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## Scaling Up Culinary MSMEs for Local Economic Growth: A Study of Pontianak's Transition from Micro to Small/Medium Enterprises

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### ***Abstract:***

*The transition of Micro, Small, and Medium Enterprises (MSMEs) to a sustainable economy in the 4.0 era is crucial for economic development and environmental sustainability in many countries. MSMEs face various challenges in continuing to grow and develop. Adopting information technology is important to continue supporting MSMEs in growing optimally. The development of MSMEs must be supported by easy access to Capital and favour MSMEs. This study aims to test and analyze the effect of information technology, access to Capital, and government policies on the transition of culinary MSMEs from Micro to small and medium in Pontianak City. This research used a quantitative approach with multiple regression analysis tools and the SPSS 25 test tool. The data collection technique was carried out by interviewing and distributing questionnaires. The number of samples in this study was 279 respondents. The results of this study show that information technology, access to Capital, and government regulations have a positive and significant effect on the transition of Micro to small and medium enterprises. Research should involve other factors, such as human resource training for MSME owners, so that they can take advantage of the growing technology.*

**Keywords:** *Information Technology; Access to Capital; Government Policy; Sustainability; MSME Transition*

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## **1. Introduction**

The transition of Micro, Small, and Medium Enterprises (MSMEs) to a sustainable economy in the 4.0 era is crucial for economic development and environmental sustainability in many countries. It is recognized as an essential variable supporting Indonesia's Economy by employing labour and driving economic growth. However, most of the MSMEs operating in Indonesia are still in the microstate and, therefore, have a small and narrow scale of operation (P. S. I. Lubis & Salsabila, 2024). The transformation in MSMEs from micro-stage to SMEs will enhance competitiveness, thereby accessing larger markets and exploiting better economic opportunities. It is, thus, essential to know the factors affecting the transition of MSMEs so that proper strategies and policies can be drafted and implemented that favour the transition process. Transitioning from Micro to small and medium-sized enterprises requires increased Capital and access to financing. Micro MSMEs have usually faced financing

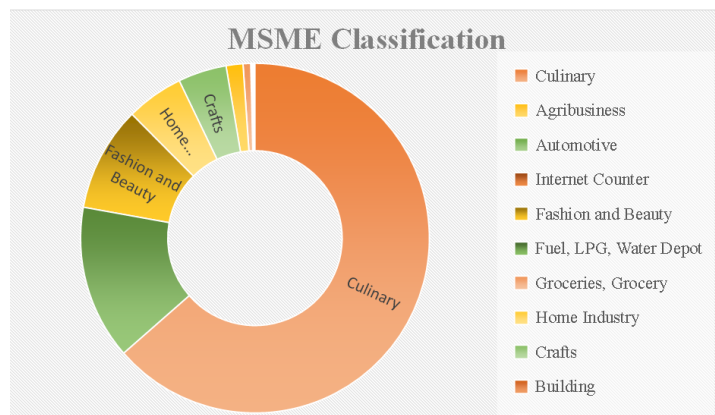
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inaccessibility due to a lack of collateral, limited financial information, and a high-risk profile (Teruna & Ardianstah, 2024).

This will necessitate an increase in the quality of human resources to enable them to manage more extensive and complicated businesses (Farida & Setiawan, 2022). Knowledge, skills, and management capabilities needed to support the transition should be upgraded. Among other factors that are integral in the transition of MSMEs are technology and innovation. The application of technology will enhance efficiency, productivity, and competitiveness and open up new marketing opportunities (Suherlan & Okombo, 2023). In addition to that, other factors not to be overlooked include a business-friendly environment, such as enabling regulation, appropriate infrastructure, and access to markets. Above all, support from the government through capacity building, training, mentorship, and incentive programs for transitioning MSMEs will be critical. The government should again create a business ecosystem that ensures the ease of business for MSMEs (Koeswahyono et al., 2022).

