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# Determinants of Small Medium Micro Business Empowerment: Systemic Literature Review

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## ABSTRACT

The purpose of this study is to determine the determinants of MSME Empowerment and what factors determine MSME Empowerment in the Globalization Era. This study uses a descriptive exploratory approach by using an approach to literature review or literature study, which refers to various literatures, such as books, dissertations, scientific journals and the internet. All the descriptions of existing ideas are combined in a single framework of thought. The results of the study can be concluded, From the discussion that has been described, it can be concluded that the determinants of MSME Empowerment are the role of the government in empowering MSMEs in Indonesia which is the driving force for the success of MSMEs in an effort to rise during the pandemic, with one of the main policies being to encourage lending to MSMEs. , such as People's Business Loans, Independent Business Loans, Productive Business Loans and other credit financing. The role of banking in financing Micro, Small and Medium Enterprises (MSMEs) has a very important contribution because MSMEs will be able to develop if they have sufficient capital to run their business. In addition, the factor that determines the empowerment of MSMEs is that the government needs to establish policies for MSMEs that receive credit financing according to a priority scale, then provide guidance and assistance as long as MSMEs use their business loans, facilitate relationships between MSMEs and other parties and provide access to marketing information and ease of marketing. for MSMEs to offer their products or services to be easily sold in the market.

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## I. Introduction

Business Competition in the Industrial Age 4.0. towards the Age of Society 5.0. considered very competitive and requires a creative, innovative and effective breakthrough in order to continue to exist and compete with other similar businesses so that the business being carried out does not go out of business, especially during the current pandemic. So the need for a consistent effort to be able to develop its business with the best strategies to compete in the era of globalization.

Effendy, A. A., et al (2020) outlines one strategy so that MSMEs (Micro, Small and Medium Enterprises maintain their existence, that is, "Establishing a business or MSME (Micro, Small and Medium Enterprises) must have the knowledge, skills and insight into entrepreneurship so that the run can run well and generate optimal profits."

According to BPS (Central Statistics Agency) data for South Tangerang City, seen from the distribution of medium-sized industrial companies in South Tangerang City in 2020, the rubber processing industry and the steel or metal processing industry were the most numerous in South Tangerang City, amounting to 6 each. companies with a total workforce of 137 and 266 people, respectively. As for small industries, the largest is the food processing industry in South Tangerang City in 2020, which is as many as 885 companies with a total workforce of 1,935 people. This was followed by the textile industry, which amounted to 293 companies with a workforce of 2,904

people. From the data above, it can be seen that there are still limited types of businesses spread across the South Tangerang area, so the micro, small and medium business sector should be able to contribute to the country's economy, because "Micro, Small and Medium Enterprises (MSMEs) have a strategic role in national economic development, because apart from playing a role in economic growth and employment, it also plays a role in the distribution of development outcomes." (Lukiastuti, Sunarsi, D., et al. 2020, in the International Journal of Psychosocial Rehabilitation).

In the current Globalization Era, MSMEs must have the best strategy to successfully win the competition with other similar businesses, as in the research of Maddinsyah, Ali., Sunarsi, D., et al, (2020) that, "In the context of MSME success, it is measured from various aspects. such as performance, sales growth, market share, and profitability."

According to Sudaryanto, R., & Wijayanti, R. R. (2013), "Empowerment of MSMEs in the midst of globalization and high competition makes MSMEs must be able to face global challenges, such as increasing product and service innovation, developing human resources and technology, and expanding the marketing area. ."

In Affandi, A., et al, (2020), Based on reports originating from the U.S. News & World Report, 2019 Best Countries, that "An Indonesian Entrepreneurship Ranking in Southeast Asia is below several countries such as Singapore, Malaysia, Thailand and Vietnam, then at the world level, Indonesia is ranked 50th out of 80 countries that been surveyed." As depicted in a graph below:

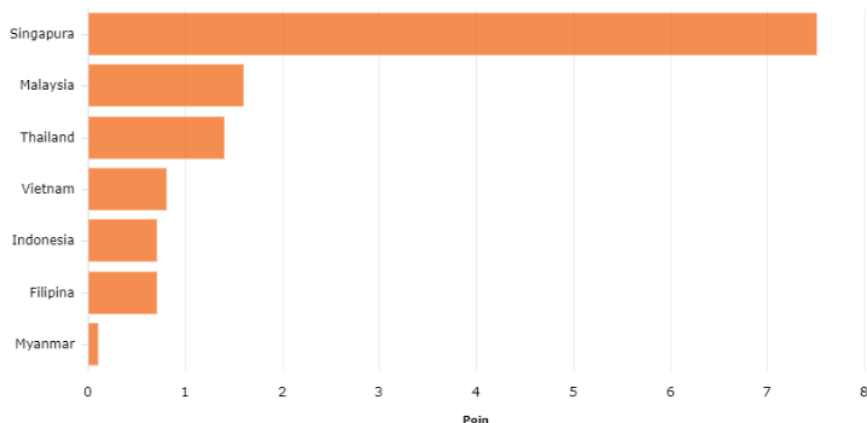


Figure 1: Ranking of Indonesian Entrepreneurship in Southeast Asia

As the research above states, "The low ranking of Indonesian entrepreneurship is due to the low scores on all indicators, which is below 2 out of a scale of 10. There are several indicators that get low scores, namely a good legal framework and technological expertise with a score of 0, each. 3 and 0.5, meanwhile, the highest score obtained by Indonesia is 1.8 for the indicator of Indonesia's connectedness to the rest of the world."

Regarding the technological indicators above, as in the research by A. Budiyanto, & A.A. Effendy, (2020), among the obstacles to the development of MSMEs is "Limited business facilities and infrastructure, especially those related to technological tools. Most MSMEs use technology that is still simple so it is difficult to compete in terms of quality and quantity." Meanwhile, "Promotions are very effective through online media, especially promotions through social media are more effective than promotions through electronic media and print media." (Effendy, A. A., & Sunarsi, D. 2020).

From the problems above, the government's role is very necessary for empowering MSMEs so that they can develop and continue to exist, even during the current Pandemic. So to overcome these problems, research is needed on "Determinants of Empowerment of Micro, Small and Medium Enterprises: Systematic Literature Review.

## II. Literature Review

### A. Definition of Empowerment

In the context of empowering MSMEs in Indonesia, Bank Indonesia in Sudaryanto, R., & Wijayanti, R. R. (2013). developed, "Five finger philosophy, meaning that each finger has its own role and cannot stand alone and will be stronger if used simultaneously.

1. Finger thumb, "Representing the role of financial institutions that play a role in financial intermediation, especially to provide loans/financing to micro, small and medium customers as well as agents of development."
2. The index finger, "Representing the regulators, namely the Government and Bank Indonesia who play a role in the real and fiscal sector regulators, Issuing business permits, certifying land so that it can be used by MSMEs as collateral, creating a conducive climate and as a source of financing."
3. Middle finger, "Representing a catalyst that plays a role in supporting banks and MSMEs, including Promoting Enterprise Access to Credit (PEAC) Units, a credit guarantee company."
4. Finger Ring, "Representing facilitators who play a role in assisting MSMEs, especially micro-enterprises, helping MSMEs to obtain bank financing, assisting banks in terms of credit monitoring and consulting on MSME development."
5. Little finger, "Representing MSMEs that play a role in business actors, taxpayers and opening the workforce"

### B. Maintaining the Integrity of the Understanding SMEs

In Affandi, A., et al, (2020), regarding the regulation of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), as follows:

- a. Micro Business is "A productive business owned by individuals and/or individual business entities that has a net worth of at most Rp. 50,000,000.00 excluding land and buildings for business premises or having annual sales of at most Rp. 300,000,000.00."
- b. Small business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries, which have a net worth of more than Rp. 50,000,000.00-500,000,000.00 excluding land and buildings for business premises or having annual sales of more than Rp. 300,000,000.00-2,500,000,000.00."
- c. Medium Enterprises are "productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries." Its characteristics are "Having a net worth of more than Rp. 500,000,000.00-10,000,000.00 excluding land and buildings for business premises or having annual sales of more than Rp. 2,500,000,000.00-50,000,000,000.00." (Putri, Aning Kesuma & Dewi Anggraini, 2016

## III. Method

This study uses a descriptive exploratory approach by analyzing "Determinants of Micro, Small and Medium Enterprise Empowerment: Systematic Literature Review". This scientific work is developed using an approach to literature review or literature study. In Sudaryanto, R., & Wijayanti, R. R. (2013), that, "This concept approach is carried out by referring to several sources, such as books, scientific journals, and the internet, all descriptions of existing ideas are combined in a single framework of thought."

