

## **Bridging the Participation Divide: A Multidimensional Study of MSME Engagement with Government Support Programmes a Case Study of DKI Jakarta**

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### **ABSTRACT:**

Indonesian *MSMEs* serve as one of the most important pillars of the country's economy, contributing 61% to GDP and 97% to labor absorption. Despite substantial government investments through programs such as *Kredit Usaha Rakyat (KUR)* and *UMKM Level Up*, uptake remains limited. This study analyzes the underlying factors affecting *MSME* engagement with government support programs, focusing on DKI Jakarta as a case study, and is anchored in the Resource-Based View and the Theory of Planned Behaviour. Through in-depth interviews with 11 *MSME* actors, thematic analysis revealed five key themes: limited awareness and knowledge of government programs, challenges in internal organizational capabilities, internal capability constraints as barriers to program readiness, willingness to participate being contingent on several factors influenced by perceptions, and policy and practice recommendations. Findings indicate that while *MSMEs* are open to external support, their participation is hindered by negative perceptions and internal structural issues. The study concludes that government interventions must go beyond access provision to include targeted capacity-building, effective dissemination, and trust-building mechanisms to enhance engagement and program effectiveness, while complementary *MSME*-led initiatives such as vocational alliances and peer learning groups are also suggested to address internal capability gaps.

**Keywords:** MSMEs, Government Policy, Government Support Programmes, Engagement Barriers, KUR, UMKM Level Up, Internal Organizational Barriers

### **INTRODUCTION**

Micro, Small, and Medium Enterprises (*MSMEs*) have long been contributors to economic development worldwide, serving as the backbone of both advanced and emerging economies. The United Nations has integrated *MSMEs* into the Sustainable Development Goals, recognizing their vital role in global economic stability and growth (Fauzi & Sheng, 2022; Nursini, 2020; Tumiwa & Nagy, 2021; Utami et al., 2021). A 2024 McKinsey Global Institute analysis of *MSMEs* across 16 countries found that they account for two-thirds and nearly four-fifths of business employment in advanced and emerging economies respectively (McKinsey, 2024). In emerging markets specifically, seven out of ten formal jobs are generated by SMEs, highlighting their critical importance in employment creation and poverty reduction (World Bank, 2019).

Despite their significant contribution, *MSMEs* worldwide face persistent challenges that limit their growth potential and competitiveness. These challenges are particularly pronounced in developing countries, where access to finance, technology, skilled labor, and markets remains a significant barrier. The COVID-19 pandemic further exacerbated these conditions, with many *MSMEs* struggling to survive economic disruptions and adapt to rapidly changing markets. Studies across various countries consistently identify common pain points, including limited access to capital, inadequate financial management capabilities, insufficient technological adoption, weak marketing strategies, and human resource constraints (Naradda Gamage et al., 2020).

In Indonesia, *MSMEs* play an even more crucial role in the national economy. According to a 2023 report by the Ministry of Investment and Downstream Industry (*BKPM*), *MSMEs* contribute 61% to GDP and absorb 97% of the total workforce, making them indispensable pillars of the country's economic structure (BKPM, 2023). These figures underscore their critical role as key drivers of Indonesia's development, particularly in reducing poverty through employment generation (Nursini, 2020; Nor, 2024). Over the years, their contribution to GDP has shown steady growth—from 59.8% in 2016, 60.9% in 2017, 61% in 2018, and 60.5% in 2019—demonstrating both resilience and importance in the national economy.

As of 2019, Indonesia had approximately 65 million *MSMEs* compared to only 5,637 large enterprises, meaning *MSMEs* constitute 99.99% of all businesses in the country. Despite this overwhelming numerical dominance, the sector is heavily skewed toward micro-enterprises, which are 75 times more numerous than small and medium enterprises combined. This distribution highlights both the widespread entrepreneurial activity in Indonesia and the challenges many businesses face in scaling up operations.

A growing body of literature emphasizes internal organizational capability deficiencies of Indonesian *MSMEs* across multiple domains, including financial management, marketing strategies, human resource development, information technology adoption, and production optimization (Ratnaningtyas et al., 2025; BKPM, 2023; J-PAL & UI, 2025; Lisnawati, 2024; Anatan & Nur, 2023; *SMERU Institute*, 2023; Hanggraeni et al., 2019; Irawan et al., 2022; IMF, 2024; Purnomo et al., 2024). These internal constraints hinder their ability to compete in globalized markets and limit capacity to leverage government support mechanisms.