MSMEs are agents that significantly contribute to economic growth and job creation (Escobar-Castillo et al., 2023). In the Global Economy, MSMEs represent 90% of businesses worldwide and more than 50% of employment (R Wibowo, 2021). Integrating sustainability into Micro, Small, and Medium Enterprises (MSMEs) has challenges due to limited resources, demanding access to funding, and less favourable regulations for MSMEs (Kumar et al., 2020). Nonetheless, MSMEs are essential to Developing MSMEs in Pontianak City, which is very significant yearly (Sigcha et al., 2024). The following is data on the transition and growth of MSMEs in Pontianak City until 2023:



**Figure 1. MSME Classification**

Graph 1 shows that the growth of MSMEs in the micro sector is very rapid. However, very few MSMEs have transitioned from Micro to small businesses, and no MSMEs have transitioned from small to medium-sized businesses over the past three years. Based on the type of business, culinary MSMEs still dominate the current growth of MSMEs. It can be seen that culinary MSMEs dominate growth compared to other kinds of companies. However, this growth is not in line with the transition of existing MSMEs. Many Culinary MSMEs are still classified as Micro due to various obstacles (Setiawan, Sari, et al., 2024). The barriers can be the limitations in using information technology to carry out business activities (Arianto, 2021). MSMEs often experience

difficulties following rapidly changing market trends and face internal problems such as a lack of adaptation to technological developments (M. . Yunus & Siregar, 2019).

Furthermore, access to funding from financial institutions is difficult. MSMEs experience difficulty accessing capital resources, such as bank business funds (Nandita et al., 2019). Government regulations or policies that do not support or pay attention to MSMEs can affect the success of the MSME transition (Anggraeni, 2017).

Previous research has provided significant insights into financial statement preparation and MSME sustainability (Widyawati et al., 2022). The current research focuses more on the factors that influence the preparation of MSME financial statements (Putra et al., 2023). This research can fill knowledge gaps, especially regarding more effective strategies for overcoming MSME transition challenges and the impact of digital technology and regulations in accelerating the MSME transition process from Micro to Small and Medium. This research aims to fill this knowledge gap and contribute meaningfully to understanding the MSME transition process. This research focuses on productive quantitative methods and critical factors of MSME transition from Micro to small and medium enterprises, namely information technology, access to Capital, and government policies. Furthermore, it focuses on the context of exploring the long-term sustainable aspects of MSMEs. This research will focus on one type of culinary MSME with the most incredible growth among other types of businesses.

## **2. Theoretical Background**

### **The Resource Based View Theory (RBV)**

Resource View Theory is a theory that describes how a company can achieve competitive advantage by relying on resources so that it can direct the company to be sustainable continuously (N. W. Lubis, 2022). RBV theory focuses on the organization's ability to utilize resources to gain a competitive advantage. The primary approach of Resources Theory is to understand the relationship between resources, capabilities, competitive advantage, and profitability, especially to understand the mechanism of maintaining competitive advantage over time. In the context of MSMEs, Penrose's Theory explains how MSMEs can utilize their expertise, skills, and experience to expand their business (Salsabillah et al., 2023). Factors such as information technology, access to Capital, and government regulations can be seen as opportunities or constraints that affect the speed and pattern of growth of MSMEs from Micro to small and medium scale.

### **Information Technology**

The application of information technology can improve operational efficiency, facilitate market access, and improve the quality of products and services. Technology adoption theory explains how MSMEs adopt information technology based on advantages, compatibility, complexity, and observation. This research will examine how information technology, such as financial technology and e-commerce, can help MSMEs expand market reach, improve efficiency, and manage more complex businesses (Zamani, 2022).

### **Access to Capital**

Access to Capital through bank loans, venture capital investments, or other financing schemes enables MSMEs to increase production capacity, develop new products, and expand markets. Access to finance theory explains the factors that influence the success of MSMEs in gaining access to Capital, such as credit history, collateral, and financial information (Kijkasiwat et al., 2022). This study will examine how access to Capital can encourage MSMEs to make the necessary investments to scale up their businesses.

