



## **DEFINE THE ROLE AND ECONOMIC BENEFITS OF MICRO, SMALL AND MEDIUM ENTERPRISES: A LITERATURE REVIEW**

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### **ABSTRAK**

Tujuan dari makalah ini adalah untuk menjelaskan lebih lanjut tentang potensi sektor usaha kecil dan menengah. Dalam pembahasannya, usaha kecil akan dilihat dalam pengertian yang lebih luas dan tidak hanya berfokus pada usaha kecil dan menengah, tetapi juga pada sektor usaha kecil dan menengah. Penelitian ini berusaha untuk menjelaskan manfaat potensial dari sektor ini. Makalah ini menjelaskan mengapa menjadi usaha kecil dan apa dampak nyata dari sektor usaha kecil dan menengah terhadap pertumbuhan dan pembangunan ekonomi jika didukung oleh pemerintah dan lingkungan bisnis yang tepat. Sektor usaha kecil dan menengah merupakan salah satu faktor penting dalam pertumbuhan ekonomi. Sektor usaha kecil dan menengah memiliki karakteristik yang sangat berbeda dengan perusahaan besar. Namun, yang kurang dipahami adalah mengapa ekonomi sebenarnya membutuhkan begitu banyak perusahaan kecil dan mengapa mereka begitu penting. Artikel jurnal ini merangkum mengapa sektor ini dianggap strategis dan apa yang membuatnya sangat berharga bagi pertumbuhan dan perkembangan ekonomi serta dapat meningkatkan daya saing dalam perekonomian nasional dan regional.

**Kata Kunci:** Daya Saing; UKM; Pertumbuhan Ekonomi; Pembangunan Ekonomi.

### **ABTRACT**

*The purpose of this paper is to shed more light on the potential small and medium enterprise sector. In the discussion, small business will be seen in a broader sense and focus not only on small and medium enterprises, but also on the small and medium enterprise sector. This research seeks to explain the potential benefits of this sector. The paper explains why to be a small enterprise and what the real impact of the small and medium enterprise sector can be on economic growth and development if supported by the right government and business environment. The small and medium enterprise sector is one of the important factors of economic growth. The small and medium enterprise sector has very different characteristics from large enterprises. However, what is less understood is why the economy actually needs so many small firms and why they are so important. This journal article summarises why this sector is considered strategic and what makes it so valuable for economic growth and development and can increase competitiveness in national and regional economies.*

**Keywords:** *competitiveness; SMEs; economic growth; economic development.*

## **PENDAHULUAN**

Small and medium-sized businesses, or SMEs, play a vital role in the economies of all nations. The nation's economy depends heavily on business operations at the enterprise level, with the performance of small and medium-sized businesses affecting the GDP of the nation. The expansion of small and medium-sized businesses must be the primary emphasis of the nation's economic growth. According to the Ministry of Cooperatives, this value has grown yearly, reaching 65.47 million units in 2019—a 1.98% increase from 64.19 million units the year before. The government hopes to sustain the yearly expansion of small and medium-sized businesses in line with the small and medium enterprise promotion plan. The growth and enhancement of SME competitiveness in both the domestic and international markets depends on government support. The government hopes to encourage and support any measure that will raise SMEs' competitiveness, since this will ultimately help the nation's economy flourish. But marketing must be your main priority if you want to run a firm. Companies now need to create online marketing strategy in addition to their usual offline marketing approaches. Social media is a modern tool that people utilize in many ways all over the world. Online shopping is therefore crucial to conducting business both now and in the future.

Every nation's government is crucial to the growth and development of businesses, particularly to the nation's small- and medium-sized company community (Chayomchai & Phonsiri, 2019). The marketing success of small and medium-sized businesses, particularly startups, depends heavily on government backing. All levels of government must encourage and provide funding to help businesses enhance their long-term commercial viability. (Chayomchai & Phonsiri, 2019) suggest that government support comprises multiple elements, such as promoting public image, training and development, marketing incentives, and stimulating consumption. In a similar vein, (Cancino et al., 2015) noted that small and medium-sized businesses face challenges in operating, particularly in the beginning, but that these challenges can be met with government assistance through financial support, entrepreneurial encouragement, and supportive innovation.

