

The Role Of Msmes In Stimulating Local Economic Growth In Rantepao District, North Toraja Regency

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a significant role in national and local economic growth. In Rantepao District, MSMEs play a crucial role not only in job creation and increasing community income, but also in preserving local culture and developing community-based tourism. This study employed a qualitative approach with a descriptive and exploratory design. Data were collected through in-depth interviews, participant observation, Focus Group Discussions (FGDs), and documentation studies. Informants were selected using purposive and snowball sampling techniques, consisting of MSME actors and related stakeholders. Analysis was conducted using thematic analysis methods. The results show that MSMEs in Rantepao play a strategic role in driving the local economy by absorbing labor, increasing income, and preserving regional culture. Internal factors such as self-efficacy and achievement motivation among MSME actors, especially the younger generation, are key to success. However, challenges such as limited access to capital, entrepreneurship training, and digital technology adoption remain major obstacles.

Keywords: MSMEs, Local Economic Growth, Self-Efficacy, Cultural Preservation.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a strategic sector in the Indonesian economy, serving as the backbone of national economic growth. According to data from the Ministry of Cooperatives and SMEs (2023), MSMEs contribute 61.07% to the national Gross Domestic Product (GDP) and employ 97% of the Indonesian workforce. This significant contribution makes MSMEs a driving force of the economy, highly resilient to global economic shocks (Sugiyarsih, 2019).

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In regional economic development, MSMEs possess unique characteristics that enable them to adapt to local conditions and exploit the potential of local resources (Agung Wibowo et al., 2024). This aligns with the theory of endogenous economic growth, which emphasizes the importance of a region's internal factors in driving sustainable economic growth (Shafwah et al., 2024). MSMEs play a role not only in the economic aspect but also in preserving local culture, empowering communities, and ensuring equitable income distribution (Daulay et al., 2024).

Rantepao District, the capital of North Toraja Regency, holds a strategic position in regional economic development. With an area of 1,289 km² and a population of approximately 261,652 in 2023, Rantepao is the center of economic, governmental, and tourism activities in North Toraja. The uniqueness of authentic Torajan culture, captivating natural landscapes, and well-preserved megalithic traditions make Rantepao a leading tourist destination, offering significant opportunities for the development of MSMEs based on the creative economy and tourism.

The local economic potential of Rantepao District is supported by various leading sectors such as tourism, agriculture, plantations, and the creative industry. The rapidly growing tourism sector creates a multiplier effect on the growth of MSMEs in the culinary, handicraft, accommodation, and transportation sectors (Andy Putra & Sugeng Pradikto, 2025). Data from the North Toraja Tourism Office shows that tourist visits to Toraja have experienced an average annual growth of 8% over the past five years, positively impacting the development of local MSMEs.

However, the challenges facing MSME development in Rantepao District remain quite complex. Limited access to capital, limited digital technology expertise, weak marketing networks, and a lack of technical assistance are the main obstacles faced by MSMEs (Khoiriyah & Pratama, 2025). Research by Sari et al. (2022) identified that 65% of MSMEs in North Toraja experience difficulties accessing financing, while 58% have not utilized digital platforms for product marketing.

This phenomenon is interesting to study in more depth, given that Rantepao District has specific geographic, cultural, and economic characteristics. Research on the role of MSMEs in regions with a comparative advantage in cultural tourism is still limited, particularly in Eastern Indonesia (Asriati et al., 2023). Therefore, this study seeks to comprehensively analyze the role of MSMEs in driving local economic growth in Rantepao District using a holistic and contextual approach.

The urgency of this research is heightened given the significant impact of the COVID-19 pandemic on the MSME and tourism sectors. Data from the North Toraja Central Statistics Agency shows a 72% decline in tourist visits in 2020, which directly impacted MSMEs

dependent on the tourism sector (Andy Putra & Sugeng Pradikto, 2025). This situation requires appropriate recovery and development strategies to optimize the role of MSMEs in driving local economic growth in the new normal era.

