

## **Managerial Economic Strategies In Improving Micro Business**

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### **Abstract**

*Micro, small and medium enterprises or better known as MSMEs. Currently its existence is a priority for the government because it is considered capable of significantly developing the national economy in Indonesia. In developing the national economy in Indonesia, the priority is Micro, Small and Medium Enterprises (MSMEs). MSMEs are the backbone of the people's economic system to reduce the problem of poverty and their development is able to expand the economic base and can make a significant contribution to improving the regional economy and national economic resilience. This research is a qualitative descriptive study using a library research approach. The data source in this research is a secondary data source. Data collection techniques using keyword searches, subject searches and the latest scientific articles. The results of the research found that: The development of MSMEs is not free from challenges that urgently need to find solutions, including human resource, managerial, monitoring and evaluation, trust and capital issues so that they can improve and develop MSMEs in order to increase national economic resilience.*

**Keywords:** *Managerial Economic Strategy, Msmes, Economic Resilience.*

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## **INTRODUCTION**

Development in the economic sector is a sector that is a mainstay in this era of globalization. The development of the economic sector is also always a measure of the success of government programs. Apart from the economic sector, the political and social sectors should ideally grow evenly and not be concentrated in just a few areas. Equitable development must involve society as the most important subject and object of development (Kennedy, 2017). One of the indicators of sustainable national development is economic growth, so economic development is really needed to increase the development of a country. The development of a country is characterized by increasing income and welfare of its people, namely increasing Gross Domestic Product and increasing per capita income of its people (Novika & Gumbira, 2020)

To realize an increase in economic growth, progress and stability are needed in various sectors and aspects of life. One aspect that can encourage increased economic growth is economic actors. Economic actors greatly influence economic growth in a country (Azzimar & Harmain, 2022). In the economy, the role of economic actors is very important in the direction of the country's economic movement, because economic actors in the household sector can move export and import conditions where the role of the household sector as a service provider, service buyer, business actor and all production factors are in the household sector including labor, land, expertise or capital to the Company (Resti Kartika Dewi & Sabrang Gilang Gemilang, 2022). For a country, economic growth is one of the focuses that must be achieved every year. The economic growth rate in a country will be a measure of success. This has also become a focus for Indonesia. According to M. Suparko and Maria R. Suparko, there are several types of tools that can be used to measure economic growth, namely:

a. Gross Domestic Product GDP is the amount of final goods and services produced in market prices. The weakness of GDP as a measure of economic growth is that it is global and does not reflect the welfare of the population.

b. GDP per Capita or Per Capita Income GDP per capita is a more appropriate measure because it takes into account the population. So the size of per capita income can be found by dividing GDP by population.

c. Income Per Hour of Work A country can be said to be more advanced than other countries if it has a level of income or wages per hour of work that is higher than wages per hour of work in other countries for the same type of work.

The success of a country in improving the welfare of its people is measured through the level of economic growth achieved. High and stable economic growth from year to year means that economic welfare is increasing, while economic growth with a negative value means that the level of welfare in a country is also decreasing. High and low The rate of economic growth in a country shows the level of change in the economic welfare of its people (Soejoto et al., 2018). Economic growth is important in the context of a country's economy because it can be a measure of growth or achievement.

The small and medium business sector plays a very important role in developing the community's economy. This is especially true when linked to the economic empowerment of the community and the number of workers that can be absorbed by small and medium businesses. Apart from having strategic significance for development, small and medium enterprises also function as a means to distribute the development results that have been achieved (Saputro & Suwito, 2022)

In the Indonesian economy, there are no monopolies or monopsony businesses carried out by the government or the private sector. From a macro perspective, the Indonesian economic system, using national terminology, can be called a people's economic system. (Saputro et al., 2020), The main goal of economic development is to increase the number of goods and services as well as job opportunities for the community. The implementation of economic development must involve all levels of society and the government in taking regional development initiatives by using all available resource support and designing and building the regional economy.

The role of society in national development, the main thing in economic development is Micro, Small and Medium Enterprises. The position of Micro, Small and Medium Enterprises (MSMEs) in the national economy has an important and strategic role. This condition is very possible because the existence of MSMEs is quite dominant in the Indonesian economy, due to the large number of industries found in every economic sector; great potential for employment, and the contribution of MSMEs in the formation of Gross Domestic Product (GDP) is very dominant. Therefore, the country must be able to integrate the national economy with the global economy in an adaptive and dynamic manner so that optimal results are obtained for national interests and national goals.

