

Determinants of Integrated Management of MSMEs on Business Development in the City of Palembang

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Abstract

This study examines the determinants of integrated management for MSMEs on business development in Palembang City. Using a quantitative approach and multiple linear regression analysis, the research identifies several factors influencing MSME business development. The analyzed variables include MSME assessment quality, promotion space needs, exhibition facilities, logistics capacity, digital literacy, development of online business aggregators, and customized coaching programs tailored to the potential and challenges of MSMEs. The results reveal that customized business program development has the most significant impact on business development, followed by the implementation of coaching programs. In contrast, exhibition facilities show a negative effect on business growth. With an R-squared value of 82.3%, the model exhibits strong predictive capabilities. Managerial implications highlight the importance of an integrated approach to MSME development, emphasizing digital technology, literacy, and collaboration to achieve sustainability. The study suggests that the government and other stakeholders focus on developing adaptive programs and sustained coaching to support the growth of MSMEs in Palembang.

Keywords:

business development; digital literacy; MSMEs integrated management; sustainable MSME growth

Introduction

The MSME sector plays an important role in driving economic growth, job creation, and industrial development. To improve this sector, it is important to focus on practical strategies that can address the unique challenges faced by MSMEs. One effective strategy is to provide easier access to financial and credit facilities for MSMEs, enabling them to invest in technology, infrastructure and skilled labor. In addition, simplifying regulatory procedures and creating a conducive business environment can significantly support the growth of MSMEs, encouraging innovation, providing mentoring programs, and facilitating market relations are also important in improving the competitiveness of MSMEs.

Integration of MSME management policies is very important for the sustainable development of this business. By aligning policies with the specific needs and challenges faced by MSMEs, it can greatly impact their overall business development. One of the key determinants of the success of an integrated MSME management policy is the simplification of the regulatory process. Streamlining regulations can significantly reduce the burden on MSMEs, allowing them

to focus more on their core business activities. In addition, access to financial facilities and credit is another important determining factor. MSMEs often struggle with limited access to funding, and integrated management policies that address these challenges can greatly contribute to their growth and development. In addition, capacity building and skills development initiatives within the policy framework can empower MSMEs to improve their productivity and competitiveness in the market. Therefore, it is important to analyze and address these determinants while formulating effective integrated MSME management policies to promote sustainable business development.

Another key determinant of a successful MSME integrated management policy is the use of technology and digital tools. Incorporating digital solutions can help MSMEs streamline their operations, increase efficiency, and expand their market reach. Furthermore, encouraging innovation and entrepreneurship within the policy framework can encourage MSMEs to be more adaptive and responsive to changes in market demand.

Another important aspect that needs to be considered in an integrated management policy is the provision of adequate infrastructure and logistical support. This includes ensuring reliable supply chains, access to modern facilities, and transportation networks that enable MSMEs to move their goods and products efficiently to market. In addition, support for market access and international trade is essential for the growth of MSMEs. Integrated management policies that facilitate export opportunities and provide support for global market penetration can contribute significantly to the expansion and sustainability of MSMEs.

Collaboration and networking among MSMEs, as well as with larger corporations and government agencies, can create synergies and opportunities for knowledge sharing, resource pooling, and collective advocacy for a conducive business environment. A comprehensive integrated MSME management policy that includes regulatory simplification, access to finance, capacity building, technology adoption, infrastructure support, market access, and collaboration can effectively drive sustainable business development for MSMEs.

MSMEs in Palembang utilize local potential and local wisdom to create unique and high-quality products. Starting from famous Palembang culinary specialties, such as pempek, beautiful songket cloth models, to stunning handicrafts, MSMEs in Palembang have succeeded in attracting the attention of local and international markets. Technological developments have also become a major driver in advancing MSMEs in Palembang. The use of digital platforms for marketing and sales, as well as business management applications, has helped MSMEs to optimize their operations and reach a wider market share.