### **Government Regulation**

Supportive government regulations, such as pro-MSME taxation policies, training and mentoring programs, and ease of licensing, can help MSMEs overcome challenges in growing. Business environment theory emphasizes the critical role of external factors in business success (Rampyapedi & Adetunji, 2023). Conducive regulations and adequate infrastructure can encourage the growth of MSMEs. This study will examine how government regulations at the national and local levels can support the transition of MSMEs to a larger scale.

### **MSME Transition**

The transition of MSMEs involves additional Capital through self-investment, bank loans, or investor funding (Tambunan et al., 2022). This extra Capital allows MSMEs to increase production capacity, expand market reach, and develop new products. The transition also requires improving the quality of human resources (H.R.). Improved knowledge, skills, and managerial capabilities are essential for managing more extensive and complex businesses. Adopting information technology, such as e-commerce, inventory management systems, and digital marketing solutions, can improve efficiency, productivity, and competitiveness (Arifin et al., 2016).

## **3. Methodology**

This research focuses on Culinary MSMEs in Pontianak City. This type of research is quantitative and uses a survey approach (Sugiyono, 2019). The initial stages of the research began with general identification, literature study, proposal formulation, data collection, data analysis, and research results. This research identifies the influence of Information Technology, Access to Funding, and Government Policy on the Transition of Culinary MSMEs from Micro to Small and Medium. The selection in the survey method is not limited to processing data only but also to analyzing and interpreting data. This research is also classified as conclusive research because it aims to test a cause-and-effect relationship between one variable and another.

The population in this study were MSMEs in Pontianak City. The sampling technique used is nonprobability sampling in the form of purposive sampling, using the criteria that MSMEs are engaged in the culinary sector. The minimum sample size is at least 5 (five) to 10 (ten) times the number of variables or indicators of the research variable (Hair et al., 2019) so that the minimum number of sample estimates in this study is (number of indicators  $20 \times 10 = 200$ ) 200 respondents (Flury et al., 2019).

The data analysis technique uses descriptive analysis and multiple regression analysis. The descriptive analysis concentrates on the average element (mean) of the questionnaire results. The data is analyzed in tabular form, processed, and classified using quantitative methods based on percentages, and then a conclusion is drawn with the SPSS Version 26 analysis tool (Darren George, 2016).

#### 4. Empirical Findings/Result

##### General Description of Research

The research was conducted at Micro, Small, and Medium Enterprises (MSMEs), especially culinary ones. Research data was obtained by distributing questionnaires online via Google Forms and directly to MSME actors. The following are the characteristics of the respondents used in this study.

**Table 1. General Description of Respondents**

| Description                       | Number | Percentage (%) |
|-----------------------------------|--------|----------------|
| <b>Gender</b>                     |        |                |
| Male                              | 97     | 34.8%          |
| Female                            | 182    | 65.2%          |
| <b>Age (Years)</b>                |        |                |
| 20 - 25                           | 24     | 8.6%           |
| 26 - 30                           | 136    | 48.7%          |
| 31 - 35                           | 115    | 41.2%          |
| 36 - 40                           | 3      | 1.1%           |
| 41 - 45                           | 1      | 0.4%           |
| <b>Education</b>                  |        |                |
| High School                       | 91     | 32.6%          |
| Diploma                           | 75     | 26.9%          |
| Bachelor                          | 110    | 39.4%          |
| Masters                           | 3      | 1.1%           |
| <b>Length of Business (Years)</b> |        |                |
| 1 - 5                             | 112    | 40.1%          |
| 6 - 10                            | 146    | 52.3%          |
| 11 - 15                           | 21     | 7.5%           |
| <b>Business Type</b>              |        |                |
| Micro                             | 87     | 32.1%          |
| Small                             | 137    | 49.1%          |
| Medium                            | 55     | 19.7%          |

Table 1 shows that most MSME owners are female (65.2%), with the dominant age between 26 to 35 years old (89.9%). Most respondents have an undergraduate educational background (39.4%), followed by high school graduates (32.6%) and diplomas (26.9%). Regarding length of business, 52.3% of respondents had been in business for 6-10 years, while 40.1% had been in business for 1-5 years. The most common type of business is small business (49.1%), followed by micro business (32.1%) and medium business (19.7%). This shows that most culinary MSME owners still have small-scale businesses and have been operating for a long time.

