



## **Empowering UP Level MSMEs: The Role of Integrating Government Support, Strengthening Legality, and Market Access through the Upgrade Assistance Program**

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**Abstract:** Micro, Small, and Medium Enterprises (MSMEs) play a significant role in the Indonesian economy, as they can absorb a large workforce and contribute significantly to the Gross Domestic Product (GDP). However, many MSMEs still face significant challenges, particularly regarding legal aspects, lack of market access, and inefficient business management. This study aims to evaluate the impact of government support, business legitimacy, and market access on improving the level of Micro, Small, and Medium Enterprises (MSMEs) in Bekasi Regency. This study employs a quantitative approach using a survey method involving 120 micro, small, and medium enterprise (MSME) actors participating in a capacity-building program. Data were analyzed using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) approach. The research findings indicate that government assistance has a positive and significant impact on improving the level of Micro, Small, and Medium Enterprises (MSMEs). Similarly, access to the market has been proven to have a significant positive impact on the advancement of MSMEs. Conversely, business legitimacy does not have a significant impact on increasing MSME levels.

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## **INTRODUCTION**

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the Indonesian economy, both in terms of job creation and the number of existing businesses. (Vinatra et al., 2023). According to data from the Central Bureau of Statistics (BPS), MSMEs contribute over 60% of GDP and employ more than 97% of Indonesia's workforce (INDEF, 2024). This contribution shows that MSMEs are not only the backbone of the Indonesian economy but also the main pillar of social stability and national welfare distribution. However, despite their significant contribution, many MSMEs face challenges in business management (Sholihah, 2025), legality (Soimah & Imelda, 2023), and wider market access (Fauzan & Susilo, 2025). This prevents them from reaching their full potential, even in the midst of the digital age and an increasingly competitive global market.



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The Indonesian government has taken steps to address these challenges by launching the "Naik Kelas" MSME mentoring program. This program aims to help MSMEs transition from the micro to small scale, from small to medium, and even achieve international competitiveness. This program includes financial assistance, endorsement, and training in business management. However, the effectiveness of the policy is still hampered by various complex constraints. Several MSME actors still haven't fully utilized government programs, due to a lack of understanding about the importance of legality, limited digital skills, and limited available resources for market development.

The success of MSMEs in Indonesia is greatly influenced by the government's assistance and contribution in encouraging the provision of credit and providing training for MSMEs (Siregar & Jaffisa, 2020). Some previous studies that were conducted (Dewi, 2020) concluded that coaching, training, and mentoring have a positive impact on improving their business performance, both in terms of capital (their capital increased as their sales increased) and in terms of business capital (which increased through assistance funds). Another study conducted (Ghulam, 2021) shows that overall, government assistance and business capability variables have a significant influence on the performance of MSMEs, specifically on their financial performance. Several previous studies have discussed the successes and challenges faced by MSMEs in business development, particularly in the context of mentoring and empowerment. However, most of these studies tend to focus on only one aspect, such as solely on the role of training or solely on legal issues. This research integrates various aspects of government support, legitimacy enhancement, and market access into a single comprehensive study. This is the main advantage of this research compared to previous studies.

The novelty of this research lies in its use of a comprehensive approach to examine the relationship between external support and the internal development of MSMEs. Additionally, this study introduces a more systematic and in-depth analytical approach, utilizing quantitative data to provide a more objective understanding of the factors that drive or hinder the success of the progress mentoring program. Another new aspect is the emphasis on the influence of government support on program success, which is rarely the main focus of similar research.

Based on the explanation above, the problem formulation in this study encompasses several aspects. First, what steps has the government taken to assist MSMEs, strengthen their legal status, and expand market opportunities through supportive promotional programs, thereby significantly impacting MSME growth? Second, what are the obstacles or disincentives faced by MSMEs in utilizing mentoring programs to access existing courses or training? Third, what is the importance of comprehensive government support in building an environment that supports MSME growth, so that various programs and policies can be implemented efficiently and sustainably?