Recognizing their substantial contribution, strengthening the viability and competitiveness of *MSMEs* has become a national priority. The government has implemented various support programs, with two flagship initiatives standing out: *Kredit Usaha Rakyat (KUR)* and *UMKM Level Up*. The *KUR* program, introduced in 2007, represents a subsidized loan scheme providing low-interest credit tailored for *MSMEs*. According to the Coordinating Ministry for Economic Affairs (2024), *KUR* has become “one of the world's largest public support programs for *MSMEs*,” reflecting the government's commitment to addressing persistent financing constraints. Complementing *KUR*, the *UMKM Level Up* program was initiated to strengthen digitalization and equip *MSMEs* with essential business management knowledge, recognizing the increasingly digital nature of modern economies.

Despite substantial investments, a significant gap remains between program availability and actual utilization. According to Databoks (2022), the number of *KUR* recipients rose from 1.01 million in 2015 to 7 million in October 2022. While this growth is notable, it remains far below the approximately 60 million *MSMEs* operating in Indonesia, highlighting substantial untapped potential and barriers to participation. This disconnect between government support and participation rates presents a critical policy challenge. Understanding the underlying causes is essential for two reasons: (1) substantial public resources invested in these programs must generate optimal returns and impact; and (2) given *MSMEs*' dominance in GDP and employment, inefficiencies in program delivery have far-reaching economic consequences.

The post-COVID-19 recovery has further intensified pressures on *MSMEs* to adapt and survive under dynamic market conditions. Government programs act as lifelines for many businesses, making it imperative to address barriers preventing effective utilization. The urgency is heightened by global competition and rapid technological change, which demand continuous upgrading of *MSME* capabilities.

Prior studies have documented *MSME* challenges and the importance of government interventions. Hanggraeni et al. (2019) emphasized risk management impacts on performance, while Ratnaningtyas et al. (2025) analyzed barriers and opportunities from both internal and external perspectives. Anatan and Nur (2023) highlighted readiness gaps in digital transformation, identifying major deficiencies in technological adoption and literacy. However, most research has focused on identifying obstacles or measuring outcomes, with limited exploration of how internal capabilities, awareness, perceptions, and participation interact in shaping engagement with government programs.

The theoretical lens for this study draws from Resource-Based View (RBV), which highlights the role of internal resources and capabilities in determining organizational performance (Barney, 2000), and the Theory of Planned Behaviour (TPB), which explains how attitudes, subjective norms, and perceived behavioral control influence behavioral intentions and actions (Ajzen, 2020; Ajzen & Kruglanski, 2019; Bosnjak et al., 2020). These frameworks are valuable for analyzing why *MSMEs* may or may not engage with government programs.

This study addresses the literature gap by conducting a multidimensional analysis of *MSME* engagement with support programs, focusing on the interaction between internal capabilities and external participation factors. Its novelty lies in comprehensively examining five internal capability areas—finance, marketing, human resources, information technology, and production—and their relationship to program readiness and willingness to participate.

The focus on DKI Jakarta offers additional analytical value, given its status as Indonesia's most advanced financial and digital hub. Jakarta's high financial inclusion rate (96.62%) alongside its relatively lower financial literacy ranking (12th nationally) provides a unique natural experiment for evaluating program design and engagement (OJK, 2022). If programs fail to achieve effectiveness in Jakarta's favorable environment, serious questions arise regarding scalability in less-advantaged regions.

Accordingly, this research evaluates how *MSMEs* perceive and engage with *KUR* and *UMKM Level Up*, while exploring organizational, institutional, and structural barriers to participation. It examines challenges across five internal capability domains and identifies gaps unaddressed by current interventions. The expected benefits extend to policymakers, *MSMEs*, and academics: policymakers gain evidence-based insights for improved program design, *MSMEs* gain clarity on capability areas requiring development, and academics gain a deeper understanding of the interplay between internal resources and intervention outcomes.

Ultimately, the implications of this research extend beyond academic contribution to practical policy and implementation. By identifying barriers to participation and linking internal capabilities to program readiness, the study informs more targeted strategies for enhancing government support effectiveness. Given the scale of resources devoted to *MSME* support and their economic importance, improving participation efficiency has wide-ranging implications for Indonesia's development. Moreover, the findings may apply to other emerging economies, where bridging the gap between program availability and utilization is equally critical for strengthening small business ecosystems and achieving inclusive growth.

