

PROMOTING GROWTH OF SOCIAL ENTREPRENEURSHIP: POLICY FOR SUPPORTING MICRO AND SMALL ENTERPRISES

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Abstract

Due to the fact that it creates new job openings and employment prospects, entrepreneurship is crucial to the nation's economy. Entrepreneurship naturally creates job chances for the unemployed, therefore anyone running a significant firm requires staff to assist in running their business. This is the relationship between entrepreneurship and economic growth. Micro and Small Enterprises are an important part of the country's economy because they have made a major contribution to boosting the economy, including their contribution in opening up new job opportunities as a spur to economic growth and as a source of innovation. The government and society have fully seen the role and contribution of MSE entrepreneurs. With a very large contribution to Gross Domestic Product (GDP), of course MSEs can demonstrate their role as the backbone of the economy. The research methodology employed in this work is library study, which consists of a number of tasks related to how to gather data from libraries, read and take notes, and process research materials. This research discusses the concept of entrepreneurship, the role of micro and small businesses, and micro and small business support policies.

Keywords: Entrepreneurship growth, support policies, micro and small enterprises

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INTRODUCTION

The nightmare that was predicted since Covid-19 hit the world, is now starting to happen. That threat is an economic recession. It was the two advanced industrial countries members of the G-7, Japan and the UK, who became the initial victims. Both countries last week officially experienced a recession. In the latest report, Japan's GDP contracted 0.4% in the fourth quarter of 2023 and 3.3% in the third quarter of 2023. The latest GDP report fell short of the 1.4% growth forecast in a Reuters poll of economists.

On a quarterly basis, GDP fell 0.1%, compared with a forecast of a 0.3% rise in a Reuters poll. Meanwhile, England slipped into recession after their economy contracted (quarter to quarter/qtt) in the third quarter by -0.1% and IV by -0.3% in 2023. In the notes of the International Monetary Fund (IMF), the economic slowdown After the Covid-19 pandemic, it will continue throughout 2024. This trend of slowing economic growth, according to the IMF's view, will occur in several other countries, including China and the United States (US). In 2024, the IMF estimates that the US economy will only grow 1.6 percent, or down from 2023 growth of two (2) percent, while China's economy in 2024 is estimated to grow 4.5 percent, or down from 2023 growth which was recorded at 5 percent (Sparrow et al. al., 2020).

Urbano et al., (2019) stated that the problem of unemployment and poverty is still a big problem facing the Indonesian nation now and in the next few years. In addition, the new workforce continues to increase by around two million people every year. One way to reduce the poverty rate is to build new business fields or what is usually called entrepreneurship. An entrepreneur is a person who runs a business or company with the possibility of profit or loss.

As a result, entrepreneurs must be psychologically prepared to handle both significant losses and gains. An entrepreneur needs to possess certain qualities that are inherent in entrepreneurs, such as self-assurance, a wide range of interests, the ability to come to agreements, ambition, an adventurous spirit, and a willingness to try new things. Currently, there are many types of entrepreneurship, both in the form of micro businesses (on a small scale) and macro businesses (on a large scale). Not a few of them have succeeded in establishing and developing their businesses, but not a few have failed. Both of these things can occur because of a person's abilities and behavior in running a business, which of course faces many challenges and risks (Toma et al., 2014).

Entrepreneurship itself has become a concern for the government, especially Micro and Small Enterprises (UMK). This government attention has become a separate project for the government, especially in reducing the

increasing number of unemployed (Amoah, S. K., & Amoah, 2018). In order to facilitate the establishment of businesses for those lacking funds, the Cooperatives Department is offering business financing loans as part of this project. Apart from playing a role in the labor aspect, entrepreneurship has its own role in Indonesia's economic growth, namely increasing productivity which results in a trade surplus and reducing the amount of imported goods. Small businesses, especially in the production sector, will absorb a large and much larger workforce. Several studies show that small industries and micro businesses make a significant contribution in creating jobs and generating income. This shows directly that they are able to grow income and meet demand for goods, services, equipment, raw materials and exports.