## METHODS

This research applies a statistical approach through the use of survey methods. The quantitative method was chosen because the purpose of this study is to test the influence of variables that can be measured statistically. The analysis method applied is Structural Equation Modeling-Partial Least Squares (SEM-PLS), as this approach is suitable for evaluating complex relationship models with a relatively small sample size, and can test simultaneous relationships between latent variables. The research was conducted at Micro, Small, and Medium Enterprises (MSMEs) participating in the Naik Kelas mentoring program in Bekasi Regency. This research encompassed the entire process, from instrument development and information gathering to data analysis.

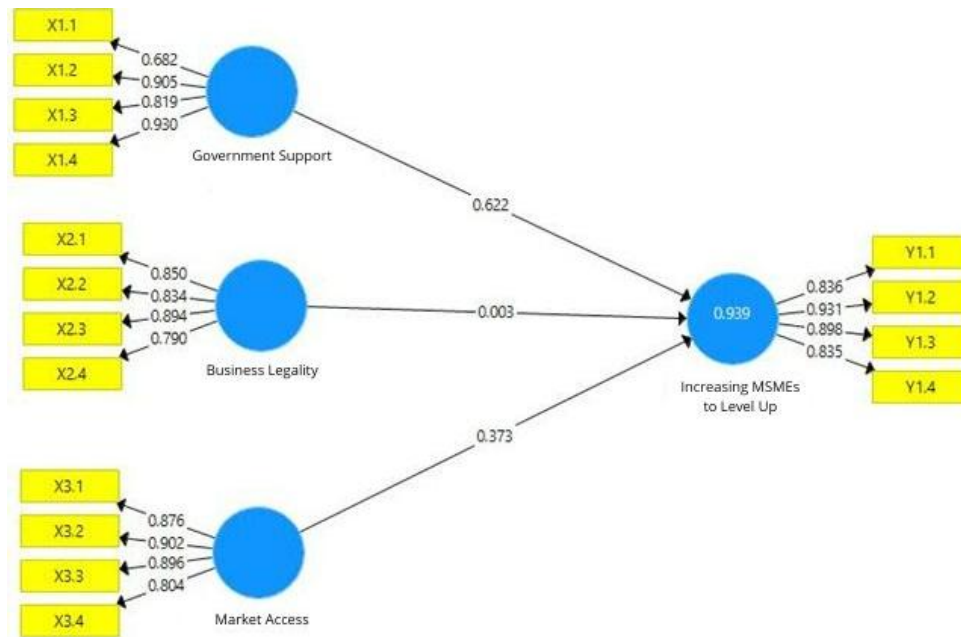
The population studied in this study includes all micro, small, and medium-sized enterprises (MSMEs) participating in the Naik Kelas mentoring program in Bekasi Regency, totaling 120 individuals. Given the relatively small population, this study employed a census method, where the entire population was taken as the sample, resulting in a total sample size of 120 respondents. The variables applied in this study include three independent variables, namely government support, business legality, and market accessibility, as well as one dependent variable focusing on increasing the level of MSMEs. Government support is evaluated based on criteria such as access to financing, the implementation of training and mentoring programs, the facilitation of business digitalization, and the creation of regulations that support the business environment. Business legality is evaluated based on NIB ownership, Halal certification, Intellectual Property Rights (Haki), or other business permits, the ease of obtaining financing, business reputation in the eyes of customers and partners, and legal guarantees for the business. Market access can be evaluated based on how easily consumers can be reached, the use of digital platforms or e-commerce, the success of marketing and branding strategies, and existing distribution networks and collaborations. Meanwhile, the progress of the MSME sector is evaluated based on increased revenue, growth in the number of employees, product variety and innovation, and the expansion of the marketing network.