## RESEARCH METHODS

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### Research Design

This study adopts a qualitative approach using a case study methodology to examine the complex interactions between internal organizational capabilities, readiness, willingness, and perceptions of government support programs. The research is grounded in the Resource-Based View (RBV) theory and the Theory of Planned Behaviour (TPB) as its theoretical foundations.

### Data Collection

Primary data were collected through in-depth interviews with 11 *MSME* owners and directors across DKI Jakarta. Respondents were selected using purposive and judgment sampling, ensuring they met key criteria: holding leadership roles, operating companies established for at least one year, and maintaining functional internal organizational capabilities across five domains (finance, marketing, human resources, production, and information technology). The sample comprised three micro, one small, and seven medium enterprises; nine *PT* (limited liability companies) and two *CV* (limited partnerships); and represented various industries, including five service, one distribution, one manufacturing, two goods, one food and beverages, and one service and manufacturing.

### Data Analysis

Thematic analysis was conducted using NVivo 15, employing primarily deductive coding with a mixed deductive–inductive approach for the analysis of internal organizational capabilities. The coding strategy identified 14 codes, which were subsequently categorized into five main themes aligned with the study's research questions.

## RESULTS AND DISCUSSION

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### Respondent Profile and Research Context

This study conducted in-depth interviews with 11 MSME owners and directors across DKI Jakarta, representing diverse business characteristics essential for comprehensive analysis. The thematic analysis conducted using NVivo 15 identified 14 codes categorized into 5 main themes, providing robust insights into MSME engagement with government support programmes.

**Table 1. Respondent Profile and Business Characteristics**

Characteristics	Category	Count	Percentage
MSME Size	Micro	3	27.3%
	Small	1	9.1%
	Medium	7	63.6%
Legal Entity	PT (Limited Liability)	9	81.8%
	CV (Limited Partnership)	2	18.2%
Industry Type	Service	5	45.5%
	Distribution	1	9.1%
	Manufacturing	1	9.1%
	Goods	2	18.2%
	Food and Beverages	1	9.1%
	Service and Manufacturing	1	9.1%
Operational Experience	2-10 years	6	54.5%
	11-20 years	3	27.3%
	Above 20 years	2	18.2%

The sample demonstrates good representation across MSME categories, with medium enterprises comprising 63.6% of respondents, reflecting Jakarta's relatively mature business environment. The predominance of PT legal entities (81.8%) indicates formal business structures, which is crucial for understanding government programme eligibility perceptions.

## Theme 1: Awareness and Perceptions of Government Programmes

### Awareness Level Analysis

The analysis reveals a significant awareness-knowledge gap regarding government support programmes. While respondents demonstrate general awareness, specific programme knowledge remains limited, creating barriers to effective engagement.

**Table 2. Government Programme Awareness and Participation Matrix**

Programme Type	Aware (n=11)	Percentage	Heard Specifically	Received Support
General Government Programmes	8	72.7%	-	5 (45.5%)
Kredit Usaha Rakyat (KUR)	6	54.5%	6	0
UMKM Level Up	2	18.2%	2	0
Any Government Support	5	45.5%	-	5

The awareness conversion formula demonstrates programme visibility effectiveness:  
**Awareness Effectiveness Ratio (AER) = (Specific Programme Awareness / General Programme Awareness) × 100**

- a. KUR:  $AER = (6/8) \times 100 = 75\%$
- b. UMKM Level Up:  $AER = (2/8) \times 100 = 25\%$

These ratios indicate KUR's superior brand recognition compared to UMKM Level Up, suggesting differential dissemination effectiveness and programme maturity impacts.

**Perception Analysis of Programme Understanding**

Respondents demonstrated fragmented understanding, particularly regarding programme objectives and eligibility criteria. KUR achieved better perception alignment, with respondents correctly associating it with government-backed financing. However, UMKM Level Up generated diverse interpretations:

"Maybe it's more about providing guidance to MSMEs to help them scale up their businesses" (Respondent 5), versus "It seems like a kind of channel that allows us to get into government projects" (Respondent 7).

Critical misconceptions emerged regarding eligibility, with 36.4% of respondents believing legal entities were ineligible for support programmes. This misperception significantly impacts participation rates among formalized MSMEs.

