The Effectiveness of Small Business Management in Promoting the Competitiveness of MSMEs in Bone Regency

Nurul Ayuni[1], Andi Adhe Amalya[2*], Ahmad Difa Awlia Aslim[3]
[1,2,3]Universitas Negeri Makassar

Coresponding author-email: *[*]andiadhe.amalya@unm.ac.id*

Abstract

This study aims to analyze the effectiveness of small business management policies in promoting the competitiveness of Micro, Small, and Medium Enterprises (MSMEs) in Bone Regency. Employing a qualitative approach with descriptive methods, this research utilizes data obtained through literature studies, in-depth interviews, and policy document reviews. The analysis is grounded in Sutrisno's effectiveness theory, assessing three key indicators: program understanding, target accuracy, and tangible change. The findings indicate that the management of small businesses in Bone Regency is not yet optimal. In terms of program understanding, many business owners lack awareness of government facilities and the Online Single Submission (OSS) licensing system due to limited digital literacy. Regarding target accuracy, policies largely focus on micro-enterprises, resulting in a lack of intervention for small businesses that remain vulnerable to market fluctuations. Furthermore, no tangible changes were observed regarding business scale transitions or capacity improvements. The study recommends that the local government strengthen NIB/OSS-based data collection and develop tiered assistance packages to ensure more inclusive and sustainable economic growth.

Keywords: Small Business Management, MSME Competitiveness, Policy Effectiveness, Bone Regency.

1. Introduction

Indonesia needs to reorient its economic development paradigm in order to be competitive at the local, regional, and global levels. This paradigm shift emphasizes the sustainable management and utilization of each region's comparative advantages. Thus, local governments will focus more on increasing productivity and strengthening the strengths of their respective regions. This approach is expected to be an effective instrument in reducing poverty while meeting basic needs and improving the overall welfare of the community.

MSMEs play a strategic role in a country's economy. Their existence contributes significantly to creating jobs, expanding access to economic services for the community, driving national economic growth, increasing income, and maintaining social and economic stability. As the main foundation of the national economy, MSMEs need to receive maximum support and protection in order to grow and adapt sustainably.

Within the framework of regional autonomy, each region has broad authority to plan, develop, and optimize its resource potential. Therefore, local governments are required to have adequate capacity to manage the development process effectively and sustainably. In the context of multidimensional development, development activities are not limited to economic aspects, but also cover all sectors of society with the main objective of improving social welfare. When a regional development program is formulated, its success indicators can be seen from the extent to which the changes that occur in the region are in line with the needs and expectations of the community, and whether its implementation has achieved the set targets (Ayuni et al., 2024).

Meanwhile, the direction of global economic development today focuses on the concept of sustainable economic development. This approach emphasizes the harmonious integration of local, regional, and global economic systems as a whole. The application of sustainable economic development principles at the regional level, particularly in Bone Regency, presents its own challenges, especially in facing increasingly intense competition among economic actors. In addition, the main challenge that needs to be overcome is how local governments can act as facilitators and protectors for Micro, Small, and Medium Enterprises (MSMEs) in order to improve community welfare through inclusive and equitable economic empowerment (Suci Ramadani et al., 2025).

The management of small businesses in Bone Regency still requires more comprehensive attention and handling from the local government. So far, the main focus of the Bone Regency Government has tended to be on the development of Micro Enterprises, with the assumption that business actors in the small and medium categories already have the independence and ability to develop without intensive assistance from the Cooperative and SME Office. However, the actual conditions in the field show that many small business actors still face various fundamental obstacles that hinder the stability and sustainability of their business activities.

The inability of some small businesses to maintain stable turnover and capital turnover is one of the main problems that could potentially lead to business closure. Fluctuations in raw material prices and changes in distributor prices are external factors that greatly affect the financial stability and resilience of small businesses. In this context, the role of local governments should not only focus on fostering micro businesses, but also expand their intervention to small businesses so that they can survive in an increasingly competitive market.