MSEs are an important part of the country's economy because they have made a major contribution to boosting the economy, including their contribution in opening up new job opportunities as a spur to economic growth and as a source of innovation. The existence and role of MSEs must be maintained and maintained in continuity in forming a strong economy. However, much of the development of MSEs is still limited by capital so there is a need for financing to support this development (Zafar, A., & Mustafa, 2017). In Indonesia, there are many credit or financing facilities offered, both from conventional banks and sharia banks. The government and society have fully seen the role and contribution of MSE entrepreneurs in Indonesia. With a very large contribution to Gross Domestic Product (GDP), of course MSEs can demonstrate their role as the backbone of the economy in Indonesia.

The still high level of poverty in Indonesia has always been a concern for many parties who care about finding a solution, providing fair business opportunities and reducing the unemployment rate on government and private work agendas. However, the problem is much more complex, so it is not easy to reduce poverty in a sustainable way. One way to increase employment opportunities is to develop micro and small businesses, which are labor-intensive activities and provide more jobs according to the amount of capital invested in these micro and small businesses. The establishment of micro and small businesses will increase people's income and urbanization. The ability of micro and small businesses to create work opportunities at low costs is very suited to the characteristics of developing countries which always have problems with high annual population growth (Petrunenko et al., 2021).

Labor absorption is a certain amount of labor used in a business unit. Labor demand is related to the number of workers needed by a particular

company or agency. The role of manpower is very important for the business world, both small, medium and large businesses, in absorbing labor.

RESEARCH METHOD

The research methodology employed in this work is library study, which consists of a number of tasks related to how to gather data from libraries, read and take notes, and process research materials.

The literature study was chosen because the research object, namely encouraging the growth of community entrepreneurship: micro and small business support policies, can only be answered through literature research. This research uses qualitative data, namely data that cannot be measured on a numerical scale. The data sources used are secondary data related to research objects originating from books, scientific journals, seminar papers and others.

RESULT AND DISCUSSION

Entrepreneurship Concept

One strategy to keep Indonesia from sinking too far into poverty is to increase work options, which reduce unemployment. This type of enterprise is called entrepreneurship. Meanwhile, entrepreneurship itself means someone who is involved in a venture or business with the possibility that he or she may incur losses or profits. Therefore, someone who becomes an entrepreneur must have inner readiness to face difficulties that might occur in their business, such as going bankrupt or experiencing large losses. Acs, Z et al., (2018) stated that currently entrepreneurship is no longer strange in Indonesia, the government is even paying more attention to entrepreneurship, which we know as MSEs, which is attention given by the government as an effort to reduce the existing unemployment rate. in Indonesia. However, to make a business successful, strong commitment and consistency is needed so that an entrepreneur is successful in his business and it is possible that entrepreneurship in Indonesia will be able to improve the nation's economy.

A firm or enterprise that is held by an individual or organization provides the means for a person or group of people to engage in a variety of activities that make up entrepreneurship. To put it another way, entrepreneurship is the guts to do business that comes from within (Zahra, S. A., & Wright, M. (2016). It is considered daring because he dares to take a position or action in his business that could result in significant earnings, and it is also considered brave since he already knows how to handle obstacles in his business. The intriguing thing is that a large number of Indonesians still choose not to pursue entrepreneurship

or business because they believe it to be riskier and less lucrative than office labor. or labor for a business. Indeed, success will inevitably result from pursuing any vocation, including entrepreneurship. Therefore, sharing activities or business-related activities is a part of the discipline or expertise that is entrepreneurship. In order to produce significant profits, entrepreneurship also teaches us how to manage a firm effectively. It also teaches us how to make decisions in the face of difficulties or losses.

The business world will naturally develop more and more as technological civilization and knowledge grow. This will have a rapid impact on the country because, if businesses continue to develop with technological sophistication and human resource capabilities to run the business or company, the previously declining economy will recover. Entrepreneurship and economic growth are linked since it creates employment chances for unemployed Indonesians. Consequently, anyone operating a major firm needs staff to assist in running their business (Hisrich et al., 2017).

