



## The Role of MSMEs in Economic Policy in Banten Province

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### Abstract

MSMEs (Micro, Small, and Medium Enterprises) play an important role in supporting the economy in Banten Province, with significant contributions to GRDP, job creation, key sectors such as trade, manufacturing, and tourism. However, despite their great economic potential, MSMEs in Banten still face complex challenges, such as difficulties in accessing capital, low financial literacy, and dependence on local political policies. This study aims to analyze the role of MSMEs in political economic policies in Banten Province, identify the challenges faced by MSME actors, and provide policy recommendations that can improve the competitiveness of MSMEs in the region. The method used in this study is a qualitative approach with a case study method, which focuses on several cities and districts in Banten, such as Tangerang City, Serang City, and Pandeglang Regency. Data collection was carried out through in-depth interviews with MSME actors, local government officials, and related organizations, as well as direct observation at MSME business locations. The data obtained were then analyzed using a thematic analysis approach. The results of the study show that although government programs to support MSMEs have been launched, their distribution is not evenly distributed, especially in remote areas. The main challenges faced are limited access to capital, dependence on political decisions, and low financial literacy. In addition, digitalization is a great opportunity, but limited infrastructure is an obstacle. Based on these findings, the study provides policy recommendations, such as increasing access to financing, financial literacy training, equalizing assistance programs, and strengthening digital infrastructure to support the sustainability and growth of MSMEs in Banten.

*Keywords:* MSMEs, political economic policies, digitalization, financial literacy.

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### 1. Introduction

MSMEs (Micro, Small, and Medium Enterprises) play an important role in supporting the Indonesian economy, including in Banten Province. With their significant contribution to job creation and regional economic growth, MSMEs have become one of the main pillars in driving the local economy. In Banten, MSMEs are spread across various sectors, from trade, manufacturing, to tourism. In the context of political economy, the local government plays a major role in creating policies that support the sustainability and development of MSMEs (Haqqi, 2023; Endris and Kassegn, 2022).

Banten Province, as one of the strategic regions in Indonesia, has great economic potential, especially because of its location close to the nation's capital, Jakarta. This region is a center of trade and industry supported by rapidly developing infrastructure, such as international ports and toll roads. However, even though Banten has significant economic strength, many MSMEs still face challenges to survive and thrive amidst complex political economic dynamics.

Political economic policies in Banten often reflect the local government's efforts to increase the competitiveness of MSMEs. This can be seen from various capital assistance programs, entrepreneurship training, and marketing support launched in recent years (Bist, 2023). However, the effectiveness of the implementation of this policy remains an important question, especially in reaching MSMEs in remote areas. The uneven distribution of government programs is often a major obstacle in MSME development (Naibaho, 2021).

In addition, the relationship between MSMEs and local bureaucracy is often colored by dependence on political decisions. In some cases, regional economic policies tend to be influenced by certain interests that are not always in line with the real needs of MSMEs. This imbalance poses challenges for MSMEs to access the necessary resources, such as capital, training, and wider market networks. As a result, many MSMEs still operate on a small scale without any significant improvement (Rosyadi et al., 2022).

In the context of globalization and digitalization, MSMEs in Banten also face pressure to adapt to change. The use of digital technology is both a challenge and an opportunity for MSMEs to improve operational efficiency and expand

their markets. However, not all MSMEs have the capacity or resources to utilize this technology. On the other hand, local governments have launched various digitalization programs to encourage this transformation, although their implementation is often uneven (Löfving et al., 2022).

The development of MSMEs in Banten is also influenced by the dynamics of local and national markets. Fluctuating market demand, intense competition, and changes in national economic policies are factors that affect the sustainability of MSMEs (Amornkitvikai et al., 2022). In this case, the role of local governments is very important to create responsive and inclusive policies so that MSMEs can survive and grow. In addition, partnerships with the private sector and financial institutions are also needed to support the sustainable growth of MSMEs (Aminullah et al., 2024).

From a social perspective, MSMEs in Banten have great potential to empower local communities, especially in rural areas. Many MSMEs are rooted in local traditions and cultures, such as handicrafts, culinary specialties, and natural resource-based products. This not only contributes to the economy but also maintains the sustainability of the region's cultural heritage. However, the development of community-based MSMEs requires more targeted support from the government, especially in terms of training and market access (Putra, 2024; Mareta et al., 2024).

