

THE EFFECT OF ENTREPRENEURSHIP EDUCATION ON IMPROVING THE CAPABILITIES OF UMKM: A LITERATURE STUDY

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Abstract

This study aims to examine the effect of entrepreneurial education on improving the capabilities of Micro, Small and Medium Enterprises (MSMEs). In the context of a dynamic global economy, MSMEs play a vital role in economic growth, job creation and innovation. However, MSMEs face various challenges including limited access to resources, managerial knowledge, and technology. Entrepreneurial education is positioned as an important tool to overcome these challenges and improve the capabilities of MSMEs. This research uses the literature study method by compiling and analysing data from various bibliographic sources related to the topic. The results show that entrepreneurship education has a significant influence on improving the managerial, operational, financial and strategic capabilities of MSMEs. It provides new insights, expands networks, and facilitates the adoption of innovations and technologies. This research underscores the importance of policies and programmes that support the development of entrepreneurship education as a strategic measure to strengthen the MSME ecosystem. The practical implication of the findings is the need for interventions designed to provide entrepreneurial education and training inclusively to MSME owners and managers, so that they can contribute to the achievement of sustainable economic growth.

Keywords: Entrepreneurial Education, MSMEs, Capability, Business Development, Innovation

Introduction

MSMEs (Micro, Small and Medium Enterprises) play a vital role in the economic structure of many countries, including Indonesia. According to data presented by the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to gross domestic product (GDP) and absorb around 97% of the total workforce. With such significant contributions, the sustainability and development of MSMEs are important in efforts to improve national economic welfare and reduce poverty (Zhang et al., 2023).

Globally, MSMEs represent the vast majority of businesses in almost all countries, both developing and developed, and are collectively a major source of employment and an important contributor to national gross domestic product (GDP). In many countries, MSMEs support economic resilience, strengthen the structure of the domestic economy, and stimulate market dynamism and competition. Especially in this

era of globalisation, MSMEs play an important role in expanding economic inclusion, boosting exports, and opening access to international markets through technological innovation and adaptation. (Yutika, 2023).

In Indonesia, for example, more than 60% of the country's GDP is generated by MSMEs, and they absorb around 97% of the total labour force, demonstrating how fundamental their contribution is to the national economy and social stability. The flexible and adaptive nature of MSMEs helps them to respond quickly to economic and market changes, providing diverse employment options and supporting local skills development. (Hasnawati et al., 2024).. In addition, MSMEs contribute to rural economic development, reduce regional inequality, and foster entrepreneurship and innovation at all levels of society. In the global context, the presence and growth of MSMEs support the development of global supply chains, enrich business ecosystems with a diversity of models and products, and enhance the competitiveness of countries' economies on the international stage. (Hanif & Widawati, 2024)..

However, MSMEs face various challenges that can hinder their growth and development. Issues such as limited access to capital, low managerial capabilities, limited knowledge of the latest technology, and low innovation capabilities are some of the barriers that are often encountered. One critical aspect that can help overcome these challenges is the enhancement of MSME capabilities. (Aryuniasari et al., 2023)..

MSME capability refers to the ability and expertise possessed by Micro, Small, and Medium Enterprises to adapt, compete, and thrive in a dynamic and competitive market. It covers a range of aspects from product innovation, operational efficiency, market knowledge, to the ability to adopt new technologies. These capabilities also include the ability of MSMEs to access resources, be it capital, skilled labour, or market information, which enables them to increase productivity, expand market share, and maintain business sustainability. (Wiranto, 2024). With strong capabilities, MSMEs can better capitalise on opportunities, overcome challenges, and contribute significantly to the economy and overall community development (Refachlis, 2022). (Refachlis, 2022).

MSME capabilities are not only associated with technical aspects of production or operations, but also include innovation, marketing, human resource management, and strategic management capabilities. Improving these capabilities requires a comprehensive approach, one of which is through entrepreneurship education. Entrepreneurship education is expected to not only improve the knowledge and skills of entrepreneurs, but also support the development of positive entrepreneurial attitudes, values and behaviours. (Ifani et al., 2024)..

While there have been many efforts and programmes by both the government and the private sector to provide entrepreneurship education to MSMEs, the magnitude of the effect of such education on improving MSME capabilities remains a question. Previous studies present mixed results on the effectiveness of entrepreneurship

education and are often limited to specific contexts or aspects of MSME capabilities. (Fitri et al., 2024).

Given the important role of entrepreneurial education in supporting the development of MSME capabilities, there is a need to evaluate and synthesise existing research results. Through a literature review, this research aims to analyse the effect of entrepreneurship education on improving MSME capabilities. As such, this research is expected to provide evidence-based recommendations to stakeholders to design and implement more effective entrepreneurship education programmes for MSMEs.

Research Methods

The study in this research uses the literature method. The literature research method is a systematic research approach in analysing and synthesising written sources to gather information and gain an in-depth understanding of a particular topic. This method involves the identification, evaluation, and interpretation of relevant publications such as books, journal articles, reports, and online documents to build a theoretical foundation or research context. The process generally involves selecting literature based on criteria such as relevance, validity and novelty, followed by a critical review of the content to draw conclusions or unearth trends. Literature research is essential in ensuring accuracy and depth of analysis in academic studies, providing theoretical frameworks and supporting the substantiation of research hypotheses. (Firman, 2018); (Suyitno, 2021).

Results and Discussion

Capabilities in the Context of MSMEs

Capabilities in a business context refer to a company's ability to effectively utilise available resources to achieve strategic goals and objectives. These capabilities include skills, technologies, processes and knowledge that can combine to improve performance and generate significant added value. These capabilities are often seen as key aspects that differentiate one company from another and are a source of sustainable competitive advantage. (Korzen, 2022).