Another reason is that micro and small businesses have advantages in fields that utilize natural resources and are labor intensive, especially in the sectors of food crop agriculture, plantations, animal husbandry, fisheries, trade and restaurants. Medium-sized businesses have advantages in creating added value in the hotel, financial, rental, corporate services and forestry sectors. Large businesses have advantages in the processing, electricity, gas, communications and mining industries. So this proves that MSMEs and large businesses complement each other and need each other, even though in reality MSMEs are more dominant in terms of employment and contribution to national income.

National resilience in the economic sector can be reflected in various conditions of the nation's economic life in which the nation can maintain national economic independence. The form of economic resilience is reflected in the living conditions of the nation's economy, which

contains the ability to maintain healthy and dynamic economic stability as well as the ability to create national economic independence with high competitiveness and realize just and equitable prosperity for the people (Saputro et al., 2021). Thus, development The economy is directed towards strong economic resilience through the creation of a healthy business climate and the use of science and technology, the availability of goods and services, the maintenance of environmental functions and increasing competitiveness in the scope of global competition.

## RESEARCH METHODS

This writing was written using library research methods. studying and collecting previous research results found through searching several journals, electronic media (digital libraries), library journals and through the Google Browser and Google Cendikia websites (Wahyudin, 2017) The search results from various sources were then used as support in this writing so that this journal is able to get the results as expected and is able to provide descriptions and suggestions that can help stakeholders in making decisions and policies.

## RESULT AND DISCUSSION

For a country, economic growth is one of the focuses that must be achieved every year. The economic growth rate in a country will be a measure of success. This has also become a focus for Indonesia. There are several types of tools that can be used to measure economic growth, namely:

- Gross Domestic Product GDP is the amount of final goods and services produced in market prices. The weakness of GDP as a measure of economic growth is that it is global and does not reflect the welfare of the population.
- GDP per Capita or Per Capita Income GDP per capita is a more appropriate measure because it takes into account the population. So the size of per capita income can be found by dividing GDP by population.
- Income Per Hour of Work A country can be said to be more advanced than other countries if it has a level of income or wages per hour of work that is higher than wages per hour of work in other countries for the same type of work.

Economic growth is a long-term problem that must be addressed by every country where very rapid economic growth is expected (Kennedy, 2017). Every country has the same goal, namely how to accelerate its economic growth. Economic growth is a process of continuous increase in per capita output in the long term. Economic growth is the cause of whether a country's economy is healthy or not and economic growth is an absolute requirement to advance and prosper the nation (FH et al., 2021). If a country cannot increase its economic growth, it will give rise to new economic and social problems such as high levels of poverty. happen.



Figure 1. Indonesia's economic growth rate 2019 – 2023

In Figure 1 above, it is known that Indonesia's economic growth rate is in the period from quarter 1 2019 to quarter 2 2023 and the highest rate of economic growth in Indonesia is in Quarter 2 2021. This is due to the accuracy of policy making by the government both fiscally and monetarily in the period This was done in order to overcome the economic downturn due to the impact of the Covid-19 pandemic. Then it can be seen that the lowest growth rate occurred in the second quarter of 2020. It is very likely that this was due to the unpreparedness of the Indonesian government and society itself with the onset of the Covid-19 pandemic which paralyzed many economic sectors.

Economic growth is an indicator of successful development in an economy. The prosperity and progress of an economy is determined by the amount of growth indicated by changes in national output (Rahmawati & Husni Thamrin, 2021). The existence of changes in output in the economy is a short-term economic analysis. According to Adam Smith, the government has three main functions in supporting the economy, namely:

- (1) maintaining internal security and defense;
- (2) administering justice; And
- (3) providing goods that are not provided by the private sector, such as infrastructure and public facilities.

The economic system adopted by the Indonesian nation refers to article 33 of the 1945 Constitution. It explains that the economic system is a joint effort, meaning that every citizen has the same rights and opportunities in running the economy with the aim of prospering the nation. Thus, the economy is not only run by the government which is realized in the form of activities of state business entities, but the public can participate in economic activities in the form of private businesses which have very broad business fields (Tripalupi, 2021).

The national economy is organized based on economic democracy with the principles of togetherness, fair efficiency, sustainability, environmental insight, independence, and by maintaining a balance of progress and national economic unity (Nasution, 2020a)

National economic resilience is a concept related to many dimensions, including:

- 1) Economic stability
- 2) Level of economic integrity
- 3) Resilience of the economic system to shocks from outside the economic system
- 4) Margin of safety from the poverty line and economic growth rate
- 5) Competitive advantage of national economic products
- 6) Economic stability in terms of the size of the national economy
- 7) The level of integrity of the national economy with the global economy. The creative economy has been echoed by the concept of being an economy that has strength, creativity and independence.

