

## **Implementation Of Small And Medium Enterprise Development In Indonesia As An Impact Of The Government's Budget Efficiency Policy (Case Study In East Nusa Tenggara)**

### **Penerapan Pengembangan Usaha Kecil Dan Menengah Indonesia Sebagai Dampak Dari Kebijakan Efisiensi Anggaran Pemerintah (Studi Kasus Di Nusa Tenggara Timur)**

Sari Bandaso Tandilino<sup>1</sup>, Imelda Regina Pelokila<sup>2</sup>

Jurusan Pariwisata, Politeknik Negeri Kupang<sup>1,2</sup>

[saribandaso@yahoo.co.id](mailto:saribandaso@yahoo.co.id)<sup>1\*</sup>, [imleda.pelokila@gmail.com](mailto:imleda.pelokila@gmail.com)<sup>2</sup>

\*Corresponding Author

---

#### **ABSTRACT**

Indonesia focuses on efforts to support the development of SMEs because this sector provides 99.9% employment with 96.9% labor absorption, and Contribution to Indonesia's Gross National Product of 60.5% and the national entrepreneurship ratio has only reached 3.47% of the productive population in Indonesia, however, with the existence of budget efficiency policies, it will have an impact on the performance of SMEs. The purpose of the research is to find out the implementation of the development of East Nusa Tenggara MSMEs as an impact of government budget efficiency policies. The research method is carried out through several stages, namely the author observes and analyzes based on the phenomena that occur related to the research topic. Then determine the focus of the research based on the information that has been obtained and obtained from literature review and secondary data and other data and presented in the form of qualitative analysis. Result this research are government budget efficiency will have a positive impact on MSMEs if the saved funds are strategically reallocated to support key MSME development programs. Conversely, efficiency without careful consideration of the needs of the real sector can harm MSMEs and slow local economic growth.

**Keywords :** development, efficiency, MSMEs

#### **ABSTRAK**

Indonesia berfokus pada upaya mendukung pengembangan UMKM karena sektor ini menyediakan 99,9% lapangan kerja dengan penyerapan tenaga kerja 96,9%, dan kontribusi terhadap Produk Nasional Bruto Indonesia sebesar 60,5%, serta rasio kewirausahaan nasional hanya mencapai 3,47% dari penduduk produktif di Indonesia. Namun, dengan adanya kebijakan efisiensi anggaran, hal ini akan berdampak pada kinerja UMKM. Tujuan penelitian ini adalah untuk mengetahui implementasi pengembangan UMKM Nusa Tenggara Timur sebagai dampak dari kebijakan efisiensi anggaran pemerintah. Metode penelitian dilakukan melalui beberapa tahapan, yaitu penulis mengamati dan menganalisis berdasarkan fenomena yang terjadi terkait dengan topik penelitian. Kemudian menentukan fokus penelitian berdasarkan informasi yang telah diperoleh dari tinjauan pustaka dan data sekunder serta data lainnya dan disajikan dalam bentuk analisis kualitatif. Hasil penelitian ini adalah efisiensi anggaran pemerintah akan berdampak positif pada UMKM jika dana yang dihemat dialokasikan secara strategis untuk mendukung program-program kunci pengembangan UMKM. Sebaliknya, efisiensi tanpa mempertimbangkan kebutuhan sektor riil secara cermat dapat merugikan UMKM dan memperlambat pertumbuhan ekonomi lokal.

**Kata kunci :** pengembangan, efisiensi, UMKM

#### **1. Introduction**

Small and medium enterprises (MSMEs) play an important role in the national economy. This important role is in the form of MSMEs having a significant contribution. In its implementation, MSME actors are faced with various challenges and several problems that often arise in the development of MSMEs, including challenges from the government itself (Quang, 2025). Research on the impact of the global economic crisis on SMEs in the UK by Marc Cowling and Weixi Liu shows that the global economic and financial crisis has had a significant

impact on SMEs in the UK, with more than 40% of businesses reducing employment and more than 50% experiencing a decline in income. However, according to the survey results, three-quarters of companies affected by the crisis are determined to recover, and research concludes that a skilled workforce and professional expertise are key to a company's ability to recover (Mark Cowling, 2015).

