

DEVELOPMENT POLICIES OF THE MICRO, SMALL, AND MEDIUM ENTERPRISES (SMEs) FOR IMPROVING REGIONAL COMPETITIVENESS

Kebijakan Pengembangan Usaha Mikro, Kecil, dan Menengah untuk Peningkatan Daya Saing Daerah

Sartono ¹⁾; M. Zalviwan²⁾; Dina Octaviani³⁾; Angga Hendharsa⁴⁾; Ali Afif⁵⁾; Sigit Sugiardi⁶⁾

^{1,5)}Accounting Department, Faculty of Economic and Business, Universitas Panca Bhakti, West Kalimantan, Indonesia

^{2),3),4)}Management Department, Faculty of Economic and Business, Universitas Panca Bhakti, West Kalimantan, Indonesia

⁶⁾Agribusiness Department, Faculty of Agriculture, Science, and Technology, Universitas Panca Bhakti, West Kalimantan, Indonesia

Email: sartono@upb.ac.id

ABSTRACT

This study explores the importance of developing Micro, Small and Medium Enterprises (SMEs) and the creative economy, as well as their position as the main drivers of economic growth. Focusing on North Kayong District, West Kalimantan, Indonesia, this research highlights the resilience and innovation demonstrated by SMEs in overcoming challenges. Government initiatives target the mitigation of barriers, with an emphasis on developing local superior products to increase regional competitiveness. The main objective is to utilize local potential to create sustainable opportunities for economic expansion and poverty alleviation. Qualitative research methods, through observation, focus group discussions (FGD), and questionnaires, as well as data analysis techniques including difference tests and SWOT analysis. The research results show that there are significant differences between government policies and the expectations of SMEs, while the results of the SWOT analysis show that SMEs have strengths to be developed such as the availability of local raw materials and market uptake, but have challenges such as limited access to funding, infrastructure, training and promotion. product. The position of SMEs is in quadrant two, the most appropriate

diversification strategy, including product, market and place diversification. Government mitigation to support the development of SMEs, through policies developing road and transportation infrastructure to facilitate access to products and markets, providing markets for sales of superior products, training facilities for SMEs. The impact on local communities is as a provider of raw materials, developing SMEs and the creative economy, as well as increasing the economy and regional competitiveness.

Keyword: *flagship products, government, policy, SMEs*

ABSTRAK

Kajian ini mengeksplorasi pentingnya pengembangan Usaha Mikro, Kecil, dan Menengah (UMKM) dan ekonomi kreatif, serta posisinya sebagai penggerak utama pertumbuhan ekonomi. Berfokus pada Kabupaten Kayong Utara, Kalimantan Barat, Indonesia, penelitian ini menyoroti ketahanan dan inovasi yang ditunjukkan oleh UMKM dalam mengatasi tantangan. Inisiatif pemerintah menargetkan mitigasi hambatan, dengan penekanan pada pengembangan produk unggulan lokal untuk meningkatkan daya saing daerah. Tujuan utamanya adalah memanfaatkan potensi lokal untuk menciptakan peluang berkelanjutan bagi ekspansi ekonomi dan pengentasan kemiskinan. Metode penelitian kualitatif, melalui Observasi, Focus Group Discussion (FGD), dan Kuesioner, serta teknik analisis data meliputi uji beda dan analisis SWOT. Hasil penelitian menunjukkan bahwa terdapat perbedaan yang signifikan antara kebijakan pemerintah dan harapan UMKM, sedangkan hasil analisis SWOT menunjukkan bahwa UMKM memiliki kekuatan untuk dikembangkan seperti ketersediaan bahan baku lokal dan serapan pasar, namun memiliki tantangan seperti terbatasnya akses terhadap pendanaan, infrastruktur, pelatihan, dan promosi produk. Posisi UMKM berada pada kuadran dua, strategi diversifikasi yang paling tepat, meliputi diversifikasi produk, pasar, dan tempat. Mitigasi pemerintah untuk mendukung pengembangan UMKM, melalui kebijakan pengembangan infrastruktur jalan dan transportasi untuk memudahkan akses ke produk dan pasar, penyediaan pasar untuk penjualan produk unggulan, sarana pelatihan bagi pelaku UMKM. Dampaknya terhadap masyarakat lokal adalah sebagai penyedia bahan baku, pengembangan UMKM dan ekonomi kreatif, serta peningkatan perekonomian dan daya saing daerah.

