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Adapting To Growth: A Qualitative Study of UMKM Responses to Modern Economic Development in Semarang

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Abstract

Micro, small, and medium enterprises (MSMEs) play a vital role in driving economic growth, reducing unemployment, and empowering local communities, particularly in developing nations such as Indonesia. In Central Semarang, MSMEs significantly contribute to regional economic dynamics and household earnings. However, their ability to survive and grow depends on both internal and external influences. This research explores the effects of three major factors—capital availability, business longevity, and innovation—on the income levels of MSMEs in Central Semarang using a qualitative approach. The study finds that financial capital is a key enabler of MSME success. Sufficient funding allows entrepreneurs to invest in machinery, raw materials, marketing, and workforce, thereby improving product output and quality. Respondents with better funding access exhibited more operational flexibility and responsiveness to market demands. Yet, many MSMEs face challenges in securing formal financial support, often relying on personal savings or informal loans, which restricts expansion. The duration of business operation also plays a critical role, as longer-standing enterprises typically possess more stable customer bases, refined operations, and stronger supplier relationships. Experience accumulated over time enhances adaptability and resilience. However, business longevity alone does not ensure higher income unless accompanied by ongoing innovation and learning. Innovation, particularly through digital tools such as social media and e-commerce, was found to be a powerful catalyst for revenue growth. Innovative MSMEs adapted better to shifting consumer needs. The study emphasizes the interplay between capital, sustainability, and innovation and underlines the need for

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coordinated policy, training, and institutional support to unlock MSME potential in the region.

Keywords: MSMEs, Capital, Business Duration, Innovation, Income Growth.

INTRODUCTION

The activities of micro, small, and medium companies (MSMEs) constitute a unique economic sector with the capacity for expansion and stability within the national economy. Micro, small, and medium enterprises (MSMEs) can generate significant employment opportunities for the community (Darwanto et al, 2013). Small and medium-sized enterprises are labor-intensive; yet, they necessitate creativity, invention, and audacity to initiate their operations. Data from the cooperative and MSME office in 2012 illustrates the national advancement of MSMEs in Indonesia. According to data from the Cooperative and MSME Office in 2012, Indonesia's total Gross Domestic Product (GDP) was Rp. 8,241.8 trillion. Small and Medium Enterprises (SMEs) contributed Rp. 4,869.5 trillion, or 59.08% of Indonesia's total Gross Domestic Product (GDP). In 2012, Indonesia's MSME sector comprised 56.53 million business units, constituting 99.99% of all firms in the country, while the workforce encompassed 107.65 million individuals, or 97.16% of the total labor force in Indonesia. Research indicates that MSMEs are vital to the Indonesian economy by generating employment and delivering socially advantageous outcomes.

The Ministry of Cooperatives and SMEs (2012) indicated that the emerging micro, small, and medium enterprises (MSMEs) are classified into various sectors, including agriculture, livestock, fisheries, forestry, electricity, gas, clean water, trade, hospitality, private services, and the processing industry, encompassing the creative sector. People regard the creative industry as resilient during global financial crises that impact other industries. The government is beginning to view the creative industry as a viable alternative economic driver that will sustain momentum. The creative industry encompasses subsectors including advertising, architecture, art markets, crafts, design, fashion, video, cinema, photography, interactive gaming, music, performing arts, publishing, printing, computer and software services, television, radio, and research and development (Hapsoro et al, 2019).

Contrary to the belief that MSMEs can endure the global crisis, they are, in fact, confronted with a range of escalating challenges. Micro, small, and medium enterprises (MSMEs) are not only indirectly impacted by the global crisis but also confront persistent

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internal challenges, such as labor remuneration, employment difficulties, illicit taxes, and corruption. Another challenge encountered by MSMEs is trade liberalization, exemplified by the establishment of the ASEAN-China Free Trade Area (ACFTA), operational since 2010. Conversely, the government has ratified the ACFTA cooperation agreement and other treaties without prior assessment of SMEs' preparedness for competitiveness. The quality of products, reduction in competitive pricing, market preparedness, and the ambiguous characteristics of imported goods contribute to a vague competitive positioning.

