

The Role of Micro, Small, and Medium Enterprises (MSMEs) in Central Kalimantan in Community Economic Welfare

Dedi Takari, Dicky P. Ompusunggu, Mutia Angelina Sari

Universitas Palangka Raya, Indonesia

E-mail: dedi.takari@feb.upr.ac.id, dickyperwira@feb.upr.ac.id,
angelinasari437@gmail.com

*Correspondence: dedi.takari@feb.upr.ac.id

KEYWORDS	ABSTRACT
the role of MSMEs, central kalimantan economic welfare, community welfare	This study aims to analyze the role of Micro, Small, and Medium Enterprises (MSMEs) in improving community economic welfare in Central Kalimantan. The method used in this study is the literature study method, which involves collecting and reviewing relevant literature based on available library data and then organizing it to support the analysis. The findings indicate that MSMEs play a significant role in fostering local economic development by creating jobs, stimulating economic growth, and reducing poverty. These enterprises also contribute to the empowerment of local communities by providing opportunities for entrepreneurship and skill development. Furthermore, MSMEs support the development of the broader economy by strengthening local supply chains and enhancing the overall economic resilience of the region. Based on the findings, the study provides recommendations for increasing the role of MSMEs in Central Kalimantan, such as improving access to finance, enhancing business infrastructure, offering training programs, and encouraging government policies that support MSME development. The study highlights the importance of fostering a conducive environment for MSMEs to thrive, ultimately contributing to the sustainable economic welfare of the community.

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Introduction

Micro, small, and medium enterprises (MSMEs) are a very important sector in the Indonesian economy, including in Central Kalimantan Province. MSMEs have a huge influence on the national economy, but also play a role as the main pillar in improving welfare in society, especially in remote areas. In Central Kalimantan, which has abundant natural resources, the existence of MSMEs has a huge influence on various aspects of economics, job creation and the welfare of local communities (Al Farisi & Fasa, 2022).

Central Kalimantan has a large area and the majority of rural areas have a role in improving the economic welfare of the community. Most of the population depends on

the agriculture, plantation and other natural products sectors (Kadeni, 2020). However, this sector has great potential, it also has problems with limited access to the market, low skill levels, and limited capital which often hinders the development of people's businesses. Therefore, MSMEs are present as an important solution in increasing local economic competitiveness, creating economic opportunities, and improving people's living standards (Anugerah & Nuraini, 2021).

MSMEs in Central Kalimantan focus on natural resource sectors, such as agricultural product processing, handicrafts, fisheries, and trade and services. In this effort, it provides direct benefits in the form of income for its establishment, but also has an impact on improving the household economy, reducing poverty, and strengthening the local economy (Aliyah, 2022). In addition, MSMEs are a change in the development of product innovation and the development of new markets at the local and international levels (Wati et al., 2024).

However, MSMEs in Central Kalimantan also have obstacles to progress, such as low access to financing, limited technology, and lack of adequate training and mentoring. Therefore, greater support is needed from the government in creating an environment that supports the growth of MSMEs in society (Desiana et al., 2021).

Micro, Small, and Medium Enterprises (MSMEs) have become an integral part of Indonesia's economic structure, contributing significantly to employment and economic growth. The existence of MSMEs is particularly crucial in regions such as Central Kalimantan, where vast natural resources and rural communities depend on small-scale industries for their livelihoods (Zaman & Andriyanty, 2022). These enterprises serve as a key driver in reducing regional economic disparities and enhancing the welfare of local populations. Given Indonesia's commitment to inclusive economic development, empowering MSMEs in Central Kalimantan is essential for ensuring equitable growth (Hasibuan, 2021).

Despite their significance, MSMEs in Central Kalimantan face numerous challenges that hinder their optimal development. Limited infrastructure, inadequate market access, and a lack of financial literacy are some of the common barriers that prevent MSMEs from reaching their full potential. Additionally, many business owners operate with traditional methods, making it difficult to compete in an increasingly digital and globalized economy. Addressing these challenges requires a concerted effort from various stakeholders, including the government, private sector, and local communities (Hindayani & Sagara, 2022).

The natural resource-based economy of Central Kalimantan presents both opportunities and constraints for MSME development. The province is rich in agricultural and plantation commodities such as rubber, palm oil, and rattan, which hold significant potential for value-added processing. However, the dependence on raw commodity exports limits the ability of local businesses to maximize profits and create sustainable economic value. Encouraging MSMEs to engage in processing and innovation could increase competitiveness and expand economic opportunities within the region (Hidayat et al., 2022).