Research on the resilience of SMEs in the United States by Bin Zhou shows that most SMEs have a relatively accurate understanding of business management. The main reasons for implementing business recovery are primarily internal, including reducing costs, increasing profit margins, maximizing plant capacity utilization, and maintaining a competitive position. This research also provides evidence that the obstacles faced by SMEs related to the management or qualifications of business owners and professional expertise are the main determinants of business development (Zhou, 2016). In a report on the impact of the global financial crisis on SMEs in 29 OECD member countries and government support policies, the authors (2009) indicated that these companies contributed significantly to employment and economic growth but were severely affected by the global economic and financial crisis. The main reason mentioned is that SMEs are generally small or very small-scale, making it difficult to scale the business further. Due to their limited scale and resources, these companies also find it difficult to diversify their business activities, and they often struggle to access loans and usually have to borrow at high interest rates. The study also provides some suggestions for improving the resilience of post-crisis enterprises ((OECD), 2009).

Amid global uncertainty, Indonesia's economy continues to show solid resilience with growth of 4.87% (yoy) in the first quarter of 2025, surpassing ASEAN neighbors such as Singapore (3.8%), Malaysia (4.4%), and G20 developed countries such as the United States (2.0%) and the European Union (1.2%). The achievement of 4.87% growth shows the strong fundamentals of the Indonesian economy. Despite facing external challenges such as geoeconomic fragmentation and increasing protectionist policies, our economy continues to grow solidly (Airlangga, 2025). In terms of expenditure, household consumption was the main driver with a growth of 4.89% and a contribution of 54.5% to GDP. Exports grew by 6.78%, driven by an increase in non-oil and gas exports and an increase in foreign tourist visits. Household consumption remains the main driving force of the national economy. Government policies such as the provision of THR, Hari Raya Assistance, Free Homecoming Program, and shopping discounts have been proven to be able to increase people's purchasing power during Ramadan and Eid (Airlangga, 2025). The Agriculture Sector recorded the highest growth (10.52%), followed by the Other Services Sector (9.84%), and Corporate Services (9.27%). The highest growth regionally occurred on the island of Sulawesi (6.40%) and Java (4.99%). The government also continues to observe and be aware of the risk of slowing economic growth as conveyed by the IMF that the world economy in 2025 is projected to grow at a slower rate of 2.8% and a weakening of the PMI figure in Indonesia and in various countries.

This is the case in East Nusa Tenggara where around 48.81 percent of MSME businesses in East Nusa Tenggara are managed alone, namely the business owner is the only worker. When viewed by industry group, the most single-managed industries are the textile or weaving industry and its derivatives, which are as many as 44,710 businesses or 26.61 percent of all textile industry businesses in East Nusa Tenggara. Furthermore, the food industry and the wood industry, wood and cork goods (excluding furniture), woven goods from palm leaves, rattan, bamboo and the like are the second and third most industries managed singly.

Based on data from the Ministry of MSMEs of the Republic of Indonesia (2025), it is known that the number of Micro enterprises is 63,955,639 businesses or 99.62 of the total MSMEs in Indonesia, including in East Nusa Tenggara. Therefore, it can be concluded that as many as 99.62% of MSMEs in Indonesia are still in the category of micro enterprises which are very vulnerable to being affected by the budget efficiency policy of President Prabowo's

government, where these micro businesses are the backbone for the Indonesian people to improve their welfare, in addition to that economic experts from the University of Indonesia concluded that the current economic condition of Indonesia seems worse where the majority of experts, That is, 23 out of 42 (55%), agree that current economic conditions have worsened compared to three months ago. Seven experts even considered the situation much worse, while 11 experts considered it stagnant, and only one expert saw it better. With an average confidence interval of 7.71 points, the results of this survey show a generally pessimistic view of Indonesia's economic condition (LPEM UI, May 2025) as a result of the budget efficiency policy outlined in Presidential Instruction No. 1 of 2025 concerning Expenditure Efficiency in the Implementation of the Revenue and Expenditure Budget The State and the Regional Revenue and Expenditure Budget for the 2025 Fiscal Year, strengthens this institution's commitment to information-based policy discussions and the future development of the country. The survey focuses on experts' perceptions of current economic and social conditions, as well as policy developments, by comparing them with previous periods and assessing expectations for the future. For this reason, a study is needed on whether there is an impact or not and how to implement strategies for the development of MSMEs in Indonesia, especially in East Nusa Tenggara to reduce the multiflier effect of this government budget efficiency policy.