Another major challenge faced by MSMEs in Banten is access to capital. Although there are government programs such as the People's Business Credit (KUR), many MSME actors still have difficulty meeting the administrative requirements to obtain loans. In addition, the lack of financial literacy among MSME actors is an obstacle in managing funds and developing businesses (Bakhtiar, 2023). Therefore, a more inclusive approach is needed to reach MSMEs in all corners of Banten.

In recent years, attention to MSMEs has increased, especially because of their role in reducing unemployment and improving community welfare. The Banten regional government has set MSMEs as one of the priorities in the regional economic development agenda. However, this effort must be accompanied by a transparent evaluation mechanism to ensure that the policies taken truly have a positive impact on MSME actors.

Through this study, it is hoped that the role of MSMEs in political economic policies in Banten Province can be revealed in more depth. This study also aims to identify the challenges faced by MSMEs and provide policy recommendations that can increase the competitiveness of MSMEs in Banten. Thus, MSMEs are not only pillars of the local economy, but also important actors in inclusive and sustainable economic development.

## 2. Methods

This study uses a qualitative approach with a case study method to analyze the role of MSMEs in political economic policies in Banten Province. This approach was chosen because it allows researchers to dig deep into data on the dynamics of MSMEs in a local context. The case study will focus on several regencies/cities in Banten that have made a major contribution to the regional economy, such as Tangerang City, Serang City, and Pandeglang Regency. The stages in this study can be seen in Figure 1.

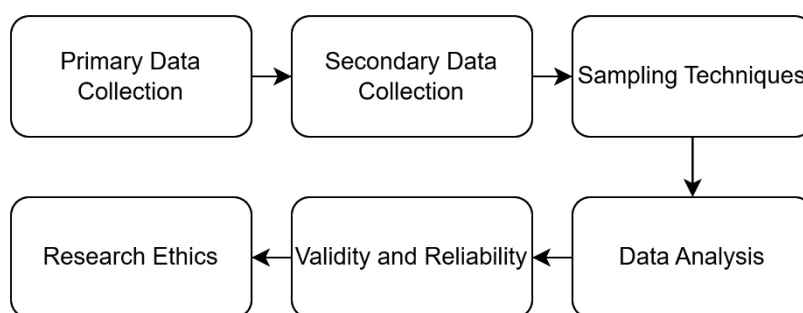


Figure 1: research flow

### 2.1. Primary data collection

This study will collect primary data through in-depth interviews with MSME actors, local government officials, and related organizations. Interviews will be conducted with a semi-structured guide to obtain rich and flexible information. In addition, direct observation will be conducted at the MSME business location to understand field conditions more comprehensively.

### 2.2. Secondary data collection

Secondary data will be obtained from official documents, local government reports, academic publications, and statistical data from the Central Statistics Agency (BPS) of Banten Province. These documents will be used to provide context and support the analysis of the primary data that has been collected.

### 2.3. Sampling technique

This study uses purposive sampling technique to select informants and research locations. The informants selected are those who have direct ties to MSMEs, such as small business owners, policy makers, and representatives of financial institutions. The research location was selected based on criteria such as MSME concentration and the level of support for local government policies.

### 2.4. Data analysis

The data obtained will be analyzed using a thematic analysis approach. This process involves data coding, identification of main themes, and in-depth interpretation of research findings. Researchers will combine primary and secondary data to obtain a holistic picture of the role of MSMEs in political economic policies in Banten.

### 2.5. Validity and reliability

To ensure the validity and reliability of the data, this study will use triangulation of data sources. This is done by comparing data from various informants, documents, and field observations. In addition, researchers will re-check the results of interviews with informants to ensure the accuracy of the information.

### 2.6. Research ethics

This study will comply with the principles of research ethics, including maintaining the confidentiality of informants' identities, requesting voluntary consent for participation, and ensuring that the research does not harm any party. The ethics of this research are a priority to maintain the integrity and credibility of the research results. With this research method, it is expected to obtain a deep understanding of the role of MSMEs in political economic policies in Banten and the challenges faced by MSME actors. The results of this study are also expected to provide concrete and applicable policy recommendations to support the development of MSMEs in a sustainable manner.