The success of MSMEs in Palembang is also reflected in their contribution to local economic growth and improving community welfare. By empowering local communities, MSMEs are not only the driving force of the economy, but also become agents of positive social change in building more inclusive and sustainable communities. In 2020, there was an increase of 45,827 MSME units. This number continues to grow in 2021, with the addition of 53,807 MSME units, and by 2022, the number of MSMEs will reach 60,442 units. With the high number of MSMEs in Palembang, it is possible that several problems will occur. The following is data on the development of the number of MSMEs in the city of Palembang:

Table 1.1

Data on the Development of MSMEs in Palembang City

No	Business fields	Number of Business Units		
		2020	2021	2022
1	Micro Business	12,655	17,655	20.153
2	Small business	27,475	30.122	33.211
3	Medium Enterprises	5,697	6.030	7,078
Amount		45,827	53,807	60,422

Source: Palembang City Cooperatives and UMKM Service in Rianto, 2023

With the high number of MSMEs in the city of Palembang, and an increase every year, there should have been business development from MSMEs every year. Research related to MSMEs has been conducted by researchers related to the Implementation of Regional Culinary Empowerment Policy (Study at the Cooperatives, SMEs, Industry and Trade Office of Ogan Ilir Regency). Furthermore, several other studies related to the Implementation of Regional Culinary Empowerment Policy Study at the Cooperatives, Micro, Small and Medium Enterprises, Industry and Trade Office of Ogan Ilir Regency. Then, the Strategy for Empowering the Economy of Culinary MSMEs in Ogan Ilir Regency by the Cooperatives, SMEs, Industry and Trade Office by Optimizing the Results of Research and Community Service of Sriwijaya University, the Effectiveness of the MSME Policy Implementation Strategy in Growing the Business Climate of Craftsmen in Ogan Ilir Regency. As well as research in 2022 related to Mapping and Strengthening *Digital Marketing* in the Development of Culinary Businesses as Tourism Potential in Ogan Ilir Regency, the implementation of related research shows that the absence of mapping of culinary specialties in Ogan Ilir Regency has not experienced significant development in the culinary field itself (Ermanovida, 2022).

Starting from previous research, researchers are interested in conducting further research related to integrated MSME management policies because there are still problems in Palembang MSMEs, while in Government Regulation of the Republic of Indonesia Number 7 of 2021 concerning the convenience, protection, and empowerment of cooperatives and MSMEs in

articles 68 to 90 it states that the central government encourages the implementation of integrated management of MSMEs and is implemented synergistically by the central government, regional governments, and stakeholders and is implemented in an integrated, systematic, accountable and sustainable manner. And the government also provides convenience, assistance and facilitation to MSMEs for integrated management of MSMEs. However, from the results of previous studies, it was found that the challenges for MSMEs, such as Limited Capital, Lack of Technological Knowledge, Lack of Trained Human Resources, Cybersecurity Problems, Changes in Business Models, Dependence on Third Party Platforms, and Difficulties in Integration, challenges of cultural adaptation, and infrastructure (Putri, 2023). Article 91 also states that the central government and regional governments develop MSMEs by collecting data and identifying the potential and problems faced by MSMEs, preparing coaching and development programs, implementing programs, monitoring and controlling program implementation, but from the results of observations by researchers at the Palembang City Cooperatives and MSMEs Service, there is very little data related to MSMEs. While these problems are part of the integrated management of MSMEs, further research is needed to develop MSMEs in Palembang City.

Methods

This study uses a quantitative approach with a survey method. This study aims to examine the causal relationship between various aspects of integrated management of MSMEs and business development, using multiple linear regression analysis. This study identifies several independent variables and one dependent variable as follows:

- a. Dependent Variable, business development (measured by various indicators such as sales increase, market expansion, and capital growth)
- b. Independent Variables, consisting of: 1) quality of MSME assessment; 2) need for provision of promotional space; 3) procurement of exhibition facilities; 4) development of logistic capacity; 5) digital and non-digital literacy; 6) development of online business aggregators; 7) data collection of MSME potential and problems; 8) preparation of customized business programs and development; and 9) implementation of coaching and development programs.