This is what will contribute to Indonesia's unemployment rate being lower. But let's get back to sensible government policy as an engine of economic growth. Economic growth is vital to maintain the welfare of the Indonesian people and ensure that Indonesia doesn't always remain a developing nation; naturally, everyone hopes that Indonesia will eventually join other developed nations in the status of developed nations. The study's findings demonstrate the critical role that entrepreneurship plays in bolstering the country's economy since it creates new job openings and employment prospects. Since running a business alone is obviously challenging, any corporation or individual in the business world will post job openings to support their enterprise. Thus, when job openings rise in this country, Indonesia's unemployment rate will decline, which will naturally boost the country's economy (Drucker, P., & Maciariello, 2014).

The role of entrepreneurship in the Indonesian economy is that Indonesia is a developing country considering its relatively large population. This certainly has an impact on economic and social conditions where welfare is not evenly distributed (Davidsson, 2015). The problems generally faced by developing countries like Indonesia are high levels of poverty and unemployment, low levels of welfare and education, high prices of food and health, and so on. The way to overcome these problems requires the role of entrepreneurship in the Indonesian economy. Through the definition above, it can be seen that the role of entrepreneurship in the Indonesian economy is very necessary to create new businesses in order to open up employment

opportunities for the community. By creating new jobs, the role of entrepreneurship in the Indonesian economy is to reduce unemployment and poverty so that it can improve people's welfare.

This can immediately help the turnaround of the economy in Indonesia. However, to become a reliable entrepreneur, a person must try to be productive, have high levels of independence, and be able to see the opportunities and challenges that exist. The following is the role of entrepreneurship in the Indonesian economy according to Anggadwita et al., (2017), including:

1. Stimulate economic growth

The ability of new goods and services developed by entrepreneurs to have cascading impacts is the function that entrepreneurship plays in the Indonesian economy. Being able to boost firms or associated sectors so they can assist new enterprises and have an impact on strengthening the economy is one of the functions of entrepreneurship in the Indonesian economy.

2. Increase state income

The role of entrepreneurship in the Indonesian economy is to increase state income. Get information, inspiration and insight in your email. Register email New businesses built by entrepreneurs help generate income for the country. From this business, the government can collect taxes which will contribute to state income. Apart from that, businesses founded by entrepreneurs can increase employment opportunities so that they will increase people's income and thus also contribute to state income. The government can use this state income to provide training to workers so that they can produce entrepreneurs again.

3. Entrepreneurship creates social change

The role of entrepreneurship in the Indonesian economy is to create social change. Entrepreneurs compete to produce innovations and new ideas in their business sector. This allows entrepreneurs to reduce dependence on outdated business systems. This can lead to improved quality of life, improved morale and greater economic freedom as business and society become increasingly innovative. For example, online transportation services and food delivery orders can change people's way of life in using public transportation and culinary delights. If originally people used public transportation such as buses, public transportation, pedicabs and motorbike taxis, they have changed to using online transportation services. Then online food delivery services can also change people's lifestyles and

help the growth of MSMEs in the culinary sector. Thus, the role of entrepreneurship in the Indonesian economy is that it will have an impact on business and community productivity.

The Role of Micro and Small Enterprises

At 99% of all business units, MSEs play a significant role in the expansion of the Indonesian economy. MSEs also contribute 60.5% of the country's GDP, or about IDR 8,573 trillion, each year, and 97% of all workers, or over 116 million people, are employed in the country. MSEs have a significant role in the Indonesian economy. No joke, MSEs are claimed to be the support or backbone for the country's economy. Apart from that, MSEs also still have other important contributions and roles. That is why the government is trying to pay high attention to MSME actors because they can have a direct impact on the lives of lower middle class people (Nursini, 2020).

Indonesia is the fourth largest country, the largest being China, the United States and India. In terms of development, currently Indonesia is preparing to become a developed country in 2030. According to Teten Masduki, in this regard the government is trying to increase competitiveness by prioritizing infrastructure for connectivity and also as a form of innovation (Tambunan, 2019).