As in Arikunto (2014) regarding literature review, namely "Collecting data related to things or variables in the form of books, transcripts, notes, magazines, newspapers, pasasti, agendas, meeting minutes and so on. Analisis data dalam metode literature review pada penelitian ini ialah berisi uraian yang lengkap tentang cara menganalisis konsep yang dieliti. Pendekatan yang digunakan dalam menganalisis data ini ialah Metode eksposisi, yaitu "Dengan memaparkan data dan fakta yang ada sehingga pada akhirnya dapat dicari korelasi antara data-data tersebut." (Ulhaq. et. all., 2020).

Search for publication articles on google, google scholar, and research gate using the selected keywords, namely "Empowerment and Micro, Small and Medium Enterprises (MSMEs)" in English and Indonesian.

**Table 1. Source of Literature Search Database**

| Research Database            | WEB Address   |
|------------------------------|---|
| <i>Google Scholar</i>        | <a href="https://scholar.google.co.id">https://scholar.google.co.id</a>       |
| <i>Google Search</i>         | <a href="https://www.google.co.id/?hl=id">https://www.google.co.id/?hl=id</a> |
| <i>Scopus Preview</i>        | <a href="https://www.scopus.com/home.uri">https://www.scopus.com/home.uri</a> |
| <i>Research Gate</i>         | <a href="https://www.researchgate.net">https://www.researchgate.net</a>       |
| <i>Badan Pusat Statistik</i> | <a href="https://www.bps.go.id/">https://www.bps.go.id/</a>                   |

Articles or journals that meet the inclusion and exclusion criteria are taken for further analysis. This Literature Review uses literature in the last 10 years, namely 2013-2022 which can be accessed in full text in pdf and scholarly formats (peer reviewed journals). The criteria for the journals reviewed are research journal articles in Indonesian and English.

#### IV. Result and Discussion

The role of banking in financing Micro, Small and Medium Enterprises (MSMEs) has a very important contribution because MSMEs will be able to develop if they have sufficient capital to run their business. One of the main roles of banks today is lending to MSMEs.

The MSME Credit in Sudaryanto, R., & Wijayanti, R. R. (2013), is "Credit granted to debtors of micro, small and medium enterprises that meet the definition and criteria of micro, small and medium enterprises as stipulated in Law no. 20 of 2008 concerning MSMEs, based on the Law, MSMEs are productive businesses that meet business criteria with certain limits on net worth and annual sales results."

The government's role in empowering MSMEs in Indonesia is a driving force for the success of MSMEs in an effort to rise during the pandemic, with one of the main policies being to encourage lending to MSMEs. Several credit schemes or MSME financing are held by the government for certain businesses, such as food security, agriculture, livestock, plantations and so on.

The government's role in financing credit for MSMEs is the interest subsidy provided from the State Revenue and Expenditure Budget funds and credit funds from banks entrusted by the government as implementing banks in lending. In addition, the government also establishes policies for MSMEs that receive credit financing according to a priority scale, then provides guidance and assistance as long as MSMEs use their business loans, and facilitates the relationship between MSMEs and cooperation partners so that their business continues to develop from year to year.

"The strategy for developing MSMEs to survive can be done by increasing competitiveness and developing human resources so that they have value and are able to survive the ACFTA market, including through distributing people's business loans, providing access to marketing information, financial management training and developing communication information technology." (Setyanto, A. R., Samodra, B. R., & Pratama, Y. P., 2015).

The determining factors in empowering MSMEs according to the author are based on analysis from various literatures, including:

##### *A. Credit distribution or access to capital for MSMEs*

The main factor that is very decisive in empowering MSMEs is the role and Government Policy in lending to MSMEs. Regarding credit schemes or MSME financing held by the government in empowering MSMEs, among others:



### 1. People's Business Credit/KUR

Business actors in general are familiar with People's Business Credit or commonly known as KUR, which is a credit or financing scheme specifically intended for MSMEs with a viable business category, but does not have sufficient collateral to meet banking requirements. In Hartono, H., & Hartomo, D. D. (2016), the function of People's Business Credit is "To help capital for MSMEs, the government has required banks to distribute People's Business Credit or KUR which is intended to expand access to banking credit for productive MSMEs, decent but not yet bankable."

### 2. Productive Business Credit/KUP

Productive Business Loans are channeled through Bank Jateng which aims to develop productive businesses for individuals or business entities, which are useful for the use of working capital or investment, as in Putra, A. H. (2016), that "The Productive Business Credit Program was originally the result of his idea with the aim of providing business loans without collateral and with low interest, so far, small entrepreneurs have difficulty accessing financial institutions to get capital assistance."

