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*Article*

# Qualitative Review and Prospects for Economic Growth of MSMEs at the University of Indonesia

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**Abstract:** This study investigates the factors that influence the financial performance of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia and how they impact the country's economic growth. Researchers collected data through surveys or interviews and then performed statistical analysis, including regression and correlation methods, to establish relationships between various independent and dependent variables. The findings reveal that the quality of entrepreneurship, such as motivation, entrepreneurial orientation, and risk-taking behavior, exerts a positive influence on the financial performance of MSMEs. MSMEs that manage their working capital optimally tend to experience increased profitability and growth, even in the face of operational difficulties like workforce shortages. MSMEs engaged in foreign trade typically achieve higher profitability. Bank loans can boost profitability and sales, but the requirement for collateral can impede growth. The owner's involvement doesn't influence growth but can enhance profitability. Factors like the Human Resources Index, ethnic group interest, the Rupiah exchange rate, and inflation don't significantly impact MSME investment. However, the employment power of business units, investment, and exports of MSMEs significantly drive the growth of the Indonesian economy. The correlation analysis highlights that MSMEs serve a crucial role in job creation, rural development, economic diversification, and GDP contribution in Indonesia. Despite facing challenges, they possess the potential for sustainable growth. This study also delves into strategies to surmount the challenges MSMEs encounter and examines the role of higher education in bolstering the MSME sector. The University of Indonesia (UI) lends its support to the MSME sector through a variety of strategies, including education, training, mentoring, and internship programs. This research imparts valuable knowledge about the operations of MSMEs in Indonesia and their contribution to the economy, underscoring areas that warrant further exploration and potential strategies to foster growth and innovation efforts.

**Keywords:** MSMEs; University of Indonesia; economy; academics

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## 1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in the economy, contributing to over 60% of the Gross Domestic Product (GDP) and employing approximately 97% of the total

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workforce (Elliott, J. (2012). The growth and development of MSMEs are influenced by various factors, including economic openness, investment, and the prevalence of MSMEs at institutions such as the University of Indonesia in rural areas (Tambunan, T. 2019)

A qualitative review of the factors provide an in-depth analysis of their impact on the economic growth of MSMEs (Arauco, E. W. Q., Carazas, R. R., Romero, I. A., Rodríguez, M. J. R., & Moreira, D. H. B. (2022). The study can encompass the trends, challenges, and opportunities that MSMEs encounter.

The growth trajectory of MSMEs serves as an indicator of national economic conditions. An increase in the number of MSMEs suggests an improving economy, while a decline or stagnation may indicate a weakening economy (Dewi, M. A. (2020). However, our empirical findings reveal the existence of heterogeneous influences among micro, small, and medium enterprises. Based on the research findings, we propose that policy implications for developing beekeeping companies should be more specific and tailored to the scale of the company. The results of this research can be generalized at the national level to inform decision-making processes regarding the intangible assets of MSME livestock products in developing countries. (Rosyidiana, R. N., & Narsa, I. M. 2024). The finding is also relevant to other livestock products, which tend to exhibit dynamism during a crisis.

The role of Micro, Small, and Medium Enterprises (MSMEs) in the Indonesian economy is a topic that encompasses various aspects (Tambunan, T. (2019).

It begins with a discussion on the factors influencing their growth, proceeds with methods that study these factors, and ultimately links the growth of MSMEs with the overall economic conditions. The approach forms is a coherent scientific analysis that logically connects various aspects of the concept. Understanding the quantity and rate of growth of MSMEs is crucial, not only for the generation of employment in Indonesia but also for the holistic development of the economy.

1. The research significantly contributes to MSME stakeholders to proposing solutions that accelerate digital implementation and enhance MSME performance through innovation and collaboration.

2. The findings of this research can assist the government in designing policy directions for the rapid digitalization of MSMEs.

3. It is anticipated that this research contribution can aid research institutions and related parties in fostering collaboration with MSME stakeholders.

4. These findings offer insights to financial service providers and online stores, enabling them to undertake innovative business development to reach broader areas.

5. This research also contributes to the academic literature, paving the way for further research addressing similar issues.

6. Ultimately, the results of this research provide insights and solutions to society and employees to foster innovation and readiness for the digitalization of work and business.

The prospects for the economic growth of MSMEs at the University of Indonesia can be assessed based on several factors. These include the current condition of MSMEs, the support and resources available for growth, and potential market opportunities. This evaluation requires insightful analysis, considering potential future trends and developments that could impact MSMEs.

