

GOVERNMENT SUPPORT AND POLICY DESIGN TO IMPROVE MSME'S PERFORMANCE

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ABSTRACT

This study aims to analyze the effect of financial support and non-financial support from the Government of Pesawaran Regency on the performance of MSMEs in Pesawaran Regency. Furthermore, this study also analyzes the proposed policy model for the Pesawaran Regency Government to improve the performance of MSMEs. This study uses mixed methods, namely a combination of quantitative and qualitative analysis. Data in the quantitative analysis in this study came from primary data obtained through the distribution of questionnaires given to MSMEs in Pesawaran Regency, Lampung Province. The results of the questionnaire will be analyzed using the Structural Equation Model method using AMOS software. While qualitative data were obtained from interviews with informants which were then analyzed using the coding method with the N-Vivo software. The results of the analysis show that financial and non-financial support have an effect on the performance of MSMEs in Pesawaran Regency, Lampung. The most influential financial support is related to giving awards and appreciation to MSMEs that excel. The most influential non-financial support is related to digital technology coaching and training in business and entrepreneurship. This study proposes 2 policy models, the first model includes MSME training, capital assistance and incentives for MSME achievements, collaboration and building and developing marketing centers for MSME products in pesawaran. The second model namely INDIRA covers MSME Integration, Digitalization and MSME Regeneration.

Keywords: *financial support; non-financial support; msmes; policy models; collaboration*

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INTRODUCTION

One of the drivers of the country's economy that has great potential to excel in Indonesia is Micro, Small and Medium Enterprises (MSMEs) (Madanchian et al. 2015; Matt & Rauch, 2020). Not only in Indonesia, MSMEs have an important role in the economy in various parts of the world, such as in Europe (Eurostat, 2018) in the United States (Eggers, 2020) to Africa (Abisuga-Oyekunle et al. 2020). MSMEs are a significant sector because they absorb the majority of the workforce and boost community entrepreneurship. In ASEAN (Association of Southeast Asian Nations includes Singapore, Brunei, Malaysia, Thailand, Philippines, Indonesia, Vietnam, Laos, Cambodia, and Myanmar) MSMEs control 97% of the company population (Matt & Rauch, 2020). So, it is not surprising that MSMEs have become a determining sector in the development of the country's and even the world's economy.

Muliadi et al. (2020) stated that MSMEs have great potential in improving the economy due to several things, namely absorbing a large workforce, cultivating the entrepreneurial spirit of the community, ease in adopting new technology and business innovation, simple bureaucratic system and not too many employees so as to facilitate business management and high flexibility so as to survive in a dynamic business era.

One proof of the important role of MSMEs in improving and developing the economy is that in several cases of the economic crisis in Indonesia, MSMEs were industries that were able to survive. The phenomenon of the ability of MSMEs to survive the crisis shows that their entities have opportunities and can trigger the development of other sectors to accelerate more

(Tambunan, 2020). Even so, not all MSMEs can survive in the midst of a crisis, and there are several obstacles faced by MSMEs, especially after the Covid-19 pandemic (Athaide & Pradan, 2020).

To optimize the development of MSMEs, the government must participate and create policies that support the progress of MSMEs (Kapur et al., 2023). The role of government support for MSMEs is evidenced in several empirical studies conducted by previous researchers. Alkahtani et al. (2020) found that government support in the form of financial and capital assistance could increase the competitive advantage of MSMEs. Another study by Razumovskaia et al. (2020) found that government support consisted of 4 types, namely tax support, capital loan support, administrative support and public funding. If the 4 types of support can be implemented properly, MSMEs will develop more rapidly.

Furthermore, Arshad et al. (2020) and Nakku et al. (2020) divided government support for MSMEs into 2 types of support, namely financial support and non-financial support. Financial support includes funding, land and business premises as well as working capital. Meanwhile, non-financial support includes R&D, coaching, business assistance, distribution of raw materials and ready-to-sell products, marketing and networking. Several types of support have been empirically proven to be able to improve MSME performance.