In today's digital age, business transformation is crucial for Micro, Small, and Medium Enterprises (MSMEs) to survive and compete in an increasingly competitive market. The implementation of digital technology can increase the competitiveness of MSMEs by up to 40% compared to businesses that have not yet embraced digitalization. However, the process of digital adoption still faces a number of obstacles, including low levels of digital literacy, limited access to technology, and insufficient government policy support (Salkiah & Putra, 2025).

As part of its efforts to implement more modern and transparent business management digitalization, the central government launched the Online Single Submission – Risk Based Approach (OSS RBA) platform in 2021, which can be accessed through the official website www.oss.go.id. This platform is designed as a risk-based integrated licensing system that aims to facilitate business actors in the process of registering and legalizing businesses throughout Indonesia. Based on 2022 data, a total of 8.71 million MSMEs have been registered on the OSS platform nationwide, with 268,299 of them coming from South Sulawesi Province.

However, the implementation of OSS at the regional level, particularly in Bone Regency, has not been optimal. The local Cooperative and SME Office still plays an active role in registering business actors who come directly to the office, indicating that the level of awareness and digital literacy among small entrepreneurs is still low. Information about the benefits, procedures, and ease of use of OSS RBA has not reached all business actors, especially those in rural areas or with limited access to information technology. As a result, many small business owners still do not understand the importance of business legality and the various administrative and financial benefits that can be obtained through registration with OSS RBA.

Based on these issues, this study aims to analyze the effectiveness of small business management policies in promoting the competitiveness of MSMEs in Bone Regency. The main focus of this study is to identify the extent to which the policies that have been implemented have had a positive impact on small businesses and to reveal the main challenges that are still faced in implementing these policies.

Based on the above background description regarding small business management in Bone Regency, the researcher is interested in conducting research with the title "The Effectiveness of Small Business Management in Promoting the Competitiveness of MSMEs in Bone Regency." The author formulates the problem of how effective small business management is in promoting the competitiveness of MSMEs in Bone Regency. The purpose of this study is to describe the level of effectiveness of small business management policies in Bone Regency.

By understanding the effectiveness of small business management policies, it is hoped that the results of this study can provide recommendations for the Bone district government, business actors, and other stakeholders in designing more inclusive and sustainable strategies. This study also contributes to the development of literature on

small business management in Bone District and provides insights for academics and practitioners in the field of regional development management.

2. Literature Review

Effectiveness is a fundamental concept in management that reflects the degree of success of an individual or organization in achieving predetermined goals. Experts emphasize that effectiveness focuses on the final outcome of an activity, namely the extent to which goals can be realized appropriately. Meanwhile, Stephen P. Robbins defines effectiveness as a measure of the extent to which individuals or organizations succeed in achieving planned targets. Robbins also distinguishes between effectiveness and efficiency, where effectiveness relates to "doing the right things," while efficiency refers to "doing things right."

According to Soekanto in Heliany (2020) Effectiveness is defined as the degree of success of an activity, policy, or organization in achieving its stated objectives. Effectiveness reflects the alignment between the results achieved and the planned objectives, as well as the ability to use resources optimally to achieve those results.

According to Mahmudi in Sya'bani Arlan (2019) Effectiveness is the relationship between output and objectives. The greater the contribution of output to the achievement of objectives, the more effective the organization, program, or activity will be. Effectiveness focuses on outcomes, programs, or activities that are considered effective if the output produced can meet the expected objectives.

According to William N Dunn in Ulfa and Suroso (2025) Effectiveness is "the relationship between desired outcomes and actual outcomes achieved by a policy." In other words, the greater the alignment between policy objectives and implementation outcomes, the higher the level of policy effectiveness.

So, in general, effectiveness is the degree of success of an activity, policy, or organization in achieving its planned objectives. In a scientific context, effectiveness is often assessed by considering the suitability of the results to the objectives (goal attainment), the quality and quantity of the results, the utilization of resources, and the impact of the policy on the environment or policy targets.