This scenario will provide further challenges for Indonesian SMEs subsequent to the implementation of the ASEAN Community, scheduled for 2015. If this issue persists, the MSMEs, recognized for their endurance and adaptability, would inevitably confront insolvency. Consequently, to fortify MSMEs as the cornerstone of the national economy, it is imperative to establish a favorable domestic investment environment to enhance the local market, enabling small and medium-sized enterprises to serve as a stabilizing force within the national economy (Widiatmoko et al, 2020). A significant issue and vulnerability faced by MSMEs is their insufficient access to information, particularly market data. This issue hinders product sales due to restricted access to market knowledge, resulting in diminished market orientation and a decline in global competitiveness.

The absence of market intelligence hinders SMEs from effectively directing their business development, leading to growth stagnation. This paper aims to explain and provide ideas for small and medium-sized enterprises (MSMEs) in Indonesia on practical ways to gain a competitive edge, along with actions that both MSMEs and the government can take to improve their quality and quantity, which will help them grow steadily both in Indonesia and abroad. The organization defines its strategy as a thorough planning framework that specifies how it will achieve its mission and objectives (Purba, 2018). The method aims to achieve long-term objectives. The strategy will augment competitive advantages and mitigate competitive disadvantages. In the context of the Indonesian Wikipedia, strategy denotes a systematic procedure encompassing the execution of concepts, planning, and the implementation of actions within a specified timeframe. A strategy is a comprehensive plan established by an organization to accomplish its mission and objectives.

Micro, small, and medium enterprises (MSMEs) are defined differently by various publications, organizations, institutions, and regulatory frameworks. Law No. 20 of 2008 regarding Micro, Small, and Medium Enterprises characterizes microenterprises as efficient ventures conducted by individuals or sole proprietorships that fulfill the standards

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outlined in this statute. Microenterprises are efficient businesses owned by individuals or sole proprietors that meet the criteria for microenterprises as specified in this legislation.

A small business is an independent economic entity that is managed by individuals or organizations, which are not subsidiaries or branches of medium or large enterprises, and that meets the criteria for small businesses as defined in this legislation (Hanum and Sinarasri, 2018).

A small business is an independent economic entity operated by individuals or organizations that are not subsidiaries or branches of corporations owned or managed, either directly or indirectly, by medium or large enterprises, and that meet the criteria for small businesses as defined by this legislation. Medium enterprises are independent economic entities overseen by individuals or organizations that are neither subsidiaries nor branches of larger or smaller firms, as delineated by their net assets or annual sales according to this regulation (Kristiyanti and Rahmasari, 2015). Medium enterprises are independent economic entities overseen by individuals or organizations that are not subsidiaries or branches of small or big corporations, as defined by their net worth or annual sales according to this legislation. The expanding worldwide economy, along with free trade, will attract numerous participants. We anticipate that micro, small, and medium enterprises (MSMEs) will become substantial contributors.

In developing nations like Indonesia, the MSME sector functions as a crucial catalyst for economic growth. The presence of MSMEs has generated ample entrepreneurial resources and significant employment prospects for the community. Paul Almeida, a professor at Georgetown University, stated that MSMEs play a distinctive, proactive, and essential role in the innovation process due to their capacity to identify new technologies and improve IT. This assertion is substantiated by a decade-long research study indicating that the capacities of MSMEs, both formal and informal, are essential instruments for their innovation processes (Amboningtyas et al, 2021). Conversely, creativity is essential for the growth and sustainability of SMEs.

The resilience of the majority of SMEs during the 1997 Indonesian economic crisis shows this phenomenon. They primarily finance their capital structure (73%), which bolsters their prosperity. Indonesian SMEs must consistently enhance their competencies to attain global competitiveness. Nevertheless, MSMEs face numerous challenges during their development that require attention. Continued assistance for MSMEs is crucial, especially with internal guidance (Widayat et al, 2022). Two internal criteria are the caliber of human resources, work ethic, entrepreneurial spirit, and business acumen. The

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management component includes the capacity to strategize, arrange, implement, and regulate.

Small and medium-sized firms have many human resource management challenges, such as recruitment issues, the formulation of employment regulations (including retention and termination policies), employee engagement, and competency development. The batik business significantly contributes to the worldwide creative sector market. Batik was designated as an intangible cultural treasure by UNESCO in Abu Dhabi on October 2, 2009. Batik is acknowledged as a distinctive cultural heritage of humanity in Indonesia. Consequently, the batik tradition has emerged as a symbol of national pride. Semarang batik, in contrast, is less acknowledged and less favored by consumers.