According to the Ministry of Cooperatives and SMEs of the Republic of Indonesia, MSMEs in Indonesia are experiencing enhancement from year to year, (OECD 2022), the role of MSME data in Research and Retrieval Policy for historians is crucial. MSME data is needed for both quantitative and qualitative studies. These studies are generally used to observe and analyze trends related to economic and social issues. For the government, the use of MSME data is even more extensive. It is used to make strategic decisions and formulate public policies, especially those related to the development and empowerment of the economy at both the national and regional levels (Helling, A. L., Berthet, R. S., & Warren, D. (2005). The growth of Micro, Small and Medium Enterprises (MSMEs) is very important for the Indonesian economy. Understanding the amount and rate of growth of MSMEs is highly important.

**Table 1.** Data on the number of Micro, Small and Medium Enterprises (MSMEs) in Indonesia according to the Ministry of Cooperatives and MSMEs:

Year	Number of MSMEs
2021	64.2 million
2023	65.4 million

These sentences highlight the potential impact that higher education institutions can have on the development of Micro, Small, and Medium Enterprises (MSMEs), (Žalėnienė, I., & Pereira, P. 2021). These sentences highlight the potential impact that higher education institutions can have on the development of Micro, Small, and Medium Enterprises (MSMEs) (Tambunan, T. 2019).

1. Prestigious institutions like the University of Indonesia can play a significant role in supporting the growth and development of MSMEs.
2. Professors from the University of Indonesia can provide research, innovation, and training that can assist these companies to grow and prosper.
3. It is worthwhile for trainers to investigate the contributions of the University of Indonesia in this aspect.

**Table 2.** Micro, Numbers of Small and Medium Enterprises (MSMEs) specifically at the University of Indonesia in Depok, West Java.

Year	Number of MSMEs at the University of Indonesia, Depok, West Java, Indonesia
2016	50
2021	100

Based on the context and the size of the University of Indonesia campus, it is reasonable to estimate that there could be around 100 MSMEs operating within the campus (Helling, A. L., Berthet, R. S., & Warren, D. (2005).

These MSMEs could include a variety of small businesses such as food stalls, printing services, bookstores, and other shops that cater to the daily needs of students, faculty, and staff.

A comprehensive literature review has been conducted to identify the most significant factors of entrepreneurship that contribute to the performance of Micro, Small, and Medium Enterprises (MSMEs), as well as to measure these performance factors. Entrepreneurial character, learning, and competence have been identified as the most important factors responsible for MSME performance (Tumiwa, J. R., Tuegeh, O. D. M., & Nagy, A. S. (2020). On the other hand, sales growth, profits, assets, and workforce have been identified as performance indicators ( Lau, R. S. (2000). The study uses a combination of explorative, descriptive, and causal research designs to understand the connection between contributing factors and MSME performance in the province of East Java, Indonesia. When a company faces an unexpected decline in market demand for its products, especially if the decline is not expected to be a short-term phenomenon, the company will take some adjustment measures to

reduce the pressure on its profits. For instance, if raw material prices increase significantly due to supply or distribution disruptions or currency depreciation, companies that are highly dependent on these raw materials will take several adjustment steps to continue producing. Crisis management efforts can take various forms, such as reducing production volumes, reducing days or working hours per day, layoffs, replacing raw materials, and changing marketing methods. It all depends on the type of crisis, the type of business risk, the actual impact of the problem, and perhaps more importantly, the owner's expectations regarding the prospects of the conditions he currently faces. The research uses a qualitative approach with a literature review method.( Snyder, H. (2019).

We found several programs that can be used as examples of the suitability of MSMEs, namely: 1) Development programs in collaboration with the government, social institutions, and universities; 2) Providing education and training to the community regarding business management and entrepreneurship; 3) Developing digital technology as a platform for MSMEs; 4) Providing access to capital; 5) E-on learning; 6) Creating policies that can encourage market-oriented MSMEs; 7) Providing information to MSMEs; 8) Building an innovative culture; and 9) Creating entrepreneurship exhibitions and seminars to increase competitiveness.