To measure the effectiveness of small business management in Bone Regency, researchers used three of the five indicators of effectiveness theory according to Edy Sutrisno in Izzatun Nisak and Hertati (2024) among other things: program understanding, targeting, and real change. Based on these three aspects of effectiveness, the Bone Regency Cooperative and MSME Office has encountered several obstacles that have prevented the optimal management of small businesses. First, in terms of program understanding, there are still small entrepreneurs who are unaware of the benefits available to them under Presidential Regulation No. 7 of 2021 and do not know what rights small entrepreneurs have. Next is the aspect of targeting. Due to the fact that some small entrepreneurs are unaware of the derivative programs in Presidential Regulation

No. 7 of 2021, there are several small businesses that are unable to upgrade to medium-sized businesses. The next issue is tangible change. Based on all the existing problems, tangible change in small businesses in Bone Regency has not been seen because the existing businesses are still in the micro business category. The tangible change desired through PP No. 7 of 2021 is that many small businesses will be able to upgrade to medium-sized businesses. Likewise, micro businesses are expected to be able to upgrade to small businesses (Nur, 2024).

This situation underscores the need for a more structured and collaborative strategy from the local government in optimizing licensing digitization and expanding the reach of education to all small business owners. This approach will not only strengthen the MSME database in Bone Regency, but also be an important step in promoting inclusive, competitive, and sustainable local economic growth.

Table 1. Criteria for Micro, Small, and Medium Enterprises

No	Business	Assets	Omset
1	Micro Business	Max. 1 Billion	Max. 2 Billion
2	Small Business	>1 Billion – 5 Billion	>2 Billion – 15 Billion
3	Medium Business	>5 Billion – 10 Billion	>15 Billion – 50 Billion

Source: PP No 7 of 2021

From the table above, it can be concluded that the management of micro, small, and medium enterprises is based on the size of their assets and turnover. This study will focus on small businesses with assets of 1 billion to 5 billion and turnover of 2 billion to 15 billion. The management of small businesses in Bone Regency has not been carried out properly. This is due to the fact that Government Regulation No. 7 of 2021 has not been properly implemented, resulting in no significant progress in entrepreneurship in Bone Regency.

3. Research Method

Research methods consist of: (1) research approach, (2) types of research data, (3) research data sources, (4) techniques for determining informants or respondents, (5) research instruments, (6) data collection techniques, (7) framework theory (framework) used, (8) data analysis techniques and (9) data credibility.

3.1. Research Approach

This study uses a qualitative approach with descriptive methods to analyze the effectiveness of small business management policies in promoting the digitization and competitiveness of MSMEs. A qualitative approach was chosen to gain an in-depth understanding of the phenomenon through context exploration, actor experiences, and

policy implementation dynamics. Data was obtained through literature studies, in-depth interviews, and policy document reviews. Informants were selected using purposive sampling, which involves selecting informants who are considered relevant and have direct experience related to the implementation of MSME management programs and services (Creswell & Shanahan, 2022).

3.2. Types of research data

Hasan et al., (2025) It is stated that there are two types of research, namely qualitative research and quantitative research. The type of research used in this study is qualitative research using a descriptive approach to determine whether there is a relationship between the variables in this study. The use of descriptive qualitative research aims to provide a comprehensive picture based on the phenomena and realities that occur in the field. It also aims to analyze and determine the level of success of the evaluation of small business management policies in Bone Regency.