Kata Kunci: *produk unggulan, pemerintah, kebijakan, UMKM*

INTRODUCTION

Encouraging the growth of the Micro, Small and Medium Enterprises (SMEs) and creative economy sectors is a strategic priority in building a competitive economy (Amelia et al., 2017; Amri, 2017). The government's approach includes providing key support and facilities for SMEs (Tarigan et al., 2022; Yanti et al., 2021) and the creative economy, aiming to facilitate their

growth and development, thereby contributing to the strength of the local economy (Suhaili & Sugiharsono, 2019; Tekola & Gidey, 2019).

The study, centered on North Kayong District in West Kalimantan, Indonesia, underscores the resilience and ingenuity shown by SMEs in the face of challenges. Government initiatives are dedicated to overcoming these barriers, with a particular focus on developing local flagship products to improve SMEs competitiveness (Arjang et al., 2023; Retnaningdiah & Muafi, 2022). This research thoroughly examines the constraints faced by SMEs in the region, evaluates the suitability of government policies, and suggests solutions to improve the country's economy and society (Tarigan et al., 2022; Vinatra, 2023). The ultimate goal is to harness local potential, aligning natural resources with human development to create sustainable economic opportunities and alleviate poverty. Specifically, this research examines government policies related to SMEs and superior products in Seponti Jaya, Telaga Arum, Podorukun, and Wonorejo Villages in North Kayong Regency, with the aim of finding out SMEs development strategies and government policies in supporting this development.

Government policies and stakeholders supporting the financing of Small and Medium Enterprises (SMEs) is important, as shown by (Natasya & Hardiningsih, 2021; Tarigan et al., 2022) study, which revealed that the issuance of Kredit Usaha Rakyat (KUR) by banking institutions can play a very important role in helping entrepreneurs to raise capital and sustain their business operations. In line with this, research conducted by (Adejoh, 2021; Ayuba & Zubairu, 2015; Murwadi et al., 2020) stated that credit financing for SMEs can be an effective solution to the various challenges faced by these businesses. Apart from financial assistance, another policy conducive to SMEs development involves legal protection, particularly in the area of trademark protection. This is in line with the findings of a study conducted by (Jaya et al., 2022; Palit, 2021) who highlighted government facilitation in the trademark registration process for SMEs entrepreneurs.

The resilience of SMEs in facing challenges, such as gaps in social life and cultural imbalances, the quality of the community's Human Resources (HR) is still low as shown by the low Human Development Index (HDI) of North Kayong Regency, in 2021 it was 62.90, in 2022 it was 63.81, and in 2023 it will be 66.06. Even though there is an increase in the HDI every year, it is still lower than the HDI for West Kalimantan Province, namely in 2023 it will reach 69.4, even far below the National HDI in 2023 which will reach 74.39.

On the other hand, the number of SMEs continued to increase significantly even during the Covid-19 pandemic, namely in 2019 the number of SMEs was 2,178 and continued to grow until in 2023 it reached 7,733. The contribution of West Kalimantan SMEs to GRDP always increases, namely in

2020 amounting to IDR 4,206,755.27 million, in 2021 IDR 4,533,731.24 million, and in 2022 amounting to IDR 4,980,741.54 million.

Public policy aims to meet the needs of society, by involving stakeholder discussions (Ramdhani et al., 2017). Government policies formed through stakeholder discussions aim to regulate community actions. The challenges faced by SMEs are not only limited to financing, problems with financial records still exist, a prominent problem is the lack of well-organized financial reports, making them inadequate for business decision making (Romdhon, 2023). Correct recording of business activities, even in a simple way, is very important in transactions and should be implemented by all sizes of businesses (Manurung et al., 2019). The continuous and correct preparation of financial reports using a simple recording format is very important (Manurung, 2021). The development of SMEs and the creative economy in utilizing regional superior products is a strategic focus for economic competitiveness. Government policies provide support and facilities for SMEs and the creative economy to grow significantly, thus contributing to regional economic development. To maintain growth, it is necessary to socialize to people who have limited energy and time to instill habits in business and financial management (Babajide et al., 2020; Fariana et al., 2020; Manurung, 2021).

