

# Synchronization Model for Empowering MSMEs: Critical Evaluation Based on Literature Review

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## Abstract

*This research was conducted as a case study and qualitative analysis to address three main issues: identifying models for synchronizing practices between policies, programs, and MSME (Micro, Small, and Medium Enterprises) empowerment activities; evaluating the strengths and weaknesses of each model; and determining the necessary steps to implement the best synchronization model across ministries and state institutions. Data collection was performed through a 'desk review' of research results and relevant theories. The study identifies four practical MSME synchronization models and five theoretical models. Practical models have weaknesses due to a lack of critical, clear, and firm theoretical foundations. In contrast, the theoretical self-governance model is identified as the best model because it is based on robust theoretical principles. Implementing the self-governance model requires several steps: fostering awareness and commitment to the self-governance concept, conducting joint activities to explore theoretical concepts, obtaining competency certification related to self-governance-based MSME synchronization, and establishing a national commitment to MSME development. The research recommends establishing the National Council for MSME Development, chaired by the president, adjusting the institutional regulations of the Ministry of Cooperatives and SMEs to act as the coordinator of MSME empowerment programs, and increasing the authority of the Ministry to effectively align MSME policies. Additionally, it calls for budget allocations for the Ministry to build a comprehensive database and reporting system for MSME empowerment programs. The research results are expected to contribute significantly to developing more coordinated and effective MSME empowerment policies in Indonesia.*

**Keywords:** Synchronization Model, Self-Government, Agency and Evaluative Aspects.

## INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) play a vital role in the economies of developing countries, including Indonesia (Marwanto et al., 2023). Based on reports from the National Team for the Acceleration of Poverty Reduction (TNP2K) and the Demography Institute, Faculty of Economics and Business, University of Indonesia (LD-FEB UI, 021), MSMEs contribute around 40 percent of gross domestic product (GDP) in developing countries. In addition, the World Bank (2020) noted that 90 percent of global business entities are MSMEs, with a contribution to global labor absorption reaching 50 percent. In Indonesia, the contribution of MSMEs to GDP is even greater than that of large businesses, reaching 61 percent in 2018. These figures emphasize how significant the role of MSMEs is in supporting the national economy (Endris & Kassegn, 2022).

Awareness of the important role of MSMEs has encouraged the Indonesian Government to strengthen its commitment to developing this sector (Haqqi, 2023). This is reflected in the 2014-2019 National Medium Term Development Plan (RPJMN), which emphasizes increasing the competitiveness of MSMEs and cooperatives so that they become sustainable and large-scale businesses. Even though various empowerment programs have been implemented by various ministries and institutions, the effectiveness of MSME development is still far from optimal (Mindarti & Umiyati, 2023). This shows that there is an urgent need for synchronization between policies, programs and MSME empowerment activities so that the results achieved are more optimal and focused.

This research aims to evaluate existing synchronization models for empowering MSMEs through a critical literature review. This step is important to identify a basic model that can be used as a basis for efforts to synchronize policies and programs to empower MSMEs in the future (Sharma & Sharma, 2024). Apart from

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that, this research will also evaluate the strengths and weaknesses of each existing model, in order to get a clearer picture of the effectiveness and efficiency of these models in the Indonesian context.

#### **\*\*Novelty of the Research\*\***

This research identifies the practical synchronization model for empowering MSMEs, highlighting various weaknesses identified in previous studies (Tereshchenko et al., 2024). These weaknesses include the lack of a critical theoretical basis, unclear assumptions, and vague fundamental principles. In contrast, theoretical models such as self-governance offer a stronger foundation, with critical, clear, and firm assumptions and main principles. Implementing the self-governance model requires important steps such as increasing awareness and commitment to this concept, joint activities to explore and apply the theory, and competency certification related to self-governance-based MSME synchronization (Hovorun & Melnychenko, 2022).

Efforts to synchronize MSME empowerment programs require complete information regarding the distribution and types of existing programs (Ahmad & Patra, 2023), as well as the preparation of effective implementation models. Program mapping carried out by TNP2K and LD-FEB UI (2021) shows that current MSME empowerment programs still focus on capital for micro businesses, while programs aimed at building competency and expanding market access receive less attention. To realize the Indonesian Government's vision of synchronizing the MSME empowerment program, regulatory support and institutional changes are needed (Fridayani & Chiang, 2022), especially in the Ministry of Cooperatives and SMEs, so that it can act as a more effective coordinator and aligner of the MSME empowerment program.