One type of capability is production capability, which refers to a company's ability to produce goods or services with maximum efficiency and high quality standards. Production capability includes production process management, equipment maintenance, automation, and workflow optimisation. Companies with high production capabilities can reduce production costs, increase production speed, and ensure consistency in the quality of products produced. (Toma, 2021).

Marketing capability, on the other hand, is the ability to effectively identify, develop and capitalise on market opportunities. This includes branding strategies, marketing communications, distribution, market research, and customer relationship management. Companies with strong marketing capabilities can better target the right

market segments, increase brand awareness, and drive sales through resonant and effective campaigns. (Torres & Jasso, 2022).

Innovation capability is a company's ability to develop new products or improve existing products and processes to meet changing market needs. It involves research and development, project management, and creativity in addressing technical as well as market challenges. Companies that have strong innovation capabilities can often take the lead in competition, create market trends, and adapt to changing industry dynamics, ensuring long-term business continuity. (RETI, 2022).

Innovation capabilities are not only limited to product development but also include innovations in business models and operational strategies. By integrating the latest technologies and exploring new approaches to doing business, companies can respond more quickly to changes in market demand and technology. For example, the adoption of digital technologies in business processes, such as AI for data analytics or automation for operational efficiency, is part of the innovation capability. Companies that continuously innovate in various aspects of their operations tend to be more resilient and successful in the long term. (Syakoer et al., 2022)..

As such, capabilities in business-be it production, marketing, or innovation-are key for companies to not only survive but thrive in a competitive market. These capabilities enable companies to maximise the potential of existing resources, adapt to market changes, and create sustainable value. Therefore, investing in building and strengthening these capabilities should be one of the top priorities for strategic corporate leaders, aiming to secure the company's competitive position in the long run.

Effect of Entrepreneurial Education on MSME Capability

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the economy in many countries, including Indonesia. MSMEs are defined based on certain criteria that differ between countries, but in general, the criteria include the amount of assets, turnover, and number of employees. In Indonesia, MSMEs are businesses that have a maximum annual turnover of IDR 50 billion and/or have maximum assets of IDR 10 billion, excluding land and buildings of the business premises, in accordance with applicable laws. The MSME sector covers a variety of business types, from trade, services, to production, all of which have an important role in the national economy, particularly in terms of labour absorption and income distribution. (Rohmah & Rahmawati, 2023)..

Characteristics of MSMEs include operational flexibility and high adaptability. This flexibility allows MSMEs to quickly adjust to changes in the market and consumer demand. In addition, MSMEs tend to have simple organisational structures, which facilitate decision-making and implementation of business strategies. While MSMEs have limitations in terms of access to capital and technology compared to large enterprises, their strength lies in their proximity to local communities and ability to

create innovative products or services tailored to local needs. Thus, MSMEs contribute not only to the economy, but also to the preservation of culture and tradition through their products and services. (Akaehomen, 2023).

Entrepreneurial education plays an important role in developing the capabilities of MSMEs, as through education and training, MSME owners and employees can gain essential knowledge and skills in running and growing their businesses. This education not only covers managerial and technical aspects, but also strengthens innovation capabilities and effective marketing strategies. Thus, MSMEs can improve their production quality, operational efficiency, and competitiveness in the market. (MBA, 2021).

Furthermore, entrepreneurship education often facilitates a better understanding of financial management which is a key challenge for many MSMEs. Through this education, MSME owners can learn about financial planning, risk management, and investment strategies that will help them maximise profits and minimise losses. This knowledge in financial management is especially important for MSMEs that want to access financing from financial institutions or investors. (Mansoori & Dimov, 2024)..

In addition, entrepreneurial education also supports MSMEs in utilising technology for business purposes. In today's digital era, an understanding of digital marketing, e-commerce, and other information technology tools is crucial. MSMEs that are skilled in adopting new technologies tend to recognise and respond more quickly to market opportunities arising from changing consumer trends and can operate their businesses more efficiently. (Ratten, 2020).

Finally, the long-term effect of entrepreneurship education on MSME capabilities is the creation of a sustainable entrepreneurial ecosystem. As MSMEs improve their capabilities, they not only contribute to the economy through job creation and tax revenue, but also enrich communities with innovation and leadership in sustainable business practices. Therefore, investment in entrepreneurship education is key to the future growth and sustainability of MSMEs.

As such, entrepreneurial education plays an integral role in enhancing the capabilities of MSMEs. By acquiring knowledge and skills in management, finance, technology utilisation and marketing strategies, MSMEs can improve operational efficiency, competitiveness and innovation in their businesses. Furthermore, this education puts MSMEs in a better position to access financing and capitalise on emerging market opportunities, while promoting the use of sustainable business practices. Thus, entrepreneurship education not only empowers MSMEs in the short term but also supports the building of a sustainable entrepreneurial ecosystem for the future. Investing in entrepreneurship education has proven to be a critical step in enhancing economic growth potential through the development of resilient and competitive MSMEs.

Conclusion

It can be concluded that entrepreneurial education plays a significant role in forming a critical knowledge and skills base for MSME owners and managers. It provides wide-ranging benefits including improvements in financial management, operations, marketing strategies, and technology adoption. As a result, MSMEs that participate in entrepreneur education programmes can optimise their operations, respond more effectively to market challenges, and increase their competitiveness at the local and global levels.

Furthermore, this study shows that there is a positive relationship between participation in entrepreneurship education and the growth and sustainability of MSMEs. Through the deepening of knowledge and practice gained from such education, MSMEs can be more innovative and responsive to market dynamics. Therefore, investment in entrepreneurship education is a strategic step that should be strengthened by both the government and educational institutions to accelerate the development of MSME capabilities that will ultimately contribute to inclusive and sustainable economic growth.

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