3.3. Data collection techniques

Several data collection techniques in qualitative research are as follows (Qomaruddin & Sa'diyah, 2024):

a) Interview, interviews are one technique that can be used to collect research data. Simply put, an interview is an event or process of interaction between an interviewer and a source of information or interviewee through direct communication. It can also be said that an interview is a face-to-face conversation between the interviewer and the source of information, in which the interviewer asks direct questions about a previously designed research object.

b) Observation, when considering the two data collection techniques discussed above, it is clear that both types of techniques can only reveal verbal behavior, but are less capable of revealing nonverbal behavior. In addition, both techniques are more suited to survey research and are less suitable for non-survey research. One technique that can be used to identify or investigate nonverbal behavior is observation.

c) Documentation, documentation is a record or work of someone about something that has passed. Documents about people or groups of people, events, or incidents in social situations that are relevant and related to the focus of research are very useful sources of information in qualitative research. These documents can take the form of written texts, artifacts, images, or photographs. Written documents can also be life histories, biographies, written works, and stories. In addition, there are also cultural materials, or works of art, which are sources of information in qualitative research. In anthropological research, cultural material documents

or artifacts are very meaningful, because these documents, cultural materials, and artifacts contain high values in accordance with their time, era, and context.

3.4. Framework theory

The effectiveness of Small Business Management can be seen as the actualization of the Local Government in carrying out its duties, principles, and functions to the community. In the context of empowerment, the Local Government must be able to guarantee access to energy, increase inclusive economic growth, build resilient infrastructure for business activists, and reduce intra- and inter-state disparities.

Based on the above description, the researcher used Sutrisno's in Izzatun Nisak and Hertati (2024) effectiveness theory through the indicators of program understanding, target accuracy, and real change. The researcher then compiled a conceptual framework chart as shown in Figure 1 below.

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Effectiveness theory in Sutrisno (2024):

a. Program comprehension
b. Accuracy
c. Tangible change

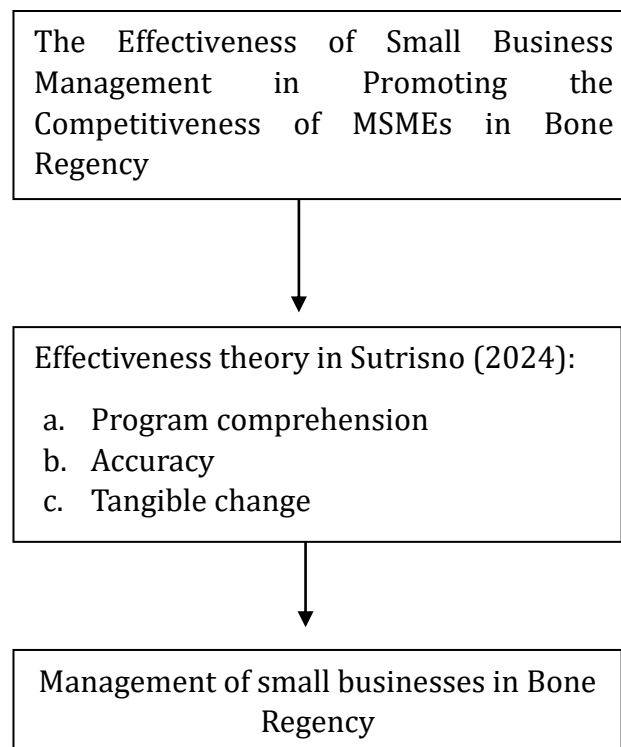Management of small businesses in Bone Regency

Figure 1. Conceptual Framework

3.5. Data Analysis Techniques

According to Qomaruddin and Sa'diyah (2024), there are four types of activities in qualitative data analysis, namely: (a) Data Collection, (b) Data Condensation, (c) Data Display, and (d) Drawing and Verifying Conclusions. These activities are described as follows:

a) Data collection, Data collection is an activity carried out to obtain information needed for research; after data collection, the data is entered into a summary or data summary.

b) Data condensation, Data condensation is the process of selecting, summarizing, simplifying, abstracting, and modifying raw data that emerges from records generated during research. This process will continue to ensure that the data obtained is accurate and valid. Researchers obtain a lot of information, but not all of it is useful or informative because researchers only need a few research informants to uncover the research problem.