The motifs and themes of Semarang batik are distinctive, including floral and animal patterns, depictions of historical city architecture, portrayals of Semarang traditions, and imagery inspired by traditional cuisine, all accentuated by a predominantly monochromatic color palette. Our investigation revealed that the limited popularity of Semarang batik is due to three primary factors: an ineffective marketing plan, insufficient financial support from the Semarang City Government, and a lack of human resources. This research seeks to establish a human resources plan that aligns with the business strategy of Semarang batik SMEs, ensuring that human resource development satisfies and improves the requirements and quality of the executed strategy. Human resource planning involves the proactive assessment of future labor requirements. Human resource planning is a process aimed at addressing the present and future workforce requirements of a business (Amalia, 2012).

The increasing influx of new businesses in the Semarang market poses a significant threat. Semarang batik SMEs, which also supply their products to regions outside Semarang, are proactively addressing this issue. Effective marketing of batik items necessitates the utilization of several marketing tools. To enhance production costs for splatter batik, it is essential to reduce waste materials, determine competitive wholesale pricing, and establish performance targets for workers in their respective roles (artisans and administrative and financial management). This technique aims to minimize labor cost inefficiencies, enhance accountability in job responsibilities, utilize equipment judiciously, and maintain it to prolong its operational lifespan (Harini et al, 2021). MSME stakeholders can leverage governmental support, via financial resources and training initiatives, to include their craftspeople in educational endeavors. This assistance is essential for both novice and seasoned artists. Skilled painters must refine their batik methods to ensure continual advancement annually.

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To guarantee ongoing yearly advancement, proficient artists must refine their batik-making techniques. Certain SMEs continue to exhibit numerous external vulnerabilities, including an inability to adjust to essential environmental conditions.

The inability to adapt to strategic environmental factors is a recurring external deficiency exhibited by certain SMEs. The inherent shortcomings of MSMEs include insufficient managerial skills and knowledge, along with limited access to technological information, financial resources, and markets (Witjaksono, 2014). Market globalization amplifies economic interdependence and the interconnectedness of economic entities, compelling corporations to restructure and adapt their business plans. Micro, small, and medium enterprises (MSMEs) play a vital and significant role from multiple perspectives.

The increasing importance of micro, small, and medium enterprises is demonstrated by the rise in businesses and entrepreneurs, their role in job creation, the enhancement of gross domestic product (GDP), and the increase in non-oil and gas exports, all of which contribute to the elevation of national income. A company may have entrepreneurial orientation if it possesses a core characteristic linked to innovation in its market offerings. Market orientation necessitates research to comprehend norms and values; thus, it fosters organizational learning that integrates diverse perspectives on organizational structure and market intelligence (Hasiholan and Amboningtyas, 2021). Evaluating the business performance of micro, small, and medium firms requires the generation of exceptional value to improve operations. Indonesia's robust economic growth rate of 6.5% indicates significant potential for the micro, small, and medium enterprises (MSMEs) sector. Entrepreneurs' business models necessitate exact marketing techniques to maneuver through fierce competition.

Business performance encompasses a sequence of operations that commences with performance planning, progresses through monitoring and assessment, and culminates in follow-up actions, which may involve incentives or penalties. A firm's performance encompasses all consumer expectations for products or services, achieved by improving the quality of the outcomes delivered to consumers. Marketing performance evaluates the success derived from a company's holistic marketing initiatives. Ferdinand (2003) asserts that marketing performance is a metric frequently employed to assess the effectiveness of the organization's efforts. Entrepreneurship is the creative and imaginative capacity that constitutes the foundation, talent, and resource for identifying possibilities for success. Specific management studies delineate three essential traits vital for entrepreneurial management: the capacity for innovation, a propensity for risk-taking, and proactivity (Weerawardena 2003).

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You have not provided any text for translation. Kindly provide the text for translation, and I will be pleased to assist you. Entrepreneurship is recognized as a novel method for improving company performance, characterized by an entrepreneurial attitude that encompasses creativity, initiative, and risk-taking capabilities. Businesses recuperating from economic downturns caused by extended crises should embrace the recent revival in corporate performance with optimism. Entrepreneurship is recognized as a catalyst for sustainable and competitive economic growth in enterprises. Entrepreneurship represents one of the four fundamental pillars that underpin job creation (Afifah and Setiawan, 2012). The perception and activities associated with novel company endeavors are contingent upon the capacity for innovation.

