



MSMEs' Growth Potential and Operational Constraints: Evidence from Lampung Province, Indonesia

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Abstrak

Penelitian ini mengkaji potensi pertumbuhan dan kendala operasional Usaha Mikro, Kecil, dan Menengah (UMKM) di Provinsi Lampung, Indonesia. Dengan menggunakan pendekatan metode campuran (mixed-methods), penelitian ini mengandalkan data dari 120 kuesioner survei, 15 wawancara semi-terstruktur, dan laporan ekonomi regional. UMKM berperan sebagai penggerak utama perekonomian daerah, khususnya di sektor pertanian, pengolahan makanan, dan industri kreatif. Namun demikian, perkembangan UMKM masih terhambat oleh keterbatasan akses keuangan, jangkauan pasar yang terbatas, infrastruktur yang belum memadai, serta kapasitas sumber daya manusia yang rendah. Analisis temuan kuantitatif melalui statistik deskriptif menunjukkan berbagai hambatan terkait akses kredit dan kapasitas operasional. Sementara itu, analisis tematik terhadap data kualitatif mengungkapkan adanya celah kelembagaan, prosedur birokrasi dalam pengajuan pinjaman, dan layanan pendukung yang belum optimal. Meskipun demikian, UMKM yang tergabung dalam program pengembangan usaha dan asosiasi koperasi menunjukkan ketahanan dan kemampuan adaptasi yang lebih kuat.

Oleh karena itu, penelitian ini merekomendasikan kerangka kebijakan yang komprehensif dengan fokus pada peningkatan akses keuangan, perbaikan infrastruktur, perluasan adopsi teknologi digital, serta dukungan kelembagaan yang terkoordinasi untuk mendorong ekosistem UMKM yang lebih tangguh di Provinsi Lampung.

Kata kunci: UMKM, Provinsi Lampung, akses keuangan, hambatan kebijakan, pertumbuhan usaha, pembangunan lokal

Abstract

This study examines the growth potential and operational constraints of Micro, Small, and Medium Enterprises (MSMEs) in Lampung Province, Indonesia. Using a mixed-methods approach, the research draws on 120 questionnaire surveys, 15 semi-structured interviews, and regional economic reports. MSMEs serve as a key driver of the regional economy, particularly in agriculture, food processing, and creative industries. However, their development is constrained by limited financial access, restricted market reach, inadequate infrastructure, and insufficient human resource capacity. Quantitative findings analysis through descriptive statistics highlights obstacles related to credit access and operational capacity, while thematic analysis of qualitative data points to institutional gaps, bureaucratic loan procedures, and insufficient support services. Despite these challenges, enterprises that participate in business development programs and cooperative associations tend to show stronger resilience and adaptability. Therefore, the study recommends a comprehensive policy framework emphasizing financial accessibility, infrastructure improvement, broader digital technology adoption, and coordinated institutional support to foster a more resilient MSME ecosystem in Lampung.

Keywords: MSMEs, Lampung Province, financial access, policy constraints, enterprise growth, local development

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have long been recognized as the foundation of economic development, particularly in emerging economies. In Indonesia, MSMEs represent approximately 99.9% of all enterprises and employ over 97% of the workforce. However, they contribute only around 57.6% to the national GDP and 14.3% to total exports, demonstrating the ongoing constraints in productivity and global competitiveness (APEC, 2020). In Lampung Province, a predominantly agrarian region known for producing coffee, pepper, cassava, and palm oil (PPID Lampung, 2023). MSMEs play a pivotal role in supporting economic sustainability in rural areas and promoting value-added processing within local supply networks (Tambunan, 2024).

Despite this significant contribution, the regional economy in Lampung continues to rely heavily on traditional agricultural sectors. While the emergence of MSMEs in agro-processing, creative industries, and the growth of digital services indicate movement toward diversification. The extent of transformation remains uneven due to structural and institutional disparities. Many micro and small businesses still operate informally, lack access to affordable financing, and are constrained by low levels of managerial capacity and limited technological adoption (Tambunan, 2024). These issues are heightened by regional disparities in infrastructure, restricted market access, and fragmented institutional support across districts (Sudarwati & Nasution, 2024).

This study explores the growth potential and operational constraints of MSMEs in four districts of Lampung, including Bandar Lampung, Metro, Pringsewu, and Central Lampung. The research is guided by the following questions: To what extent are MSMEs in Lampung able to grow, innovate, and compete? What are the main

operational and institutional constraints that limit their development?

While national-level studies have provided broad evidences into the dynamics of MSMEs in Indonesia, there remains a significant gap in understanding local variations and context-specific constraints. By adopting a provincial perspective, this study offers a place-based analysis of MSME development in Lampung. The findings aim to contribute to the broader discourse on economic decentralization, inclusive regional development, and the design of more responsive and contextually grounded policy interventions

METHOD

This study employs a mixed-methods approach that combines quantitative surveys and qualitative interviews to investigate the growth potential and constraints faced by Micro, Small, and Medium Enterprises (MSMEs) in Lampung Province, Indonesia. This methodological design facilitates a comprehensive analysis of both structural characteristics and the lived experiences of business owners operating within diverse financial, regulatory, and infrastructural settings.