This study aims to analyze the role of MSMEs in driving local economic growth in Rantepao District, identify factors influencing MSME performance, and formulate development strategies tailored to local characteristics. The results are expected to provide theoretical contributions to the development of regional development economics and practical benefits for formulating MSME development policies in North Toraja.

METHODOLOGY

This study uses a qualitative approach with a descriptive and exploratory design to analyze the role of MSMEs in driving local economic growth in Rantepao District (Tinggi & Ambarrukmo, 2025). The qualitative approach was chosen because this study aims to deeply understand the complex phenomenon of the role of MSMEs in the specific social, cultural, and economic contexts of North Toraja. The study was conducted in Rantepao District, North Toraja Regency, South Sulawesi Province. This location was selected based on the consideration that Rantepao is the center of Toraja's economic and tourism activities with a diverse concentration of MSMEs. Research informants were selected using purposive sampling and snowball sampling techniques with a total of 40 informants consisting of 25 MSME actors as primary informants and 15 stakeholders as secondary informants. The primary informants are MSME actors who have been operating for at least 3 years and are related to the cultural tourism sector, including traditional handicrafts, Toraja culinary specialties, homestays, tour guide services, and souvenir products. Secondary informants consisted of local government officials, traditional figures, academics, entrepreneurs and tourists.

Data saturation is the main criterion for determining the adequacy of the number of informants. Data collection was conducted through triangulation methods that included in-depth interviews with semi-structured guides (60-90 minutes per session), participant observation of MSME activities and cultural activities, Focus Group Discussions with 3 different groups (crafts, culinary, tourism services). The main instrument was the researcher himself as a human instrument, supported by interview guides, observation guides, FGD guides, and field note sheets. Data analysis used a thematic analysis approach with six stages: data familiarization, initial coding, theme development, theme review, refinement, and final theme determination.

RESEARCH AND RESULTS

The research results show that Micro, Small, and Medium Enterprises (MSMEs) in Rantepao District, North Toraja Regency, play a crucial role in driving local economic growth. MSMEs are the primary driver of employment and regional economic activity. Data demonstrate that the presence of MSMEs significantly contributes to increasing local incomes and developing the informal economic sector, which has been the primary foundation of the North Toraja community's economic life. This aligns with the strategic role of MSMEs at the national level, contributing more than 60% to Gross Domestic Product (GDP), demonstrating that small and medium-sized enterprises (SMEs) play a vital role not only at the macro level but also at the micro level regionally (Roudhotun Nurul Janah & Roi Seston Tampubolon, 2024).

In Rantepao District, MSMEs not only serve as a source of economic income but also as agents of local cultural preservation. Several MSME products are specifically developed to highlight Torajan cultural values through handicrafts, culinary specialties, and community-based tourism. Thus, MSMEs are able to combine economic aspects with the preservation of local wisdom, strengthening identity and attracting tourists, thereby increasing the income sources of the local community (Harahap Zahra Rizkia et al., 2023). The main internal factor supporting the success of MSMEs in this region is the self-efficacy of entrepreneurs, namely the individual's belief in their ability to manage a business independently and innovatively (Anggoro & Permana Saputra, 2023) (Tinambunan et al., 2025). High achievement motivation also encourages MSMEs to continue developing products and expanding markets (Fatmasari Endayani et al., 2024). This is reflected in the increasing number of MSMEs that have utilized digital technology for marketing, although it is still limited to the younger generation or generation Z who have an entrepreneurial mindset that is more open and adaptive to the developments of the times.

The evaluation also shows that the main obstacle faced by MSMEs in Rantepao is limited access to capital and entrepreneurship training, which directly impacts their capacity to grow larger and sustainably. Therefore, improving the quality of entrepreneurship learning through training tailored to local characteristics is crucial (Malik & Mulyono, 2017). Intensive entrepreneurship education will not only improve technical skills but also foster a resilient and innovative entrepreneurial mindset among MSMEs, especially the younger generation (Avianti & Pitaloka, 2024). Community empowerment is crucial in supporting the sustainability of MSMEs (Nanta et al., 2022). By involving the wider community in the process of developing micro and small businesses, income distribution will be more equitable and social networks will be strengthened, providing crucial social capital for local economic growth.

