

POLICY ANALYSIS OF MSME DEVELOPMENT AS A SUPPORT FOR ECONOMIC DEVELOPMENT IN SIDOARJO REGENCY

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ABSTRACT

In the era of globalization, development is often focused on the economic sector as a primary measure of success. One of the critical indicators of national development success is economic growth. Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in supporting regional economic development, including in Sidoarjo Regency. This study aims to analyze MSME development policies as a cornerstone of strengthening the local economy. Using a descriptive-qualitative approach, the study evaluates the effectiveness of local government policies, encompassing aspects such as financing, skill training, market access, and digitalization. The results show that although government policies have contributed positively, significant challenges remain that hinder the optimal role of MSMEs. These challenges include limited access to financial resources, low technology adoption, and insufficient collaboration between MSME actors and other stakeholders. On the other hand, local potentials such as handicrafts, food processing, and the creative sector have yet to be fully utilized. Recommendations from this study include enhancing synergy between the government, business actors, and local communities, providing incentives for technology-based innovation, and strengthening business networks through digital platforms. With more targeted policies and active participation from all parties, MSME development in Sidoarjo is expected to boost local economic competitiveness and create inclusive and sustainable development.

Keywords: *Economic Development, MSMEs, Development Policy*

A. INTRODUCTION

The development of a nation or country aims to realize an ideal societal condition and determine strategies to achieve it. In the era of globalization, development is often focused on the economic sector as the primary measure of success. One important indicator of national development success is economic growth, which reflects increased productivity and societal well-being. Economic development requires the active involvement of all layers of society and the government. The government plays a role in setting policies and providing resources, while society contributes through direct participation in economic

activities. This effort involves regional economic development, which is carried out by optimizing local resources to promote sustainable economic growth. Economic development plays a crucial role in increasing national income, creating job opportunities, and improving the quality of life. By involving all parties actively and maximizing regional potential, economic development becomes a strategic step to reduce social inequality and enhance the welfare of all members of society.

Micro, Small, and Medium Enterprises (MSMEs) play a very important role in the national economy, including at the regional level. MSMEs not only contribute to job creation but also serve as the primary driver of local economic growth. In Sidoarjo Regency, the MSME sector has shown significant development and plays a large role in supporting regional economic development. With a strategic location and a wealth of diverse resources, the development of MSMEs in Sidoarjo can become one of the main pillars in strengthening the sustainable local economy. Known as one of the industrial and trade centers in East Java, Sidoarjo has geographic and demographic conditions that support the development of MSMEs. Many MSME actors in Sidoarjo operate in various sectors, ranging from creative industries, food processing, to handicrafts. However, despite the relatively good growth of MSMEs in Sidoarjo, challenges such as access to capital, lack of management skills, and limitations in marketing and digitalization remain major obstacles.

The local government of Sidoarjo acknowledges the importance of MSMEs in economic development, which is why various policies have been designed to support the development of this sector. These policies include skill training programs, facilitation of capital access, and broader market access through digital platforms and both local and national exhibitions. However, the effectiveness of these policy implementations still needs to be analyzed in depth to ensure that they provide optimal impact for MSME actors. Analyzing MSME development policies is essential to ensure that the policies implemented meet the real needs of business actors. Policy evaluation can also identify gaps between planning and program implementation. Therefore, a data-based approach and active participation from MSME actors can serve as a foundation for local governments to create more relevant and targeted policies.

On the other hand, competition in the era of globalization and digital transformation demands that MSMEs adapt quickly to market changes. In the context of Sidoarjo, policy support for innovation, technology adoption, and strengthening business networks is key to improving MSME competitiveness. Without targeted policies, MSMEs in Sidoarjo may fall behind other regions that are more advanced in supporting the development of this sector. Furthermore, regional economic development does not only rely on the growth of the formal sector but also on strengthening the informal sector such as MSMEs. By giving special attention to MSME empowerment, Sidoarjo can create an inclusive and sustainable economic environment. Therefore, it is crucial to integrate MSME development into the regional development strategic plans to ensure a broader impact across various layers of society.

The involvement of various stakeholders, including the government, business actors, academics, and the general public, is also necessary in the MSME development process in Sidoarjo. Effective collaboration among these stakeholders can create synergies that support MSME growth. Additionally, developing MSMEs based on local potential can provide greater added value to the regional economy. Therefore, analyzing MSME development policies in Sidoarjo is a strategic step to support more sustainable regional economic development. Through this research, it is hoped that innovative and implementable solutions will be found to address the various challenges faced by MSMEs and strengthen their role in creating economic welfare in Sidoarjo Regency.

B. METHOD

This study employs a descriptive-qualitative approach to analyze MSME development policies in Sidoarjo Regency as a key driver of local economic development. This approach was chosen because it allows the researcher to gain an in-depth understanding of the policies implemented and their impacts on MSME actors. The data used in this study consist of both primary and secondary sources. Primary data were obtained through in-depth interviews with stakeholders, including local government officials, MSME operators, and academics. Meanwhile, secondary data were collected from policy documents, official government reports, scholarly articles, and statistical data related to MSMEs in Sidoarjo.