Gap research is the occurrence of evidence gap where budget efficiency policies are usually considered as an obstacle to the development of MSMEs, but whether budget efficiency can actually make MSMEs in NTT more creative, independent in maintaining the sustainability of their businesses, in addition to that, national policies are often studied for their impact on Java Island or other large cities in Indonesia whose business ecosystems are already mature, which of course have different conditions where the budget structure of district/city governments in NTT is more than 75-80% of the total original regional income in districts/cities in NTT so that the survival of MSMEs is very dependent on fund transfers from the central government and the novelty of this research is the first research that examines the development strategy of Indonesian MSMEs as a result of the budget efficiency policy, the impact of government budget efficiency, especially in East Nusa Tenggara.

## **2. Literature Review**

### ***Soft system methodology (SSM)***

The use of Soft Systems Methodology (SSM) is used to help solve complex problems and involve many stakeholders in the development of MSMEs as a result of the government's budget efficiency policy. This approach is used when the technical approach is unable to explain the various phenomena faced in a complete and accurate manner which includes activities to identify unstructured problems or situations, examine situations or circumstances and compile problem statements, choose perspectives and define relevant systems, develop a conceptual model of the system according to the definition built, compare the model with the real world, define changes to be implemented systematically, and take action to improve the problem situation.

To formulate a strategy model for developing MSMEs in Indonesia, especially in East Nusa Tenggara, a soft system methodology (SSM) method developed by Checkland and Poulter (2010) and Checkland and Scholes (1990) can be used. Like other systems approaches, the core of SSM itself is to provide a comparison between the real world and a model that is estimated to represent the HR development strategy itself with the aim of being able to provide a more appropriate contribution to the reality in the field and also as a solution to make changes (Sonatha & Prayama, 2011; Brocklesby 1995; Checkland & Scholes, 1990). The SSM (Soft System Methodology) model has the capability to provide a framework for understanding the problems faced, even complex problems (Daellenbach & McNickle, 2005).

Based on the data and analysis above, using the Soft Systems Method (SSM), a systems-based analysis, the development of marine ecotourism in Gisik Cemandi Village shows non-systemic characteristics like as there needs to be a common way of acting and thinking about marine ecotourism development as an effort to improve community welfare through cooperation and collaboration between stakeholders. (2) In the CATWOE analysis, C (customers), A (actors), and O (owners) are an inseparable unit in the transformation of ecotourism development (Suhardono Edi (2023). The soft systems methodology approach is able to adequately analyze the problem and develop a conceptual model as a form of strategy development for human resources for fishermen processing catches on the South Coast of Cilacap, Central Java (Sucahyowati Hari, 2019). The Soft Systems Methodology-based Action Research (SSM-AR) approach has proven to be appropriate for understanding and intervening in unstructured collaboration challenges, particularly due to its ability to accommodate diverse perspectives and build systemically desirable and culturally acceptable solutions and This research uses Soft Systems Methodology (SSM) as a managerial approach to analyze organizational dynamics and identify root causes from the perspectives of various stakeholders. By systematically mapping inter-functional conflicts and barriers, SSM enables the development of integrated strategies that integrate technical and managerial decisions (Warsiyanto Faizal, 2025). Budget efficiency policies in the tourism sector have had a structural impact on destination development and the sustainability of businesses, particularly MSMEs. Budget cuts have directly impacted promotion, restricted development activities, and slowed the development of supporting infrastructure for destinations. MSMEs, as key partners in this sector, have experienced declining product demand, limited markets, and reduced access to financing, ultimately threatening business continuity and job creation and The domino effect of this policy not only harms the tourism sector but also weakens the local economy through declining hotel occupancy, a sluggish transportation sector, and declining regional revenue. Therefore, future strategies need to be directed at collaboration between the government, the private sector, and communities; optimizing digital promotion; and strengthening community-based and sustainable tourism models. This adaptive approach is crucial to ensure the tourism sector can continue to grow and provide broad economic benefits, even amidst fiscal constraints (Kurnianzah Rizal, 2025).