Furthermore, (Nguyen et al., 2018) demonstrated how various forms of government assistance can have varying effects on an organization's earnings. According to (Chayomchai & Phonsiri, 2019) government support has an impact on a company's success from three angles: the financial, customer, and internal process perspectives. Small and medium-sized businesses, on the other hand, require government assistance during every phase of their growth in order to prosper. (Hefferan & Fern, 2018), however, came to the conclusion that government assistance can be highly advantageous in the early phases of the company and that it might not be successful if the business owner does not cultivate entrepreneurship.

Small and medium-sized businesses have traditionally been at the forefront of the scientific community. Numerous academics and experts have talked about the reasons this industry needs to be given priority. The majority of the numerous papers, books, essays, and other publications that have been written about the topic come to the same conclusions. There is no denying the significance of the SME sector, but we are not doing enough to help and grow these companies. Large businesses are in a completely different scenario, while the small businesses that comprise the MSME sector are changing in distinct ways. This research purposefully refers to the sector as MSMEs rather than SMEs (small and medium-sized enterprises). In this sense, micro-enterprises which are frequently even more flimsy and weak than the much larger ones are also meant to give a notion of the existence of this entrepreneurial sector of extremely small organizations. Nevertheless, it is undeniable that these businesses, no matter how little, have a significant impact on the functioning of the national economy. Speak exclusively about SMEs is insufficient because the tiny business world also encompasses very small micro companies. As a result, this study highlights the significance of MSMEs to the economy and their influence.

SMEs are seen as important economic drivers in the nation, providing jobs and a forum for creative thinking. When compared to their major corporate rivals, they represent a greater proportion of all firms functioning in any given nation. Nevertheless, a number of obstacles prevent them from performing well and, as a result, from developing further. Financial limitations have been cited as one of the main challenges over the years. Funding is essential for any business, regardless of size, to succeed. This paper serves as a wake-up call for the financial system, urging it to be more inclusive, responsive to SMEs, and to provide financial services to them. It is necessary to close the financing gap that big and small businesses have in the credit market. This can be done through developing a legal framework that is friendly to SMEs, segmenting the market for SME listings, and fostering an atmosphere that is supportive of SMEs. To lessen the difficulty of obtaining funding, SMEs are also urged to create associations and strong financial accounts.

## **RESEARCH METHODS**

Library research techniques are used in this study. Library research encompasses a range of tasks associated with gathering data from libraries, such as perusing, documenting, and analyzing library resources from diverse library sources (Khatibah, Using the keywords "The Role and Economic Benefits of Micro, Small, and Medium Enterprises," research articles published in national and international publications were gathered for this study. The search engines Eric.go.id and Google Scholar were used to look for articles. The descriptive-critical approach, which emphasizes the strength and analysis of data sources based on theories and concepts

interpreted based on works that led to the discussion, was used to conduct the data analysis. To get to a conclusion, all of the publications were analyzed and grouped according to the research objectives.

## **RESULTS AND DISCUSSION**

It is clear from an examination of numerous literature sources and research studies that the MSME sector is the primary driver of economic growth. There is no doubting that this industry is essential to the growth of the American economy. In addition to confirming prior knowledge, this investigation has increased the significance of these businesses' roles. The paper has examined the reasons that national economic policies and strategies ought to place a greater emphasis on the MSME sector. In conclusion, it is possible to emphasize the following crucial sectors for the industry, each of which has the potential to provide new avenues for economic growth.