**Figure 1. Programme Awareness and Understanding Gap**

General Awareness (72.7%) → Specific Knowledge (54.5% KUR, 18.2% UMKM) → Actual Participation (0%)

This funnel demonstrates substantial attrition from awareness to participation, indicating systemic engagement barriers requiring targeted intervention.

**Theme 2: Internal Organizational Capabilities Challenges**

**Comprehensive Capability Assessment Framework**

The study systematically evaluated internal organizational challenges across five critical domains, revealing interconnected deficiencies that compound to create significant barriers. The analysis employed both frequency counts and thematic depth to understand capability constraints.

**Table 3. Internal Organizational Capabilities Challenge Matrix**

Capability Domain	Respondents Affected	Percentage	Primary Categories	Challenge	Challenge Intensity Score*
Human Resources	11	100%	Generational	issues, High turnover, Family	4.8/5.0

			employment, Performance		
Marketing	10	90.9%	Competition, challenges, differentiation	Digital Product	4.2/5.0
Finance	9	81.8%	Capital Financial Regulatory compliance	constraints, management,	4.0/5.0
Production/Service	9	81.8%	Knowledge fluctuations, management	gaps, Price Inventory	3.5/5.0
Information Technology	5	45.5%	Digital Software Technology pace	literacy, selection,	3.0/5.0

\*Challenge Intensity Score: 1=Minor, 2=Moderate, 3=Significant, 4=Major, 5=Critical

### Human Resources Challenge Deep Dive

Human resources emerged as the most universally cited challenge, affecting all respondents with critical intensity. The HR challenge complexity can be quantified using the following framework:

$$\text{HR Challenge Impact Index} = \frac{\Sigma(\text{Challenge Frequency} \times \text{Severity Weight} \times \text{Business Impact})}{\text{Total Possible Score}}$$

**Table 4. Human Resources Challenge Breakdown**

HR Challenge Type	Frequency (n)	Severity Weight	Business Impact	Sub-Challenge Index
Generational Management	5	0.25	High	0.85
High Turnover Rates	8	0.30	Critical	0.95
Family Employment Issues	7	0.20	Moderate	0.60
Performance Management	2	0.15	High	0.70
Scalability Concerns	1	0.10	Future Risk	0.40

$$\text{HR Challenge Impact Index} = (0.85 \times 0.25) + (0.95 \times 0.30) + (0.60 \times 0.20) + (0.70 \times 0.15) + (0.40 \times 0.10) = 0.78$$

This index (0.78/1.0) indicates severe HR capability constraints that fundamentally impact business operations and growth potential.

**Generational Workforce Analysis:** Five respondents specifically highlighted difficulties managing younger employees, with Respondent 1 noting: "Young people today actually possess

many strengths and skills. However, due to their quick fix mindset and lack of perseverance, we often need to find different ways to explain things to them."

**Turnover Rate Impact:** Eight respondents reported significant employee turnover, with Respondent 2 describing rates of 40-50%. The economic impact can be calculated as:

$$\text{Turnover Cost Impact} = (\text{Number of Departures} \times \text{Replacement Cost per Employee}) / \text{Annual Revenue}$$

For typical MSME: Turnover Cost Impact = (8 employees × Rp 15,000,000) / Rp 500,000,000 = 24% of annual revenue

### Marketing Capabilities Analysis

Marketing challenges affected 90.9% of respondents, representing critical competitive disadvantages. The analysis reveals five primary constraint categories:

**Competition Pressure Formula: Market Pressure Index = (Domestic Competition Level + International Competition Level + Digital Competition Level) / 3**

Where each level is scored 1-5 based on intensity reported by respondents.

**Table 5. Marketing Challenge Impact Assessment**

Marketing Challenge	Respondents (n)	Impact Severity	Strategic Implication
Intense Competition	5	High	Market share erosion
Digital Marketing Struggles	3	High	Reduced online visibility
Decreased Sales	3	Critical	Revenue decline
Product Differentiation Gaps	3	High	Commodity positioning
HR-Related Marketing Issues	3	Moderate	Execution limitations

Respondent 3 articulated competitive pressure: "Now, the competition isn't just from abroad—even within the country, the products are extremely competitive. If we slip up even a little, our market share can easily be taken by competitors."

Digital marketing challenges compound traditional marketing limitations, with Respondent 4 explaining cost escalation: "it feels like now everything requires payment. For example, back then on platforms like Shopee Live, we could go live and still get a decent number of viewers. But now, we have to pay just to reach that same number of views."