### 3. Research Methods

The questionnaire was developed based on the results of a literature review and distributed Small Medium Enterprises in Kupang City and after the questionnaire was compiled, surveyors began conducting in-person interviews with 10 MSME owners in the categories of woven textiles, food and beverage, and healthy products .

This research focuses more on the aspect of MSME with a soft development system methodology (SSM) approach. SSM is a holistic approach in looking at real and conceptual aspects in society. SSM is seen as one of the strategies in dealing with various management problems born from the human activity system (Bergvall-Kareborn, 2002; Martin, 2008). The data that has been collected is then analyzed using the qualitative analysis technique introduced by Bungin (2007) with the following stages: observation of both social and economic phenomena, categorization of information obtained while conducting research in the field, explaining the categorization, then explaining the categorization relationship to draw comprehensive and general conclusions from the research results, which in this case the researcher observing the phenomenon of the impact of government budget efficiency on the performance of MSMEs. Then a conclusion is outlined to answer questions about the analysis being researched.

#### 4. Results and Discussions

The budget efficiency policies implemented by the Indonesian government in recent years have had a significant impact on the national tourism sector, including Micro, Small, and Medium Enterprises (MSMEs) which are an integral part of the tourism industry's supply chain. The budget efficiency policy implemented by the Indonesian government in 2025 has a significant impact on the development of Indonesian MSMEs with several main influences as follows:

##### 1. Budget Cuts of the Ministry of Small and Medium Enterprises of the Republic of Indonesia

The budget efficiency of the Ministry of MSMEs in 2025 is a savings policy that reduces the use of the budget ceiling from IDR 463.86 billion to around IDR 220.9 billion, meaning an efficiency impact of IDR 242.9 billion through Presidential Instruction (Inpres) Number 1 of 2025. This policy certainly aims to prioritize budget efficiency not just budget absorption but focuses on programs that are appropriate and have a direct and positive impact on the community so that it can reduce the intensity of direct support to business actors in East Nusa Tenggara so that it is a threat to the Sustainability of Micro Enterprises where out of 10 MSMEs interviewed, they are worried that this cut threatens the sustainability of MSMEs, especially micro businesses and women micro small business actors who are very dependent on government support and programs.

##### 2. Budget Cuts in all Ministries and Agencies of the Republic of Indonesia

The budget efficiency of all ministries in 2025 reached a total of IDR 256.1 trillion, in accordance with Presidential Instruction Number 1 of 2025. This reduction focuses on non-priority spending items such as goods and capital expenditures, including official travel, stationery, seminars, and ceremonial events, while maintaining employee and social assistance expenditures, thus impacting the decline in MSME turnover which has been the supplier of goods and services for the operational needs of ministries/institutions (K/L). The reduction in spending on goods, official travel, and meeting packages can reduce demand from the government sector. In addition, socialization, training, or mentoring for MSMEs will experience adjustments or reductions, which has the potential to hinder the growth of business actors and affect promotions organized by the government to help MSMEs expand local, national and international markets.

##### 3. Decrease in official travel visits for central and regional civil servants

The ministry's budget efficiency for ASN official travel aims to cut non-urgent state spending, the impact of which includes reducing ASN official travel, changing work patterns to WFA, and saving on office operations such as procuring souvenirs and gifts produced by local MSMEs, thus creating a number of risks for their income, such as the hotel industry, travel agencies and other supporting services. The decline in hotel and restaurant revenues will directly impact the Regional Original Revenue (PAD) from the tax sector, which will also indirectly affect the local MSME ecosystem. In addition, reduced spending at destinations, including shopping for regional souvenirs that are usually supplied by NTT MSMEs, this phenomenon causes money circulation in NTT to slow down. The risk of layoffs for employees for cost efficiency will reduce the purchasing power of the general public. In addition, market dependence where the majority of MSMEs in East Nusa Tenggara are highly dependent on government spending and activities funded by the APBN/APBD, so the impact is certainly that this budget efficiency shows the vulnerability of MSMEs that do not have market diversification outside the government sector. And also the occurrence of business uncertainty where MSME actors face uncertainty in planning their business due to drastic changes in fiscal policy, making it difficult to make accurate revenue projections. In short, the cuts to the civil servant (ASN) pension budget create uncertainty for MSMEs, which are at risk of experiencing a significant decline in revenue and even bankruptcy if alternative solutions are not found immediately.