Although many previous studies have proven the significant influence of government support in developing MSMEs (Alkahtani et al. 2020; Arshad et al. 2020; Razumovskaia et al. 2020; Nakku et al. 2020), several studies have also found contradictory results. Nugroho (2015) analyzes the role of government support in increasing the readiness of MSMEs to compete and develop amid the development of technology and business innovation. The results show that government support has no effect on improving MSME performance. There is no influence from government support because the human resources in MSMEs themselves are still not ready and qualified to accept and learn new technologies and innovations. Therefore, in providing support to MSMEs, the government must ensure the readiness and capacity of MSME business actors first.

Another study by Seo & Kim (2020) also found that government support in the form of export policies was not able to improve the performance of MSMEs. The research emphasizes that guidance and assistance to MSMEs is more important than policy. Likewise with research by Tende (2014) who found that the government's capital loan policy for MSMEs had no effect on improving MSME performance.

There is an inconsistency in research results related to empirical studies of the effect of government support on MSME performance where most of the literature states that there is an effect of government support on MSME performance (Alkahtani et al. 2020; Razumovskaia et al. 2020; Arshad et al. 2020; Nakku et al. 2020), will but some other literature states that there is no effect of government support on the performance of MSMEs (Nugroho, 2015; Seo & Kim, 2020). This shows that there should be further studies related to this topic, so this study seeks to fill this research gap by further analyzing the effect of government support on the performance of MSMEs.

Based on a literature review, it was found that the role of government support in improving the performance of MSMEs is quite large and there are still inconsistencies in the results of several previous studies. On the other hand, from the point of view of the reality that occurs in the in-depth field, related to the concept of government support that can optimally improve the

performance of MSMEs also needs to be studied further. Therefore, this study seeks to analyze the role of aspects of government support that can improve the performance of MSMEs and analyze in depth the concept of appropriate policies in developing MSMEs after the Covid-19 pandemic.

METHOD

This study uses mixed methods, namely a combination of quantitative and qualitative analysis. From the quantitative analysis, this study analyzes the effect of government support which consists of two aspects, namely financial support and non-financial support on the performance of MSMEs in Pasawaran Regency, Lampung. The qualitative analysis is used to look for government policy concepts in providing support for MSMEs so that they develop more rapidly and are able to improve the community's economy.

Furthermore, the data in the quantitative analysis in this study came from primary data obtained through the distribution of questionnaires given to MSMEs in Pesawaran Regency, Lampung Province. The results of the questionnaire will be analyzed using the Structural Equation Model method using AMOS software. While qualitative data were obtained from interviews with informants which were then analyzed using the coding method with the N-Vivo software.

The population in this study were SMEs in Pasawaran Regency, Lampung. The sample used in this study was determined using a purposive sampling technique with the following criteria:

1. MSMEs have been registered with the Pasawaran Regency Government.
2. MSMEs are at least 1 year old
3. MSMEs have employees

According to Hair et al. (2017) if the sample size is too large it will be difficult to obtain a suitable model, and it is recommended that an appropriate sample size be between 100-200 respondents so that estimation interpretation can be used with the Structural Equation Model (SEM). For this reason, the number of samples will be determined based on the results of the minimum sample calculation. Determination of the minimum sample size for SEM according to Hair et al (2017) is $(\text{Number of indicators} + \text{number of latent variables}) \times (5 \text{ to } 10 \text{ times})$. Based on these guidelines, the minimum sample size for this study is a minimum sample = $(6 + 2) \times 10 = 80$ respondents. Based on the formula above, the minimum sample size in this study is 80 respondents and researchers will use a sample of 170 MSME managers.

Furthermore, the qualitative data in this study were obtained through interviews with informants. The informants in this study are people who have the authority to adopt MSME development policies and MSME actors themselves. The following are the sources in this study.

1. 2 people from the Office of Cooperatives and SMEs
2. 11 Village Heads in Karawang Regency
3. 11 MSME association managers from each village

RESULTS AND DISCUSSION

The first stage in this study was a quantitative analysis to determine the effect of government financial and non-financial support on the performance of MSMEs in Pesawaran Regency. The analysis used to prove the hypothesis is the calculation of the Structural Equation Model (SEM) with AMOS 24 software.