The novelty of this research lies in the development of a self-governance-based synchronization model for empowering MSMEs, offering a more comprehensive and integrated approach compared to previous models. This research also emphasizes the importance of thorough program mapping and the alignment of regulatory and institutional frameworks to support more effective implementation. By adopting this approach, it is hoped that MSME empowerment programs can be more responsive to the needs and challenges faced by MSMEs, thereby providing a more significant impact on improving the welfare and sustainability of small and medium enterprises in Indonesia.

## **LITERATURE REVIEW**

Micro, Small, and Medium Enterprises (MSMEs) are one of the backbones of the economy in many developing countries, including Indonesia (Irawan et al., 2023). They play an important role in creating jobs, reducing poverty, and driving innovation. However, MSME empowerment often faces various challenges such as limited access to finance, lack of training, and low adoption of technology (Loo et al., 2023). This study aims to evaluate the MSME empowerment synchronization model through a critical literature review.

MSME empowerment involves a series of strategies to increase the capacity of small businesses to compete and grow (Badriyah et al., 2023). Several literatures emphasize the importance of access to capital, skills training, and government support as key elements of empowerment (Trivelli & Morel, 2021). In addition, aspects such as business networks and technological innovation are also identified as important factors (Shaik et al., 2024).

The MSME empowerment synchronization model includes coordination between various parties such as the government, financial institutions, educational institutions, and the business community. This model aims to ensure that various empowerment efforts run harmoniously and complement each other. According to Vinayavekhin & Phaal, 2020 (2018), this synchronization is needed to avoid program duplication and ensure that resources are allocated effectively.

Literature review shows that the synchronization model has the potential to increase the effectiveness of MSME empowerment programs. Research by Tereshchenko et al., (2024) found that synchronizing government programs with private initiatives can increase MSME access to resources and markets. However, several studies have also identified obstacles in implementing this model, such as complex bureaucracy and lack of coordination between institutions (Grama-Vigouroux et al., 2023).

Digital technology plays an important role in the MSME empowerment synchronization model. Digital platforms can be used to facilitate communication between various parties involved and integrate data for better

decision making (Rajagopal et al., 2022). However, the literature also highlights challenges such as the digital divide and low technological literacy among MSMEs (Rachbini et al., 2023).

Government support is crucial in MSME empowerment (Irawan et al., 2023). The government can provide supportive regulations, financial incentives, and training programs. According to the World Bank (2017), pro-MSME policies can create a more conducive business environment. However, the effectiveness of these policies often depends on consistent implementation and cross-sector support (Henry et al., 2022).

Education and training for MSMEs is one of the main components in the synchronization model. Business and financial literacy can help MSMEs manage their businesses better (Maswin & Sudrajad, 2023). Continuous training is also important to ensure that MSMEs can adapt to market and technological changes (Supriadi et al., 2023).

Building strong business networks and collaboration between MSMEs can increase competitiveness and innovation. Research by Das & Rangarajan (2020) shows that collaboration between MSMEs can produce synergy and access to wider markets. Synchronization of the empowerment model needs to pay attention to this aspect to maximize the benefits obtained (Zhang et al., 2019).

Case studies from various countries show variations in the implementation of the MSME empowerment synchronization model (Sindhvani et al., 2024). In India, for example, a business incubator program that is synchronized with government policies has succeeded in increasing the number of successful MSMEs (Purbasari et al., 2021). In Indonesia, programs such as KUR (People's Business Credit) have shown positive results although there are still challenges in distribution and monitoring (Suryawati et al., 2024).

The MSME empowerment synchronization model has great potential to improve the effectiveness of existing programs (Ilyas & Ramadani, 2022). However, its success depends on good coordination between various stakeholders, technological support, and appropriate policies. Recommendations for further research include the development of a more adaptive model to change and longitudinal studies to measure long-term impacts (Singh et al., 2023). The implementation of the synchronization model must be adjusted to the local context and the specific needs of MSMEs in order to achieve optimal results.