Innovation is an essential component of entrepreneurship and embodies its fundamental traits. An individual's initiative in pursuing success reflects the personal dedication and concentration intrinsic to business. Likewise, if a firm prioritizes proactivity in its operations, it partakes in entrepreneurial endeavors that inherently foster improved performance. Weerawerdana (2003). A risk-taker is someone who pursues possibilities notwithstanding dissatisfaction in decision-making. Risk barriers are a crucial element affecting a company's entrepreneurial culture. An entrepreneurial strategy enhances business performance (Wardi et al., 2017; Suci, 2011).

Recognizing the significance of MSMEs in fostering economic growth is crucial, and these organizations must implement improvements and innovations to strengthen their competitiveness. Chandler in Ningtyas PK (2015) contended that a corporation is a very dynamic entity necessitating adaptations for competitiveness, one of which involves the implementation of e-commerce. Data from the Director General of Small and Medium Industries at the Ministry of Industry in 2014 indicates that merely 30–40 percent of SMEs have implemented modern technology to enhance their operations. Micro, small, and medium enterprises (MSMEs) are vital for strengthening the national economy, especially in developing countries like Indonesia.

In Semarang, micro, small, and medium enterprises (MSMEs) are integral to local economic advancement, employment creation, and community empowerment. Nevertheless, despite their importance, MSMEs persistently face several challenges related to management, finance access, marketing, and technological adaptation. This study aims to analyze the current conditions of MSMEs in Semarang, identify the obstacles they encounter, and explore the strategies necessary to enhance their competitiveness and sustainability

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RESEARCH METHODOLOGY

This study utilizes a qualitative methodology and descriptive analysis to elucidate the growth conditions of MSMEs in Semarang. This research employs a qualitative descriptive design within the qualitative economics framework, focusing on comprehending economic actions, decisions, and consequences through narrative, context, and subjective experience (Chamlee-Wright, 2010). The research examines how UMKM in Semarang address and maneuver through the problems and opportunities presented by contemporary economic growth, encompassing urban development, digitalization, and market liberalization.

This study functions within the interpretivist paradigm, aiming to examine how economic agents (specifically, UMKM players) perceive and react to their socio-economic context. The objective is not to generalize statistically but to extract profound insights into individual and collective experiences, motivations, and strategic actions. This study uses a descriptive research approach based on the interpretivist perspective to understand how UMKM (Micro, Small, and Medium Enterprises) in Semarang react to current economic growth. This method prioritizes the subjective experiences, perceptions, and decision-making processes of UMKM actors over numerical data.

The qualitative economic method excels at examining informal behaviors, cultural influences, and social contexts that impact economic actions, particularly in small enterprises where personal relationships, reputation, and individual effort frequently outweigh formal market regulations (Lenger, 2019). This study examines the experiences of UMKM proprietors and managers as they contend with the challenges of urban expansion, digital transformation, and heightened competitiveness. These actors frequently encounter intricate issues necessitating adaptive solutions, such as transitioning to online platforms, modifying infrastructure, or reacting to changes in consumer behavior. This research aims to elucidate the intricate ways in which economic modernization affects the resilience and evolution of local enterprises through an examination of their narratives and practices.

The concept is further validated by the limits of quantitative methodologies in capturing the complexities of informal sector dynamics (Basole and Ramnarain, 2016). Many factors that influence UMKM decision-making, like trust, cultural values, and flexible strategies, are hard to measure but are crucial for understanding how the economy can grow and remain stable. This project will gather comprehensive, context-specific data through in-depth interviews, focus group discussions, and participant observation, facilitating a grounded understanding of how UMKM players interpret and react to external

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economic influences. Document analysis enhances these qualitative methodologies by situating living experiences within wider policy and institutional contexts.