Validity Test

Validity indicates the accuracy of data in representing variables or indicators in research. In an analysis using SEM, Hair et al. (2011) categorize an indicator as valid if it has a loading factor value of > 0.5 . If there is a value that is still below 0.5, it will be excluded from the analysis. The results showed that there were 3 invalid indicators, namely FS3, FS5, and NFS12, so they had to be dropped from the research model. After 3 invalid indicators were dropped, the validity test results are shown in Table 1.

Table 1. Factor Loading Value

Indikator	Standard Loading	Cut Off	Validity
FS1	0,735	0,5	Valid
FS2	0,514	0,5	Valid
FS4	0,567	0,5	Valid
FS6	0,717	0,5	Valid
FS7	0,623	0,5	Valid
FS8	0,643	0,5	Valid
FS9	0,742	0,5	Valid
FS10	0,751	0,5	Valid
FS11	0,756	0,5	Valid
NFS1	0,752	0,5	Valid
NFS2	0,723	0,5	Valid
NFS3	0,574	0,5	Valid
NFS4	0,76	0,5	Valid
NFS5	0,771	0,5	Valid
NFS6	0,764	0,5	Valid
NFS7	0,728	0,5	Valid
NFS8	0,752	0,5	Valid
NFS9	0,789	0,5	Valid
NFS10	0,786	0,5	Valid
NFS11	0,529	0,5	Valid
NFS13	0,585	0,5	Valid
SP1	0,498	0,5	Valid
SP2	0,735	0,5	Valid
SP3	0,647	0,5	Valid
SP4	0,662	0,5	Valid
SP5	0,739	0,5	Valid
SP6	0,747	0,5	Valid
SP7	0,766	0,5	Valid

Table 1 shows that all the indicators in this study already have a loading factor value of more than 0.5. So it can be concluded that all indicators in this study can be said to be valid.

Reliability Test

Reliability is the accuracy of a measuring instrument and its accuracy in making a measurement. The construct reliability is considered good if the construct reliability value >0.7 and the variance extracted value >0.5 (Yamin & Kurniawan, 2009). From the calculation results, the reliability test results are obtained in Table 2.

Table 2. Reliability Test

Variables	Construct Reliability	Variance Extracted	Reliability
Financial Support	0,9	0,5	Reliable
Non- financial Support	0,9	0,5	Reliable
SME Performance	0,9	0,5	Reliable

Goodness of Fit

Furthermore, the conformity test of the confirmatory model was tested using the Goodness of Fit Index. The Gof test aims to determine how precisely the observed frequency is with the expected frequency. In this study several criteria were taken from each type of GOFI namely Chisquare, probability, RMSEA and GFI representing absolute fit indices, CFI and TLI representing incremental fit indices then PGFI and PNFI representing parsimony fit indices.

Table 3. Goodness of Fit

Fit Indices	Goodness of Fit	Kriteria	Cut-off value	Result
Absolute Fit	Chi-square	Kecil	394,651	Fit
	Probability	≥ 0.05	0,050	Fit
	CMINDF	< 2,00	1,128	Fit
	GFI	≥ 0.90	0,861	Marginal Fit
Incremental Fit	CFI	≥ 0.90	0,984	Fit
	TLI	≥ 0.90	0,983	Fit
Parsimony Fit	PGFI	≥ 0.60	0,742	Fit
	PNFI	≥ 0.60	0,810	Fit

The Goodness of Fit score met all the criteria except the PGFI score with a marginal fit rating. However, according to Hair et al. (2010) the value of marginal fit can still be tolerated.

Hypothesis Test

The next analysis is the analysis of the full Structural Equation Model (SEM) to test the hypotheses developed in this study. The results of the regression weight test in this study are as shown in table 5.