Factors that support resilience in the economic sector, especially the creative economy in Indonesia, are needed, namely:

- a. Natural resources, through the use of natural resources owned by the state, making Indonesia a country with an agrarian economic structure and a maritime country, the strength of natural resources really helps realize economic resilience where the country no longer depends on imports of raw materials so that industrial development progresses and develops.
- b. Labor, with the increase in population from year to year, can become a potential source of labor which must be accompanied by increased expertise and skills in science and technology. With the availability of quality workforce, the creative economy can be run well and dynamically
- c. Capital, the Indonesian government is moving the tax sector to obtain capital. Likewise with savings, reinvestment in companies, income through export earnings and foreign capital.

With the availability of sufficient capital, economic resilience can be developed and a creative economy can be implemented

The priority for national economic development in Indonesia is Micro, Small and Medium Enterprises (MSMEs). MSMEs are the backbone of the people's economic system to reduce the problem of poverty and their development is able to expand the economic base and can make a significant contribution in improving the regional economy and national economic resilience (Nasution, 2020b)

Empowering MSMEs in the midst of globalization and high competition means that MSMEs must be able to face global challenges, such as increasing product and service innovation, developing human resources and technology, and expanding marketing areas. This needs to be done to increase the selling value of MSMEs, especially so that they can compete with foreign products which are increasingly flooding industrial and manufacturing centers in Indonesia, considering that MSMEs are the economic sector that is able to absorb the largest workforce in Indonesia (Soejoto et al., 2018)

The growth of Micro, Small and Medium Enterprises (MSMEs) in Indonesia is very advanced, and is currently one of the priorities in national economic development. This is apart from the fact that small businesses are the backbone of the people's economic system, and have the effect of absorbing labor which can reduce the problem of unemployment, as well as economic disparities between groups, income and poverty alleviation (Jumiati, 2021). More than that, the growth of MSMEs is able to expand economic base and can contribute significantly to accelerating structural change, namely improving the regional economy and national economic resilience. The increasing role and business activity of this sector is increasingly visible, especially since the economic and financial crisis era of 1998.

In the midst of the slow restructuring process of the corporate and BUMN sectors, this sector has shown increasing progress and is even able to support national economic growth. The success of Micro, Small and Medium Enterprises (small and medium enterprises) has a direct influence on economic development, both in developed and developing countries (Sholikhah, 2021). Micro, Small and Medium Enterprises have the ability to create jobs at minimum costs. Small and medium-sized companies are pioneers in the world of innovation and have high flexibility that allows businesses to meet customer needs.

Micro, Small and Medium Enterprises (MSMEs) have different definitions in each literature according to several agencies or institutions and even laws. In accordance with Law number 20 of 2008 concerning Micro, Small and Medium Enterprises. MSMEs are defined as follows:

- a. Micro businesses are productive businesses owned by individuals and/or individual business entities that meet the Micro Business criteria as regulated in this Law.
- b. Small businesses are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part, either directly or indirectly, of medium or large businesses that meet the business criteria. Small as intended in this Law.
- c. Medium Enterprises are productive economic enterprises that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or part of either directly or indirectly with Small Businesses or Large Businesses with total net assets or annual sales proceeds as regulated in this Law.



Figure 3. Overview of MSMEs in Indonesia

According to Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), which was released by the Ministry of Cooperatives and Small and Medium Enterprises, the definition of micro, small and medium enterprises is:

- Large businesses are businesses that have an annual turnover of more than 50 billion rupiah and have business capital of more than 50 billion rupiah.
- Medium Enterprises are businesses that have an annual turnover of between 15 to 50 billion rupiah and have business capital of between 5 to 50 billion rupiah.
- Small businesses are businesses that have an annual turnover of between 2 to 15 billion rupiah and have business capital of between 1 to 5 billion rupiah.
- Micro businesses are businesses that have an annual turnover of up to 2 billion rupiah and have business capital of up to 1 billion rupiah.

Apart from that, from the picture above it can be seen that the MSME sector contributes to providing employment opportunities in Indonesia amounting to 99.9% of all available employment opportunities in Indonesia. Another thing that can be seen from the figure above is that the MSME sector can actually contribute to national GDP by 60.5%, because of this, Indonesia was able to survive the onslaught of crisis storms from 1998 to the latest in 2023.