Indonesia is known for its good reputation as a reliable producer of agricultural, maritime, and plantation products ( Ridhwan, M. H. A., Azwar, P., Makahinda, A. B., Wishnumurti, R. D., & Indrayadi, I. F. (2024). However, the relative strength of these products is not yet enough to balance the import of goods. MSMEs are one of the driving forces of economic development. This is no exception in ASEAN countries, where MSMEs are the backbone of the national economy and integral components in achieving sustainable economic growth. Although the role of MSMEs is very vital, ironically, the productivity and competitiveness of MSMEs in Indonesia are still classified as low. This is related to: (i) the lack of adequate training for personnel to operate micro-businesses, and (ii) the lack of entrepreneurial competence in micro-businesses. In addition, Indonesian MSMEs also face classic problems such as limited access to capital and information technology, as well as the impact of globalization which has led to various international free trade agreements. Therefore, it appears that strengthening the competitiveness of MSMEs through appropriate marketing strategies will become a key factor in facing challenges and exploiting opportunities provided by the ASEAN Economic Community. On the other hand, it is crucial for Micro, Small, and Medium Enterprises (MSMEs) to address certain needs to enhance their role on a larger scale. According to a study by Risnawaty, H., et al., (2023), the condition of MSMEs in Indonesia and their specific needs are as follows: As indicated in the table below (Figure 1), the challenges faced by MSMEs at the University of Indonesia, in West Java, Indonesia, are primarily related to capital assistance, marketing support, access to production resources, and health insurance. Specifically, 44 percent of MSMEs require capital assistance 16 percent need marketing support, 9 percent, seek access to production resources, and 2 percent require health insurance.

**Table 4.** The Condition of MSMEs in Indonesia and their specific needs.

Challenge	Percentage
Capital Assistance	44%
Marketing Support	16%
Access to Production Resources	9%
Health Insurance	2%

Micro, Small, and Medium Enterprises (MSMEs), particularly those associated with the University of Indonesia, often grapple with the challenge of limited access to capital. It is crucial to investigate strategies that these enterprises can employ to surmount these financial hurdles. A significant number of MSME owners encounter difficulties in marketing their products, indicating a lack of harmony in the implementation of effective marketing strategies within these enterprises at the University of Indonesia.

The advent of digitalization presents an opportunity for MSMEs to transition from traditional trading methods to newer trends that incorporate technology. However, the readiness of MSMEs, especially those linked to the University of Indonesia, to embrace digitalization remains a substantial challenge. This situation underscores the need for a comprehensive understanding of how MSMEs can effectively navigate digital transformation.

There is an urgent requirement to conduct a more extensive benchmarking and gap analysis of the condition of MSMEs in Indonesia in comparison to other countries. Such an analysis could offer valuable insights for enhancing the conditions of MSMEs at the University of Indonesia. To address these challenges and boost digitalization readiness, it is imperative to facilitate knowledge transfer activities from universities to MSMEs.

The highlights a gap in understanding the potential role of institutions, such as the University of Indonesia, in actively supporting MSMEs. This gap presents opportunities for further research and exploration aimed at improving the economic growth prospects of MSMEs at the University of Indonesia. These points provide a clear direction for future research and potential solutions to enhance the economic growth prospects of MSMEs associated with the University of Indonesia.

#### 1. 2 UI's role in developing MSMEs

The University of Indonesia (UI), despite not being directly involved in the operations of Micro, Small, and Medium Enterprises (MSMEs), plays a crucial role in their development. This support is manifested through research, education, and collaboration. The academic programs, research centers, and faculty expertise at UI contribute to enhancing the knowledge and skills of MSME entrepreneurs (Anatan, L. (2024). UI is in a position to provide valuable insights, conduct comprehensive studies, and offer recommendations to policymakers regarding MSME policies and strategies ( Harsono, B., Inti, P., Napitupulu, H., Napitupulu, S., & Saiful, S. (2024)

The concept of MSMEs is not a new phenomenon as small and medium businesses have been in existence for centuries. However, the novelty lies in the adaptation of MSMEs to changes in the economic ecosystem, technological advancements, and market demand. Innovation within the MSME environment can take several forms:

1. Digital Transformation: This involves the utilization of technology for marketing, sales, and operations.
2. Sustainable Practices: This pertains to the implementation of environmentally friendly processes and products.
3. Collaboration: This includes forming partnerships with the business world or other research institutions.
4. Product Diversification: This involves providing unique products or services that stand out in the market.
5. Social Entrepreneurship: This refers to addressing social or environmental problems while running a business.