### 3. Independent Business Credit/KUM

As in Arifani, Y. (2020) research, Micro Business Credit (KUM) is a "loan system provided by the Bank with a guarantee pattern, in collaboration with the Guarantee Institution established by the Government. This KUM can be used to finance all productive businesses, including the MSME sector, which is feasible but not yet bankable from the aspect of additional collateral.

4. Other credit programs or schemes provided to empower MSMEs include: Food and Energy Security Credit, Agricultural Agribusiness Business Program, Cattle Breeding Business Credit, National Program for Independent Community Empowerment, In addition, programs issued by State-Owned Enterprises in form of Partnership and Community Development Program. "This program departs from the concern of SOEs to empower MSMEs through a 2.5 percent profit share which is used to empower MSMEs." (Sudaryanto, R., & Wijayanti, R. R., 2013).

### B. Policies for MSMEs that receive credit financing.

In Ahmadun, A., & Rahayu, D. Research (2018). That "The main factor that caused the failure of the previous program was an error in distributing credit, so that the credit did not fall on the rightful side of the entrepreneur". Therefore, government monitoring in distributing credit must continue to be monitored and evaluated according to a priority scale so that it is right on target for MSME actors who really need capital in order to develop their business.

### C. Guidance and assistance to MSMEs.

The Government needs to provide guidance and assistance as long as MSMEs use their business loans so that business actors can complete their credit payments. According to Setyobudi in Sedyastuti, K. (2018), stated that "Bank Indonesia is more focused on strengthening MSME assistance institutions through increasing capacity building in the form of training and research activities that support lending to MSMEs. MSME assistance institutions, in order to improve MSME credit capabilities."

### D. Facilitating the relationship between MSMEs and other parties.

As Sunariani, N. N., et. all. (2017). In his research on, "Empowerment of Micro, Small and Medium Enterprises (MSMEs) through fostered programs in the province of Bali." Whereas, "MSME empowerment through fostered programs is carried out in synergy between the government (relevant ministries and banking) and State-Owned Enterprises, Community Social Institutions (Cooperatives, Village Credit Institutions, Regional-Owned Enterprises) and Universities collaborating through coaching, partnership or mentoring (Business incubator)." This shows that the government needs to facilitate the relationship between MSMEs and other parties, namely several cooperation partners, which aims to improve competence and business level, so that MSME actors can continue to develop their businesses and be able to compete in the current era of globalization.

### E. Ease of Market Access for MSMEs

In Suprayitno's research, D. K. (2018)., that "Market Access is to provide easy access to marketing for MSME players, one way is by holding free exhibitions and bazaars." According to the author, the government should empower MSMEs comprehensively, one of which is by providing

access to marketing information and marketing facilities for MSMEs to offer their products or services so that they can be easily sold in the market, so that MSME actors can maximize profits so that it certainly has an impact on the Indonesian economy.

Quoted on the official website of the Ministry of Finance of the Republic of Indonesia ([www.kemenkeu.go.id](http://www.kemenkeu.go.id)), "The Ministry of Finance supports the national Micro, Small and Medium Enterprises (MSME) empowerment program, by helping MSMEs through taxation, export assistance, namely Authorized Economic Operators, both Large companies and MSMEs will be assisted so that they can export quickly, in addition, assistance for the distribution of People's Business Credit and Micro Business Loans will also be carried out and carry out MSME auction activities and there is even debt relief for MSMEs so that the business they undertake can increase and advance to class.

### Conclusion

From the discussion that has been described, it can be concluded that the determinants of MSME Empowerment are the government's role in empowering MSMEs in Indonesia which is the driving force behind the success of MSMEs in an effort to rise during the pandemic, with one of the main policies being to encourage lending to MSMEs, such as People's Business Credit, Mandiri Business Loans, Productive Business Loans and another credit financing.

The role of banking in financing Micro, Small and Medium Enterprises (MSMEs) has a very important contribution because MSMEs will be able to develop if they have sufficient capital to run their business.

In addition, the factor that determines the empowerment of MSMEs is that the government needs to establish policies for MSMEs that receive credit financing according to a priority scale, then provide guidance and assistance as long as MSMEs use their business loans, facilitate relationships between MSMEs and other parties and provide access to marketing information and ease of marketing, for MSMEs to offer their products or services to be easily sold in the market.

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