1. If the country's economic growth can be maintained between 4.5% and 5.3%. So, there is a big possibility that Indonesia will succeed in leading the G20 or even becoming the ASEAN Presidency. In order to make this happen, the Ministry of Cooperatives and MSEs has tried its best to promote modern cooperatives and MSEs and must also be involved in the digital economy. Based on existing data, these small-scale companies are growing very rapidly. The role of MSEs is not only about economic growth, but also as a way to create jobs and reduce poverty. Based on what was conveyed by the Minister of Cooperatives and MSEs, there are at least 3 roles of MSEs which are very important for economic development in Indonesia according to Kusumawardhani et al., (2015), including:

2. Encouraging Economic Equity

The first role of MSEs in the Indonesian economy is as a means of leveling the economic level of society. Especially those belonging to the lower middle class of society. This is because the existence of MSEs has spread in all directions, even to areas far from modern developments. This condition is of course different from large companies which only exist in certain locations so their coverage cannot be comprehensive. With this UMK,

people in remote areas no longer need to go to the city to get a decent living. This causes the wheels of the economy throughout Indonesia to turn because people in the interior can be even more productive. So it is possible for them to develop their business. So, it can be said that MSEs participate in promoting economic equality. Because, the presence of this productive business has the opportunity to narrow the economic gap between the poor and the rich. Thanks to the existence of MSMEs, it directly helps the government in preventing the emergence of large-scale urbanization. This is because people have the desire to get a more decent living in the city.

3. Improving Community Welfare

The second role of MSEs in the Indonesian economy is as a means of alleviating small communities from poverty. This is due to the high rate of labor absorption thanks to the existence of MSMEs in various regions of Indonesia. MSEs have the potential to utilize local human resources according to their skills and experience. Starting from the person who will be responsible for the production process, packaging, shipping, to the sales department. This can be proven in data from the Ministry of Cooperatives and MSEs received from umkm-id.com. The data states that MSEs as productive small-scale businesses are capable of employing more than 107.6 million Indonesians. The ability of MSEs to create jobs has succeeded in contributing to gross domestic income of 60.6%. Apart from that, the existence of MSEs will also turn the wheels of the economy in a region. This is because production raw materials can be obtained directly from the surrounding community. In this way, the local community can finally get everything they need, both services and products, closer because of the large number of MSEs in the surrounding area. This will of course reduce distribution costs and storage costs which have quite a big impact on society, namely by getting more affordable prices. So, indirectly, MSEs have a big role in improving community welfare.

4. Increase the country's foreign exchange

The role of MSEs in the Indonesian economy, which is in all foreign exchange, is more or less involved in contributing foreign exchange to the country. Because the market reach of this small-scale business does not only reach the national market but also extends overseas. Not a few MSEs originating from Indonesia have succeeded in competing in the international market so that they are able to export their products to various countries. All of this can be realized with the help of an internet network so that buying and selling transactions that occur can be carried

out independently. One way is through various existing marketplaces to reach the global market.

These small-scale businesses, which number in the tens of millions, are one of the driving factors for increasing economic growth in Indonesia. Even though they are relatively small scale, MSEs have a significant contribution. Apart from the three roles of MSEs in the Indonesian economy which were mentioned previously. There are at least two contributions from MSEs that have had a positive impact on Indonesia's economic development according to Prasetyo, P. E. (2020), including:

1. Absorbing Labor

One of the negative impacts of increasing population is the increasing workforce which cannot be absorbed optimally. The increasing number of unemployed causes security risks to increase while also hampering economic growth. When MSEs are present and growing rapidly throughout the country, they directly contribute to opening up employment opportunities so that they can absorb the workforce. Particularly for MSEs, which will need a lot of workers because they are mostly labor-intensive businesses. This is demonstrated by the growing share of MSEs in labor absorption at the national level, which according to data has reached 97.02%.