One of the key roles of MSMEs is their ability to create employment and reduce poverty, especially in rural and remote areas. Many communities in Central Kalimantan rely on informal economic activities, making MSMEs a critical avenue for economic participation. By strengthening local businesses, the province can reduce dependency on large-scale industries and foreign investments, fostering economic resilience among local entrepreneurs. Moreover, MSMEs help in preserving local cultures and traditional

craftsmanship, contributing to both economic and social sustainability (Ismail et al., 2023).

Technological adaptation remains a major hurdle for MSMEs in Central Kalimantan. Digital transformation, including e-commerce, digital payment systems, and marketing innovations, has yet to be fully embraced by small businesses in the province. Many entrepreneurs lack access to training and resources that could help them leverage technology for business growth. Government and institutional support in providing digital literacy programs, infrastructure, and financial incentives could significantly enhance MSME competitiveness in both domestic and international markets (Minarsih et al., 2023).

In addition to financial and technological constraints, regulatory and bureaucratic challenges also impact MSME growth. Complex licensing procedures, high taxation burdens, and difficulties in obtaining business permits create obstacles for small entrepreneurs. Streamlining regulatory frameworks and improving ease of doing business can help MSMEs thrive and contribute more effectively to the regional economy. Moreover, fostering partnerships between MSMEs and larger enterprises can facilitate knowledge sharing, skill development, and access to broader markets (Lubis & Salsabila, 2024).

The success of MSMEs in Central Kalimantan is not only vital for economic progress but also for achieving sustainable development goals (SDGs). Encouraging responsible and eco-friendly business practices can help balance economic growth with environmental conservation. Given the province's rich biodiversity, promoting green entrepreneurship and sustainable resource utilization will ensure long-term benefits for both the economy and the ecosystem (Hapsari et al., 2024).

According to Al Farisi and Fasa (2022), MSMEs play a crucial role in boosting economic growth and improving community welfare by providing job opportunities, fostering local entrepreneurship, and reducing poverty. They emphasize that the development of MSMEs can strengthen the economic foundation of rural areas, where economic activity largely depends on agriculture and natural resources. Similarly, Hindayani and Sagara (2022) highlight that MSMEs are instrumental in local economic development, as they stimulate diversification and encourage greater participation in economic activities, ultimately contributing to improved living standards.

The urgency of this research stems from the critical role that MSMEs play in the economic welfare of Central Kalimantan, a region rich in natural resources but facing challenges such as low market access, inadequate infrastructure, and limited capital. As the province aims to diversify its economy and reduce dependence on raw material exports, MSMEs offer an essential opportunity to create employment, boost local income, and improve living standards. Addressing these challenges and fostering the growth of MSMEs in Central Kalimantan is vital for ensuring sustainable and equitable economic development in the region.

While numerous studies have highlighted the general importance of MSMEs in local economies, few have specifically focused on the unique challenges and opportunities MSMEs face in Central Kalimantan. Existing research often discusses MSMEs in the context of urban areas or national economic trends, but there is a gap in exploring how MSMEs in rural and resource-rich regions like Central Kalimantan can be better supported. This study seeks to bridge this gap by focusing on the role of MSMEs in enhancing community welfare in Central Kalimantan and identifying targeted strategies for their growth.

This research introduces a novel approach by focusing on the role of MSMEs in a resource-rich, rural region like Central Kalimantan, which has not been extensively studied in the context of MSME development. By analyzing the specific barriers to MSME growth in the region, such as limited access to finance, low technological adoption, and inadequate market infrastructure, this study offers new insights into how these challenges can be addressed to foster sustainable growth. Additionally, the study provides recommendations for enhancing the contribution of MSMEs to community welfare through tailored support and policy interventions.

The primary objective of this study is to explore the role of MSMEs in improving the economic welfare of communities in Central Kalimantan, identify the challenges faced by MSMEs, and propose strategies to enhance their growth and impact. The benefits of this research are twofold: it provides valuable insights for policymakers and local government agencies to design effective programs and policies supporting MSMEs, and it contributes to the academic literature by offering a detailed examination of MSME development in a rural, resource-dependent region. Strengthening MSMEs will lead to job creation, income improvement, and overall community empowerment, ensuring more inclusive and sustainable economic development in Central Kalimantan.

This study aims to explore the growth and empowerment of MSMEs in Central Kalimantan, identifying key challenges and potential solutions for sustainable development. By analyzing the role of MSMEs in improving economic welfare, this research seeks to provide recommendations for policymakers, business owners, and stakeholders in fostering an environment conducive to MSME success. Strengthening MSMEs will not only enhance economic resilience but also drive social transformation, creating a more prosperous and equitable society in Central Kalimantan.