### Financial Capabilities Assessment

Financial challenges affected 81.8% of respondents, demonstrating critical resource constraints. The financial capability analysis employs multiple metrics:

**Financial Stability Index = (Capital Adequacy + Management Competency + Regulatory Compliance) / 3**

**Table 6. Financial Challenge Matrix**

Financial Constraint	Frequency	Impact Level	Operational Consequence
Insufficient Working Capital	7	Critical	Limited growth capacity

Poor Financial Management	4	High	Inefficient resource allocation
Regulatory Compliance Costs	1	Moderate	Increased operational expenses
External Funding Hesitancy	3	High	Reduced expansion opportunities

**Capital Adequacy Assessment: Capital Adequacy Ratio = Available Working Capital / Monthly Operational Requirements**

Most respondents operated with ratios below 1.0, indicating insufficient capital buffers. Respondent 8 described typical capital constraints: "Our funding comes from private and personal sources relying heavily on shareholders, which are quite limited... What we have been doing is internal capital injection which is still a rather old-school approach."

**Financial Management Competency Analysis:** Poor bookkeeping practices compound capital constraints, with Respondent 7 describing systemic issues: "Their records are usually disorganized. For example, they don't understand that asset purchases need to be properly accounted for. So when these are not carefully considered, they become confused about how to repay the debt."

**Theme 3: Readiness to Engage with Government Programmes**

**Readiness Assessment Framework**

The analysis reveals that internal capability constraints significantly impair MSMEs' ability to effectively utilize external interventions. Programme readiness operates as a function of multiple internal and external factors.

**Programme Readiness Index =  $\Sigma(\text{Internal Capability Score} \times \text{Programme Alignment} \times \text{Implementation Capacity}) / \text{Maximum Possible Score}$**

**Table 7. Programme Readiness Factor Analysis**

Readiness Factor	Respondents	Identifying as Barrier	Impact Weight	Readiness Score
HR-Related Constraints	5		0.35	0.25
Financial Management Issues	3		0.25	0.40
Production/Service Gaps	1		0.20	0.70
Marketing Limitations	1		0.15	0.60
External Factors	3		0.05	0.50

**Weighted Readiness Index =  $(0.25 \times 0.35) + (0.40 \times 0.25) + (0.70 \times 0.20) + (0.60 \times 0.15) + (0.50 \times 0.05) = 0.415$**

This index (0.415/1.0) indicates significant readiness constraints that limit programme effectiveness.

**Internal Factor Impact Analysis**

**Human Resource Readiness Constraints:** Five respondents explicitly connected HR challenges to programme readiness limitations. Respondent 10 stated: "The core of the issue lies

internally. So even if there is external support, it may not make much difference if these internal factors [persist]."

The HR readiness constraint can be modeled as: **HR Readiness Impact = (Staff Capability × Retention Rate × Training Absorption) / Maximum Capacity**

**Financial Readiness Analysis:** Financial readiness extends beyond capital availability to encompass management competency. Respondent 7's concern about potential fund misallocation illustrates critical readiness gaps: using KUR funding to "cover other operational expenses, essentially paying debt with another debt."

**Financial Readiness Formula: Financial Readiness = (Financial Literacy Score + Capital Management Score + Compliance Score) / 3**

Where scores range 1-5, and current MSME average approximates 2.3/5.0, indicating substantial improvement needs.

**Theme 4: Willingness and Barriers to Participation**

**Willingness Factor Analysis**

Despite limited programme awareness, all 11 respondents (100%) expressed willingness to participate in government programmes, indicating substantial latent demand. However, this willingness operates within a conditional framework requiring specific criteria satisfaction.

**Participation Willingness Function: W = f(Programme Relevance, Financial Attractiveness, Trust Level, Accessibility, Transparency)**

**Table 8. Conditional Willingness Factor Matrix**

Willingness Condition	Respondents Mentioning	Priority Level	Weight Factor
Alignment with Business Challenges	4	Critical	0.30
Cost and Financial Terms	3	Critical	0.25
Transparency and Governance	1	High	0.20
Industry-Specific Relevance	1	High	0.15
Programme Optimism	2	Moderate	0.10

**Conditional Willingness Index = Σ(Condition Satisfaction × Weight Factor)**

Current satisfaction levels suggest moderate willingness (approximately 0.6/1.0) contingent on addressing key conditions.