The analysis encompasses the timeframe from 2015 to 2025, highlighting significant transitions such as the effects of digitalization, the COVID-19 pandemic, and national UMKM empowerment initiatives. Semarang presents an optimal environment as a swiftly expanding urban economy in Central Java, showcasing a varied array of UMKM practices (Widyakto et al, 2023). The city's planned economic development, driven by infrastructure enhancement and rising tourism, offers both opportunities and challenges for small enterprises. This study seeks to produce insights that both represent the local context and may contribute to wider conversations on sustainable UMKM development in analogous urbanizing settings (Coast, 2017).

FINDING AND DISCUSSION

The ASEAN Economic Community (AEC) agreement created a unified regional economic framework in 2015. Micro, small, and medium companies (MSMEs) must continue to grow and sustain their operations in the face of global competition. Furthermore, Indonesia's economy and development continue to endure the consequences of the economic crisis. The most notable impact noted is the rising inflation and the devaluation of the rupiah, resulting in the closure of major industries and banks, so making unemployment unavoidable. In reaction to economic difficulties and the imperative for survival, many former employees and laborers engage in diverse economic activities, using their available capital and resources to initiate their ventures or to work in small enterprises owned by others that continue to operate.

This behavior creates motivation. Small and medium enterprises are regarded as key drivers of economic growth (Henderson & Weiler, 2010). Micro, small, and medium enterprises (MSMEs) are often defined as a sector of significant importance with notable characteristics (Connelly, Ireland, Reutzel, & Coombs, 2010). Theories about entrepreneurship have been created to explain many different things, such as why small businesses exist, why some companies are more innovative than others, and why businesses grow at different rates, as well as personal reasons for starting new businesses and how people find and chase specific opportunities.

Small and medium-sized firms (SMEs) are essential to the Indonesian economy and are positioned to act as a catalyst for the global economy in the future (Hadiyati, 2012). Micro, small, and medium enterprises (MSMEs) play several vital roles in the national economy: They are key players in economic activities, they create the largest

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number of employment opportunities, they substantially contribute to local economic development and community empowerment, they foster new markets and avenues for innovation, and they improve the balance of payments. Nonetheless, MSMEs face many obstacles that hinder their progress. The limited resources and expertise of MSMEs, combined with their minimal environmental effect, impede their marketing capabilities. We can implement market development initiatives through the enhancement of market penetration strategies, market expansion, and product innovation.

Therefore, scholars play a vital role in assisting SMEs in identifying effective strategies to enhance their marketing performance, especially those aimed at market penetration growth. Given the limited resources available to SMEs, we opted for this market penetration strategy due to its low risk in market expansion. Small and medium-sized enterprises (SMEs) are essential to the establishment and expansion of firms (Rigtering, Kraus, Eggers, & Jensen, 2014). The market penetration strategy emphasizes the augmentation of the current market and the existing product. The Ansoff matrix considers market penetration a low-risk approach for enhancing market share in comparison to competitors. The strategy involves market penetration and aims to penetrate new market segments while expanding the market to attract more people.

Market penetration assumes the presence of unmet demand and that customers have unutilized resources. This objective can be achieved by attracting more buyers from the same target demographic or by encouraging existing customers to enhance the frequency of their purchases of current products. A key determinant of market penetration value is the ability to attain profitability by effectively managing and adjusting market demand, sales, and market response via brand management, pricing, packaging, and promotion (Hooley, Saunders, & Piercy, 2012). In their operations, SMEs incorporate more informal and unstructured activities that rely on the energy and intuition of individuals to perform firm functions (Renton, Daellenbach, Davenport, & Richard, 2015).

Small and medium-sized firms must confront competition, and to prosper, they must acknowledge many opportunities and threats (Prajanto and Septriana, 2018). Therefore, MSMEs must continually adopt new and efficient strategies while implementing suitable marketing approaches to increase sales volume, corporate profitability, and market share. Small and medium-sized firms (SMEs) must persevere in the face of global competition, as demonstrated by the Middle East and Africa (MEA) area. Mutmainnah, Soesanto, and Sufian (2016) contend that the results of market penetration testing influence marketing performance.