Research Methods

This research aims to explore the role of Micro, Small, and Medium Enterprises (MSMEs) in improving the welfare of the Community Economy in Central Kalimantan. The research method used in this study is the Literature Study Method, where the method used is to collect literature based on Literature Data and then manage it into research. The Literature Study Method has four main characteristics, including:

1. The research is not based on sources from the field but from the literature that supports the research that contains manuscripts and numerical data.
2. Library data is ready-to-use data that comes from libraries or literature that supports research data.
3. Library data is generally secondary data, which means that it is not data that is directly obtained in the field but data that has been obtained by previous researchers, such as journals, books, printed and electronic documents.
4. The state of Library Data is not limited to space or time.

From the characteristics that have been explained, it can be concluded that the way to collect data from this method is to collect literature that supports research, then study and develop the data.

Results and Discussions

Micro, Small and Medium Enterprises (MSMEs)

MSMEs are an abbreviation for Micro, Work and Medium Enterprises. MSMEs themselves are productive businesses owned by individuals and business entities that have met the requirements for micro businesses. In Legislation No. 20 of 2008, the

MSME criteria are classified respectively, namely Micro Enterprises, Small Enterprises, and Medium Enterprises. In Micro, Small, and Medium Enterprises is a key to revitalizing or expanding in the Local Economy (MSMEs). MSMEs have the ability to develop various environments, adding a high contribution to MSME actors.

The Ministry of Cooperatives and MSMEs (2024) states that in 2023 the number of MSMEs will reach 145,535 units. In this figure, MSME units in 2023 increased by 19.8% compared to 2022 where the number of MSMEs in Central Kalimantan amounted to 121,456 units. In an increase from per year, MSMEs are the main key in economic development in Central Kalimantan and as an improvement in the standard of living for the community.

Thus, the role of the government and other institutions must greatly support the development of MSMEs in Central Kalimantan, by providing training in entrepreneurship, guidance and access in the market. This has an effect on increasing growth in MSMEs, reducing unemployment and strengthening a more advanced economy.

The Central Kalimantan government itself is also trying to improve the field and quality of MSMEs in Central Kalimantan, one example in Palangka Raya is being built a park and tower at the Palangkaraya Roundabout Jl. Yos Sudarso and special land for MSME business actors. Then there is also a Car Free Day which aims to give MSME actors the opportunity and place to run a business.

Characteristics of MSMEs

In MSMEs (Micro, Small, and Medium Enterprises) there are several characteristics that distinguish them from other large businesses. Here are some general characteristics: 1. Small Business Scale: MSMEs operate on a small scale with a limited number of employees, generally less than 100 people (depending on the Micro, Small, and Medium categories). 2. Limited Capital: The capital used in starting or developing an MSME business tends to be limited, so it often uses personal funds or microloans. 3. Relatively Small Income: MSMEs have a smaller annual turnover compared to large companies, although they vary in the type of business and the scale of their operations. 4. Flexibility: MSMEs are usually more flexible in adapting a product or service to the needs of the local market or growing variations. 5. Limited Use of Technology: Some MSMEs still use traditional technology in developing their businesses, although many MSMEs are starting to adapt by using Digital Technology in expanding their marketing.

Classification of MSMEs

MSMEs are a business group that has characteristics in the form of smaller and medium-sized businesses in assets and turnover. According to the Law of the Republic of Indonesia Number 20 of 2008 based on Micro, Small, and Medium Enterprises. MSMEs are businesses that have certain criteria either in terms of turnover or assets. MSMEs are divided into three categories, namely: 1. Micro Businesses: Businesses with assets of no more than IDR 50 million to IDR 500 million and not more than IDR 300 million. 2. Small Business: Businesses with assets of more than IDR 50 million to IDR 500 million and an annual turnover of more than IDR 300 million to IDR 2.5 billion. 3. Medium Business: Businesses with assets of more than IDR 500 million to IDR 10 billion and an annual turnover of more than IDR 2.5 billion to IDR 50 billion.

MSMEs have a very important role in the structure of the Indonesian economy, including Central Kalimantan, because of their flexibility and adaptability to changes in the market and local economic conditions. The classification of MSMEs in 2023 in Central Kalimantan will be described in the table below.