2. Economic support during crisis

The second contribution of the presence of MSEs is to participate in efforts to save the Indonesian economy when the crisis occurs. This was proven by the crisis that hit Indonesia in 1998 and after the Covid-19 pandemic. When this crisis occurred, MSEs proved capable of surviving and even saving the country's economy from a deeper downturn. Even when the Covid-19 pandemic emerged, MSMEs were also able to move quickly by carrying out digital transformation by switching to e-commerce. In essence, the contribution and role of MSEs in the Indonesian economy is no joke because they are able to save the nation from the crisis. For this reason, don't hesitate to help MSEs so that their businesses can develop further.

Micro and Small Enterprises Support Policy

Government policy in Indonesia to support MSEs

Micro and Small Businesses (UMK) are a significant industry that play a major role in achieving the goals of the nation's economic development, including job creation, economic growth, boosting the nation's foreign exchange reserves, and regional economic development. Since MSEs are

predicted to be able to boost the growth of the national economy, they require protection from the government in the form of rules and regulations. The presence of rules pertaining to MSEs from the banking and production sides of the economy, as well as laws, will encourage the participation of MSEs in the economy. "Regulation is a set of rules intended to provide protection and benefits to society in general or to a group of people," according to George J. Stigler (1972).

Both the government, acting as the regulator, and the entrepreneurs, acting as the licensing object, can gain from this legislation. Permits are required by the government in order to safeguard the general public and uphold public order. Obtaining a license should benefit entrepreneurs both socially and financially. It goes without saying that if a law or policy falls short of expectations, it needs to be examined in order to gather feedback on why it doesn't produce the desired performance outcomes. Thus, policy makers benefit from evaluation throughout the policy assessment phase of the process. Policy evaluation contributes to clarity and critique of the guiding principles of the policy, aids in problem reformulation and adjustments, and generates findings about the extent to which the issue has been resolved (Maksum et al., 2020).

The government has implemented three key policy initiatives in the economic sector in an effort to speed up economic growth, which is closely tied to MSEs. Improving banking, capital markets, multi-finance, insurance, and other financial services is the first step, particularly for MSEs. Enhancing the infrastructure of financial services, including market access, billing and payment services, convenience of saving and investing, and overall support for trade transaction implementation, is the second primary policy (Adhikary et al., 2021). Without substantial development initiatives to boost MSEs' capacity for entrepreneurship, improving services and the infrastructure that supports them will not have much of an impact. Enhancing technical skills and expertise in business management, product creation and sales, financial administration, and entrepreneurship in general constitutes the third primary policy. In order to achieve equitable development through increasing employment and income, the government's policy for strengthening the MSE sector intends to improve the potential and active participation of MSEs in the process of national development, particularly in economic activities.

Government policy in Japan to support MSEs

Reporting from Hironaka Tekola, H., & Gidey, Y. (2019) Japanese government support for MSEs consists of support for start-up companies, support for the growth and development of MSEs, fiscal and financial support, as well as regional support. The following is the explanation.

1. Support for Start-Up Companies

For start-up companies that are still starting their business, the Japanese government provides support in the form of financing, loans and investment, as well as consulting and connection services.

2. Support for the Growth and Development of MSEs

For existing MSEs, the support provided is quite extensive, including:

- a. Support for internationalization, namely the Japanese government encouraging MSEs to go global or enter international markets. More than that, the Japanese government even helps MSEs make business plans abroad and helps MSEs find target markets abroad.
- b. Human Resource Development.
- c. Innovation support and intellectual property management.
- d. Support to increase the attractiveness of MSEs.
- e. Support for exporters.
- f. Promoting the development of environmentally friendly MSEs.
- g. Training and guidance support for MSEs regarding environmental issues, energy savings and recycling systems.

3. Fiscal and Financial Support

MSEs in Japan also receive financial support from government banks such as Shoko Chukin Bank and Japan Finance Corporation. This financial support takes the form of loans for business expansion abroad and loan capital for MSEs that are experiencing a decline in income, natural disasters and others. Even when MSEs obtain loans from private banks, credit guarantee companies in Japan also provide guarantees for the MSEs' debt obligations. It doesn't stop there, the tax burden is eliminated so that MSEs can increase their investment.