Another thing that can be seen from the picture above is that MSMEs contribute to investment amounting to 60% of total national investment. Apart from that, it turns out that the MSME sector can absorb 96.9% of the total workforce in Indonesia. This is a solution for the government to help solve the national unemployment problem.

Another thing that can be seen from the picture above is that MSMEs contribute 15.6% to national non-oil and gas exports. This also contributes to the growth and increase of national GDP.

The role of MSMEs in encouraging accelerated economic growth. There is a mismatch between the role of MSMEs in providing employment opportunities and creating added value. The growth of MSMEs is faster than large businesses. This is because the MSME sector has advantages in the agriculture, livestock, forestry and fisheries sectors. Apart from the roles above, MSMEs are a very potential market for the financial services industry, especially for banks to channel financing (Prakoso et al., 2022)

This is based on the post-crisis period of 1997-1998, the number of MSMEs has not decreased, in fact it continues to increase. The following are indicators of MSME performance:

- Sales growth, meaning that the total sales volume will increase, so that it can increase income which is the company's main source of income. By increasing the amount of income assuming constant costs, this means that the company's assets increase.
- Customer growth, where customers are the ones who determine the number of products sold, with the increasing number of customers indicating an increase in market segments which can increase the number of sales.

- c. Profit growth, profits are a source of additional company capital, increasing profits shows that the company is managing its finances well, is effective in using funds and is efficient in managing its funds.

To overcome the problems above, strategic steps are needed to increase the competitiveness of MSMEs and develop MSMEs. The government has a strategic position in developing MSMEs through various policies that are able to support the development of MSMEs. Managerial economic strategies in the development of Micro, Small and Medium Enterprises (MSMEs) focus on resource management and policies that can increase efficiency, competitiveness and growth of MSMEs. The following are several managerial economic strategies that can be applied in improving and developing micro businesses to increase economic resilience:

1. Wise financial management

Budget Planning: Making a good budget plan to manage income and expenses to achieve good financial stability can help improve the financial quality of these MSMEs.

2. Diversify Products or Services

Product Expansion, namely MSMEs are expected to be able to increase the variety of products or services offered to expand market share and diversify sources of income.

3. Marketing and Branding

Building a strong Brand Image and identifying unique ways to market products or services can help attract customers and thus increase sales value.

4. Supply Chain Optimization

Inventory management: namely by managing inventory efficiently to avoid excess stock or lack of stock which has an impact on costs and services.

5. Product and Process Innovation

Research and Development, namely investing in research and development of new products or processes that can improve quality and efficiency.

6. Alliances and partnerships

Business Collaboration: one way is by partnering with other companies either in the form of partnerships or business networks to support each other and expand market networks so as to increase the sales value and profits of MSMEs

7. Human resource development

Education and Training is one way of providing training and development to employees so that they have the skills needed to increase the productivity of MSME goods and services.

8. Use of Information Technology

Process Automation is using information technology to automate business processes which can increase efficiency and accuracy

9. Sustainability and Social Responsibility

Sustainable business practices, namely implementing sustainable and socially responsible business practices, can improve the company's image and attract customers who care about the environment.

10. International Market Development

Global Expansion: If possible, considering business expansion into international markets can open up new opportunities for growth.

11. Risk Management

Risk management is by identifying potential risks in the business and taking action to minimize or manage them.

12. External Finance.

Accessing external models: seeking external sources of financing such as business loans or venture capital investment to support growth.

## CONCLUSION

Indonesia is a country that has enormous economic potential. Apart from diverse and abundant natural resources and commodities, Indonesia also has human resource potential with the fourth largest population in the world. This is the supporting capacity for national economic growth. As a country that has abundant natural wealth, the role of society as economic actors is very important in driving the wheels of the national economy.

MSMEs are one of the businesses that can develop and be consistent in the national economy. MSMEs are able to overcome several of the country's economic problems by producing goods/services that are intended for the community, overcoming the problem of unemployment, and being able to create jobs. The very strategic position of MSMEs needs to be strengthened with government and banking support in overcoming the problems faced by MSMEs

In general, MSMEs have a role or contribution to the Indonesian economy. The role of MSMEs is to provide a safety net to carry out economic activities, especially for low-income communities. MSMEs also play a role in forming and contributing to gross domestic product. Apart from that, its role is also able to expand job absorption and opportunities and create job vacancies.

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