## **METHODOLOGY**

This type of research is a case study in the form of a descriptive study with a qualitative approach (Yan & Bava, 2023). The data collection method used in this study is a desk and literature review approach. Activities in this study include the synthesis of various literature, research results, and various sources to obtain a population map of MSME empowerment programs (Dela Cruz et al., 2023). The central focus of this study includes various models of MSME empowerment synchronization that have been implemented or are still in theoretical study; analysis of the advantages and disadvantages of each existing model; and recommendations for the best model and procedures for implementing it into the practice of synchronizing MSME empowerment policies, programs, and activities in Indonesia in the future (Evitha et al., 2023).

Data sources in this study are grouped into two categories, namely Primary Data, which is data and information obtained from the results of a desk and literature review; and Secondary Data, which consists of data obtained from various documents, reports, and other sources that can enrich primary data. Desk and literature review was conducted by searching various academic publications, government reports, journal articles, books, and other sources relevant to the research topic (Chigbu et al., 2023). In addition, this literature analysis also involves collecting information from case studies that have existed in various countries to gain comprehensive insights into various models of MSME empowerment synchronization.

The data analysis technique in this study refers to the method developed by Miles in Elliott (2018). This technique is carried out interactively and continues until the data analysis is considered complete. The steps in data analysis include: data reduction, data presentation, and drawing conclusions. Data reduction is carried out by selecting, focusing, simplifying, and abstracting relevant data from the results of the literature review (Danese et al., 2018). Data presentation is carried out by arranging data in the form of matrices, tables, or diagrams that make it easier for researchers to see patterns, relationships, and main findings. Drawing conclusions is done by

interpreting the data that has been presented and looking for the meaning behind the findings. In implementing this study, researchers also adopted triangulation of data sources to ensure the validity and reliability of the findings. Triangulation was conducted by comparing and contrasting information obtained from various primary and secondary data sources (Ticau et al., 2023). In addition, researchers also held discussions with experts and practitioners in the field of MSME empowerment to obtain additional input and perspectives that could enrich the analysis.

The use of a qualitative approach in this study allows researchers to deeply understand the various dynamics and complexities associated with the MSME empowerment synchronization model (Ahmad & Patra, 2023). This approach also allows researchers to explore various aspects that may not be revealed through a quantitative approach. Thus, the results of this study are expected to provide a significant contribution to the development of MSME empowerment theory and practice in Indonesia. Overall, the research methodology used in this study is designed to identify, evaluate, and recommend the most effective MSME empowerment synchronization model. This comprehensive and systematic approach is expected to produce findings that can be the basis for policy making and the implementation of more integrated and sustainable MSME empowerment programs.

## **RESULT AND DISCUSSIONS**

### **Practical Model of Synchronizing MSME Empowerment**

Various researches related to synchronization models between policies, programs and MSME empowerment activities have been carried out. The first model is a "mapping model of the form of an MSME empowerment program" which was carried out by TNP2K in 2021. TNP2K groups MSME empowerment policies based on three main pillars, namely: MSMEs, financial institutions, and the ecosystem that supports MSMEs in Indonesia (TNP2K & LD-FEB UI, 2021). These three pillars are aimed at increasing the business capacity and competence of MSMEs, encouraging financial institutions to be friendly to MSMEs, and improving cross-sector coordination to support the MSME ecosystem, including in the licensing sector.

From the mapping results of 120 programs, 72 programs were identified as Pillar 1, 11 programs related to Pillar 2, and 37 programs including Pillar 3. For each pillar of the MSME empowerment policy, a strategy was prepared in the form of an action plan which includes six main strategies, including expanding market access. Increasing competitiveness, entrepreneurship development, acceleration of financing and investment, convenience and business opportunities, and cross-sector coordination (TNP2K & LD-FEB UI, 2021). Combination models of empowerment based on multiple programs demonstrate flexibility and relevance in different contexts, but can be complex and difficult to implement consistently. Meanwhile, the flagship program model focuses on programs that have been proven to be effective and sustainable, but may not be innovative enough to address emerging new challenges. By adopting this hybrid model, it is hoped that the empowerment of MSMEs in Indonesia can be more structured, effective and sustainable, so that it can make a significant contribution to national economic growth (Maksum et al., 2020).