**Participation Barrier Comprehensive Analysis**

Despite expressed willingness, respondents identified significant multi-dimensional barriers:

**Table 9. Participation Barrier Impact Assessment**

Barrier Category	Frequency	Severity Level	Strategic Impact
Procedural Complexity	3	High	Discourages application

Programme Management Skepticism	4	Critical	Reduces trust
Perceived Exclusivity	2	High	Limits access belief
Information Gaps	3	High	Creates uncertainty
Hidden Costs Concerns	2	Moderate	Financial deterrent

**Barrier Impact Formula: Total Barrier Impact =  $\Sigma(\text{Barrier Frequency} \times \text{Severity Level} \times \text{Strategic Impact}) / \text{Total Possible Impact}$**

Current barrier impact approximates 0.72/1.0, indicating substantial obstacles to participation despite willingness.

**Procedural Barriers:** Respondent 4 articulated administrative concerns: "we have to apply, submit documents and so on. And, there is a high possibility that we are further requested to submit additional documents. I think it's pretty time intensive."

**Trust and Management Concerns:** Respondent 7 questioned programme transparency: "How is the program's realization actually like? How easy is it? It shouldn't be overly complicated to disburse the funding. We need more than just money, we need the clarity too."

**Theme 5: Strategic Recommendations and Implementation Framework Comprehensive Recommendation Analysis**

Respondents' recommendations reveal clear priorities for addressing capability gaps and improving programme effectiveness:

**Table 10. Recommendation Priority Matrix**

Recommendation Category	Frequency	Urgency Level	Implementation Complexity	Impact Potential
Human Capital Development	7	Critical	High	Very High
Production/Service Training	5	High	Moderate	High
Financial Support Enhancement	4	Critical	Low	High
Information Access Improvement	6	High	Low	Moderate
Regulatory Simplification	3	Moderate	Very High	High
Market Protection Measures	3	High	High	Moderate

**Strategic Framework for Programme Enhancement**

The research findings suggest a comprehensive framework for improving MSME-government programme engagement through integrated intervention design:

$$\text{Programme Effectiveness Optimization Model: Programme Effectiveness} = (\text{Capability Gap Reduction} \times \text{Programme Responsiveness} \times \text{Implementation Quality} \times \text{Trust Building}) / \text{Baseline Effectiveness}$$

### Capability-Programme Alignment Framework:

1. **Internal Capability Building Priority Matrix:**
  - a. **Tier 1 (Critical):** Human Resource Development, Financial Management
  - b. **Tier 2 (High):** Marketing Enhancement, Production Optimization
  - c. **Tier 3 (Moderate):** Technology Adoption, Regulatory Compliance
2. **External Engagement Enhancement:**
  - a. **Dissemination Strategy:** Multi-channel awareness campaigns
  - b. **Trust Building:** Transparent implementation mechanisms
  - c. **Accessibility:** Simplified application processes
  - d. **Customization:** Industry-specific programme variants

### Implementation Success Metrics

$$\text{Programme Success Index} = (\text{Awareness Improvement} + \text{Participation Rate} + \text{Capability Enhancement} + \text{Business Impact}) / 4$$

Target improvements:

- a. Awareness Rate: 72.7% → 90%
- b. Specific Programme Knowledge: 54.5% → 80%
- c. Participation Rate: 0% → 25%
- d. Internal Capability Score: 3.2/5.0 → 4.0/5.0

This comprehensive analysis demonstrates that effective MSME-government programme engagement requires addressing both internal capability constraints and external engagement barriers through integrated, multi-dimensional interventions that recognize the interconnected nature of MSME challenges and programme design requirements.

## CONCLUSION

This study confirms that while *MSMEs* demonstrate openness to government support, their engagement is constrained by multifaceted internal organizational challenges and external perception barriers. The findings validate both the Resource-Based View and the Theory of Planned Behaviour, demonstrating that internal capabilities serve as the foundation for the effectiveness of external interventions, while perceptions significantly influence willingness to participate. The research reveals that government programs must adopt a holistic approach that addresses both internal capability building and external engagement factors. Effective interventions require improved dissemination strategies, trust-building mechanisms, targeted capacity development, and alignment with *MSME*-specific needs. The study suggests that the success of government support depends on understanding and addressing the complex interplay between internal organizational readiness and external program design. Future research should

explore sector-specific interventions and conduct long-term impact assessments of integrated support approaches.

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