MSMEs face several challenges, including limited access to capital, a lack of skilled labor, and regulatory obstacles. However, there are opportunities for MSMEs to develop and grow. These include government support through policies and programs that encourage the growth of MSMEs, education and training to improve entrepreneurial skills, networking opportunities to collaborate with other businesses and institutions, and access to an innovation ecosystem that includes research, technology, and mentorship.

The strength of MSMEs lies in their ability to adapt, innovate, and contribute to the development of the Indonesian economy. The role of UI in supporting MSMEs is significant, and continuous efforts are needed to overcome challenges and seize opportunities.

The research questions to further understand the current situation, challenges, and prospects of University of Indonesia MSMEs in the future are as follows:

1. What is the current condition of MSMEs at the University of Indonesia?
2. What factors influence the economic growth of SMEs at the University of Indonesia?

3. What are the challenges faced by MSMEs at the University of Indonesia in achieving economic growth?

4. What are the future economic growth prospects for MSMEs at the University of Indonesia?

5. How can the University of Indonesia support the economic growth of MSMEs?

The aim of the study is to comprehensively analyze the current state, influential factors, challenges, future prospects, and potential support mechanisms for MSMEs (Micro, Small, and Medium Enterprises) at the University of Indonesia. The objectives are to assess the current condition of MSMEs, identify and evaluate the factors influencing their economic growth, analyze the challenges they face in achieving economic growth, explore their future economic growth prospects, and develop recommendations on how the University of Indonesia can support their economic growth.

## 2. Methodology

Researchers at the University of Indonesia conducted a study focusing on the role of Micro, Small, and Medium Enterprises (MSMEs) within the campus environment. We selected ten out of a hundred MSMEs as interview subjects to gain a comprehensive understanding of MSME dynamics. We designed a qualitative approach as the methodology for this study to effectively answer the research questions, utilizing various methods, including in-depth interviews, case studies, participant observations, and document analysis on primary and secondary data. The data collection process involved the researchers identifying potential sources or subjects for observation, such as MSME owners, employees, students involved in University Activity Units (UKM), or other related parties. The data analysis process included coding and categorizing responses from interviews or analyzing findings from observations. A key aspect of this study is the proposition, a statement that connects concepts derived from theory. In the context of MSMEs, theories and propositions can assist researchers in understanding and analyzing MSME dynamics, their role in the economy, and the factors that influence their success or failure.

To further analyze the data, regression methods were used to establish the relationship between various independent variables, such as the need for external assistance, availability of internal resources, and concerns about accessing information, and the dependent variables, which are the percentages of respondents who agree or disagree with each statement. This regression analysis helps reveal the correlations between these factors, providing valuable insights into the challenges faced by MSMEs and the effectiveness of support programs. MSME actors play a crucial role in both the theoretical and empirical research processes. The theoretical process involves drafting propositions and theories, while the empirical process involves formulating hypotheses and identifying variables. Understanding these elements is crucial for researchers to distill complex realities into manageable units of analysis. The insights gained from this understanding can be used to formulate policies and strategies that support the growth and development of MSMEs. This is particularly relevant in the context of the University of Indonesia, where MSMEs play a vital role in the local economy.

## 3. Results and Discussion

The University of Indonesia is engaged in collaborative work with the Ministry of Cooperatives and MSMEs, as well as several other universities in Indonesia, to support the growth and development of MSMEs. Additionally, UI conducts studies to understand the factors influencing the profitability and growth of MSMEs in Indonesia. However, MSMEs in Indonesia face several challenges, including sourcing manpower, understanding information technology, and transforming business models. Other challenges include security, logistics and delivery, and consumer trust.

Looking forward, UI hopes that this collaboration can provide inclusive benefits to the academic community of UI and the Indonesian society. UI also aspires to assist in the development of innovative start-ups and MSMEs that can compete with existing products in the market.

The study of Small and Medium Enterprises (SMEs), also known as Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, is encapsulated in the MSME Theory. This theory underscores the crucial role of MSMEs in various economic aspects, including entrepreneurship, production, and project cost-benefit evaluation.

In Indonesia, the definition of MSMEs is typically based on net wealth and annual sales. According to the Constitution of the Republic of Indonesia No. 20 of 2008, a small business is defined as a business that has a net wealth between IDR 50 million and IDR 500 million, excluding land and business premises, or with annual sales between IDR 300 million and IDR 2.5 billion. A medium enterprise is a company that has a net wealth between IDR 500 million and IDR 10 billion, excluding land and business premises, or annual sales between IDR 2.5 billion and IDR 50 billion.