It is feasible to launch a firm quickly, but managing a company for long-term success and profit is a major challenge. Administrative problems are not the only things that might hinder SMEs. They require assistance in obtaining financing, a greater sense of entrepreneurship, and improved access to chances for tenders. The government should provide a variety of free recommendations to facilitate this. A firm can be established quickly, but how to operate it profitably and successfully over the long term is the key question. Administrative difficulties aren't the only thing that might hinder small businesses. They require assistance in obtaining funding and should adopt a more enterprising mindset. It is true that the sector's funding demands require specific attention, but we also can't overlook the less obvious but equally important softer variables, such the growth of an entrepreneurial culture. In addition to developing more skilled company owners, this also aims to foster an atmosphere in the marketplace that will encourage the establishment of numerous new ventures that will support the aspirations and ideas of the youth.

Priority is also given to the sector in more developed nations, as well as to entrepreneurial skills, entrepreneurship, and self-employment, all of which support the development of rural areas and the battle against poverty. The creation of a suitable and productive company environment is not the only aspect of enterprise development. Every business should consider enterprise development to be a crucial procedure. It is important to promote, strengthen, and recognize entrepreneurship as a growth engine. Additionally, small business managers are able to recognize areas in which they lack the necessary knowledge or skills with ease. Entrepreneurs also need intellectual capital, in addition to labor. In this instance, managers are very important in determining the direction of business objectives and choices. Additionally, there is a critical link between performance and managerial competency. Numerous developed nations stress the need of a climate that is conducive to business. Based on an analysis

of the outcomes of competitiveness reports, the most competitive and developed nations make a concerted effort to create favorable conditions for small and medium-sized enterprises. They achieve this by offering a stable business climate, cutting back on red tape and bureaucracy, promoting innovation, and allocating sufficient funds.

Businesses are essential to society because, in addition to being necessary for survival, they may generate value for the economy, society, and themselves. According to (Low & MacMillan, 1988), value creation through entrepreneurship sustains a company's competitiveness, which is critical for long-term existence. Productivity is also correlated with economic indices and degrees of national development. But gains in productivity that are based on how well a nation's businesses perform have an effect on the economic competitiveness of the nation (Porter & Cristian, 2003). (Toma et al., 2014). According to (Herr & Nettekoven, 2017) competitive firms are essential to building a competitive nation. There are other entities besides big businesses that can contribute to this. Stable, development-focused, and inventive corporate sectors are necessary to boost economic growth and competitiveness. (Woźniak et al., 2019). a steady, forward-thinking, and creative industry. Given that this is a prerequisite for both MSMEs and large enterprises, the MSME sector plays an equal role in bolstering the nation's competitiveness. Numerous studies have supported this (Keskgn et al., n.d.) ,while numerous others have also supported the contribution of MSMEs to the national economy. the country's economy.

Additionally, small enterprises might aid economically underprivileged communities in catching up. Local companies have the power to uplift their communities, preserve environmental resources, and help neighborhoods catch up. The MSME sector has a lot it can do to accomplish green objectives and promote sustainability. Increased profitability and performance in the MSME sector might result in significant tax revenues for the central government. Corporate finance that is focused on growth can open up opportunities for new financial innovations and more expansive lending practices. The image of the nation can be greatly enhanced by an MSME sector that is more competitive. Building social capital and confidence can be facilitated by an MSME sector that is more transparent and cooperative. Although the aforementioned points are crucial for development, we cannot expect them to alter in the absence of assistance for the industry as a whole. A country's corporate competitiveness influences its overall competitiveness, and vice versa. Businesses will find it more challenging to produce results in the absence of favorable conditions and an environment. Consequently, it is critical to prioritize the MSME sector strategically.

## **CONCLUSION**

A vibrant, competitive, and rapidly growing MSME sector can contribute more to bolstering the country's economy and boosting its capacity for innovation. The

MSME sector can boost knowledge-based exports by becoming more competitive. Through enterprise expansion, a strong and competitive small business sector can increase employment both in terms of quantity and quality. As they expand, small firms have the potential to support personal growth and education, providing candidates with high-caliber employment options. A more competitive MSME market has the potential to participate more actively in the innovation system. A more competitive MSME sector can form alliances with domestic businesses more easily. The MSME sector will benefit more from the common market if it is more competitive. More openness, awareness, and initiative are needed for this, however not at the expense of effective management and communication abilities.

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