SMEs play an important role in Indonesia's economic development, especially in reducing poverty and unemployment (Sitorus et al., 2023; Taiwo et al., 2022). Local superior products are unique and economically valuable products originating from a particular region. North Kayong Regency has great potential to develop local superior products, including processed plantation products, agriculture, fisheries, and handicrafts. These products play an important role in job creation and income generation for local communities. Agricultural superior products include Liberica Coffee, which is famous for its distinctive taste and strong aroma, as well as its internationally recognized quality. Another flagship product of SMEs in North Kayong is coconut oil produced from coconuts grown in North Kayong Regency, which is renowned for its quality. In the fisheries sector, products such as catfish, tilapia, shrimp, crabs, and shellfish contribute to the region, processing fishery products include amplang crackers. Local handicraft products from rattan, such as baskets, bags, and home furnishings, as well as North Kayong Batik with unique motifs and attractive colors are produced by skilled artisans and have the potential to be developed.

The development of local superior products is an effective strategy to increase competitiveness and economic growth in North Kayong Regency, the utilization of existing potential is expected to increase community income, reduce poverty, and create new business opportunities. Although natural resources in North Kayong Regency are abundant, there are limited human resources who are skilled in utilizing these resources for the benefit of SMEs,

this requires government policies that favor SMEs in the region. Therefore, it is necessary to formulate policies that support the SMEs community in North Kayong Regency.

RESEARCH METHOD

Research activities were carried out for approximately 6 months in Seponti Jaya, Telaga Arum, Podorukun, and Wonorejo Villages, Seponti District, North Kayong Regency, West Kalimantan Province. The research approach used to examine government policies in the development of SMEs and the creative economy in the utilization of regional superior products for a competitive local economy. The data collection technique in this study was carried out with a questionnaire related to government policies and the condition of SMEs when this research was conducted. Sampling was carried out using purposive sampling, the sample criteria were SMEs business actors located in Seponti District, utilizing regional superior products.

In an effort to ensure that the questionnaire was appropriately used to achieve the research objectives, a Focus Group Discussion (FGD) was conducted that discussed specifically about government policies and the current condition of SMEs relevant to the question items, activities involving the Office of Trade, Cooperatives, and Small and Medium Enterprises, the Regional Development Planning Research and Development Agency (Bappedalitbang), and the Seponti Sub-District Head, SMEs practitioners, and academics.

Table 1. Focus Group Discussion (FGD) Participants

No.	Entities	Number
1	The Office of Trade, Cooperatives, and Small and Medium Enterprises	1
2	Department of Agriculture	1
3	the Regional Development Planning Research and Development Agency (Bappedalitbang), and the Seponti Sub-District Head, SMEs practitioners, and academics.	4
4	The Seponti Sub-District	4
5	SMEs entrepreneurs	6
6	Academics	3

Source: Processed Data (2023)

The data analysis tool used in this research is SWOT analysis (strengths, weaknesses, opportunities and threats) which is an integral part of strategic planning. SWOT analysis, which is carried out carefully, is used to create alternative strategies, including S-O, W-O, S-T and W-T strategies. After that, it is continued with the Strategic Factor Analysis Summary (SFAS), the strategic factors of an entity are prepared by combining external (EFAS) and internal

(IFAS) factors into SFAS (Hunger & Wheelen, 2003). From the results of the EFAS and IFAS calculations, a four quadrant diagram is created and shows the coordinate position of the company, so that the right strategy can be determined.

RESULT AND DISCUSSION

The analysis used in this research includes independent difference tests to determine the suitability between government policies and the expectations of SMEs, and SWOT analysis to determine strengths, weaknesses, opportunities and threats, the Internal-External (IE) matrix, and the SWOT quadrant.

Alignment of Government Policy and SMEs Expectations

Of the 37 indicators used to measure the alignment of government policies with the development of SMEs in Seponti Sub-district, only 12 indicators are considered aligned by SMEs, while the other 25 indicators are considered misaligned. When interpreted further in terms of the level of satisfaction with the 25 indicators, SMEs in Seponti Sub-district expressed dissatisfaction with the government's SMEs development policy, while for the 12 indicators, they reported high satisfaction.