Primary data were collected through a structured questionnaire administered to 120 MSME owners across four districts: Bandar Lampung, Metro, Pringsewu, and Central Lampung. Respondents were selected using purposive sampling to reflect variation in enterprise size (micro and small), sectoral orientation (agriculture, food processing, creative services), and registration status (formal and informal). The sample size was determined to ensure feasibility while maintaining relevance to the provincial MSME population, consistent with previous studies conducted at the subnational level.

Before data collection, all participants were briefed on the purpose of the study and provided informed consent. Anonymity and confidentiality were maintained throughout, and all data were securely stored and used

solely for academic purposes. The questionnaire addressed key variables including access to finance, infrastructure quality, managerial capacity, labor structure, and technology utilization.

Complementing the survey, fifteen semi-structured interviews were conducted with MSME operators, government officials, and representatives from support organizations such as the Chamber of Commerce and the Cooperative Agency. These interviews explored business constraints, perceptions of government support programs, and strategies for adaptation in response to external shocks.

Secondary data were drawn from institutions including Statistics Indonesia (BPS), Bank Indonesia, and regional planning agencies to provide context and support triangulation with the primary data. Quantitative data were analyzed using descriptive statistics and cross-tabulations to identify patterns and variations in constraint severity across sectors and districts. For qualitative data, an inductive thematic analysis was applied. Interview transcripts were manually coded and later verified using NVivo software to ensure reliability. Codes were organized into thematic clusters such as financial access, infrastructure bottlenecks, skill shortages, and digital adaptation.

To ensure methodological validity and reliability, multiple strategies were employed to support the validity and reliability of findings. Reliability was reinforced using standardized and consistently applied survey instruments. Triangulation across qualitative and quantitative data sources further enhanced internal coherence. Validity was supported through alignment of instruments with the Resource-Based View and Institutional Theory, as well as expert review and pilot testing to establish face and content validity. While the use of purposive sampling limits the generalizability of findings beyond Lampung Province, the study provides a detailed and contextually

grounded account of MSME dynamics within the selected districts.

RESULT AND DISCUSSION

The empirical findings from Lampung Province provide a multidimensional view of MSME performance, revealing both substantial constraints and emerging adaptive capabilities. Drawing on data from structured surveys and in-depth interviews, this section presents a thematic analysis of the primary enabling and limiting factors influencing MSME growth. NVivo 12 software was used to support qualitative coding, pattern identification, and triangulation with quantitative findings.

Financial Constraints

Access to finance emerged as the most critical barrier to MSME development. As shown in Table 1, more than 67 percent of respondents indicated difficulties in obtaining credit, particularly among informal and women-led enterprises. Although government-backed microfinance schemes such as *Kredit Usaha Rakyat* (KUR) are available, many entrepreneurs lack awareness of application procedures or are unable to meet the collateral and documentation requirements. These findings are consistent with Beck and Demircuc-Kunt (2006) and Mardiana, Utari, and Sari (2025), who emphasize the risks of financial exclusion for micro and small businesses perceived as high-risk.

NVivo coding revealed frequent dissatisfaction with banking systems, with terms such as “*bureaucratic hurdles*,” “*land certificate requirements*,” and “*lack of transparency*” appearing regularly. One respondent remarked:

“Even though our business is profitable, the bank still asks for a land certificate, which we don’t have.”

This response illustrates a fundamental disconnect between formal lending mechanisms and the practical realities of micro-enterprise operations.

Table 1. Credit Accessibility by Enterprise Type and District

Enterprise Type	Access to Credit (%)	Rejection Rate (%)
Micro (Informal)	29%	71%
Micro (Formal)	45%	55%
Small (Formal)	68%	32%
Women-led Enterprises	31%	69%

Infrastructure Limitations

Infrastructure deficiencies constituted the second major constraint, especially among rural respondents in Pringsewu and Central Lampung. Poor road conditions, frequent power outages, and unreliable internet connectivity were widely reported. NVivo thematic clustering highlighted common complaints such as “road access,” “electricity failure,” and “no signal.”

These limitations adversely affect logistics, raise operational costs, and limit access to digital markets. The findings align with OECD (2023), which underscores infrastructure as a fundamental determinant of rural enterprise competitiveness. Inadequate connectivity and mobility reduce the potential for MSMEs to expand their market reach or engage in e-commerce and digital finance.

Human Capital Deficiencies

Approximately 60 percent of respondents noted challenges in accessing skilled labor and formal training opportunities. The issue was especially pronounced in food processing and creative sectors, which require specific technical skills. NVivo analysis captured recurring concerns around “learning by doing,” “lack of training,” and “no access to mentoring.”