### **Theoretical Model of Synchronization Based on Empowerment as Emancipation**

The theoretical model of synchronization based on empowerment as emancipation emphasizes the importance of empowering MSMEs as a way to liberate small business actors from dependence on external assistance and direct them towards economic independence (Susminingsih, 2019). This concept is rooted in emancipation theory which emphasizes increasing the capacity of individuals and groups to make decisions independently. In the context of MSMEs, this model encourages wider access to business education, skills training and financial resources that support business independence. Financial literacy and the development of managerial skills are the main focus, with the aim of creating MSMEs who are competent and confident in managing their own businesses without having to depend on continuous assistance from the government or other institutions (Eniola & Entebang, 2017).

### **Theoretical Model of Synchronization Based on 'Self-Determination Theory'**

The synchronization model based on 'Self-Determination Theory' (SDT) emphasizes the importance of intrinsic motivation in empowering MSMEs (Lindberg & Steinmann, 2023). SDT, developed by Deci and Ryan,

states that individuals will be more motivated and committed when they feel they have autonomy, competence, and social connectedness. In empowering MSMEs, this model encourages the creation of an environment that supports these three elements. The empowerment program is designed to provide MSME actors with freedom in decision making, opportunities to improve skills through relevant training, and build strong networks with other business actors and local communities. In this way, MSMEs not only get financial support, but also encouragement to develop independently and sustainably through strong intrinsic motivation (Rani & Desiana, 2019).

### **Synchronization Theoretical Model Based on 'New Localism/Mass Localism'**

The synchronization theoretical model based on 'New Localism/Mass Localism' emphasizes the importance of empowering MSMEs in the local context. New Localism is a concept that focuses on strengthening the local economy through community participation and collaboration between local government, business and society. This model recognizes that the most effective solutions for empowering MSMEs often emerge from approaches tailored to local needs and potential. In practice, this means identifying and exploiting local competitive advantages, such as regional specialty products, local wisdom, and strong social networks. The MSME empowerment program is synchronized with other local initiatives to create a business ecosystem that supports growth and sustainability. Collaboration between various stakeholders at the local level is the key to the success of this model (Tolunay et al., 2014).

### **Theoretical Model of Synchronization Based on 'Self-Government'**

The theoretical model of synchronization based on 'Self-Government' emphasizes the importance of autonomy and decentralization in managing MSME empowerment programs. This model refers to governance principles that encourage local governments to take a more active and independent role in designing and implementing MSME empowerment policies. This approach is based on the belief that local governments understand the specific needs and economic dynamics of their regions better than the central government. Therefore, this model advocates the transfer of authority, resources and capacity from the center to the regions. Empowerment programs are adapted to local conditions and implemented with a participatory approach involving MSME actors, local communities and other stakeholders in the decision-making process (Irawan et al., 2023). In this way, it is hoped that the MSME empowerment program can be more responsive, relevant and effective in encouraging local economic growth.

### **Practical Model of Synchronizing MSME Empowerment**

Various practical models of synchronizing MSME empowerment have been identified and applied in various contexts, each with a unique approach to overcoming MSME empowerment challenges. The following is a critical evaluation of several practical models that have been used.

#### **Practical Model 1: Model for Mapping Forms of MSME Empowerment Programs**

The MSME empowerment program mapping model is an approach developed by TNP2K in 2021. In this model, MSME empowerment policies are grouped based on three main pillars: MSMEs, financial institutions, and the ecosystem that supports MSMEs in Indonesia (TNP2K & LD-FEB UI, 2021). These three pillars have specific objectives: (1) increasing business capacity and competency of MSMEs, (2) encouraging financial institutions to be friendlier to MSMEs, and (3) increasing cross-sector coordination to support the MSME ecosystem, including the licensing sector. The results of the mapping of 120 programs show that 72 programs are included in Pillar 1, 11 programs are related to Pillar 2, and 37 programs are in Pillar 3. Each pillar is equipped with a strategy in the form of an action plan, including six main strategies: expanding market access, increasing competitiveness, entrepreneurship development, acceleration of financing and investment, convenience and business opportunities, as well as cross-sector coordination (Purwaningsih, 2019).