Table 2. Independent-Samples Mann-Whitney U Test

Independent-Samples Mann-Whitney U Test	
Total N	74
Mann-Whitney U	277.000
Wilcoxon W	980.000
Test Statistic	277.000
Standard Error	92.189
Standardized Test Statistic	-4.420
Asymptotic Sig.(2-sided test)	.000

Source: Processed Data (2023)

In order to determine the suitability between government policies and the expectations of SMEs businesses, an independent t-test was conducted, through testing the answers of respondents from local governments and SMEs businesses. The test results show that the Asymptotic Significance value (2-sided test) of 0.000 is smaller than the significance level (α) set at 0.05, indicating a statistically significant difference between government policies that support SMEs development and the expectations of SMEs entrepreneurs in Seponti District. This shows that the development of superior products in SMEs and the creative economy in Seponti District still requires serious and

comprehensive government support from various aspects as discussed in the previous section.

Government policies related to the development of SMEs, especially regarding superior products for regional competitiveness, will be further studied through the formulation of government policies using SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). The SWOT analysis aims to identify the strengths and weaknesses of SMEs, as well as opportunities and threats from the point of view of government policy or support for SMEs in North Kayong Regency. The analysis specifically focused on Seponti Sub-district in this study will provide insight into the formulation of effective government policies to improve SMEs development.

The respondents of this research were the Department of Trade, Cooperatives and Small and Medium Enterprises, the Regional Development Planning Research and Development Agency (Bappedalitbang), the Head of Seponti District, SMEs business actors. Meanwhile, the research locations include the villages of Seponti Jaya, Telaga Arum, Podorukun, and Wonorejo, in Seponti District, North Kayong Regency, West Kalimantan Province. Government Policy towards SMEs Development in Seponti Jaya Based on the responses obtained through the questionnaire, policies related to government support for Small and Medium Enterprises (SMEs) in eight different aspects can be explained as follows:

Funding Aspect

Together with matching scores for the third indicator, this underlines the government's commitment to assisting SMEs in gaining access to financial resources. Supportive steps include facilitating accessibility of funds, revitalizing the process of establishing cooperatives, especially the formation of savings and loan units. Apart from that, this assistance also reaches Credit Unions (CU) which operate both in sub-districts and villages. The government also allocates revolving grant funds to various groups of SMEs, thereby further improving financial support mechanisms.

Aspects of Infrastructure and Facilities

In evaluating government policies regarding infrastructure and facilities, the low availability of main road infrastructure for access to materials and production, markets where SMEs products are sold, clean water and sanitation. Apart from that, there is resistance to reducing tariffs for raw materials and transportation facilities specifically designed for Small and Medium Enterprises (SMEs). On the other hand, commendable efforts can be seen in two indicators where the government actively supports the development of SMEs, namely the availability of electricity networks and the availability of communication and information facilities which are not optimal.

Business Information Aspects

In examining the business information aspect, there are 2 indicators that show government support which business actors respond positively to, namely aspects of product information and communication and marketing of production results. This strategic approach aims to enable SMEs to produce goods at competitive prices, thereby ensuring the sustainability of their business.

Likewise, in the field of market information for SMEs products, the North Kayong Regency Government is proactive in providing insight into creative product design and technology, because choosing the right market encourages an increase in sales turnover (Amelia et al., 2017; Azizah & Astuti, 2022; Harahap et al., 2018). This initiative is designed to give SMEs products a competitive advantage compared to SMEs products from other districts in West Kalimantan and surrounding areas. Meanwhile, the other 3 indicators, namely promotional information and communication, product marketing events, and government support in disseminating information about creative product design and technology are still lacking.

Partnership Aspects

The three indicators used to determine government support are partnerships with capital providers, facilitation of partnerships between SMEs business actors, and partnerships between agencies or institutions that guarantee the bargaining position of SMEs products and the creative economy. The results of the analysis show that the support for the three partnerships is still not well received by SMEs business actors, therefore the government's attention to these partnerships is still highly anticipated by SMEs.

Licensing Aspects

In conveying the role of the North Kayong Regency government, which functions as the authority responsible for issuing permits, it shows its support by fulfilling the requirements and procedures relating to permit applications.