##### 4. Restrictions on MSME development activities and programs

Restrictions on development activities and programs due to budget efficiency are a strategic step by the government to ensure that the use of limited resources becomes more productive and on target. This policy targets waste in the bureaucracy and reallocating funds for priority programs that have maximum impact on the community or in other words that overall, budget efficiency is not just a cut, but an effort to "spend better" in order to realize quality and sustainable development in the midst of financial limitations also has an impact on Indonesian MSMEs such as; Decreased Revenue: MSMEs that are suppliers of goods or services for government activities (e.g., catering providers for meetings or events) will experience a decrease in revenue due to restrictions on activities, official trips, and ceremonial events. Program Delays: Some MSME development programs that are considered less priority, such as training or capital assistance, may be delayed or canceled, hindering their business development as well as Local Economic Brakes: Reduced government spending in the regions will also have an impact on the overall local economy, including MSMEs, as the purchasing power of people around government offices can be affected.

There are seven stages in the implementation of the development of Indonesian MSMEs based on the SSM approach can be described as follows:

**Stage 1.** Situation Considered Problematic where this stage aims to know and identify the situation and problems to be discussed which include the following problems :

1. Capital and Financial Access

NTT MSMEs have difficulty obtaining access to financing from formal financial institutions such as banks due to administrative requirements or incomplete guarantees, which results in delays in business development ideas.

2. Financial Management and Administration

Many MSME actors have not implemented effective financial management, often not separating personal finance from business finance. Bookkeeping is still often done manually, which is prone to errors and makes it difficult to calculate profits and make the right business decisions.

3. Marketing and Market Access

MSMEs often face difficulties in marketing their products widely due to the lack of distribution channels and low utilization of digital marketing. Weak bargaining positions when dealing with large.

4. Quality of Human Resources (HR)

Many MSME actors start their businesses without adequate business management knowledge, including human resource management and long-term business strategies. Limitations in finding and retaining skilled workers are also a challenge that hinders business productivity and innovation.

5. Innovation and Technology Adaptation

The lack of product innovation often makes MSMEs walk in place and lose competition in a dynamic market. In addition, many MSME players are still stuttering with technology or lack understanding of how to utilize digital platforms and digital management systems optimally, so they are left behind in operational efficiency and market reach.

6. Regulatory and Legality Constraints

Many MSMEs operate without an official business license (such as SIUP) or do not understand the applicable tax regulations and obligations. This can hinder their access to government programs or larger markets that require formal legality. Overcoming this problem requires collaboration between the government, the private sector, and MSME actors themselves to provide solutions such as easier access to funding, skills training, and digital transformation support.

**Stage 2.** Problem Situation Expressed where this stage aims to present the current situation, problems that arise, existing conflicts and the interests of each of the following parts:

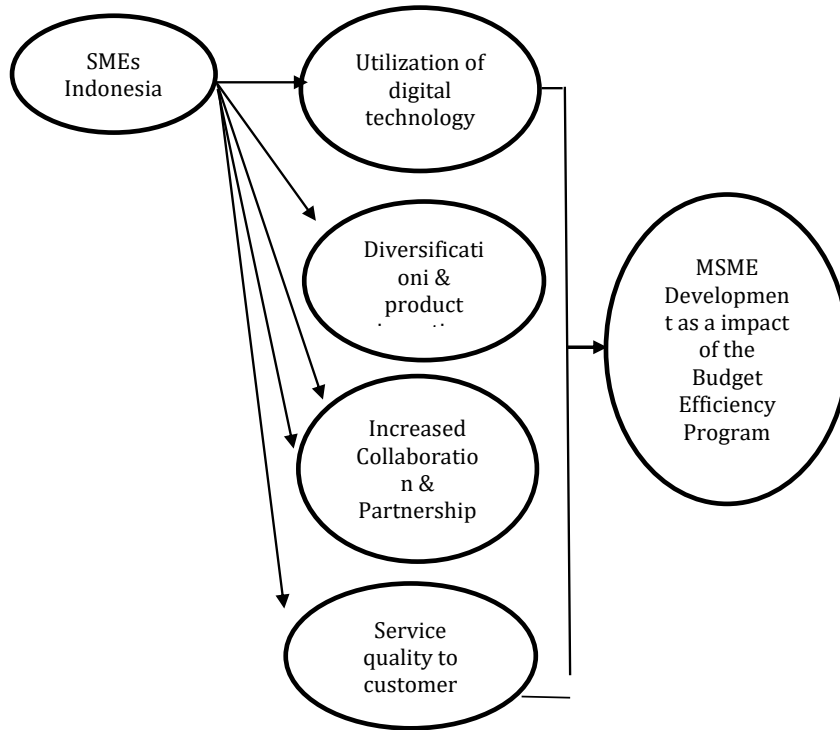
Management Level	Parties Involved	Main Issues	Characteristic
Direktive	Coordinating Ministry for Economic Affairs, Ministry of MSMEs, State-Owned Enterprises, Governors and Regents	MSME development policy	Strategic planning for the development and empowerment of MSMEs in Indonesia.
Strategic	Head of the MSME and Cooperative Office, Head of provincial, city and district level institutions as well as sub-districts/villages	Inputs, processes and outputs of MSME development in each province, city and district.	Planning, organizing, implementing and monitoring
Tactical	Small and medium business actors.	A decline in people's purchasing power, fierce competition for products with imported products, limited access to financing and financial management, digital adaptation that is not optimal, and national and global economic imbalances	Operationalization of MSME development
Operational	MSME employees and employees	Improving the quality and quantity of MSME development.	Indonesian MSMEs

Stage 3. Root Definition of Relevant System where this stage explains the problems using the following CATWOE method:

CATWOE Element	Description in the Context of Indonesian MSMEs	Main Problems
Client (Client/ Beneficiary)	MSME actors, consumers of MSME products, the general public (beneficiaries of job creation), and the government (beneficiaries of economic growth).	MSME actors face difficulties in accessing capital and business management; Consumers sometimes get products with quality that has not been standardized
Actors/Actors	Owners and employees of MSMEs, governments (central & regional), financial institutions (banks, fintech), suppliers, academics, and MSME associations.	The limitation of skilled human resources in MSMEs; lack of managerial knowledge and digital literacy among actors.
Transformation	The process of converting inputs (raw materials, labor, capital) into outputs (quality products/services, income, employment, economic growth).	Less efficient production processes (simple equipment, waste); difficulties in standardizing products; Manual financial management that hinders access to financing.
Worldview	The belief that MSMEs are the backbone of Indonesia's economy which is vital for economic growth, job creation, and poverty alleviation.	This view is often at odds with the reality of limited resources and capacity, as well as the view that small businesses are less credible than large businesses.
System Owner	The MSME business owner himself, the government (Ministry of Cooperatives and SMEs, OJK, etc.) as the policy owner and regulator.	MSME owners often have high management dependency and lack of willingness/ability to implement modern management systems; The government faces challenges in allocating funds and integrating support programs effectively.
Environmental Constraints	Regulations and bureaucracy, fierce market competition (from large businesses and other MSMEs), macroeconomic conditions, rapid technological change, and limited infrastructure.	Regulatory and legality constraints; difficulty adapting to digital technology; fierce competition in the market; and limited access to a wider market.

**Stage 4.** Conceptual Models of Described in Root Defenition is a stage where each definition will be made a diagram in the form of an activity model diagram. The flow and dependencies of these activities have been defined in the following root definement:

**Figure 1. Conceptual Model**



**Stage 5.** Comparison of the model with the real world is a stage of comparison between the recommendations provided by the system and real-world conditions.