#### **Practical Model 2: Model of Grouping Forms of Empowerment**

The model for grouping forms of empowerment is implemented by the Coordinating Ministry for Economic Affairs, which divides MSME empowerment activities based on the government's role in the MSME ecosystem.

Categories in this model include: (1) expanding market access, (2) increasing the human resources capacity of MSMEs, (3) developing MSME products/services, (4) ease of licensing, (5) financing, and (6) logistics support (TNP2K & LD-FEB UI, 2021). This approach allows the government to focus on specific areas that require intervention, ensuring that every important aspect of MSME empowerment is addressed systematically.

### Practical Model 3: Grouping Model Based on Program Combination

The grouping model based on program combinations is based on the finding that MSME empowerment programs often involve a combination of several forms of empowerment. A study by LD-FEB UI (2021) identified that empowering MSMEs is not carried out in one form only, but rather a combination of financing, training/capacity strengthening, mentoring, and expanding market access in various forms. This variety of forms of empowerment allows for flexibility in approach and adaptation to the specific needs of MSMEs in various sectors and regions.

### Practical Model 4: Leading MSME Empowerment Program Model

The superior MSME empowerment program model was proposed by the LD-FEB UI team in 2021. This model focuses on selecting empowerment programs that have been proven to be effective and sustainable to become superior. From mapping the program population, 21 MSME empowerment programs under 19 Ministries/Institutions (K/L) were identified which were considered superior because they were sustainable and had shown significant results in increasing the volume of MSME businesses, which ultimately contributed to national economic growth.

To create an effective synchronization model, it is recommended to integrate the key elements of each model (Sakti et al., 2023). The development of a hybrid framework that combines the structure and clarity of program mapping with the flexibility of program combinations and a focus on flagship programs can provide a comprehensive approach. Implementation of this model must involve all stakeholders in a participatory and inclusive manner, and be supported by a continuous monitoring and evaluation system to ensure the relevance and effectiveness of the MSME empowerment program (Ilori et al., 2019).

**Table 1. Advantages and Disadvantages of Various Models**

No.	Practical Model Names	Main Advantages	Main Weaknesses
<b>Practical Model of MSME Synchronization</b>			
1.	Mapping Model for MSME Empowerment Program Forms	Relatively easy to implement	The theoretical basis, basic assumptions and basic principles are referred to less firmly and clearly
2.	Grouping Model for MSME Empowerment Forms		
3.	Model for Grouping Forms of Empowerment Based on the Combination of Several Programs		
4.	Leading MSME Empowerment Program Model		
<b>Theoretical Model of MSME Synchronization</b>			
5.	Emancipation Process Model	The theoretical foundation, basic assumptions and main principles are referred to relatively clearly and firmly	It is not easy to implement, because it relatively requires critical thinking
6.	Self Determination Theory Model		
7.	New/Mass Localism Model		
8.	Independent Governance Model (Self Governance)		

The self-governance model for synchronizing MSME empowerment emphasizes the importance of local autonomy in managing empowerment programs. This model aims to create a system that is more responsive to the specific needs of MSMEs in various regions, avoiding the "one-size fits all" approach which is often ineffective. The first step in implementing the self-governance model is to raise awareness and commitment among MSMEs and other stakeholders regarding the importance of autonomy and independence in business management (Jain et al., 2022). This involves education and training that emphasizes the concept of self-governance, providing an in-depth understanding of how autonomy can increase the efficiency and effectiveness of MSME empowerment programs. After awareness and commitment are formed, the next step is to ensure a sustainable joint orientation to explore and implement the concept of self-governance (Termeer et al., 2013).

This involves collaborative activities such as workshops, group discussions, and ongoing training involving all stakeholders, including local governments, MSME actors, and local communities. The goal is to build a shared understanding of the goals and benefits of self-governance. The third step is to conduct a competency test to

ensure that MSME actors and other stakeholders have the necessary capabilities to implement self-governance. This competency test can take the form of assessing managerial abilities, mastery of self-governance concepts, as well as relevant technical and operational abilities. This competency test also helps identify areas that require capacity building through further training (Bhagavathula et al., 2021). The concept of self-governance can avoid uncertainty in thinking, behaving and acting which often arises as a result of the application of the concept of good governance which is full of neo-liberalist values. Self-governance emphasizes local autonomy and independence, reducing dependence on central policies that may not always suit local conditions. Thus, self-governance offers a more adaptive and contextual solution. After the initial steps have been successfully carried out, the next step is to design institutional changes that support the implementation of self-governance.