Research data was obtained through the use of questionnaires as the primary instrument. The questionnaire was created using a Likert scale consisting of five levels, ranging from strongly disagree to strongly agree. Additionally, secondary data was also collected through documents from relevant institutions, official reports, and library sources relevant to the research.

Data processing was performed by applying the SEM-PLS method using the SmartPLS application. The analysis process begins with an assessment of the outer model, which includes testing convergent validity through factor loading values and Average Variance Extracted (AVE), testing discriminant validity using cross-loading and the Fornell-Larcker criterion, and testing construct reliability through composite reliability and Cronbach's alpha values. After that, an assessment of the inner model was conducted, which involved testing  $R^2$  to measure the extent to which independent variables influence dependent variables, testing  $f^2$  to assess the contribution of each variable, testing  $Q^2$  to evaluate the predictive relevance of the model, and testing path coefficients to assess the significance of the influence between variables using t-statistic and p-value. The output of this testing is used to evaluate the previously established research hypotheses.

## RESULTS AND DISCUSSION

### Outer Model Analysis Result



**Figure 1. Result of Analysis's Outer Model**

Source: Data processing results (2025)

The purpose of the outer model analysis is to test the validity and consistency of the indicators applied in the study. Convergent validity was analyzed based on outer loading values, while reliability was assessed using Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE).

**Table 1. Outer Loading Results**

Indicator	Government Support	Business Legality	Market Access	SME Level Improvement
X1.1	0.741			
X1.2	0.911			
X1.3	0.801			
X1.4	0.938			
X2.1		0.849		
X2.2		0.834		
X2.3		0.894		
X2.4		0.790		
X3.1			0.876	
X3.2			0.902	
X3.3			0.896	
X3.4			0.804	
Y1.1				0.834
Y1.2				0.931
Y1.3				0.898
Y1.4				0.836

Source: Data processing results (2025)

All outer loading values listed in Table 1 are above 0.70, so each indicator is considered valid in measuring the relevant construct. The construct reliability testing is presented in the following table.

**Table 2. Construct Validity and Reliability**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Market Access	0,893	0,898	0,926	0,757
Government Support	0,871	0,892	0,913	0,725
Business Legality	0,865	0,879	0,907	0,710
SME Level Improvement	0,898	0,904	0,929	0,767

Source: Data processing results (2025)

According to Table 2, all Cronbach's Alpha and Composite Reliability values are recorded above 0.70. Meanwhile, the Average Variance Extracted (AVE) value is also greater than 0.50. Thus, the design of this study meets the requirements of validity and reliability, making it suitable for testing the structural model (Sofyani, 2025).

### Inner Model Analysis Result

Model analysis is used to evaluate the relationship between latent variables, indicated by the R-Square ( $R^2$ ) value and path coefficients.

**Table 3. R-Square**

Variable Endogen	R-Square	Adjusted R-Square
SME Level Improvement	0,939	0,937

Source: Data processing results (2025)

An  $R^2$  value of 0.939 indicates that market access factors, government support, and business legality aspects can explain 93.9% of the variation in the increase in MSME levels. Meanwhile, the remaining 6.1% is explained by other variables not included in this research model. This value falls into the very high category, indicating that this model has strong predictive capabilities.

### Hypothesis Testing Result

Hypothesis testing was conducted by analyzing path coefficients to observe the impact of variables.

**Table 4. Path Coefficient**

	Original Sample (O)
Market Access → SME Level Improvement	0,37
Government Support → SME Level Improvement	0,628
Business Legality → SME Level Improvement	-0,003

Source: Data processing results (2025)

To clarify the results, the following hypothesis testing table is compiled;

**Table 5. Hypothesis Test Results**

Hypothesis	Path of Influence	Path Coefficient	t-statistic	p-value	Decision
H1	Government Support → SME Level Improvement	0,628	> 1,96	< 0,05	Accepted
H2	Business Legality → SME Level Improvement	-0,003	< 1,96	> 0,05	Rejected
H3	Market Access → SME Level Improvement	0,37	> 1,96	< 0,05	Accepted