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This finding contradicts the study by Wainaina and Oloko (2016), which demonstrates that penetration strategy has a negative association and hence exerts no meaningful influence on organizational growth. The market penetration strategy in corporations is a vital factor influencing marketing performance. Small and medium-sized firms necessitate a suitable market strategy to achieve optimal market performance. MSMEs with substantial market penetration may achieve optimal performance. The current requirements for business entities mandate that MSME participants attain technological proficiency. The progression of technology, marked by digitization and the internet, also impacts the marketing business (Awali, 2020). Entrepreneurial marketing tactics, previously conducted through conventional offline methods, can now be executed digitally online (Purwana, Rahmi, and Aditya, 2017).

Digital marketing techniques are more efficacious as they increase the likelihood of engaging prospective clients through detailed product information and online transactions. This enhances transaction efficiency for both vendors and purchasers. Digital marketing involves the promotion and targeting of specific audiences through online digital media, particularly via social media platforms such as Facebook, Twitter, Instagram, and WhatsApp (Harini and Handayani, 2019). Digital marketing possesses a vast worldwide reach, unbounded by geographical or temporal limitations (Saifuddin, 2014).

Digital marketing facilitates participatory and integrative marketing endeavors involving vendors, buyers, and market intermediaries (Purwana, Rahmi, and Aditya, 2017). Digital marketing enables retailers to easily monitor product availability and evaluate consumer desires and preferences. Furthermore, purchasers can request product information and confirm item availability while interacting directly with vendors, eliminating the need for face-to-face encounters. As a result, customers will find it simpler to make purchasing decisions based on the information they have acquired (Lestari and Saifuddin, 2020). The advantages of online shopping include time efficiency, competitive pricing from direct sourcing, and decreased physical effort. However, failing to exercise caution in choosing sellers and products may result in financial losses when shopping online (Sucihati and Aprilindia, 2019).

In reality, there are several cases where the ordered items do not match the descriptions or photographs displayed on the website. Data from We Are Social, a digital marketing firm in the United States, indicates that the leading social media sites in Indonesia as of January 2017 are YouTube (49%) and Facebook (48%). The following positions are occupied by Instagram (39%), Twitter (38%), WhatsApp (38%), and Google

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(36%). Facebook Messenger, Line, LinkedIn, BBM, Pinterest, and WeChat occupy the following positions, respectively.

The evidence indicates that Indonesian culture exhibits consumptive behavior due to the increasing prevalence of a digital lifestyle. However, the opportunities presented by the increase in digital engagement have not been effectively utilized by business operators, especially MSMEs, to augment revenue and expand market reach. Although a segment of business proprietors has embraced digital marketing, its total prevalence remains constrained (Meilinda and Mahmud, 2020).

The utilization of digital marketing is inadequate compared to the continuously increasing number of internet users. McKinsey's research indicates that only 30% of business operators in Indonesia have implemented digital marketing as a sales strategy. The potential for employing digital marketing in Indonesia is significant for improving the welfare of MSMEs. MSMEs regard marketing strategy as an essential framework that allows them to allocate limited resources effectively to optimize benefits and maintain competitive advantage (Setiawan, 2010). A marketing strategy is a systematic approach for firms to formulate plans aimed at achieving marketing objectives by focusing on certain market segments. By achieving these marketing objectives, the firm concurrently realizes its larger aims.

Companies can utilize several marketing strategies, one of which is the Ansoff Matrix, developed by Igor Ansoff to promote corporate expansion through the deployment of new products in established markets or the introduction of existing products into new markets. Ansoff's matrix comprises four fundamental strategies. The strategies include market penetration, product development, market expansion, and diversification (Ihalauw, 2017).

It is hazardous for businesses to attempt to penetrate a mature market. Market penetration involves acquiring new clients inside an established market. The aim is to rapidly obtain products or services and capture a significant market share.

Market penetration measures the percentage of the market that a product or service can achieve in terms of client acceptability; it aims to increase market share within a defined market. To achieve market penetration, marketers must develop strategies as specified (Ihalauw, 2017). Promotion is an activity that conveys information or enhances comprehension of the company's products or services and interacts with current or potential customers regarding these offerings. Promotional activities may focus on end consumers, intermediaries such as retailers, wholesalers, or distributors, or both categories. Promotion is vital to a company's success. Without promotion, potential

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consumers will remain unaware of the product or service's existence and benefits; even the most outstanding products cannot sell without promotional efforts (Healey, 1987).