This involves organizational restructuring, the creation of new institutions if necessary, as well as policy adjustments that allow MSME actors and local governments to operate with more autonomy. Ideally, MSME development policies should not be "one-size fits all" or one pattern for all types of MSMEs. Policies must be designed to respond to and meet the needs of the diverse characteristics of MSMEs (Kusumawardhani et al., 2015). This involves an in-depth analysis of the different types of MSMEs, their specific needs, and the challenges faced in each region. In this way, the policies implemented are more relevant and effective in supporting the growth and sustainability of MSMEs. The self-governance model offers a more adaptive and responsive approach to empowering MSMEs. By emphasizing local autonomy and independence, this model is able to overcome various weaknesses of traditional approaches which are often too centralized. The steps outlined – awareness-raising, shared orientation, competency testing, and institutional change – form a strong basis for the implementation of effective self-governance. Policies that are tailored to the diverse characteristics of MSMEs will be better able to encourage inclusive and sustainable economic growth (Surya et al., 2021).

## **CONCLUSION**

Based on the analysis and discussion in this research, it can be concluded that various practical models of synchronizing MSME empowerment implemented by various ministries and institutions still contain many weaknesses. This is caused by the lack of a strong theoretical foundation and clear assumption base in these models. Additionally, the basic principles in these models often lack criticality, clarity, and rigor. To increase the effectiveness of synchronizing policies, programs, and MSME empowerment activities in the future, it is recommended that the following steps be carried out systematically:

Firstly, growing awareness and commitment to self-governance is crucial. Developing awareness and commitment regarding the importance of autonomy and independence in managing MSMEs can be achieved through education and training that emphasize the concept of self-governance. Secondly, joint and sustainable activities, such as workshops and group discussions, should be held to explore the basic theoretical concepts of self-governance and their application in the context of empowering MSMEs. Thirdly, holding competency certification related to self-governance-based MSME synchronization is essential to ensure that MSME actors and other stakeholders possess the necessary capabilities.

Furthermore, making a national MSME development commitment is necessary to ensure better coordination and synchronization between various related parties. Establishing a National Council for MSME Development, chaired by the president, would oversee and coordinate various MSME empowerment initiatives at the national level. Adjusting the institutional regulations of the Ministry of Cooperatives and SMEs to enable it to act as an effective coordinator and aligner of the MSME empowerment program is also important. Additionally, increasing the authority of the Ministry of Cooperatives and SMEs to category one would allow it to carry out harmonization of MSME policies more effectively and efficiently.

Moreover, allocating an adequate budget to the Ministry of Cooperatives and SMEs to build a comprehensive database and reporting system for MSME empowerment programs, both at the national and regional levels, is essential. Building an integrated database that covers all MSME empowerment programs at the national and regional levels would improve program coordination and effectiveness. Lastly, constructing an effective monitoring and evaluation system to supervise the implementation of the MSME empowerment program would ensure that the goals set can be achieved properly.

By implementing these steps, it is hoped that the synchronization of policies, programs, and MSME empowerment activities will become more systematic, effective, and in line with the needs and characteristics of the diverse MSMEs in Indonesia. This will also ensure that efforts to empower MSMEs can contribute significantly to inclusive and sustainable economic growth.

This study has several limitations that need to be acknowledged. First, the analysis primarily relies on existing theoretical models and may not fully capture the on-ground realities of MSME empowerment. Second, the data utilized may not be comprehensive or up-to-date, which can affect the accuracy of the conclusions drawn. Third, the study does not extensively cover the impact of external factors such as economic fluctuations, technological advancements, and global market dynamics on MSME empowerment efforts.

Future research should address these limitations by incorporating more empirical data and case studies to validate the proposed models. Additionally, exploring the role of emerging technologies and digital platforms in enhancing MSME empowerment could provide valuable insights. Longitudinal studies examining the long-term impact of these synchronization efforts on MSME growth and sustainability would also be beneficial. Finally, comparative studies involving MSME empowerment initiatives from different countries could help identify best practices and innovative approaches applicable to the Indonesian context.

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