Activity	Real world	Recommendations
The dependence of MSMEs on the central and regional government budgets and state owned company also private company.	The development and improvement of the quality and quantity of MSMEs is highly dependent on the readiness of infrastructure and funding from the central and regional governments	The Ministry of MSMEs, State owned company , and local governments are looking for alternative financing for the development of Indonesian MSMEs.
Development of MSMEs both formally and informaly	The lack of formal and informal MSME development activities so that MSMEs can move up.	The Ministry of MSMEs and State owned company and local governments increase MSME development activities both formal and informal.
Human resource development for MSME actors	Lack of understanding of MSME actors, including technology and product innovation.	Human resource development for MSME actors
Budgeting for MSME development activities	Lack of budgeting funds for MSME development activities both formally and informally	Budgeting for MSME development activities
MSME development is top down	The development of MSMEs is still top-down, so it ignores specific local needs and reduces the sense of ownership of the programs being run.	The Ministry of MSMEs and State owned company and local governments must carry out bottom-up MSME development that is more based on real needs.

**Stage 6.** Exchanges; Systemically Desirable, Cultural Feasibel is a stage of making changes that may occur if the model recommendations outlined in the system have been implemented, all comparisons between the real system and the conceptual model will be compared on which parts will be replaced or not which include:

1. Changes in the development system: the appropriate MSME development system in NTT during budget efficiency focuses on optimizing existing resources, maximizing digital technology utilization, and strategic collaboration to reduce costs while achieving sustainable growth.
2. Changes in the development culture: the appropriate MSME development culture in NTT during budget efficiency focuses on low-cost innovation, utilizing digital technology, and increasing internal human resource capacity. This approach emphasizes creativity, operational efficiency, and adaptability, rather than high expenditures.

**Stage 7.** The application of the model in the real world is a stage of explanation of the implementation or actions that may be carried out as a solution to the problem. Actions that may be carried out as a solution to the problem of developing Indonesian MSMEs include : digitalization and technology utilization , increasing access to innovative financing, human resource development , collaboration and strategic partnership

Here is the formulation of its application:

#### 1. Increased Market Access and Digitalization

a.Go digital expansion, namely encouraging NTT MSMEs to be able to apply digital technology optimally, including marketing through online platforms, the use of social media, and the creation of business websites including the use of Artificial Intelligence

b.Providing promotional access, namely the government providing promotional and business development places in public infrastructure such as NTT Mart and offline exhibitions such as the Exotic Tenun Festival, as well as facilitating digital outlets to expand market reach such as through the <https://smartukm.id/> platform which is a digital portal specifically designed to help Micro, Small, and Medium Enterprises (MSMEs) in East Nusa Tenggara to be better prepared to compete in the digital era.

c.Product Differentiation: Encouraging MSMEs to focus on innovating unique and creative products and services in order to have competitiveness in a tight market.

#### 2. Increased Access to Financing

a.Capital Facilitation: The government provides various financing schemes such as Kredit Usaha Rakyat (KUR), Ultra Micro (UMi) financing, PNM Mekaar, and other financial assistance to overcome capital limitations which are often the main obstacles.

b.Financial Literacy in the form of increasing financial literacy among NTT MSMEs, such as training on the use of SIAPIK (Financial Information Recording Application Information System), a digital application to help NTT MSMEs record daily financial transactions simply and accurately and is designed to make it easier for MSMEs to prepare financial reports such as profit and loss reports and financial position reports, which can later be used to access financing from financial institution.

#### 3. Human Resources Development

a.Training and Mentoring: Implementation of continuous training and mentoring programs to improve managerial, technical, and digital skills of MSME actors in East Nusa Tenggara.

b.Professional Management: Encourage more professional HR management, including careful business planning and ongoing strategy evaluation.

#### 4. Expansion of Strategic Partnerships and Business Climate

a.Collaboration: Building strategic partnerships between the government, the private sector (large companies), and the MSME community to create a mutually supportive ecosystem.

b.Regulatory Simplification: Creating a stable and conducive business climate through ease of licensing, cost reduction, and provision of infrastructure assistance.

c. Market Analysis: Assist MSMEs in recognizing and analyzing target markets and current trends to adjust their business strategies.