4. Regional Support

In order to revitalize industry in rural areas, the Japanese government offers loans to local businesses and traditional industries at low interest rates. The Japanese government also encourages alliances between MSEs and various sectors such as agriculture, forestry, fisheries and other industries to maximize their potential. This regional support aims to encourage MSEs in Japan to contribute to local development.

In general, the Japanese government's support for MSEs is very important and is practically designed to meet the needs of each MSE. Collaboration was also carried out between the central government in Japan and city governments, government agencies, financial and research institutions, as well as other supporting organizations. This can certainly be used as a policy recommendation for Indonesia.

Government policy in Malaysia to support MSEs

The Malaysian government is increasingly aware of the significant contribution of micro and small enterprises (MSEs) to the national economy. A number of government programs and incentives have been offered to MSEs in recent years but with limited impact. Efforts were made to identify success factors and weaknesses of MSEs from official reports of government agencies and research findings on the subject. (Bhat, S. A., & Khan, R. A. (2014).

Furthermore, realizing the challenges posed by globalization and trade liberalization on Malaysian MSMEs, the government changed the policies, programs, incentives and approaches currently implemented in the Ninth Malaysia Plan and the Industrial Master Plan Third. The aim is to increase the capacity and capability of MSMEs through sustainable products and mastery of knowledge and technology by empowering them to compete with other global players who offer high quality products and services at competitive prices. A number of Malaysian banking institutions also provide financial assistance and expertise to small and medium enterprises, including SME Bank. In closing, Prof. Nur Azuza also explained the efforts made by banking institutions to encourage MSEs to apply for financing or loans for small, micro or start-up businesses (Rahman et al., 2016).

Government policy in China to support MSEs

China has big ambitions to make its Micro and Small Enterprises (MSE) sector the core of global manufacturing. The development of MSMEs is also an important part of China's Grand Strategic Goal: "A Leading High-end Manufacturing Superpower." As part of these efforts, China is combining collaborative roles and synergizing stakeholders in developing MSEs as growth drivers. The state also plays an important role as an accelerator and orchestrator with policy tools that cover all strategic functions including financing, empowerment, incubation, technology, market access and a constructive competitive climate for MSEs. The development of high technology-based MSEs in China is one of the key objectives in China's industrial

and economic development policy towards the Made in China 2025 (MIC) strategic plan (Zalnieriute et al., 2019).

Tambunan, T. (2019) stated that China has four important policies in developing MSMEs. These four important policies include:

1. High quality MSE financing. China provides a financing commitment of around CNY 10 in 2021-2025 as well as support for training, investment and others.
2. Encourage research and development collaboration.
Strategic collaboration policy, namely incubator institutions such as universities, research bodies and researchers.
3. Integration of MSEs into corporate supply chains. Encourage corporations and BUMN to source technology to MSEs, which is realized in the form of Key Performance Indicators (KPI) or main performance indicators
4. Strengthening patents and IPRs for MSEs. Policies and ease of access, assistance, registration and utilization of patents for MSEs.

CONCLUSION

Due to the fact that it creates new job openings and employment prospects, entrepreneurship is crucial to the nation's economy. Since running a business alone is obviously challenging, any corporation or individual in the business world will post job openings to support their enterprise. As a result, as job openings rise, Indonesia's unemployment rate will decline, which would naturally boost the country's economy.

Micro and Small Enterprises are an important part of the country's economy because they have made a major contribution to boosting the economy, including their contribution in opening up new job opportunities as a spur to economic growth and as a source of innovation. The existence and role of MSEs must be maintained and maintained in continuity in forming a strong economy. However, much of the development of MSEs is still limited by capital so there is a need for financing to support this development. The government and society have fully seen the role and contribution of MSE entrepreneurs. With a very large contribution to Gross Domestic Product (GDP), of course MSEs can demonstrate their role as the backbone of the economy.

There are 3 roles of Micro and Small Enterprises which are very important for economic development, including:

1. Encouraging Economic Equity
2. Improving Community Welfare
3. Increase the country's foreign exchange

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