## 3. Result and Discussion

In this study, the researcher managed to collect data related to the role of MSMEs in political and economic policies in Banten Province, both through in-depth interviews with MSME actors, local government officials, and related organizations, as well as direct observation at MSME business locations. The following are the findings obtained from the analysis of primary and secondary data that have been carried out.

### 3.1. The role of MSMEs in the economy of banten province

As one of the pillars of the local economy, MSMEs in Banten make a significant contribution to the gross regional domestic product (GRDP), create jobs, and support the trade, manufacturing, and tourism sectors. The findings obtained from the analysis of primary and secondary data that have been carried out can be seen in Table 1.

**Table 1:** Contribution of the MSME sector to the GRDP of Banten Province

Sector	Contribution (%)
Trade	30%
Manufacturing	20%
Tourism	10%
Other	40%

Source: Central Statistics Agency (BPS) of Banten Province, 2024

Table 1 shows the contribution of the Micro, Small, and Medium Enterprises (MSMEs) sector to the Gross Regional Domestic Product (GRDP) of Banten Province. From the table, it can be seen that the trade sector contributes the largest contribution, which is 30%, followed by the manufacturing sector at 20%, and the tourism sector at 10%. Meanwhile, other sectors contribute 40% of the total MSME contribution to Banten's GRDP.

This data illustrates the important role of MSMEs in supporting the regional economy, especially in the trade sector which is the main backbone. The significant contribution from other sectors shows the diversification of MSME activities in Banten, which includes various fields such as services, agriculture, and creative industries.

### 3.2. Local government policies and their impact on MSMEs

The Banten Provincial Government has launched various programs aimed at supporting the development of MSMEs, including capital assistance, entrepreneurship training, and digitalization programs. However, the distribution of these programs is not evenly distributed, especially in more remote areas such as Pandeglang Regency. Many MSMEs in this area still have difficulty accessing this assistance, either due to lack of information, administrative obstacles, or inability to meet the requirements set by the government. The results can be seen in Table 2.

**Table 2:** Evaluation of government programs for MSMEs in Banten

Program	Implementation Location	Number of Accessed MSMEs	Challenges Faced
People's Business Credit (KUR)	Tangerang City, Serang	2,500 MSMEs	Complicated administrative requirements
Entrepreneurship Training	Serang City, Pandeglang	1,200 MSMEs	Lack of understanding of the program
UMKM Digitalization Program	Tangerang City, Cilegon	1,000 MSMEs	Limited internet infrastructure in remote areas

The results in Table 2 show an evaluation of the implementation of government programs to support MSMEs in Banten Province. The People's Business Credit (KUR) program, implemented in Tangerang City and Serang, was successfully accessed by 2,500 MSMEs. However, this program faces challenges in the form of complicated administrative requirements, which hinder accessibility for MSMEs with limited administrative capacity. Meanwhile, the entrepreneurship training program implemented in Serang City and Pandeglang Regency has reached 1,200 MSMEs. The main obstacle in this program is the lack of understanding of MSME actors regarding the program, so that its utilization has not been optimal. On the other hand, the MSME digitalization program implemented in Tangerang City and Cilegon has been accessed by 1,000 MSMEs, but limited internet infrastructure in remote areas is a significant obstacle in the implementation of this program. These data indicate the need to improve program distribution and resolve technical challenges to increase the positive impact for all MSME actors in Banten.

### 3.3. Challenges faced by MSMEs

The main challenges faced by MSMEs in Banten, based on interviews and field observations. The results can be seen in Table 3.

**Table 3:** Challenges faced by MSMEs in Banten

Challenges	Description	Percentage of MSMEs Facing
Access to capital	Difficulty in meeting administrative requirements and lack of collateral	70%
Dependence on political decisions	Local political influence on regional economic policy	60%
Low financial literacy	Lack of understanding of business financial management	65%

Table 3 shows the main challenges faced by MSMEs in Banten based on the results of interviews and field observations. The biggest challenge is access to capital, where 70% of MSMEs have difficulty meeting administrative requirements and lack of collateral as a condition for obtaining financing. In addition, dependence on political decisions is a significant challenge, with 60% of MSMEs affected by regional economic policies that are influenced by local political interests. Another challenge that is no less important is low financial literacy, where 65% of MSMEs do not have adequate understanding of business financial management. These data show that the challenges faced by MSMEs in Banten are multidimensional and require comprehensive solutions to support the sustainability and growth of the MSME sector.