c) Data display, Data Display is the act of presenting research data, enabling researchers to draw preliminary conclusions from the research results and plan further actions if the data is still incomplete, requires clarification, or has not been collected so that other actions can be taken.

d) Drawing and verifying conclusions, Drawing and verifying conclusions is an activity that forms conclusions based on the two previous activities. These conclusions can be interim conclusions or final conclusions.
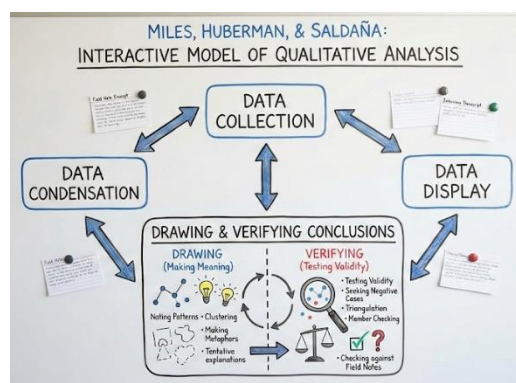
Sumber: Miles et al., (1992)

3.6. Data Credibility

Credibility aims to prove that what the researcher concludes is the truth according to the perspective of the person being studied (participant), not merely the researcher's own imagination or bias.

Data validation techniques were used to prove that this research was truly scientific by testing the data obtained. The data validation technique used in this study was triangulation, which involves checking data from various sources at various times. The explanation of the triangulation technique is divided into three parts, namely:

a) Triangulation of sources involves testing the credibility of data by checking data obtained from various sources. The data obtained is analyzed by researchers to produce conclusions.

b) Technical triangulation is a method of testing data credibility by checking data from the same source using different techniques. For example, data can be checked through interviews, observations, or documentation obtained by researchers.

c) Time triangulation is data collected using interview techniques in the morning when research informants are still fresh, so they can provide more valid and credible data.

4. Result

To determine the effectiveness of Government Regulation No. 7 of 2021 concerning MSMEs in Bone Regency, an analysis was conducted using the theory proposed by Sutrisno in Izzatun Nisak and Hertati (2024).

Table 2. Number of Micro and Small Industrial Companies in South Sulawesi Province (Units)

	2024	2023	2022	2021	2020
Mikro	122.892	119.613	127.221	121.537	121.097
Kecil	3.911	4.313	2.458	1.343	5.392

Sumber: Badan Pusat Statistik (2025)

The discussion of the effectiveness of small business management in Bone Regency refers to three indicators of effectiveness according to Sutrisno in Izzatun Nisak & Hertati 2024), namely: (1) program understanding, (2) target accuracy, and (3) tangible changes. The analysis also considers the national policy context, particularly Government Regulation No. 7 of 2021 concerning the facilitation, protection, and empowerment of cooperatives and MSMEs, as well as risk-based business licensing policies through the OSS RBA, which was launched on August 9, 2021.

4.1. Program comprehension

Findings show that small business owners' understanding of government programs and services is still uneven. Some business owners do not yet understand their rights, obligations, or the facilities available to them under MSME empowerment policies,

including licensing facilities, access to financing, business assistance, and partnership opportunities. This disparity in understanding is influenced by limited outreach to all subdistricts or villages, variations in the educational backgrounds of business owners, and low levels of administrative and digital literacy.

In terms of licensing, there are still business actors who depend on the assistance of government officials to register or renew their business licenses through OSS. This condition confirms that the adoption of OSS RBA as a business licensing instrument has not yet been fully transformed into a digital-based independent service at the business actor level. In fact, Risk-Based OSS is designed to simplify and integrate business licensing services electronically and based on the risk level of business activities.

4.2. Accuracy

In terms of targeting, coaching and facilitation programs still tend to focus on micro enterprises, while small enterprises are often considered to be sufficiently established to develop independently. As a result, there is a gap in policy intervention in the small enterprise segment, which is actually at a critical stage: it already has a market and a certain scale of business, but is vulnerable to input price shocks, fluctuations in demand, and limited access to low-cost financing.