Source: Data processing results (2025)

The findings of this study indicate that the model developed is able to explain the increase in the level of MSMEs well, with an  $R^2$  value of 0.939. The main findings can be described as follows:

### **The Influence of Government Support on the Improvement of MSME Levels**

The analysis shows that the support provided by the government has a positive and significant impact on the improvement of Micro, Small, and Medium Enterprises (MSMEs), with a coefficient value of 0.628. This statement confirms that the government's presence through various policies, regulations, financial support, and training programs has a significant impact on supporting MSMEs to upgrade. This result is consistent with previous studies that highlight the crucial role of government intervention in improving the competitiveness of MSMEs both in the national and international markets. To accelerate the progress of MSMEs, it is important to increase socialization and deepen public understanding of current government policies (Yulia et al., 2024). Another study conducted (Maharani & Nurlukman, 2023) explains that the government plays an important role as a facilitator, regulator, and driver in enhancing the resilience and growth of MSMEs amidst the COVID-19 pandemic. This is done through support in the form of policies, infrastructure, and the utilization of social media and e-commerce platforms. With the ease of obtaining permits, this becomes a gateway for MSME actors to achieve protection and empowerment, and to realize community welfare, so that MSMEs can compete well both nationally and internationally (Cahyanto et al., 2024).

### **The Influence of Market Access on Improving the Level of MSMEs**

Access to the market was found to have a significant impact, with a coefficient value of 0.370. This indicates that the easier it is for MSMEs to access distribution networks, digital marketing, and establish partnerships with large businesses, the greater their chances of developing their businesses. The relationship between MSMEs and the market not only expands the consumer base but also supports business sustainability. This is in line with the research (Nasution et al., 2025), which highlights the critical role in optimizing the utilization of digital markets to expand reach and strengthen the position of MSMEs in a competitive market. Another study (Cahyo et al., 2024) states the importance of expanding market reach to significantly boost business growth. Research findings (Perdana et al., 2023) state the importance of creating a supportive ecosystem, integrating aligned government policies, adequate infrastructure, and easy access to markets to promote the success of entrepreneurs.

### **The Influence of Business Legality on the Improvement of MSME Levels**

The research results show that the business legality variable has no significant effect, with a coefficient of -0.003. This shows that although the legality of a business is an important aspect as an official requirement for running a business, in reality, it does not always have a direct impact on improving the standard of micro, small, and medium enterprises (MSMEs). This situation can occur because many micro, small, and medium enterprises (MSMEs) continue to operate even with limited proof of legality. However, they managed to survive and grow by implementing informal strategies, such as building community networks and creating product innovations. Having legitimate business legality ensures the realization of security and the strengthening of products that have been formed since the business was started by the business owner (Hutagalung & Parhusip, 2024). Research results (Tati et al., 2024) show that the legality of doing business can open up better access to support from the government as well as financing from the banking sector, and the utilization of social media platforms can increase the income of MSMEs in a significant way.

In general, this study confirms that government support and market access are key factors influencing the improvement of MSME levels. Meanwhile, the legal aspects of business function more as administrative factors and are not yet a significant determinant in improving MSME performance.

### **CONCLUSION**

This study concludes that strengthening MSMEs in Bekasi Regency is largely determined by government support and market access. Government support, manifested through policies, development programs, capital assistance, and business development facilitation, plays a crucial role in increasing the capacity and sustainability of MSMEs. Furthermore, expanding market access through distribution networks, utilizing digital platforms, business partnerships, and effective promotional strategies are key factors in driving MSME growth and competitiveness. Meanwhile, business legality has not directly impacted MSME development, although it continues to function as a supporting element in building trust and opening up opportunities for access to various business facilities. Therefore, MSME development strategies need to be directed at synergizing government support and expanding market access by integrating aspects of business legality so that it is not merely administrative but also provides tangible and sustainable economic benefits.

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