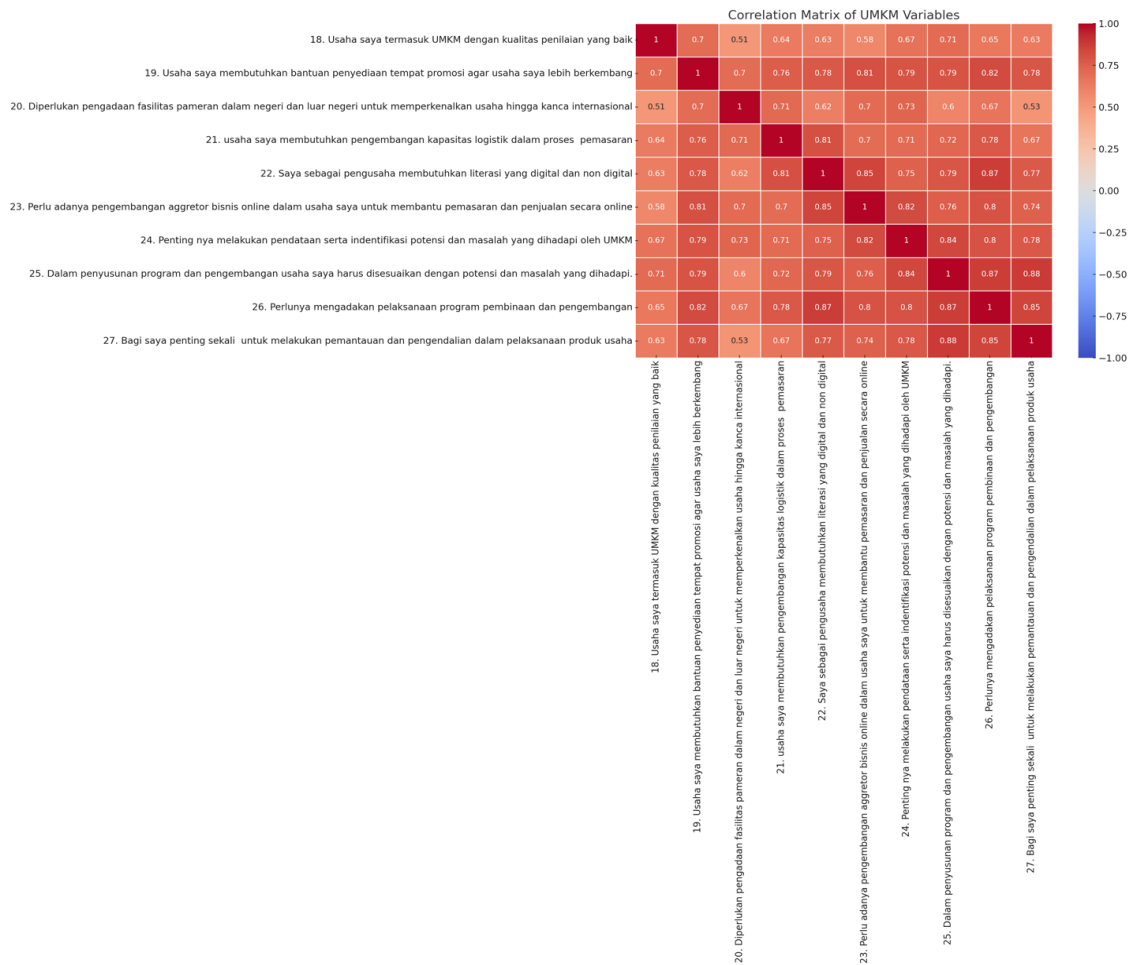
Descriptive analysis is used to describe the profile of respondents and the basic characteristics of the variables studied, including frequency distribution, mean, and standard deviation. Correlation analysis is used to see the relationship between variables in this study. This

analysis aims to see the simultaneous influence of independent variables on dependent variables, and to determine which variables have the strongest influence.

Results and Discussion

Correlation Between Variables of Integrated Management of MSMEs

Based on the correlation analysis that has been carried out, it was found that there are several significant relationships between variables that reflect aspects of integrated management of MSMEs in Palembang City.