### Data Quality Test

This validity test is used to determine the level of validity of a questionnaire used in data collection. The questionnaire is valid if the questions can reveal something that will be measured by the questionnaire (Darren George, 2016). The significant test compares the calculated r-value with the r table value for the degree of freedom ( $df = n-2$ , in this case, the number of samples. The number of samples ( $n$ ) in this study was 279, so the amount of  $df$  was  $279-2 = 277$  with a significance level of 5%. In this case, the r table is obtained at 0.118. The test results can be seen in the following table:

**Table 2. Data Validity Test Results**

| Variable               | Item No | R_count | R_table | Description |
|------------------------|---------|---------|---------|-------------|
| Information Technology | 1       | 0.543   | 0.118   | Valid       |
|                        | 2       | 0.521   |         |             |
|                        | 3       | 0.399   |         |             |
|                        | 4       | 0.306   |         |             |
|                        | 5       | 0.507   |         |             |
| Access to Capital      | 1       | 0.478   | 0.118   | Valid       |
|                        | 2       | 0.576   |         |             |
|                        | 3       | 0.430   |         |             |
|                        | 4       | 0.505   |         |             |
|                        | 5       | 0.482   |         |             |
| Government Regulation  | 1       | 0.633   | 0.118   | Valid       |
|                        | 2       | 0.521   |         |             |
|                        | 3       | 0.487   |         |             |
|                        | 4       | 0.510   |         |             |
|                        | 5       | 0.655   |         |             |
| MSME Transition        | 1       | 0.526   | 0.118   | Valid       |
|                        | 2       | 0.488   |         |             |
|                        | 3       | 0.429   |         |             |
|                        | 4       | 0.394   |         |             |
|                        | 5       | 0.410   |         |             |
|                        | 6       | 0.502   |         |             |
|                        | 7       | 0.527   |         |             |
|                        | 8       | 0.319   |         |             |

### Data Reliability Test

The reliability test is used to determine the consistency of the measuring instrument in its use; in other words, it has consistent results when used many times at different times. A variable is said to be reliable if it provides a *Cronbach Alpha* ( $\alpha$ ) value  $> 0.60$  (Ghozali, 2016).

**Table 3. Reliability Test Results**

| No | Variable               | Cronbach Alpha | Description |
|----|------------------------|----------------|-------------|
| 1  | Information Technology | 0.601          | Reliable    |
| 2  | Access to Capital      | 0.654          | Reliable    |
| 3  | Government Regulation  | 0.709          | Reliable    |
| 4  | MSME Transition        | 0.673          | Reliable    |

Based on the test results in Table 3, it can be seen that the *Cronbach alpha* value is above the threshold value of 0.60, so it can be said that all variable items are declared reliable.

## Classical Assumption Test

### Normality Test

The normality test determines whether confounding or residual variables are normally distributed in the regression model (Ghozali, 2016). If the value of Asymp. Sig. (2-tailed) is less than 0.05, then  $H_0$  is rejected. This means that the residual data is not normally distributed. And if the value of Asymp. Sig. (2-tailed) is more than 0.05, then  $H_0$  is accepted. Normality testing in this study used the One-Sample Kolmogorov-Smirnov Test. The following are the results of the tests carried out:

**Table 4. Normality Test Results**

|                               |                       | <i>Unstandardized Residual</i> |
|-------------------------------|-----------------------|--------------------------------|
| N                             |                       | 279                            |
| <i>Normal Parameters</i>      | <i>Mean</i>           | 0.0000000                      |
|                               | <i>Std. Deviation</i> | 1.39627607                     |
| <i>Test Statistic</i>         |                       | 0.049                          |
| <i>Asymp. Sig. (2-tailed)</i> |                       | 0.099                          |

*Source: data analyzed, 2024*

Based on the Kolmogorov-Smirnov test results in Table 4, the Asymp. Sig. (2-tailed) is 0.099, which is greater than the significance level of 0.05. This indicates that the residual data is normally distributed. The mean value of the residuals is 0, and the standard deviation is 1.396, which supports the conclusion that there is no significant deviation from the normal distribution. According to (Darren George, 2016), if the significance value of the Kolmogorov-Smirnov test is greater than 0.05, then the data can be declared normally distributed, so the normality assumption is met in this analysis.