Table 1. Classification of MSMEs in Central Kalimantan

Regency/City	Business Classification			Number of MSMEs
	Micro	Small	Intermediate	
Palangka Raya City	19.042	7.922	334	27.298
North Barito Regency	8.500	309	155	8.964
South Barito Regency	8.014	200	1	8.215
Katingan Regency	3.418	2	-	3.420
Gunung Mas Regency	3.346	316	1	3.663
Kapuas Regency	21.871	261	45	22.177
East Barito Regency	5.303	-	-	5.303
West Kotawaringin Regency	2.113	-	-	2.113
East Kotawaringin Regency	25.221	1.000	-	26.221
Lamandau Regency	2.575	1.508	85	4.168
Murung Raya Regency	8.704	-	-	8.704
Pulang Pisau Regency	3.157	-	-	3.157
Seruyan Regency	21.728	-	-	21.728
Sukamara Regency	304	-	-	304
SUM	133.296	11.518	621	145.435

Source : Central Kalimantan Provincial Government Cooperatives and SMEs Office

The Role of MSMEs in the Economy of Central Kalimantan

MSMEs have a very important role in the economy of Central Kalimantan. Here are some of the MSME Contributions:

1. Job Creation: In MSMEs, it is as a provider of relevant jobs, for the local community. Especially Central Kalimantan has many rural areas that have an influence on MSMEs in reducing unemployment by providing job opportunities for local people in opening a business ranging from the trade, processed handicrafts and agriculture sectors.
2. Improvement in the Local Economy (MSMEs): MSMEs provide great benefits for the local economy in providing goods and services that are urgently needed by the community. MSMEs play a role in meeting various local market needs in terms of community income or income.
3. Empowerment of Local Natural Resources (MSMEs): Central Kalimantan has a wide wealth of natural resources, such as agricultural or plantation products, such as oil palm, rubber, and sengon wood as well as regional handicraft products such as nyatu sap and rattan weaving.
4. Economic Diversification: MSMEs play a very important role in diversifying an economic structure in Central Kalimantan which is more dependent on the natural resource sector in the form of mining and plantations. From the development of the sector in MSMEs, the regional economy will become more increased and diverse in changes in the Global Economy. Diversification also encourages MSMEs to reduce dependence on one product or market in dealing with better business problems.
5. Community Empowerment and Entrepreneurship Development: MSMEs in Central Kalimantan play a role in community empowerment in encouraging the creation of new entrepreneurs, among the younger generation. Local governments can also provide some entrepreneurship training in increasing capacity or skills in other MSME managers.

The Role of MSMEs in Community Welfare

MSMEs have an important role in improving the welfare of the community in Central Kalimantan. Here are some of the roles of MSMEs in community welfare:

1. **Creating Jobs and Reducing Unemployment:** MSMEs in Central Kalimantan open up many opportunities in jobs, both in the agriculture, trade, handicrafts, and service sectors. From these many MSMEs, the community can get profits or fixed income and can reduce unemployment. And this contributes to improving the quality of life of the community.
2. **Increasing Household Income:** MSMEs are the main source of income for many households, either in micro businesses, such as small stalls or stalls or in the form of large businesses, such as handicraft products or local products. With the existence of MSMEs, income will increase which makes it possible for the community to meet various life needs, such as education, basic needs and health in increasing living standards for the community.
3. **Improving an Inclusive Economy:** MSMEs can achieve an inclusive economy in all communities from low to middle income and can participate in economic activities. Therefore, MSMEs can play a role in reducing economic disparities and can encourage prosperity in Central Kalimantan.
4. **Social and Economic Stability:** MSMEs affect social and economic stability in Central Kalimantan. With the community in opening and managing their own businesses independently in the economy and can reduce dependence in unstable economic sectors. Thus, the community can maintain the economy at the local level and improve the quality of life of the community as a whole.

Thus, MSMEs play a very important role in improving the welfare of the community in Central Kalimantan in creating jobs, increasing people's income, empowering marginalized (social) groups and providing benefits to the community in managing the potential in their businesses and changes in MSMEs are increasing.

Conclusion

In this study, it analyzes the Role of Micro, Small, and Medium Enterprises (MSMEs) in the economy in Central Kalimantan and the welfare of the community. With MSMEs, it can bring important changes in making it easier to meet the needs of life for the community. Micro, Small, and Medium Enterprises (MSMEs) are the main key to the community's economic sector, and can encourage self-reliance in this economic sector. And MSMEs are also influential in economic growth in Central Kalimantan and deeper income in the community in the form of an increase in the Local Economy (MSMEs), empowerment of local natural resources, economic diversification and community empowerment and entrepreneurial development. MSMEs also provide many benefits in creating jobs, increasing inclusive economic growth and encouraging welfare in the community in reducing unemployment, increasing household income, social and economic stability in Central Kalimantan.

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