Ultimately, MSMEs are capable of providing a dual impact, both economically and socio-culturally, supporting inclusive and sustainable regional development. MSMEs in Rantepao District hold a strategic position as the main drivers of local economic growth, contributing significantly to job creation, increasing community income, and preserving local culture. Support from the local government and various stakeholders in the form of facilitating access to capital, entrepreneurship training, and strengthening the MSME ecosystem must be continuously enhanced to maximize their potential as drivers of sustainable economic growth in North Toraja (Fajri & Fatticia, 2025).

MSMEs contribute significantly to local economic growth in Rantepao District. In addition to contributing more than 61% to the national Gross Domestic Product (GDP) and creating 97% of jobs, MSMEs also promote equitable income distribution. The presence of MSMEs across various regions allows local communities to access broad economic opportunities without having to rely on the larger formal sector (Yola Erlanda & Ghulam Maulana Ilman, 2024). This helps reduce unemployment and improve the standard of living of local communities (Kesumadewi & Aprilyani, 2024). Beyond the economic sector, MSMEs in North Toraja play a role in preserving local culture. MSME products, such as handicrafts, Torajan woven fabrics, traditional foods, and community-based tourism packages, uphold cultural values passed down through generations. By incorporating local cultural elements into their products, MSMEs strengthen regional identity and attract tourists, thus having a multiplier effect on the local economy.

Based on the theory of endogenous economic growth, internal regional factors (such as the quality of human resources and the motivation of entrepreneurs) are crucial in driving sustainable economic growth. In Rantepao District, self-efficacy, or individual confidence in managing a business, significantly influences the performance of MSMEs. Achievement motivation and an entrepreneurial mindset open to change encourage MSMEs to innovate and take risks in developing their businesses. Generation Z, with its high technological adaptability, is a pioneer in utilizing digital marketing to expand the market for local products. MSMEs in North Toraja face various challenges, including limited access to capital, a lack of entrepreneurship training relevant to local needs, and difficulty accessing broader markets. Furthermore, some MSMEs are still unfamiliar with the optimal use of digital technology. External factors such as inadequate infrastructure, complicated business licensing bureaucracy, and competition from imported products also pose obstacles.

Improving the quality of MSMEs is inseparable from regular entrepreneurship education and training tailored to local needs (Wahyudi et al., 2023). Through training, business actors are strengthened not only in technical production but also in financial management, digital marketing, and product innovation development (Yashinta, 2025).

Good training also helps shape a resilient, creative, and adaptive entrepreneurial mindset to changes in the business environment. Community empowerment through the formation of joint business groups, cooperatives, and partnership networks is crucial to strengthening the position of MSMEs. With a solid social network, MSMEs can help each other, share information, and expand market access. Local governments can play an active role in facilitating this network by providing facilities, access to financing, and promoting local products digitally and offline.

CONCLUSION

MSMEs in this region play a strategic role as the main drivers of local economic growth by significantly contributing to job creation, increasing community income, and preserving local culture through handicrafts, culinary specialties, and community-based tourism. Internal factors such as self-efficacy, motivation to achieve, and an entrepreneurial mindset, particularly among the younger generation, strongly support the success and innovation of MSMEs. However, MSMEs also face challenges such as limited access to capital, suboptimal entrepreneurship training, and limited use of digital technology (Harahap Zahra Rizkia et al., 2023). The impact of the COVID-19 pandemic has also placed significant pressure on the MSME and tourism sectors, necessitating an effective recovery strategy. Community empowerment and strengthening partnership networks are also crucial to strengthening MSMEs' position in local and global markets. With continued support from the government and other stakeholders, MSMEs in Rantepao District are expected to develop sustainably and become a driving force for economic growth while preserving the culture of North Toraja.

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