### Heteroscedasticity Test

The heteroscedasticity test is used to see if the variable variants in the regression model have the same value. It can also be said that this heteroscedasticity test is carried out to test whether, in a regression model, there is an inequality in the variance of the residuals from one observation to another observation. The following are the results of the Heteroscedasticity test that has been carried out:

**Table 5. Heteroscedasticity Test Results**

| <b>Model</b>           | <i>Standardized Coefficients</i> | <b>t-value</b> | <b>Significance</b> |
|------------------------|----------------------------------|----------------|---------------------|
|                        | Beta                             |                |                     |
| <i>(Constant)</i>      |                                  | 0.869          | 0.385               |
| Information Technology | 0.078                            | 1.063          | 0.289               |
| Access to Capital      | -0.026                           | -0.339         | 0.735               |
| Government Regulation  | -0.052                           | -0.610         | 0.542               |

*Source: data analyzed, 2024*

Based on the test results conducted in Table 5, it can be seen that there are no symptoms of heteroscedasticity. This is evidenced by the significance value generated by each variable above the *p-value* of 0.05, which means that the regression model does not occur in heteroscedasticity.

### Multicollinearity Test

The multicollinearity test method looks at each variable's VIF and tolerance values. The multicollinearity test results are presented in the following table:

**Table 6. Multicollinearity Test Results**

| No | Variable               | Torrance | VIF   | Description |
|----|------------------------|----------|-------|-------------|
| 1  | Information Technology | 0.669    | 1.495 | Free        |
| 2  | Access to Capital      | 0.600    | 1.666 | Free        |
| 3  | Government Regulation  | 0.506    | 1.987 | Free        |

Source: data analyzed, 2024

Based on Table 6, it can be seen that each independent variable has a *tolerance* value above 0.10 and a VIF value of less than 10.00, so it can be concluded that each variable in this study does not have multicollinearity symptoms and is suitable for research.

## Hypothesis Testing

### Coefficient of Determination

The coefficient of determination analysis determines how much influence information technology, access to Capital, and government regulations have on the transition of MSMEs. The following are the results of testing the coefficient of determination:

**Table 7. Results of the Coefficient of Determination**

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1     | 0.875 | 0.765    | 0.763             | 1.404                      |

Source: data analyzed, 2024

Based on the test results in Table 7, the *Adjusted R Square* coefficient of determination is 0.763, which means that variations in information technology, access to Capital, and government regulations can explain the transition of MSMEs by 76.3%. In comparison, the rest ( $100\% - 76.3\% = 23.7\%$ ) is explained by other variables not examined in this study.

### F Statistical Test

The F test is used to assess the feasibility of the model formed in this study. The following are the results of the F Statistical Test output:

**Table 8. Result Anova Test (F)**

| F-value | F-table | Significance | Standard | Description  |
|---------|---------|--------------|----------|--------------|
| 299.202 | 2.640   | 0,000        | P < 0,05 | Significance |

Source: data analyzed, 2024

The ANOVA test results in Table 8 obtained an F\_count value of 299,202 and an F\_table of 2,640. The calculated F value is greater than the F table value, and the probability value is  $0.000 < 0.05$ , indicating that the model is suitable for this study.