Distribution is an essential element of marketing. Conversely, distribution is a marketing function that facilitates the passage of goods from manufacturer to customer. Distribution is described as a company's effort to ensure that products and services are readily available to its target customers (Kotler, 2008). Businesses generally evaluate their success based on performance measures. Performance signifies a company's exhibition of the outcomes achievable through its business operations and marketing plan, thus indicating its progress (Tjiptono, 2008). Growth arises from the convergence of resources, skills, and practices. Growth may be measured through revenue, value addition, and expansion; additionally, regarding firm size, it can be assessed subjectively based on market position, product quality, and customer goodwill (Gupta, 2013).

The evaluation of marketing performance depends on the profitability and productivity of marketing decisions. Profitability analysis assesses the effect of various marketing strategies and initiatives on the financial performance of a product or service. Productivity is contingent upon the sales or market share achieved through certain effective marketing strategies. The increase in the company's profits indicates the effectiveness of the marketing plan. The rise in sales and the gained market share will substantially impact the company's sales growth. If sales continue to rise and product sales remain strong, the company's profit growth will increase, reflecting enhanced performance.

Micro, small, and medium enterprises (MSMEs), particularly in the handicraft industry, play a vital role in poverty reduction in Central Java. Approximately 2% of handicraft entrepreneurs constitute the total of 17,602 MSME programs registered with the Cooperatives and Micro Enterprises Office of Semarang City. The government has launched a program for MSMEs to aid artisans in obtaining their market share. Therefore, to regain the market share of local artisans, it is imperative to establish links between these craftsmen and individuals who share a passion for traditional handcrafted products via accessible internet platforms, such as marketplaces for sellers and buyers (Kalil and Aenurohman, 2020). Kominfo estimates that more than 100 million Indonesians are presently using modern mobile phones.

Thus, the use of ICT is crucial for creating a platform to attract a broader audience interested in these traditional skills. Micro, small, and medium enterprises currently leverage marketplaces significantly to augment their product marketing. This program enables transactions and provides security guarantees, ensuring a safe experience for

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both buyers and sellers in the marketplace. This marketplace enables transactions and functions as a potent promotional tool for showcasing UMKM products (Auliya, 2024). This service delineates strategic initiatives to instruct artisans on the implementation of information technology, specifically in leveraging marketplaces and other technologies, to improve their comprehension of product marketing and stimulate innovation in their businesses through the integration of advanced technological advancements.

At the Katadata event on Thursday, July 16, 2020, named Asian Insights Conference 2020: Navigating a Brave New World, Piter Abdullah Redjalam, Director of Research at CORE (Center of Reform on Economics), stated that the Indonesian economy is approaching a recession threshold due to the COVID-19 pandemic. The COVID-19 pandemic has impacted nearly every country, establishing this recession as the new norm. Another viewpoint suggests that Indonesia's economy has entered a recession, with forecasts from the Central Statistics Agency (BPS) anticipating a GDP decline of roughly 1.3–1.7 percent in the third quarter. Tauhid Ahmad, the executive director of INDEF, the Institute for Development of Economics and Finance, expressed this perspective.

The complex situation in this nation is once again reliant on the role of MSMEs as a safety valve. This year marks the third instance in which MSMEs have successfully rescued this nation from economic crises in 1998 and 2008. The economic crises of 1998 and 2008 did not significantly harm MSMEs; however, the current pandemic has imposed a more profound impact due to restrictions on community activities, remote work arrangements, and MSME operators' tendency to limit outdoor engagements for health protection (Marlinah, 2020). The pandemic has profoundly affected 23,900 MSMEs in Central Java, with 65% engaged in the food and beverage, fashion, and handicraft industries. Common concerns include the inability to service bank debts, production issues arising from disrupted raw material supply, and restricted market access due to insufficient utilization of the online sector. These issues provide unique challenges in the quest for sustainability.

For MSMEs involved in many crafts in Semarang City, totaling 17,600 entrepreneurs, the ongoing pandemic demands effective management due to the significant impact on businesses and personnel. The sustainability of the enterprise and its endeavors for survival have become crucial elements of the conflict. Retnawati (2011) asserts that handicrafts made from natural materials hold potential due to their variety and uniqueness, necessitating future advancement through the creative abilities of entrepreneurs and artisans. Craft SMEs demonstrate their ability to withstand the

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intricacies and challenges of the modern competitive landscape (Hadipuro, Maretha, & Retnawati, 2013; Retnawati & Soekesi, 2009, 2010). Examining the pandemic situation is crucial for understanding how stakeholders in the creative industry adapt and persevere during difficult times, with the anticipation that these SMEs can sustain their aspirations for a new normal. Piter Abdullah Redjalam, Director of Research at CORE (Center of Reform on Economics), stated that when recession becomes the dominant state for all countries affected by COVID-19, the differences lie in the depth and speed of each nation's recovery.