Business Aspects

There are 5 indicators to highlight government support for the sustainability of SMEs, the results of the analysis show that there is a market for SMEs products, actions to use SMEs products and the creative economy, and legal consultation and protection, training facilities and assistance for SMEs management, as well as training in the field of creativity and development of superior products area. These various indicators show that the government has made this policy, however, business actors are still pushing for an increase in the government's role in facilitating various aspects of business. The

government is committed to ensuring fair and equitable access to entrepreneurial prospects for the entire community, efforts are directed at providing business space, including markets and areas designated for SMEs.

Promotion Aspect

In the realm of superior product promotion, the government implements targeted policies to support promotional activities, four indicators are used to achieve this. The response from business actors is still low and they hope that government policies will improve in facilitating the promotion of superior regional products to make them more competitive. The availability of funding sources to promote superior regional products for SMEs both at home and abroad has been felt by several SMEs business actors, while the other three indicators are government facilities for funding the promotion of superior products, incentives for creativity and innovation of superior products, and ease in management of intellectual property rights.

Institutional Aspects

The assessment of government policy based on the Institutional Aspect uses 5 indicators, the government is superior in these indicators, which is reflected in the respondents' answer scores ranging from 3.5 and 4. The main aim of this aspect is that the government is committed to realizing the independence of SMEs, reducing exclusive dependence on government support.

Government initiatives to strengthen institutions include facilitating partnerships between SMEs, encouraging the formation of SMEs associations based on their specific business groups. This strategic step is designed to foster synergy between SMEs, encouraging collective progress rather than individual progress. Apart from that, the government continues to make consistent efforts to ensure that SMEs products originating from North Kayong, including those in Seponti District, have a strong bargaining position compared to similar products from other districts in West Kalimantan.

Based on the Table 2. it can be seen that perceptions of the role of government by the people of Seponti District vary widely, when measured against benchmarks that use range interpretation. In order to be considered aligned with the policies provided and perceived by SMEs practitioners, the alignment must fall below 60%, indicating a significant discrepancy. A range between 60% - 69.99% indicates misalignment, 70% - 89.99% indicates partial alignment, followed by 90% - 99.99% indicates alignment, and 100% or more indicates a high level of alignment.

Tabel 3. Government Policy and SMEs Expectations

Description	Xp	Xu	Tki (%)
1. FUNDING ASPECT			
1.1 Government support for ease of obtaining funding.	4.5	2.27	50
1.2 Government support for expanding SMEs access to funding sources (banks and other financial institutions).	4.5	2.73	61
1.3 Government support in the form of funding grants for SMEs.	4.5	2.27	50
2. FACILITIES ASPECTS			
2.1 Road infrastructure support to raw material source locations, to markets and to cities.	2	2.13	107
2.2 Support for transportation facilities to raw material source locations, to markets and to cities.	2	2.4	120
2.3 Support the availability of electricity network infrastructure.	3	3.93	131
2.4 Support the availability of clean water infrastructure	2.5	2.93	117
2.5 Support the availability of sanitation facility infrastructure.	2.5	2.73	109
2.6 Support for the availability of Communication and Information Network Infrastructure (Internet).	2	3.67	183
2.7 Support is available for SMEs Development facilities and infrastructure.	3.5	2.33	67
2.8 Support for reduced tariffs for SMEs facilities and infrastructure	2.5	2.2	88
3. ASPECTS OF BUSINESS INFORMATION			
3.1 Support the availability of communication and raw material information.	3	3.13	104
3.2 Support for the availability of communication and product marketing information.	3.5	3.2	91
3.3 Support the availability of communication and promotion of product information.	3.5	2.87	82
3.4 Support the availability of communication and information on creative product design and technology.	3	2.07	69
3.5 Support for the availability of communication and information, even marketing (exhibitions, exhibitions, etc.) and product promotion both nationally and internationally.	4	2.6	65
4. PARTNERSHIP ASPECTS			
4.1 Government support in facilitating partnerships between SMEs businesses.	4	2.07	52
4.2 There is a government partnership with banking and other financial institutions to facilitate access to capital for SMEs. .	4	2.33	58
4.3 There is government protection to guarantee the bargaining position of SMEs products in the market. .	3.5	2	57
4.4 Government support in preventing unscrupulous market control which is detrimental to SMEs.	3.5	3.07	88
4.5 Government support by organizing promotional and marketing activities for SMEs products.	3.5	2.73	78
5. LICENSING ASPECTS			
5.1 Ease of processing business permits for SMEs	4	3.13	78
5.2 Exemption/relief in licensing fees for SMEs.	4	3.2	80