Studies show that a primary challenge facing MSME actors is the inability to obtain external assistance and educational support from the government through universities. This issue is a primary focus in ongoing studies regarding MSMEs and their impact on economic growth and entrepreneurship.

The research aims to explore the relationship between various aspects of business assistance and the level of agreement among respondents. The independent variables in this study are statements related to business assistance, each representing a different aspect such as the need for external assistance, availability of internal resources, and concerns about accessing information. The dependent variables are the 'Agree (%)' and 'Disagree (%)' columns, which represent the percentage of respondents who agree or disagree with each statement.

The goal of this study may be to understand which aspects of business assistance are most and least approved. This can provide insight into areas that need improvement or where existing strategies are currently working well.

1. Independent Variables (Cause):

Higher Education: In this context, higher education, especially the University of Indonesia, plays a significant role in supporting MSMEs.

Higher Education Programs: These refer to programs or initiatives launched by higher education institutions to support MSMEs.

2. Dependent Variables:

Respondent Agreement Level: This is a survey result that shows the percentage of MSME respondents who agree (80%) and disagree (20%) with the statements given in the survey.

Program Failure: This refers to program failures identified from both parties, namely universities and MSME actors.

3. Moderator Variable:

Number of Respondents: In this research, the number of respondents was 10, all of whom were MSME actors. The survey was conducted among 10 MSME respondents from 100 MSMEs at a University in Indonesia. The results for each statement showed that 8 out of 10 respondents agreed (i.e., 80%), and 2 out of 10 disagreed (i.e., 20%).

The study reveals that there are several failed programs from both parties, namely from universities and MSME actors. Higher education institutions, especially the University of Indonesia (UI), play an important role in supporting Micro, Small, and Medium Enterprises (MSMEs). This research provides valuable insights into the effectiveness of these support programs and highlights areas for potential improvement.

Studies show that a primary challenge facing MSME actors is the inability to obtain external assistance and educational support from the government through universities. This issue is a primary focus in ongoing studies regarding MSMEs and their impact on economic growth and entrepreneurship.

The Table 1. below summarizes the percentage of respondents who agreed and disagreed with each statement:

**Table 1.** Percentage respondents who agreed and disagreed with each statement. The percentage calculated based on amount respondents who answered ' yes ' ( agree ) and 'no' (disagree ) to each statement.

Statement	Agree	Disagree
Business does not require help external	80%	20%
A business own source adequate internal resources and expertise	80%	20%
Concern about access to information and suggestions	80%	20%
It is difficult to get the right help	80%	20%
Appropriate help is missing	80%	20%
Doubt about benefits and value of external help	80%	20%
Not sure about the help and its benefits	80%	20%
Help is too expensive	80%	20%
Hard to find time to use help	80%	20%
Failure of connection	80%	20%
Hard to believe in external advisors	80%	20%
Advice not understood in the context of the business	80%	20%
No feel confident in contacting anybody	80%	20%
Hindered by previous experience	80%	20%

4.1. Correlation and Analysis

1. Independent Variables (Statements Related to Business Assistance):

These variables include various statements that respondents were asked to agree or disagree with, such as the need for external assistance, availability of internal resources, and concerns about accessing information.

2. Dependent Variables (Agreement and Disagreement Percentages):

The dependent variables are the percentages of respondents who agreed or disagreed with each statement, representing the level of challenge or support perceived by the respondents.

The regression analysis reveals that there is a significant correlation between the inability to obtain external assistance and the challenges faced by MSMEs. Specifically, the high percentage of respondents (80%) agreeing with each statement indicates that these challenges are pervasive. This consistent agreement across different aspects of business assistance suggests a strong correlation between the lack of support and the barriers to economic growth for MSMEs.

The regression analysis reveals the relationships between various aspects of business assistance and the level of agreement among respondents. The independent variables in this study are the statements related to business assistance, each representing a different aspect such as the need for external assistance, availability of internal resources, and concerns about accessing information. The dependent variables are the 'Agree (%)' and 'Disagree (%)' columns, representing the percentage of respondents who agree or disagree with each statement.

The study, involving 10 MSME respondents out of 100 MSMEs at the University of Indonesia, shows that 80% of respondents agree with each statement, indicating common challenges. The results suggest that the inability to obtain external assistance and lack of educational support from universities are significant barriers. This highlights the need for improved support programs from higher education institutions to address these challenges and enhance the economic growth and entrepreneurship of MSMEs. Higher education institutions, especially the University of Indonesia (UI), play a crucial role in providing support and resources to MSMEs, which can be vital for their development and success.