The significant presence of MSMEs in Indonesia can act as a crucial catalyst for the country's economic recovery. Indonesia possesses a significant quantity of MSMEs; as reported by BPS (Central Statistics Agency), there are 64 million MSMEs across the nation, constituting 99.9 percent of firms that support the Indonesian economy. A survey conducted by the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) revealed that 8 million MSMEs in Indonesia have employed online media for product promotion. Online MSMEs represent 13 percent of the total firms in Indonesia. In light of the significant number of MSMEs in Indonesia, the government has implemented various efforts within the national economic recovery program (PEN program) to rejuvenate micro, small, and medium enterprises (MSMEs) in the country (Setyaningsih and Satyarini, 2023). Piter Abdullah stated that the national economic recovery program (PEN Program) is hopeful in its efforts to revitalize Indonesia's economy, now weakened by the COVID-19 pandemic.

Economic growth refers to the increase in the real sector or activities associated with the production of goods and services inside a country. The production of commodities from factories and industries has increased, infrastructure distribution has improved, the nation's public amenities, including educational institutions, have been modernized, and the manufacturing of capital goods has intensified. Economic growth is characterized as a nation's quantifiable economic status evaluated by specific measures throughout a specified period. Indicators serving as benchmarks for economic advancement include an increase in national income and per capita income, a reduced unemployment rate in relation to the current workforce, and a low poverty rate.

An economic crisis or a slowdown in economic growth is ascribed to a decline in the indicators that gauge a nation's economic progress. Economic growth is an effort aimed at increasing income irrespective of population expansion. (Rappana, cited in Management Economics, 2020). This indicator can serve as a criterion to assess the effectiveness and progress of a nation's economic growth initiatives over a specified

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period. The significant increase in the community's economic growth signifies the efficacy of the development measures executed by the local administration. The per capita income of the nation's population also reflects the community's prosperity.

An examination of a nation's economic growth rate can enhance the evaluation of national revenue and improve development plans, especially for local government. A downturn in economic growth may warrant the acquisition of aid, whether from external or international sources, such as the World Bank or allied states willing to provide assistance (Widhiastuti et al, 2019). For business enterprises, economic growth serves as a criterion for future planning, including improvements in product quality and quantity, resource utilization, and marketing tactics (Credit Simulation, 2013). An important observation concerning microenterprises is that those with a decline above 50% correspond with those with a decline below 50%. This alignment is made easier by the ability to promote on digital platforms and social media, according to additional analysis of these findings. MSMEs utilizing digital marketing will be better equipped to navigate this pandemic.

CONCLUSION

The examination of micro, small, and medium companies (MSMEs) in Semarang underscores their crucial contribution to local economic resilience, employment generation, and poverty reduction. Micro, small, and medium enterprises (MSMEs) constitute a fundamental pillar for community-oriented development by promoting entrepreneurship and optimizing the use of local resources. Their impact on gross regional domestic product (GRDP) and economic diversification highlights their strategic significance in regional development frameworks.

Nonetheless, MSMEs in Semarang persist in encountering numerous structural and operational obstacles. These encompass restricted access to formal financing, inadequate technical adoption, deficient corporate management abilities, and an absence of market expansion strategies. The lack of integrated support systems frequently obstructs their scalability and long-term viability. These concerns must be systematically addressed by policy initiatives, education, and the provision of specialized business services. A multi-stakeholder strategy is crucial for the growth and sustainability of MSMEs. Government activities must concentrate on enhancing regulatory frameworks, offering training and digitization assistance, and enabling market access via infrastructure and e-commerce platforms. Academic institutions and the private sector play essential roles in providing innovation, mentorship, and partnership possibilities. Cultivating a

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conducive climate could empower MSMEs in Semarang to achieve sustainable development and enhance their economic competitiveness.

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