Table 5. Hypothesis Test

Hypothesis	Estimate	t-statistik	P	Result
H1: FS on SP	0,070	2,183	0.029	Positive and Significant
H2: NFS on SP	0,858	7,358	0.000	Positive and Significant

The results of hypothesis testing can be seen by looking at the Critical Ratio (CR) and probability (P) values of the data processing results. The direction of the relationship between variables can be seen from the estimated value, if the estimated value is positive then the relationship between the variables is positive, whereas if the estimated value is negative then the relationship is negative. Furthermore, if the test results show a CR value above 1.96 and a probability value (P) below 0.05/5%, the relationship between exogenous and endogenous variables is significant. In detail, testing the research hypothesis will be discussed in stages according to the hypothesis that has been proposed. The results of the analysis in Table 4.21 show that:

1. Government financial support (FS) has a positive and significant effect on MSME performance (SP). These results are evidenced by a positive estimate value, namely 0.070, a t statistic value > 1.96, which is 2.183 and a probability value <0.05, which is 0.029. So that H1 in this study is supported.
2. Government non-financial support (NFS) has a positive and significant effect on the performance of MSMEs (SP). These results are evidenced by a positive estimate value, which is 0.858, the t statistic value > 1.96, which is 7.358, and the probability value < 0.05, which is 0.000. So that H2 in this study is supported.

Furthermore, testing the effect of independent variables is used to determine the magnitude of the influence between variables. The amount of influence between variables in this study is shown in table 4.

Table 4. Exogenous Variable Effect

	Effect
Direct Effect of FS on SP	0,070
Direct Effect of NFS on SP	0,858

Based on table 4 it is known that the direct effect of FS on SP is 0.070 while the direct effect of NFS on SP is 0.858. These results indicate that to increase the work of SMEs in Pesawaran Regency, Lampung. Non-financial assistance is more influential and has a more positive impact than financial assistance. These conditions indicate that what is most needed by SMEs today is non-financial support.

The next analysis is related to the identification of indicators that have the highest points in the respondent's data. The analysis aims to describe which aspects are most needed and cared

for by respondents and which aspects are not really needed and cared for by respondents. This analysis includes two variables, namely financial support and non-financial support.

Financial support consists of 11 indicators and non-financial support consists of 13 indicators. The results of the analysis show that the indicator with the greatest influence value is FS10 and the indicator with the lowest influence is FS2. The lowest influence is shown in the socialization aspect, these results show that socialization is not the most urgent thing in the financial assistance provided. The greatest influence is shown in the aspect of awarding and appreciation for outstanding MSMEs which are included in the aspect of government incentives for MSMEs in Pesawaran Regency. These results indicate that the government needs to increase the awards and appreciation for MSMEs that excel. This can increase the motivation of MSMEs in developing their business and can create healthy competition for MSMEs.

Non-financial support consists of 12. The results of the analysis show that the indicator with the greatest influence value is NFS6 from the R&D aspect and NFS10 from the coaching aspect. Then the indicator with the lowest influence is NFS3. The lowest influence is shown in the aspect of priority policies, these results show that priority policies are not the most urgent thing in the financial assistance provided. The biggest influence is shown in aspects of technology and entrepreneurship training for MSMEs. These results indicate that the government needs to plan and make policies related to the process of digitizing MSMEs and increasing entrepreneurial capacity for MSMEs.

Qualitative Analysis Result

This study proposes 2 policy models. The first policy model is training, capital assistance and incentives, collaboration with universities and private retailers and building a sales center for MSME products in pesawaran.

Training

The ongoing training program is training for micro-entrepreneurs who do not yet have a Household Industry Food Production Certificate (SPP-IRT). The activity was divided into 2 sessions, the first or 1st session was held at the Hanura Village Hall, Teluk Pandan District, where the 1st session involved business actors from 5 Districts (Teluk Pandan, Padang Cermin, Marga Punduh, Way Ratai, and Punduh Pedada). The second session is planned for July 2022 covering 6 Districts (Gedong Tataan, Negeri Katon, Tegineneng, Way Lima, Kedondong, and Way Khilau), the location will be adjusted.

Furthermore, it is hoped that training for SMEs will be intensified again. This study proposes a training center for MSMEs in Pesawaran District. The training center is a training program for MSMEs that is carried out regularly and continues consistently. The focus of training topics for MSMEs is digitization and product marketing.