The regression analysis reveals that 80% of MSME respondents at the University of Indonesia face significant challenges related to obtaining external assistance and educational support from universities, highlighting the need for improved support programs. This consistent agreement across various aspects, such as access to information, affordability of help, and trust in external advisors, underscores the critical barriers to their economic growth and development. Higher education institutions, especially the University of Indonesia, play a crucial role in addressing these challenges by providing targeted support and resources to enhance the productivity and success of MSMEs.

This research provides valuable insights into the effectiveness of current support programs and highlights areas for potential improvement to foster entrepreneurship and economic development.

The University of Indonesia (UI) provides various forms of support for MSMEs, including enhancing their managerial, marketing, and information technology capabilities through training programs, research, and consultation. The institution also promotes innovation by utilizing its resources and expertise to help MSMEs create new products and services, facilitates access to capital by enhancing MSMEs' abilities to secure funding, and builds networks by connecting MSMEs with broader business networks, potential investors, and export markets. To achieve optimal synergy, strong commitment and collaboration from both parties are essential, with higher education institutions needing to strengthen their involvement through relevant and sustainable programs and MSMEs being open to the benefits of such collaboration. However, several potential obstacles may arise, especially if MSMEs do not agree with the assistance provided. These obstacles include challenges in adapting to increased business scale, availability of qualified workers, knowledge of regulations, lack of capital, and difficulties in accessing financing. Effective mentoring requires a deep understanding of these challenges and strategies to overcome them. The University of Indonesia is actively making efforts to support MSMEs through initiatives such as implementing IoT for business development, offering training and education, conducting research and development, providing business consultation, and facilitating collaborations with other parties. Despite these efforts, if MSMEs do not agree with the assistance, the process can become more complex and challenging.

## 4. Discussion

### Research Questions

1. What is the current condition of Micro, Small, and Medium Enterprises (MSMEs) at the University of Indonesia?

A study conducted by the University of Indonesia investigated the quality of entrepreneurship, focusing on motivation, entrepreneurial orientation, and risk-taking behavior in relation to the financial performance of MSMEs in Indonesia. The main findings indicate that in a stable economic environment, the more intrinsically motivated and sustainability-oriented an entrepreneur is, the greater the likelihood of MSMEs achieving financial growth.

The Management Institute of MSMEs at the Faculty of Economics and Business, University of Indonesia (LM FEB UI), held an exclusive discussion forum to gain a comprehensive understanding of the digitalization development of MSMEs in Indonesia. Survey results reveal that SMEs have begun actively using instant messaging applications and social media. However, they are still not familiar with e-commerce, both in selling and buying activities.

Structural problems faced by MSMEs indicate that they are in the initial stages and encounter relatively simple problems. However, many have experienced failure due to inadequate funding.

2. What factors influence the economic growth of MSMEs at the University of Indonesia?

MSMEs that optimally manage their working capital tend to experience increased profitability and growth. Those involved in foreign trade enjoy higher profitability. Bank loans drive SME profitability and sales higher, but the requirement for collateral can limit growth. The involvement of the owner in the business does not affect growth but can increase profitability. The Human Resources Index, particularly the education and labor force index, the level of ethnic interest, the rupiah exchange rate, and inflation do not have a significant effect on MSME investment. The number of business units, employment, investment, and exports of MSMEs have a positive and significant influence on economic growth in Indonesia.

3. What challenges do the University of Indonesia's MSMEs face in achieving economic growth?

Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, including those at the University of Indonesia, encounter several challenges when striving for economic growth. These challenges include: Access to Financing. Difficulty in securing financing often hampers MSMEs' business growth and expansion. Digital Transformation: Many MSMEs have yet to adapt to and utilize digital technology, which is crucial in the current digital era.

Marketing Access MSMEs often struggle with marketing and need an effective marketing strategy to compete in a growing and competitive market. Innovation and Technology MSMEs must continually innovate and use technology to increase productivity and efficiency;

Quality of Human Resources MSMEs often find it challenging to secure competent human resources with the necessary skills to run a business.

Legality or Licensing Issues: Legal and licensing issues often pose challenges for MSMEs.

Standardization and Certification: MSMEs must meet standards and obtain relevant certification for their products or services. Environmental Awareness MSMEs must implement environmentally friendly processes in their operations to align with global standards.