Description	Xp	Xu	Tki (%)
5.3 Ease of access to permits for SMEs.	4	3.2	80
6. ASPECTS OF BUSINESS OPPORTUNITIES			
6.1 Availability of business premises for SMEs products.	3	2.8	93
6.2 There is action to use superior regional SMEs products.	3.5	2.67	76
6.3 There is consultation assistance and legal protection for SMEs.	3	2.33	78
6.4 There are training facilities and assistance for managing SMEs.	3.5	2.4	69
6.5 There are training facilities and assistance for creativity and superior product development.	3.5	2.4	69
7. PROMOTIONAL ASPECT			
7.1 Government involvement in promoting superior regional products for SMEs both at home and abroad.	3.5	2.47	70
7.2 Availability of innovative resources to promote superior regional products for SMEs at home and abroad.	2.5	2.2	88
7.3 Availability of incentives/grants for creativity and innovation in regional superior products.	3	2	67
7.4 Ease of managing intellectual property rights for products and designs for SMEs.	3	2.13	71
8. INSTITUTIONAL SUPPORT ASPECTS			
8.1 Government support in developing SMEs through partnerships with banks and other financial institutions.	4	2.73	68
8.2 Facilitate the formation of SMEs entrepreneur associations in the same industry.	3	2.33	78
8.3 Facilitate SMEs Incubators through product development, SMEs management and financing (investment).	3	1.87	62
8.4 Facilitate training and assistance in the management and development of superior product innovation for SMEs.	3	2.53	84

Source: Processed Data (2023)

Formulation of Government Policies for SMEs Development

SWOT Analysis

The analytical tools used in this research at the matching stage include the Internal-External (IE) matrix, SWOT quadrant, and SWOT matrix. Based on the clarification in the Internal Factor Analysis Summary (IFAS) and the External Factor Analysis Summary (EFAS) tables, it can be seen that the internal strategic factor score of 1.35 indicates that the Government's policy towards SMEs actors has considerable strengths and weaknesses, so it can be strategically utilized to mitigate its shortcomings. In addition, the total score of external factors of -0.65 indicates that Government policies are still not in line with the expectations of SMEs actors, where there are still various expectations that have not been realized. To understand the company's strategic landscape, the IFAS and EFAS formulations, as outlined in Figure 1.

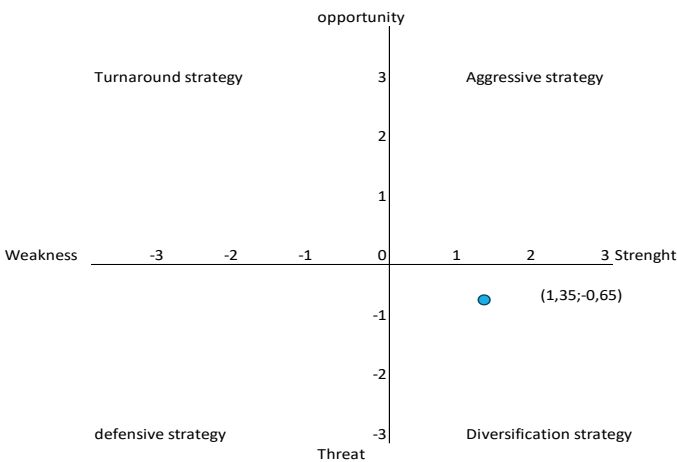


Figure 1.
Matrik Four Quadran SWOT
Source: Output Data 2023

Based on Figure 1. that it is in the lower right quadrant, namely SMEs have strengths but there are threats to the sustainability of business development. Based on EFAS and IFAS, the best strategy is a diversification strategy, where the strengths of SMEs are prioritized to overcome threats. Diversification strategy in business refers to a plan aimed at boosting growth by either altering or broadening the range of products a company produces or sells. Companies may adopt this strategy to gain a competitive advantage over rivals, a tactic referred to as offensive diversification. Alternatively, a business may option for defensive diversification in response to substantial pressure prompting a need for change.