These observations reflect previous findings by ILO (2015) and Rahayu et al. (2023), who observed that many provincial training programs are poorly resourced and disconnected from industry needs. The digital divide further complicates skill development, as rural entrepreneurs face

disproportionately low levels of digital literacy (Hendrawan et al., 2024).

Entrepreneurial Adaptation and Resilience

Despite these structural limitations, many MSMEs demonstrated adaptive resilience. Business owners reported utilizing informal networks, social media platforms, and community-based financing to sustain operations. NVivo sentiment analysis highlighted positive expressions such as “trying new methods,” “Instagram sales,” and “collaboration with local groups.”

One food processor in Metro shared that their customer base doubled during the COVID-19 pandemic due to Instagram marketing, despite initial unfamiliarity with the platform. These findings align with Stam’s (2015) framework of bottom-up adaptation, illustrating how micro-entrepreneurs innovate under constraints.

Institutional Support and Policy Gaps

Although various MSME support programs are in place, qualitative data revealed critical gaps in implementation and public awareness. NVivo queries frequently returned terms such as “unclear information,” “long processes,” and “not relevant training.” Respondents called for simplified administrative procedures, tailored program design, and greater access to mentorship.

Enterprises with access to Business Development Services (BDS) or local cooperatives generally reported better outcomes. As emphasized by ILO (2015) and Tambunan (2024), these observations reinforce the role of intermediary institutions in MSME development.

The findings confirm persistent constraints in financial access, infrastructure quality, and human capital development. However, they also underscore significant entrepreneurial resilience. The integration of NVivo-supported qualitative evidences with quantitative patterns adds depth and contextual clarity. The Lampung case highlights the importance of localized, bottom-up approaches that are attuned to the real conditions faced by small enterprises.

Table 2. Summary of Constraints and Enabling Factors by Theme

Theme	Constraints	Enabling Factors
Finance	Limited credit access, collateral requirement s	Government microcredit (e.g., KUR)
Infrastructure	Poor roads, unreliable electricity, weak internet	Urban infrastructure advantages
Human Capital	Lack of skilled labor, inadequate training	Informal peer learning, community knowledge sharing
Entrepreneurship	Minimal formal innovation support	Product diversification, digital improvisation
Institutional Gaps	Bureaucratic procedures, poor outreach	Support from BDS programs, cooperatives

CONCLUSION

This study examined the growth potential and operational constraints faced by Micro, Small, and Medium Enterprises (MSMEs) in Lampung Province through a mixed-methods design that combined structured surveys with thematic analysis supported by NVivo. The findings reveal a complex picture. While MSMEs play a significant role in employment generation and contribute to local production networks, their growth and innovation capacity remain constrained by persistent issues related to financial access, infrastructure gaps, human capital limitations, and weak

institutional support systems. Despite these challenges, many MSMEs demonstrate resilience by adopting informal financing channels, digital marketing strategies, and community-based learning approaches to sustain their operations.

Drawing from this empirical evidence, several policy recommendations are proposed. In the short term, priority should be given to simplifying loan application procedures, improving financial literacy, and promoting mobile banking services to expand credit access, particularly for informal and women-led enterprises. Programs such as Kredit Usaha Rakyat (KUR) must be redesigned to better reflect the operational realities of micro and small businesses. Strengthening Business Development Services (BDS), expanding mentorship schemes, and fostering cooperative networks at the local level can also provide immediate support for entrepreneurial capability and sustainability.

Over the longer term, strategic investments are needed to improve infrastructure, particularly in rural areas where inadequate road connectivity, unreliable electricity, and limited internet access continue to hinder MSME performance. These upgrades are vital for reducing transaction costs and enabling greater participation in broader markets, including digital commerce. Human capital development must also be prioritized through vocational training, sector-specific capacity building, and collaboration with higher education institutions. Training programs that are tailored to agro-processing, creative services, and digital entrepreneurship are essential for enhancing long-term competitiveness. In addition, the establishment of one-stop service centers at the regional level can streamline bureaucratic processes and improve coordination among stakeholders.

Although this study offers important empirical contributions, certain limitations should be acknowledged. The sample, while diverse, was limited to 120 MSMEs

across four districts, which may affect the generalizability of the findings. While qualitative analysis was strengthened through systematic coding and triangulation, the results remain exploratory and context-specific. These limitations should be addressed in future research by expanding the geographic scope and incorporating longitudinal methods to assess policy impacts over time. Moreover, further investigation into gender-specific barriers, particularly in rural digital entrepreneurship, is warranted to inform more inclusive policy interventions. In conclusion, MSMEs in Lampung Province possess substantial potential to drive inclusive economic transformation. However, unlocking this potential requires integrated, multi-level policies that are locally grounded, empirically informed, and responsive to the diverse realities of small enterprise actors. A more holistic and inclusive approach will be critical in shifting the MSME sector from subsistence-level activity to a dynamic engine of sustainable and equitable growth.

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