### 3.4. Digitalization opportunities for MSMEs

Digitalization is one of the great opportunities for MSMEs in Banten. However, not all MSMEs are able to access and utilize digital technology. Table 4 below is the result of MSME Digitalization Opportunities in Banten.

**Table 4: Opportunities for MSME digitalization in Banten**

Digitalization Program	Implementation Location	Number of Accessed MSMEs	Barriers Faced
E-commerce Usage Training	Tangerang City, Serang	500 MSMEs	Lack of internet infrastructure
Business Website Development	Tangerang City, Cilegon	200 MSMEs	Not all MSMEs have technical capacity
Online Marketing Training	Serang City, Pandeglang	300 MSMEs	Limited access to digital platforms

Table 4 shows the opportunities for digitalization for MSMEs in Banten through various programs that have been implemented. E-commerce training, which was implemented in Tangerang City and Serang, has been accessed by 500 MSMEs. However, this program faces obstacles in the form of a lack of internet infrastructure, especially in more remote areas. Business website development, which was implemented in Tangerang City and Cilegon, only reached 200 MSMEs. The main challenge in this program is that not all MSMEs have the technical capacity to manage a website. Online marketing training, which was implemented in Serang City and Pandeglang Regency, was accessed by 300 MSMEs, but faced obstacles in the form of limited access to digital platforms. These data show that although digitalization provides great opportunities for MSMEs in Banten, there are challenges that need to be overcome, such as improving infrastructure, technical training, and wider access to digital technology.

### 3.5. Policy recommendations for MSME development

To support the development of MSMEs in Banten Province, there are several policy recommendations that need to be considered. First, increasing access to capital must be a top priority. Although the People's Business Credit (KUR) program is available, the complicated administrative process and strict collateral requirements are often barriers for MSME actors. Therefore, local governments need to create alternative financing schemes that are more easily accessible, such as microfinancing or community-based financing that does not rely on physical collateral. In addition, empowering financial literacy is an important aspect in MSME management. More intensive financial management training programs need to be introduced, with materials that are easy for MSME actors to understand, so that they can manage their businesses more efficiently and optimize the use of funds. To expand the reach and impact of government policies, it is important to distribute assistance programs evenly, taking into account the conditions and needs of each region. Programs launched by local governments, such as entrepreneurship training and MSME digitalization, must be reached by all regions, including remote areas that are often left behind. Finally, to face the digitalization era, local governments need to strengthen digital infrastructure throughout the region, as well as provide training related to technology and online marketing. By improving digital infrastructure and providing access to relevant digital platforms, MSMEs will be better able to compete in the global market and expand their market networks. This policy must be accompanied by periodic evaluation and feedback mechanisms to ensure that the policies taken have a real positive impact on MSME actors.

## 4. Conclusion

Based on the results of this study, it can be concluded that MSMEs in Banten Province play a very important role in supporting the local economy. The significant contribution of MSMEs to Banten's Gross Regional Domestic Product (GRDP), especially in the trade sector, shows that MSMEs are the main pillars that drive the regional economy. However, despite their great potential, MSMEs in Banten still face various challenges, such as difficulties in accessing capital, dependence on political decisions, and low financial literacy among MSME actors.

In addition, although digitalization is a great opportunity for MSMEs, challenges such as limited internet infrastructure and lack of technical capacity, especially in remote areas, hinder the adoption of digital technology. The Banten regional government has launched various programs to support the development of MSMEs, but the uneven distribution of programs and administrative constraints are obstacles to achieving maximum results.

To increase the competitiveness of MSMEs in Banten, several policy recommendations need to be considered, including increasing access to capital by providing alternative financing schemes, strengthening financial literacy, distributing assistance programs evenly throughout the region, and strengthening digital infrastructure. With the implementation of more inclusive policies and periodic evaluation, it is hoped that MSMEs in Banten can develop more rapidly, improve community welfare, and contribute more to sustainable economic growth.

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