### Partial Effect Test (t-Test)

The t-test is used to prove the hypothesis and to determine the effect of information technology, access to Capital, and government regulations on the transition of MSMEs. The results of the t-statistical test are presented in the following table:

**Table 9. Result T-test (Uji t)**

| Model                  | Unstandardized Coefficients |            | t-value | Significance |
|------------------------|-----------------------------|------------|---------|--------------|
|                        | B                           | Std. Error |         |              |
| 1 (Constant)           | 7.947                       | 1.634      | 4.864   | 0.000        |
| Information Technology | 0.212                       | 0.060      | 3.502   | 0.001        |
| Access to Capital      | 0.576                       | 0.052      | 11.110  | 0.000        |
| Government Regulation  | 0.557                       | 0.049      | 11.377  | 0.000        |

Source: data analyzed, 2024

Based on the multiple linear regression test results in Table 9, the regression equation is obtained as follows:

$$Y = 7.947 + 0.212X_1 + 0.576X_2 + 0.557X_3 + e$$

The explanation of the regression equation obtained is as follows:

- The constant of 7,947 indicates that if the variables of Information Technology ( $X_1$ ), Access to Capital ( $X_2$ ), and Government Regulation ( $X_3$ ) are zero, then the dependent value will be 7,947.
- Information Technology has a coefficient of 0.212 with a t value = 3.502 and a significance of 0.001, which means that this variable significantly affects the dependent variable at the 5% significance level. This means that every one-unit increase in Information Technology will increase the dependent variable by 0.212.
- Access to Capital has a coefficient of 0.576 with a t value = 11.110 and a significance of 0.000, which also shows a significant effect on the dependent variable. Each one-unit increase in Access to Capital will increase the dependent variable by 0.576.
- Government Regulation has a coefficient of 0.557 with a t-value = 11.377 and a significance of 0.000, indicating that this variable also significantly affects the dependent variable. Each one-unit increase in Government Regulation will increase the dependent variable by 0.557.

Based on the explanation above, it can be concluded that information technology, access to Capital, and government regulations can affect the transition of culinary MSMEs.

## 5. Discussion

### The Impact of Information Technology on MSME Transition

The application of information technology (I.T.) plays a vital role in the transition of MSMEs from Micro to small and medium. I.T. can help MSMEs achieve operational efficiency, improve market access, and encourage innovation, facilitating business growth and development. The application of I.T. is in line with information accounting theory, which states that accurate, timely, and relevant accounting information is essential for business decision-making (Hadiprajitno, 2024). Adopting information technology, particularly in the form of accounting information systems, can contribute to the success of MSMEs. Research shows that using good accounting information positively affects the performance and sustainability of MSMEs (Putra & Sulindawati, 2023). This suggests that MSME owners who utilize information technology for financial and accounting management can make better decisions and improve their competitiveness. In addition, information technology also improves work efficiency and effectiveness, improving the overall performance of employees and organizations (Ayu & Dewi, 2022).

Information technology serves as a tool to increase the innovation and competitiveness of MSMEs. Information technology in culinary businesses can help MSMEs increase their competitive advantage (Afriyeni et al., 2023). This shows that MSMEs that can adapt to new technologies tend to have a better position in a competitive market. The Resource-Based View (RBV) theory explains that the resources owned by an organization, including information technology, can be a

competitive advantage that supports the growth and sustainability of MSMEs (Yunita et al., 2023; Kuswanto et al., 2024). Information technology serves as a resource that enables MSMEs to improve operational efficiency, expand market access, and improve financial performance.

The adoption of information technology can innovate their products and services, which not only improves competitiveness but also supports business sustainability. The adoption of information technology has an impact not only on operations but also on the competitive position of MSMEs in an increasingly competitive market. Awareness of the importance of technology is not always followed by concrete actions, which can ultimately affect the quality of decision-making. Technology adoption in MSMEs plays an important role in determining the success of MSMEs, but not all MSMEs can adopt technology. Although information technology can potentially improve decision-making, many MSME players still have difficulties implementing it effectively (Nanda & Salmiah, 2017).

### **The Effect of Access to Capital on MSME Transition**

Access to Capital is crucial in driving the transition of MSMEs from Micro to small and medium. Access to Capital enables MSMEs to increase production capacity, expand market reach, and develop innovations, thereby strengthening their base for growth. Sufficient Capital allows MSMEs to invest in business development, increase production capacity, and expand markets. Capital investment, both physical and financial, is key to improving productivity and economic growth. Meanwhile, capital accumulation for MSMEs can drive long-term economic growth.