Sampling was conducted purposively, selecting respondents deemed relevant and directly involved in MSME development. The data analysis technique utilized is thematic analysis, where collected data are categorized based on specific themes related to MSME development policies, such as financing, training, marketing, and digitalization. The analysis was conducted through a triangulation process to ensure the validity and reliability of the data collected.

Additionally, this study incorporates field observations to gain factual insights into the implementation of policies at the local level. These observations included visits to several MSME activity centers, training sessions, and exhibitions facilitated by the local government. By employing this methodology, the study aims to provide a comprehensive overview of the effectiveness of the policies implemented and the challenges encountered in the development of MSMEs in Sidoarjo.

C. DISCUSSION

Sidoarjo Regency is one of the regions in East Java with a significant economic contribution, supported by the MSME sector as one of the main drivers of the economy. This discussion will comprehensively examine various aspects related to MSME development policies in Sidoarjo, including policy implementation, challenges faced, local potential, and strategic recommendations to strengthen MSMEs as key contributors to local economic development.

Implementation of MSME Development Policies in Sidoarjo

The Sidoarjo Regency Government has implemented various policies aimed at promoting MSME growth. Key programs include business skills and management training for MSME entrepreneurs, facilitating access to financing through partnerships with financial institutions, and promoting MSME products through local, national, and international exhibitions. Additionally, efforts to digitize MSMEs have been initiated by providing training on using information technology for online marketing.

However, the effectiveness of these policies is not uniform across all MSME sectors. Interviews reveal that many MSME actors still face challenges in accessing government assistance due to a lack of outreach or unevenly distributed information. Moreover, some entrepreneurs struggle to meet administrative requirements to obtain financing. This indicates that although the policies are well-designed, their implementation needs improvement to reach a broader range of entrepreneurs effectively.

Challenges in MSME Development

The primary challenges faced by MSMEs in Sidoarjo include limited access to resources, low levels of technology adoption, and inadequate business management skills. Financing issues are among the most significant obstacles, especially for small-scale MSMEs that lack collateral to secure bank loans. Additionally, entrepreneurs often encounter difficulties in marketing their products, particularly in broader markets outside the region.

Digitalization is another major challenge, especially for traditional MSMEs unfamiliar with technology. Many entrepreneurs fail to recognize the importance of digital platforms as effective marketing tools, making them less competitive compared to MSMEs in other regions that are more advanced in technology adoption. Another crucial challenge is the lack of collaboration between MSMEs and other stakeholders, such as the government, academics, and large industries, which could potentially strengthen the MSME ecosystem in Sidoarjo.

Untapped Local Potential

Sidoarjo Regency boasts significant local potential in various MSME sectors, such as handicrafts, traditional food processing, and creative industries. For example, the cracker and fishery product industries are regional strengths recognized nationally. However, much of this local potential remains underutilized due to resource constraints and a lack of specific policy support.

Moreover, the growing tourism sector in Sidoarjo, such as the Lapindo mud tourism and mangrove ecotourism, could be integrated with MSME development. Local MSME products could serve as unique souvenirs, boosting entrepreneurs' income while strengthening the region's identity. Achieving this requires synergy between the tourism and MSME sectors to ensure mutual support and benefit.

Strategic Recommendations for MSME Development

Based on research findings, several strategic recommendations are proposed to address challenges and maximize MSME potential in Sidoarjo:

a. Enhancing Program Accessibility

The local government should improve program accessibility by providing wider information dissemination and direct mentoring for MSME actors.

Establishing MSME service centers at the sub-district level could be one solution to bring government programs closer to the community.

b. Capacity Building for MSME Entrepreneurs

MSME actors' capacity needs to be enhanced through more targeted and sustainable training programs. These programs should include not only technical skills but also business management, digital marketing, and product innovation. This will better prepare MSME actors to face challenges in the era of global competition.

c. Encouraging Cross-Sector Collaboration

The local government should foster collaboration between MSMEs and other sectors, such as academics and large businesses. This collaboration can be realized through partnership programs, such as business mentoring by academics and MSME product marketing through large corporate networks. Such initiatives are expected to create an ecosystem that sustainably supports MSME growth.

d. Focusing on Digitalization

Digitalization must be a primary focus in MSME development. The local government could provide a dedicated digital platform for MSMEs in Sidoarjo as a medium for product marketing and policy information. Furthermore, MSME actors should be encouraged to leverage social media and marketplaces as cost-effective and efficient marketing tools.

D. CLOSING

MSMEs play a strategic role in supporting economic development in Sidoarjo Regency. Various development policies have been implemented by the local government to enhance MSME competitiveness, including financing facilitation, skills training, digitalization, and market promotion. While these policies have had a positive impact, their implementation still faces several challenges, such as limited access to information, low technology adoption, and a lack of synergy among stakeholders.

Sidoarjo's local potential, such as the handicraft industry, traditional food processing, and the creative sector, offers significant opportunities for further development. However, realizing this potential requires more specific and targeted policy support. To strengthen MSMEs in Sidoarjo, strategic measures are needed, including improving policy program accessibility, enhancing the capacity of business actors, accelerating digitalization, and fostering collaboration with various stakeholders. With a more inclusive and sustainable approach, MSMEs in Sidoarjo can become a robust and competitive driving force for the regional economy.

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