Currently, Pesawaran MSMEs really need support from the government, especially from a non-financial aspect. Non-financial aspects include training, competency and insight development, collaboration with experts and other parties who can develop MSMEs as well as motivation instilled in MSMEs so that they have persistence in trying and maximum entrepreneurial spirit. This point is in line with the FGD conclusion expressed by the facilitator that

“The problem is. From. The entrepreneurial spirit of Indonesian MSMEs needs to be improved. So if Jenengan's mother is persistent. The production has been maximized, the

quality is maximum, the market will come. So the market will chase what products are really good. We know that there are many stalls in remote areas, but if it's good. Everyone is visited by products that are sold at home, they don't even have a shop. If it's good people will look for it. So indeed, from the side of SMEs from the side of the first SMEs. Improve yourself first (FGD Facilitator)". The results of the quantitative analysis in this study also support training for MSMEs. The greatest influence was shown in aspects of technology and entrepreneurship training for MSMEs. These results indicate that the government needs to plan and make policies related to the process of digitizing MSMEs and increasing entrepreneurial capacity for MSMEs.

Capital Support

The next policy is government capital assistance for MSMEs in Pesawaran. Access to financial support has basically been provided by the government as stated by the Head of the MSME Office that

"The government has provided a lot of assistance to MSMEs, firstly related to capital assistance, secondly related to licensing, we have collaborated with several parties to make licensing easier. Furthermore, my input is that the mindset must also change so that capital is for business, not personal needs so that businesses are more organized and can be analyzed properly (Head of the MSME Office)".

The statement from the head of the MSME office shows that the government has provided a lot of support in the form of capital and access to loans to MSMEs in Pesawaran Regency. However, the fundamental problem with MSMEs is not the capital aspect but the mindset and capital management that has been accepted. Some MSMEs still mix business and personal or family affairs so that the mixed financial management causes business stability to decrease.

This policy covers two types of assistance provided to MSMEs, namely financial capital assistance and non-financial capital assistance. The emphasis on financial assistance is to continue existing policies, including directives to obtain bank loans and financial capital assistance programs from the government directly. On the other hand, policies that are more emphasized are related to non-financial capital assistance. One of the deficiencies in MSMEs is the weak entrepreneurial spirit, so the government will provide guidance and training to improve the entrepreneurial spirit and spirit of MSME business actors.

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Incentive

The next policy is incentives for MSMEs that excel in order to grow motivation and enthusiasm in developing their business. MSMEs from Hanura stated that as long as the incentives were still in the form of certificates only "Already in the form of certificates" (MSMEs Hanura), it was hoped that in the future the incentives provided would have a higher value so that MSMEs could be enthusiastic and able to compete healthily. The importance of incentives for MSMEs is also supported by the results of an interview conducted with the Head of the Office of Cooperatives, MSMEs and Employment of the Pesawaran Regency on September 25 2022 at the Hanura Village Office that

"These MSME actors are happy to get awards, so they should be given appreciation if they are successful or there are achievements. Yes, the goal is to create healthy business competition, it can spur the development of MSMEs."

The incentive policy for MSMEs aims to produce MSMEs that excel and are brave enough to go national and international. Currently, programs from both the central government and local governments are very supportive in the development of MSMEs. This has resulted in tighter MSME competition even though MSMEs in Pesawaran Regency still have weaknesses in persistence and seriousness in managing business. Therefore incentive policies are expected to be a driving force for MSMEs to have optimal motivation and competitiveness.

Collaboration

The next policy in developing MSMEs in Pesawaran is collaboration. The collaboration in question is collaboration or cooperation between MSMEs and other parties with the government as a facilitator. Other parties proposed in this study are universities and private retailers. The government can become a facilitator who collaborates MSMEs with strategic private parties and creates mutually beneficial cooperation between the two parties. The importance of collaboration was also stated by the Pesawaran Regency UMKM Representative who was interviewed on September 25 2022 at the Hanura Village Office, in the interview the informant stated that

"One of our weaknesses is in human resources, especially for digitization, our human resources are very limited and we are already very busy with the production process so we don't have time for digital learning, if possible, the government will partner with campuses or other parties whose students can be sent to help MSMEs, especially for marketing"

The first collaboration is collaboration or cooperation with universities in Lampung. Lampung has several universities or colleges in which there are students, lecturers and academics who have great potential in channeling ideas and innovations for MSME development. Therefore, the government should be a bridge that can unite the competencies of universities with MSME business people. The form of cooperation is carried out with the concept of mentoring, events or bazaars and marketing.