Target accuracy is also influenced by the quality of the business database. Outdated data (e.g., changes in address, business scale, and legal status) can cause assistance programs, training, and licensing facilitation to potentially miss their targets. In this context, strengthening NIB/OSS-based data collection and periodically updating business profiles are important prerequisites for more precise and measurable local government interventions.

4.3. Tangible Change

Indicators of tangible change are assessed based on improvements in business capacity, business sustainability, and business scale (e.g., from micro to small, or from small to medium). Based on the identified dynamics, tangible changes in small business groups are not yet apparent, particularly in terms of revenue stability, working capital strengthening, and the ability to manage raw material price risks (Ayuni et al., 2024).

Micro and small industry data in South Sulawesi Province shows fluctuations in the number of business units during the 2020–2024 period. The number of micro industry units is relatively stable (around 119–127 thousand units), while small industry units fluctuate more (around 1.3–5.4 thousand units). Fluctuations on a small scale can be interpreted as an indication that the resilience of small businesses to changes in economic and market conditions is still vulnerable, thus requiring more consistent policy support, including strengthening managerial capacity and market access.

4.4. Factors Hindering Policy Effectiveness

A number of factors that hinder the effectiveness of small business management in Bone Regency include: (1) limited digital literacy among business actors, (2) limited access to devices and internet networks in certain areas, (3) limited intensity of ongoing coaching, (4) suboptimal integration of data across agencies, and (5) the dominance of short-term training programs over needs-based mentoring.

At the national level, the acceleration of MSME digitization shows progress, but also acknowledges obstacles such as human resource capacity, access to technology, and the readiness of the supporting ecosystem. These issues are relevant to the regional context, so small business management strategies need to combine strengthening the capacity of business actors with strengthening the ecosystem (market access, logistics, financing, and standardization).

4.5. Implications and Strategies for Strengthening Small Business Management

Based on the findings, the recommended strengthening strategies include: (a) more segmented policy dissemination (based on business type, location, and literacy level), (b) OSS/NIB assistance based on mobile services in sub-districts/villages, (c) financial management and supply chain management coaching to reduce vulnerability to input price fluctuations, (d) strengthening market access through product curation, partnerships with retailers or marketplaces, and data-driven promotion, and (e) integration of cross-regional programs so that interventions in small businesses are not fragmented.

In addition, local governments need to update their operational policies in line with regulatory developments. In the context of risk-based licensing, Government Regulation No. 5 of 2021 has been revoked and replaced by Government Regulation No. 28 of 2025, requiring adjustments to service procedures and outreach materials to prevent discrepancies in information at the implementation and service recipient levels.

5. Discussion

Based on the results of research and field observations related to the Effectiveness of Management in Small Businesses in Bone Regency, it was concluded that:

This study concludes that the effectiveness of small business management in promoting the competitiveness of MSMEs in Bone Regency is still not optimal. In terms of program understanding, some small business owners do not fully understand the facilities and conveniences provided by national policies and regional services, including the business legality mechanism through OSS. In terms of target accuracy, regional development programs still tend to prioritize micro businesses, resulting in uneven support for small businesses, which limits access to assistance, financing, and market

strengthening. In terms of tangible change, there has been no significant increase in business capacity or progress in business scale, with indications of small businesses' vulnerability to fluctuations in input costs and unstable turnover.

6. Conclusion

Based on the above conclusions, the following recommendations can be made:

To improve the effectiveness of small business management, local governments are advised to: (1) strengthen data collection and updating of business profiles based on NIB/OSS as a basis for program targeting; (2) expand the dissemination and assistance of OSS through an outreach service model; (3) develop tiered assistance packages for small businesses (finance, production, marketing, and standardization) with measurable achievement indicators; (4) build cross-sector collaborations (banking, universities, marketplaces, business associations) for access to financing and markets; and (5) conduct periodic outcome-based evaluations, including monitoring business scale transitions and business sustainability.

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