Alternative diversification strategies that can be implemented for SMEs include: product diversification, marketing diversification, and place diversification. Product diversification includes developing similar products ranging from taste, shape, color to product packaging in order to prevent saturation from buyers to avoid a decrease in product life cycle and be competitive, then developing new products that are different from before or different products altogether, to meet market tastes and characteristics (Azzahra et al., 2021; Widjajanti et al., 2023). Support for this, collaboration or partnership for SMEs businesses in North Kayong, in order to improve the ability of SMEs in terms of meeting market needs and capital structure. capital structure is a very important aspect for business operators as it concerns the policy of using funds that will be used for operations to achieve the goal of maximizing revenue.

SMEs development strategies cannot rely on SMEs entrepreneurs alone. Collaboration between SMEs, government and external stakeholders is essential for effective strategy implementation. Based on the SWOT analysis, several recommended strategies ensure smooth development. SMEs entrepreneurs who already have an understanding of the marketing sector that requires innovation require government support in facilitating partnerships between SMEs and forming associations within the same industry. Collaboration and partnerships with external parties can foster product and service innovation. However, collaboration alone is not enough; SMEs entrepreneurs need to understand risk management carefully.

The inequality of government policies in the development of SMEs includes various aspects analyzed by SWOT, such as: facilitating relationships between SMEs and the provision of grants that are still low, lack of infrastructure facilities such as roads and transportation to sources of raw materials, markets, and cities. Other aspects of business information are the lack of communication facilities, training on creative design and technology, marketing facilities and product promotion at the national and international levels. Regarding business opportunities for SMEs, there are still limitations in the availability of business premises, education and training, mentoring, legal protection, and low awareness of the utilization of regional superior products.

The role of the government to support the development of SMEs through appropriate government policies is needed. Various types of policies that can be applied to the development of SMEs and the creative economy include: government support for the provision of road infrastructure, markets for SMEs business places, and communication networks (internet). In addition, it is necessary to increase partnership cooperation with various capital providers for easy access of SMEs to funding sources, ease or reduction of licensing fees, facilitating promotions at both national and international levels, support for improving innovation, creativity, and business management capabilities through training and mentoring SMEs.

CONCLUSION AND SUGGESTION

Conclusion

Based on the data analysis in this study, it can be concluded that the condition of Micro, Small and Medium Enterprises (SMEs) in Seponti District shows rapid and promising development, with the majority of their products utilizing local raw materials. However, there is still a gap between government policies and the expectations of SMEs business actors. The results of the analysis state that there is a gap between government policies and the development of SMEs as perceived by business actors. This finding is supported by the results of the Independent-Samples Mann-Whitney U Test

which proves that there is a significant difference between government policies and the perceptions of SMEs business actors in Seponti District, North Kayong Regency.

Furthermore, the SWOT analysis revealed the strengths of SMEs and government intervention through management policies and support for the sustainable development of SMEs, including simplification of protection and licensing. However, there are still gaps in government support for the expectations of SMEs and creative economy businesses, especially in terms of partnerships with banks and other financial institutions in Seponti Sub-district, limited grant funds, inadequate infrastructure for road access and transportation of raw materials and products, inadequate business premises, and internet network infrastructure. In addition, there is a lack of marketing facilities, low support for consultation and legal protection, a lack of government support for SMEs training, and a lack of support for promoting superior products both domestically and abroad, as well as a lack of support for business incubator facilities and training in innovation and business management.

Suggestion

This research provides several recommendations for the development of SMEs and the creative economy through the utilization of regional superior products, to improve regional competitiveness through alternative strategies that can be carried out by SMEs and government policies to ensure business sustainability and development. These strategies include collaboration and partnerships with external stakeholders such as banks and other financial institutions, facilitating product and service innovation, careful risk management, improving operational efficiency, through training in business management, finance, budgeting, and digital marketing concepts.

Government policies outlined in the Regional Medium Term Development Plan (RPJMD) have covered various aspects needed for the development of SMEs, however in Seponti District, access to infrastructure and transportation facilities for the distribution of raw materials and superior products is still very minimal, this research suggests the need for improvement by both the quantity and quality of road and transportation infrastructure to and from Seponti District. Apart from that, increasing support in the areas of business premises, promotion and expanding access to sources of capital (especially banks and other financial institutions), as well as support for education and training which is important for the development of SMEs, especially in Seponti District and generally in North Kayong Regency. In the era of Industry 4.0 and the emergence of Social 5.0, digital marketing has become a necessity to maintain market share in a sustainable manner.

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