The mentoring program is carried out by sending several delegations from tertiary institutions continuously and periodically to assist MSMEs starting from the production process, packaging to marketing and post-sales. From this program, academics can gain experience while MSME players gain knowledge and theoretical knowledge in doing business. On the other hand, academics are the right party to help MSMEs in digitizing.

The second collaboration is collaboration with private retailers in Pesawaran. This collaboration has been carried out by Pesawaran and Indomart and Alfamart SMEs with the government as the facilitator. However, weaknesses are still found where the form of cooperation that is carried out is still detrimental to MSMEs. This was explained by the Head of Hanura Village that

“What's extraordinary now is that we help with marketing to Indomart and Alfamart. But it turns out that there must be a binding MOU, yes, we are not equipped with a clear MOU so that is detrimental to MSMEs. For example, regarding payment, the payment process and system must be clear, the goods come in but are not paid for, it's the same thing, that's what we have to address together (Head of Hanura Village)”.

The problem is that the MOU is not clear or even that there is no binding MOU. So that in the future the government must review the forms of cooperation that are carried out and it is hoped that the cooperation that is formed can be mutually beneficial.

Development of the Pesawaran Shopping Center

One of the complaints from MSME actors is that Pesawaran Regency has many tourist destinations that attract many tourists, unfortunately, shopping centers, especially souvenirs, are still dominated in Bandar Lampung so tourists who travel in Pesawaran do shopping in Bandar Lampung even though Pesawaran UMKM have the same product. with what is sold there. Therefore, the next breakthrough is the construction of a shopping center in Pesawaran Regency.

Shopping centers, especially souvenir centers that accommodate various MSME products, are expected to be a source of increased sales for MSMEs in Pesawaran Regency. MSME is a business sector that still has many weaknesses in management and competition aspects. Therefore, the best concept for MSMEs is a collaboration between fellow MSMEs. The development of a shopping center by the government is the right place to carry all MSME products in Pesawaran Regency and has become an icon of Pesawaran Regency.

The second proposed policy model is INDIRA, namely MSME Integration, MSME Digitalization and Regeneration.