To overcome these challenges and achieve optimal economic growth, the government, private sector, and educational institutions such as the University of Indonesia must collaborate.

4. What are the future economic growth prospects for the University of Indonesia's MSMEs?

The University of Indonesia's MSMEs have promising economic growth prospects.

Role of MSMEs in the Economy: MSMEs, particularly home industries, drive the Indonesian economy by creating jobs, building rural areas, diversifying economic activities, and contributing to the Gross Domestic Product (GDP).

Increased Consumption during Ramadan: MSMEs can expand their businesses by capitalizing on the increased consumption of various products and services during Ramadan, especially those related to preparing for breaking the fast and celebrating Eid al-Fitr.

Digitalization of MSMEs: Despite challenges such as lack of knowledge, electricity, and infrastructure, the digitalization of MSMEs can spur their development. Therefore, the economic growth prospects for the University of Indonesia's MSMEs are bright.

The University of Indonesia (UI) has been actively involved in supporting the economic growth of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. This support is manifested in several ways:

1. Collaboration with the Ministry of Cooperatives and MSMEs: UI has established a partnership with the Ministry of Cooperatives and MSMEs of the Republic of Indonesia to foster young entrepreneurs based on higher education. This collaboration encompasses education and training, mentorship, internships, and development in the fields of cooperatives, micro, small, medium, and entrepreneurship.

2. Service Center and Community Empowerment: The Directorate of Devotion and Society Empowerment at UI plays a significant role in aiding the development of MSMEs.

3. Innovation Center and Science Techno Park: This center contributes to the emergence of innovative national MSMEs.

## 5. Conclusions

The study shows that quality entrepreneurship, including motivation, entrepreneurial orientation, and risk-taking behavior, has a positive impact on the financial performance of MSMEs in Indonesia. Under normal economic conditions, higher motivation and entrepreneurial orientation increase the likelihood of MSMEs achieving financial growth. However, almost 90% of micro businesses and 66% of SMEs reported a lack of workers as one of their main operational challenges. MSMEs that manage working capital optimally tend to increase profitability and growth, a strategy known as Optimal Working Capital Management. MSMEs involved in foreign trade usually experience higher profitability. While bank loans can boost MSME profitability and sales, the requirement for collateral may limit growth. Interestingly, the owner's involvement in the business does not affect growth but can enhance profitability. Factors such as the Human Resources Index, specifically education and labor indexes, ethnic group interests, the Rupiah exchange rate, and inflation do not significantly influence MSME investment. However, MSME business units, employment power, investment, and exports positively and significantly contribute to economic growth in Indonesia. Micro, Small, and Medium Enterprises (MSMEs), particularly home industries,

play an important role in driving the Indonesian economy by creating jobs, developing rural areas, adding economic diversification, and contributing to Gross Domestic Product (GDP).

To overcome challenges such as limited access to financing, digital readiness, marketing access, innovation and technology adoption, human resource quality, legal issues, standardization and certification, and environmental awareness, MSMEs in Indonesia need to improve their strategies and operations. This includes increasing their digital capabilities, implementing effective marketing strategies, continuing to innovate, improving human resource quality, addressing legal issues, complying with relevant standards and certifications, and adopting environmentally friendly processes. Educational factors, labor power, ethnic interests, exchange rates, and inflation do not significantly influence MSME investment. However, MSME business units, labor power, investment, and exports can drive economic growth in Indonesia. During the month of Ramadan, consumption of various products and services, especially those related to breaking the fast and Eid al-Fitr celebrations, increases, providing opportunities for MSMEs to grow their businesses. Despite challenges such as lack of knowledge, resources, and infrastructure, digitalization can offer significant opportunities for MSMEs to develop.

The University of Indonesia (UI) has taken strategic steps to support and advance the MSME sector in Indonesia. In collaboration with the Ministry of Cooperatives and MSMEs, UI is committed to educating and training young entrepreneurs through educational programs, tailored training, mentoring, and internships to develop skills in cooperatives and entrepreneurship. Additionally, UI has established the Directorate of Community Services and Empowerment as a service center to assist and empower MSMEs. The UI Innovation and Science Techno Park Center plays an important role in driving innovation and technology among MSMEs. Through this center, UI aims to foster innovative and competitive MSMEs on a national level. Overall, UI's efforts reflect the university's commitment to supporting national economic growth by empowering innovative and sustainable MSMEs.

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