Based on the correlation matrix of variables related to MSMEs. The colors and values in the matrix indicate the level of correlation between each pair of variables:

- Values close to 1 or -1 indicate a strong correlation.
- Values close to 0 indicate a weak correlation or no correlation.

The correlation matrix shows several strong, moderate, and weak correlations between the variables, which can be interpreted as follows:

a. Significant Positive Correlation

Several variables show a strong positive correlation. For example, the variable "Customized business program and development" shows a high correlation with "Implementation of coaching and development programs". This shows that MSMEs that focus more on compiling development programs that are tailored to the potential and problems faced are also more likely to prioritize the implementation of coaching programs. This relationship indicates that a systematic and customized approach to program preparation is very important for the success of MSME coaching. It also shows that a good coaching program depends not only on its initial design, but also on its ongoing implementation and monitoring.

b. Significant Negative Correlation

Several negative correlations were also found, one of which was between "Procurement of exhibition facilities" and "Program preparation and business development". This negative correlation can be interpreted that MSMEs that focus more on external aspects such as participation in exhibitions may have a tendency to pay less attention to developing structured internal programs. This can be caused by limited resources, where focusing on one aspect of business development (such as promotion through exhibitions) may sacrifice attention to other aspects that are more fundamental but not immediately visible such as the preparation of a mature program.

c. Weak Correlation and Its Implications

A weak correlation between certain variables indicates that there is no strong linear relationship between those variables. For example, between "Digital and non-digital literacy" and "Monitoring and control of business product implementation", a fairly low correlation was found. This may indicate that digital literacy, while important, does not necessarily translate into better product management without a more comprehensive management strategy.

Regression Coefficient

The coefficient for each independent variable shows how much impact the variable has on the dependent variable (in this case, the importance of monitoring and control in the implementation of business products). Here are the coefficients for each variable:

- a. MSMEs with good assessment quality: -0.038
- b. Promotional space provision requirements: 0.173
- c. Procurement of exhibition facilities: -0.149
- d. Logistics capacity development: -0.031

- e. Digital and non-digital literacy: 0.036
- f. Online business aggregator development: 0.038
- g. Data collection and identification of MSME potential and problems: 0.114
- h. Customized program development and business development: 0.493
- i. Implementation of coaching and development programs: 0.274

Intercept

The intercept value of the model is 0.038, which is the predicted value of the dependent variable if all independent variables are 0.

R-squared

The R-squared value is 0.823, which indicates that about 82.3% of the variation in the dependent variable (business development) can be explained by this model. This is a fairly high value, which means the model has strong predictive ability.

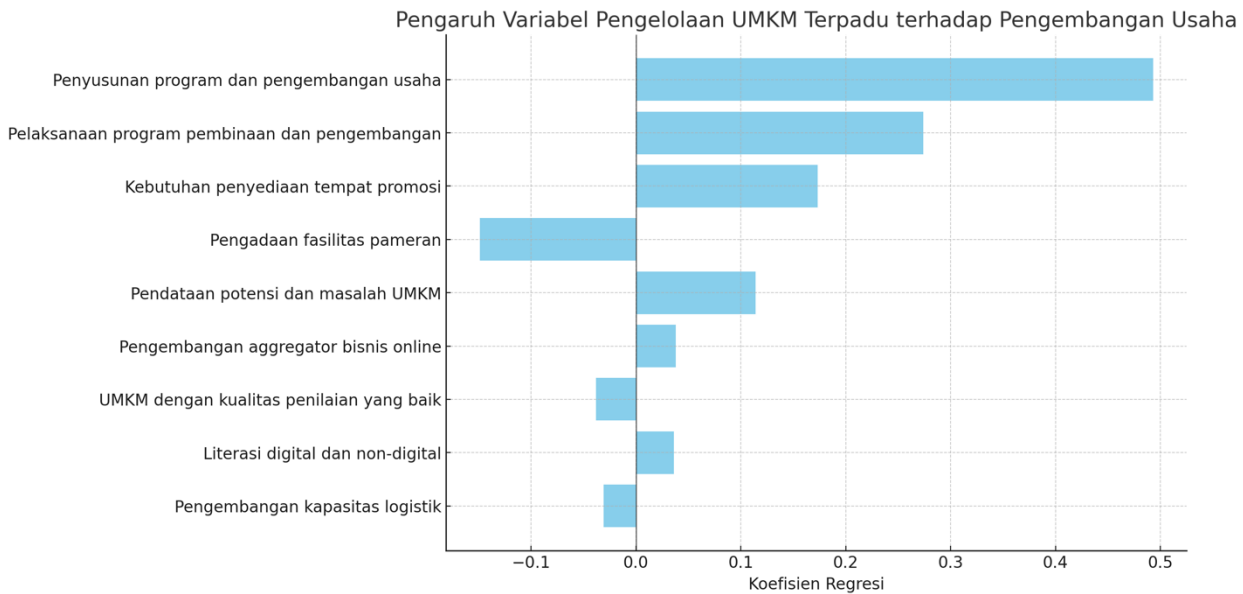
- a. The Importance of Adjusted Business Program Preparation and Development (coefficient 0.493) appears to be the most significant determinant in business development, followed by Implementation of Coaching and Development Programs (coefficient 0.274).
- b. Procurement of Exhibition Facilities has a fairly large negative coefficient (-0.149), which may indicate that respondents who have less need for exhibition facilities are more likely to rate business development as more important.
- c. Other variables have smaller coefficients, either positive or negative, indicating a lower influence on the dependent variable.