Ease of access to Capital can increase entrepreneurs' decision to take credit, supporting their business growth (Pramesti & Hadi Utomo, 2022). Access to Capital positively affects the sustainability of MSMEs; with good access to Capital, MSMEs can increase their production capacity and expand their market reach (Nugraha Sugita & Seri Ekayani, 2022). MSMEs with access to Capital tend to have higher growth rates, create more jobs, and contribute more to the Economy. MSMEs with access to Capital from financial institutions tend to have higher turnover growth than those relying on their Capital. However, there are also research results that show that access to Capital does not always have a positive effect on MSME transition.

Many MSMEs experience difficulty accessing Capital due to insufficient knowledge and ability to prepare good credit proposals (Diana, 2019). This indicates that although access to Capital is available, not all MSMEs can utilize it effectively. However, some studies show that access to Capital does not always positively impact MSMEs. For example, research (Westmore, 2015) shows that access to credit for MSMEs in developing countries does not always lead to increased productivity and growth and can even lead to increased financial risks.

### **Effect of Government Regulation on MSME Transition**

Government regulations play an important role in supporting the transition of MSMEs from Micro to small and medium-sized enterprises by creating an ecosystem conducive to their growth and development. Supportive regulations can create a stable investment climate, encourage access to Capital, and facilitate MSME business

processes (Apidana et al., 2024). For example, simple and integrated licensing regulations can make it easier for MSMEs to start and grow their businesses (Moccerro, 2019). MSMEs in areas with regulations more conducive to business tend to have higher growth rates than those with more complex regulations (Setiawan, Pernamasari et al., 2024). Research (Sugiri, 2020) also shows that government policies that focus on saving MSMEs during times of crisis are critical to ensuring their business sustainability. These policies help MSMEs survive and encourage them to innovate and scale up their businesses.

Previous research shows that supportive regulations, such as easy access to financing and training, improve the capacity and competitiveness of MSMEs (R. M. Yunus, 2022). In addition, research by Khotimah and Budi shows that government support and innovation also play an important role in improving the competitiveness of MSMEs, meaning that access to Capital alone is not enough to guarantee the successful transition of MSMEs (Maulida et al., 2023). However, it is important to note that the effectiveness of regulations depends on their implementation and enforcement. Good regulations should be understandable, transparent, and accessible to MSMEs. In addition, effective training and mentoring programs are also needed to help MSMEs understand and utilize existing regulations.

Despite the government's role as regulator, facilitator, and catalyst in empowering MSMEs, many regulations are poorly implemented locally (Triastuti, 2021). This causes MSMEs not to get optimal benefits from existing regulations. This research emphasizes that regulations that do not fit the specific needs of MSMEs can hinder their growth. Other research also highlights that although the government has issued various policies to support MSMEs, the effectiveness of these policies still needs to be evaluated more deeply (Setyawati et al., 2023).

## **6. Conclusions**

This study begins by evaluating the factors that can affect the transition of culinary MSMEs from Micro to small and medium enterprises. The test results show that information technology, access to Capital, and government regulations positively and significantly affect the transition of MSMEs from Micro to small and medium enterprises. These factors can be the key to the success and sustainability of MSMEs. Information technology, access to Capital, and supportive regulations can encourage the growth of MSMEs, and access to Capital and conducive regulations can increase their efficiency and productivity.

The government needs to encourage I.T. adoption among MSMEs through training programs, incentives, and the provision of digital infrastructure. The government must develop programs and policies that facilitate access to Capital for MSMEs, such as more accessible credit schemes, financial inclusion programs, and reduced borrowing costs. It needs to simplify regulations related to MSME businesses, increase transparency, and improve the effectiveness of their enforcement. Despite revealing significant findings on the determinants of MSME transition, research is still needed to involve other factors, such as human resource training for MSME owners, so that they can utilize the growing technology.

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