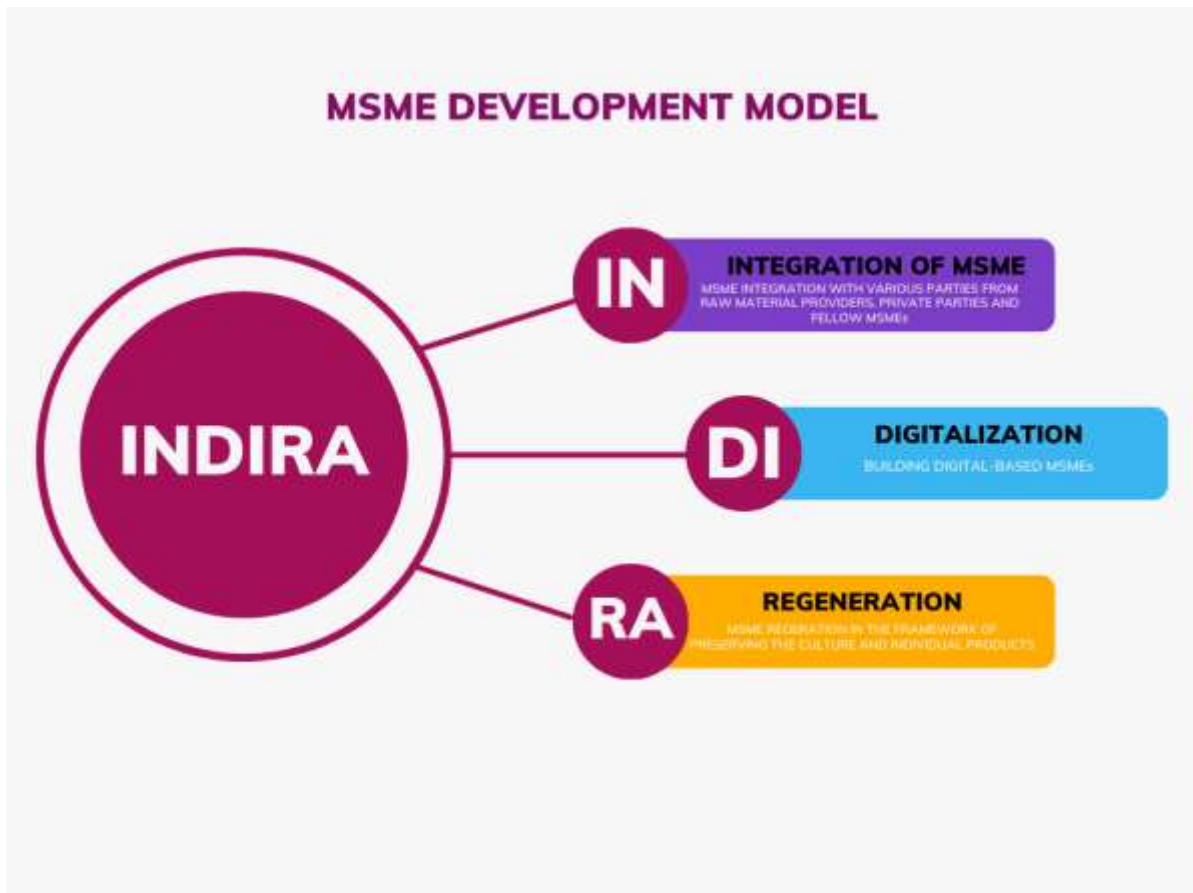


Figure 1. Policy Proposal for the Development of Pesawaran MSME

MSMEs Integration

This study proposes the integration of MSMEs in Pesawaran district. Integration is the unification of small components into a larger system to work together and achieve common goals. Good integration and coordination from all parties is an important key to supporting the implementation of policies and programs that have been planned by the Government so that Indonesian MSMEs can upgrade and become the driving force of the national economy.

The integration proposed in this study is integration in several aspects. The first is in the production aspect. The government becomes a facilitator in integrating MSMEs with the right raw material providers and in accordance with economic conditions. The second is the integration between MSMEs and the private sector in product sales. In this aspect, the government has actually facilitated MSMEs in collaborating with private retailers as stated in an interview with the Head of the Hanura Village on 25 September 2022 at the Hanura Village Office that

“The government has facilitated MSMEs by making an agreement with Indomart to sell MSME products, but the problem is that there is no clear MOU between MSMEs and retail, so there are often cases that are detrimental to MSMEs such as long and unclear payments, returns for damaged goods and so on.”

This collaboration still has problems or deficiencies, namely in the MOU which still has the potential to harm MSMEs. Therefore, it is hoped that the government will be able to evaluate the ongoing cooperation and improve the cooperation MOU so that it can benefit both parties.

Furthermore, integration is carried out between fellow SMEs in Pesawaran Regency. MSME integration aims to increase joint branding and develop a wider market share. One form of integration between MSMEs can also be done by holding a bazaar. The results of the FGD also show that MSMEs are still trying to find solutions by carrying out selective production, so they produce products that are really easy to sell and delay the production of products that are difficult to sell. On the other hand, the government has also taken the initiative to hold MSME bazaars to increase sales.

“Yes, then we only produce products that sell well and we market them ourselves, yes, that's the steps we did at that time, then we also made bazaars (Pesawaran SMEs)”

Digitalization

The development of digital technology has accelerated, especially since the Covid-19 pandemic. This also encourages people's behavior to shop online. Not surprisingly, electronic trading platforms are selling well as people's choice for shopping and transactions. Digitization of MSMEs is a change from conventional to digital systems as an effort to increase the effectiveness and efficiency of MSME business processes and operations. The digitization of MSMEs has made MSME business actors change their business management from conventional to modern practices. Digitalization is an innovation and breakthrough that can increase market share widely. On the other hand, digitalization is also a must to keep pace with the times and meet market demand.