Multiple Linear Regression Analysis

From the results of multiple linear regression conducted to identify the main determinants of integrated management of MSMEs towards business development, it was found that:

- a. The preparation of customized programs and business development has the highest regression coefficient (0.493), which means that this factor has the most significant influence on business development among all the variables studied.
- b. The implementation of coaching and development programs also showed a significant influence with a coefficient of 0.274.

- c. Variables such as “Procurement of exhibition facilities” have a negative influence, indicating that excessive focus on exhibitions may not always support overall business development.



The graph above is a horizontal bar chart showing the regression coefficient of each integrated UMKM management variable on business development. This graph supports the discussion by showing the relative influence of each variable on business development:

- Program preparation and business development have the highest coefficients, which shows that these variables have the most influence on business development.
- The implementation of coaching and development programs also showed a significant influence.
- Some variables show a negative influence, such as Procurement of exhibition facilities, which means that an increase in this variable can have a negative impact on business development.

This graph helps clarify the results of the multiple linear regression that have been discussed and provides a visualization that supports the conclusion that focusing on good program preparation and implementation of coaching is the key to developing MSME businesses in Palembang City.

Managerial Implications

The results of this analysis provide several important managerial implications for the development of MSMEs in Palembang City:

1. The Importance of an Integrated Approach

The preparation of programs that are tailored to the specific conditions of MSMEs and the implementation of good coaching are the main keys in supporting business development. Coaching programs must be designed taking into account the specific needs of MSMEs and must be implemented well to achieve optimal results.

2. Priority on Internal and External Aspects

While external promotion such as participation in exhibitions is important, small and medium enterprises need to balance these efforts with strengthening internal aspects such as program management and human resource training.

3. Use of Technology and Digital Literacy

Although digital literacy shows a weak correlation with product management, technology should still be viewed as a supporting tool, not as the sole solution. Technology implementation must be supported by a solid management strategy.

Conclusion

The conclusion of this study reveals that integrated management of MSMEs in Palembang City plays a crucial role in supporting business development. Customized programs that address the specific conditions and challenges of MSMEs were found to have the most significant impact on business growth, followed by the implementation of coaching programs. On the other hand, an excessive focus on exhibition facilities can negatively affect overall business development.

The findings indicate that an integrated management approach—encompassing improvements in digital literacy, development of online business aggregators, and support for infrastructure and logistics—is essential in creating a conducive environment for MSME sustainability. Therefore, the government and other stakeholders are encouraged to focus on developing adaptive and sustainable programs for MSME coaching, which can enhance competitiveness and resilience of MSMEs in the future.

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