the willingness or awareness of MSME entrepreneurs to utilize them. Ineffective dissemination of information to business owners is one of the primary reasons for low participation. Additionally, some MSMEs find the registration procedures for government programs too complicated and time-consuming, leading them to prefer continuing their businesses as usual.

To improve the effectiveness of government programs in MSME development, more effective communication and outreach strategies must be implemented. One approach is to use social media or MSME community WhatsApp groups as a quick and easily accessible information-sharing platform. Furthermore, the village government can collaborate with community leaders or successful entrepreneurs who can provide testimonials about the benefits of participating in these programs.

Beyond communication, it is also crucial to tailor training programs to the specific needs of MSMEs. Instead of offering generic training sessions, the village government and related agencies should first conduct surveys to identify the main challenges faced by local entrepreneurs. For example, if most MSMEs struggle with digital marketing, a training program focused on online marketing strategies would be more beneficial than a theoretical entrepreneurship workshop. Financial assistance should also be made more accessible to small business owners. The application process, often perceived as complicated, can be simplified by providing administrative support for MSMEs seeking financial aid. Additionally, stricter oversight

of fund utilization should be implemented to ensure that the assistance is genuinely used for business development rather than for other purposes.

An innovative approach could be the implementation of an incentive-based participation system. For instance, MSME entrepreneurs who actively participate in training and apply the knowledge gained could be given priority for financial assistance or access to broader marketing networks. This approach would encourage more entrepreneurs to engage in MSME development programs (Harini 2018). Regular evaluations of training program effectiveness are necessary. The village government and relevant agencies should monitor MSMEs that have participated in the programs to assess their impact on business growth. The evaluation results can then be used to refine existing programs, making them more aligned with the needs of business owners.

Government support in MSME development is a highly positive step in strengthening the local economy. However, the success of these programs largely depends on the active participation of business owners. Therefore, synergy among the government, MSME communities, and private sectors is essential to maximize the benefits of these initiatives (Hasanudin 2023). By enhancing outreach efforts, simplifying financial aid procedures, and developing programs that better address MSME needs, entrepreneur participation is expected to increase. Consequently, MSMEs in Pungpungan Village can grow, become more competitive, and sustain themselves in an increasingly dynamic market environment.

#### **Challenges in Accessing Capital for MSMEs**

One of the biggest challenges faced by Micro, Small, and Medium Enterprises (MSMEs) in Pungpungan Village is the limited access to business capital. Capital is crucial for business sustainability and development, whether to increase production capacity, expand marketing networks, or invest in product innovation. However, many MSME entrepreneurs struggle to obtain loans or funding from formal financial institutions, primarily due to the lack of assets that can be used as collateral.

According to data obtained in this study, 55% of MSMEs experience difficulties in obtaining capital loans, mostly due to strict banking requirements. Many banks or financial institutions still require collateral in the form of valuable assets, such as land or vehicles, as a guarantee for obtaining loans. This becomes a major obstacle for small business owners who do not yet have assets or whose businesses are still in the development stage.

Additionally, 25% of MSMEs still rely on personal capital to run their businesses. While personal capital provides flexibility as it does not require complex application procedures, limited funds often hinder business expansion. Without additional capital injection, MSME entrepreneurs struggle to increase production capacity or adopt more modern technology in their operations.

In an interview with a bamboo owner weaving business owner, he expressed that access to capital is one of the main barriers to developing his business. He stated: *"I want to expand my business, but it is difficult to get a capital loan. Banks often require collateral that I do not have. If there were an easier, unsecured loan program, my fellow MSME entrepreneurs and I could grow much faster."*

This statement reflects the issues faced by many other MSME entrepreneurs. Complex banking procedures and high collateral requirements discourage or even prevent small business owners from accessing formal loans. As a result, they prefer to rely on their own capital or seek alternative funding sources, such as loans from family or informal financial institutions. To overcome this challenge, more inclusive policies from financial institutions and the government are needed. One possible solution is the development of Unsecured Loans (KTA) programs for MSMEs. The government and banks could create more flexible loan schemes that do not require assets as collateral. For instance, they could assess business transaction records or cash flow as

the basis for creditworthiness evaluation (Ilahi 2015). The existing People's Business Credit (KUR) program should also be expanded to allow more MSMEs to access it.

Cooperatives and microfinance institutions play a strategic role in supporting MSME financing. The government can strengthen these institutions by providing interest subsidies on loans or offering revolving funds that are more accessible to small business owners. Partnership-based financing models, such as crowdfunding, can also be an alternative solution, allowing entrepreneurs to raise funds from the broader community to support their business development (Weldeslassie et al. 2019). Financial management education and socialization are essential steps in helping MSMEs access capital. Many business owners lack knowledge of how to prepare proper financial reports, making it difficult to obtain loans from financial institutions. Training on financial management, transaction recording, and loan application strategies would better equip MSMEs to access the capital needed for business growth.

## **CONCLUSION**

Based on the research findings, the business management strategies implemented by MSMEs in Pungpungan Village include digital marketing, product innovation, and improved financial management. These measures indicate that MSME entrepreneurs are beginning to recognize the importance of adaptive business strategies in facing economic challenges and market competition. There are still several obstacles hindering their business development. One of the main challenges is the lack of understanding of effective digital marketing. While most MSME entrepreneurs have attempted to utilize social media and digital platforms, many still lack an optimal strategy for reaching customers. Additionally, limited financial record-keeping remains a significant issue. Many business owners do not separate personal and business finances, making it difficult to measure profitability and manage cash flow effectively.

Product innovation also faces obstacles due to the high cost of raw materials and limited access to quality resources. While some MSMEs have diversified their products, high production costs often present a major challenge in enhancing competitiveness. On the other hand, the low participation of MSME entrepreneurs in government training programs highlights the need for more effective approaches to increase their awareness of the benefits of these programs. Limited access to capital remains a significant barrier to MSME growth. Strict banking requirements often make it difficult for small business owners to obtain loans, leading them to rely more on personal capital, which is often insufficient. With improved training, more effective government support, and easier access to capital, MSMEs in Pungpungan Village are expected to become more competitive and resilient in an increasingly competitive business environment. Support from various stakeholders, including the government, financial institutions, and business communities, is crucial to ensuring that MSMEs can grow sustainably and contribute more significantly to the local economy.

## **REFERENCES**

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