There are two digitalization models that can be implemented in UMKM in Pesawaran Regency, namely:

1. Digitization in the form of a platform created by the Pesawaran Regency government to accommodate, develop and sell products from MSMEs in Pesawaran Regency. Its implementation can be carried out by the government hiring experts in the field of technology and information to create a platform that accommodates all MSME products in Pesawaran Regency which are registered and properly selected. This concept is very helpful for MSMEs in marketing and product development.

2. Digitization independently by each MSME. In this case the government provides guidance, assistance and monitoring facilities in the digitalization process. The digitization process includes product preparation, product packaging, digital account creation, product photos, product sales, consumer feedback and increased traffic on digital platforms. This implementation is indeed more complicated, but can be assisted by collaboration with other parties such as universities who can send students or lecturers who are more experienced in digitalization to assist MSMEs. For academics, this collaboration can be used as research or community service programs that can benefit both parties.

MSMEs Regeneration

The next policy proposal is the regeneration of MSMEs. MSME products are a reflection of culture for an area. Likewise, in Pesawaran Regency, MSMEs in Pesawaran Regency have many products including culinary business products, agricultural machine tools, apparel, crafts, laundry soap, cosmetics, floor cleaning fluids, as well as honey and bee products other than honey. Some of these products are part of the culture in Pesawaran Regency which must be

preserved. One of the efforts to preserve the culture that is reflected in MSME products is to regenerate MSME actors.

MSMEs regeneration is carried out with skills and business education for youth in Pesawaran Regency, especially for the sons and daughters of MSME owners. Pesawaran Regency should pay attention to the future of young people as the next generation, one of which is by providing educational facilities, mentoring and coaching in producing and marketing typical Pesawaran products.

The next generation must be involved from an early age to understand business processes and participate in developing MSMEs. MSMEs in Pesawaran Regency are generally managed by people who are not young enough, so one of their difficulties is adapting to technology. This is in line with the results of an interview with the Hanura Village Head on 25 September 2022 at the Hanura Village Office that

“We always work together to change the mindset of MSME actors so that they struggle even more with higher quality and the current breakthrough that is suitable is digitalization but the human resources are not yet qualified, so for me the solution is to partner with universities so that their students want to help MSMEs, especially in digital marketing (Head of Hanura Village)”.

The Head of Hanura Village stated that the solution to help HR for MSMEs in Pesawaran Regency was to collaborate or collaborate with universities to assist and assist MSMEs in marketing and improving product quality. This proposal is quite interesting and in line with one of the governance concepts in government, namely collaboration. This breakthrough can also be a solution in overcoming the next problem, namely improving product quality. The government can become a facilitator who collaborates MSMEs with strategic private parties and creates mutually beneficial cooperation between the two parties.

CONCLUSION

This research analyzes the effect of financial support and non-financial support from the government of Pesawaran Regency, Lampung on the performance of MSMEs in Pesawaran Regency, Lampung. Furthermore, this research also proposes the right concept or policy model in developing MSMEs in Pesawaran Regency, Lampung. The results of the analysis show that financial support has a positive and significant effect on the performance of MSMEs in Pesawaran Regency, Lampung. The magnitude of the impact of financial support on the performance of MSMEs is 0.070. Furthermore, the most influential financial support is related to giving awards and appreciation to MSMEs that excel. Furthermore, non-financial support has a positive and significant effect on the performance of MSMEs in Pesawaran Regency, Lampung. The impact of non-financial support on MSME performance is 0.858. Furthermore, the most influential non-financial support is related to digital technology coaching and training in business and entrepreneurship. The results of this study propose 2 models of policies for the Government of Pesawaran Regency. The first policy model is dubbed TABIK PUN, namely MSME Training, Capital Assistance and Incentives for MSME achievers, Collaboration with universities and other retail and private businesses and building and developing MSME product marketing centers in Pesawaran. The second proposed policy model is INDIRA, namely MSME Integration, MSME Digitalization and Regeneration.

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