## 5. Conclusion

### Negative Impacts and Risks

**Reduced Demand:** Budget efficiency, especially leading to a reduction in overall government spending, can reduce aggregate demand, including demand for MSME products and services that rely on procurement from the government or related sectors, such as tourism. **Cuts to Support Programs:** Budget cuts in ministries or institutions related to MSMEs risk reducing the quality and quantity of support programs, such as HR training, financial assistance, marketing facilitation, and digital infrastructure development, which MSMEs urgently need to thrive. **Operational Barriers:** In some cases, poorly planned efficiency can disrupt the daily operations of MSME support institutions, which indirectly impacts services to micro business actors.

### Positive Impact and Opportunities

**Optimization of Fund Allocation:** Targeted efficiency allows for the reallocation of funds from less priority expenditures to more productive programs that have a direct impact on MSMEs, such as easier and more affordable access to financing (KUR, UMi). **Increase Long-Term Economic Growth:** Efficient budget management, by reducing deficits and debt burdens, can create macroeconomic stability conducive to business growth, including MSMEs. **Capital Access Opportunities:** Efficiency funds have the potential to strengthen support for the small business sector through better welfare and financing programs, helping to address one of the biggest challenges for MSMEs, namely limited access to capital. Government budget efficiency will have a positive impact on MSMEs if the saved funds are strategically reallocated to support key MSME development programs. Conversely, blind efficiency without careful consideration of the needs of the real sector can harm MSMEs and slow local economic growth.

## Aknowledgement

The authors gratefully acknowledge Politeknik Negeri Kupang for the financial support provided through its research grant, which made this study possible.

## References

- Bin Zhou (2016). Lean principles, practices, and impacts: a study on small and medium-sized enterprises (SMEs) *Journal Annals of Operation Research* , 241 (457-474), <https://link.springer.com/article/10.1007/s10479-012-1177-3>
- Edi Suhardono, 2023, Analisis pengembangan ekowisata bahari dengan pendekatan soft system method di desa Gisik Cemandi Kecamatan Sedati kabupaten Sidoarjo, Vol.9, No. 3, pp. 1241-1252 DOI: <https://doi.org/10.29210/0202312611>
- Flores, Alvaro Sumaran (2024) Application of soft systems methodology in entrepreneurial business models: a systematic review, *Journal of Information Systems and Technology* <https://dialnet.unirioja.es/servlet/articulo?codigo=9886383>
- Hari Sucahyowati, 2023 , Model Strategi Pengembangan Sumber Daya Manusia Nelayan Pengolah Hasil Tangkapan Di Pesisir Pantai Selatan Cilacap Jawa Tengah dalam Menghadapi Persaingan Pasar Global ,Jurnal Sainara Vol. 3 No. 2 . Maret 2019
- Marc Cowling (2015). What really happens to small and medium-sized enterprises in a global economic recession? UK evidence on sales and job dynamic. *International Small Business Journal Reasearching Entrepreneurship*, 33(5), [https://www.researchgate.net/publication/278409432\\_What\\_really\\_happens\\_to\\_small\\_and\\_medium-](https://www.researchgate.net/publication/278409432_What_really_happens_to_small_and_medium-)

[sized enterprises in a global economic recession UK evidence on sales and job dynamics](#)

- Phung Duy Quang. (2024). St [6]Analysis of the Impact of Factors Affecting the Recovery of Small And Medium Enterprises in Vietnam With the Goal of Sustainable Development in the Context of Economic Crisis, *Journal of Lifestyle and SDGs Review* <https://doi.org/10.47172/2965-730X.SDGsReview.v5.n01.pe02863>
- Rizal Kurniansah (2025). Menakar Dampak Kebijakan Efisiensi Anggaran Terhadap Masa Depan Pariwisata Indonesia, *Jurnal Ilmiah Hospitality* , 14 (519-526), <https://doi.org/10.47492/jih.v14i1.3828>
- Vasileios Rizos (2016). Implementation of Circular Economy Business Models by Small and Medium-Sized Enterprises (SMEs): Barriers and Enablers. *Journal Sustainability* , 8 (11) 1212 , . <https://doi.org/10.3390/su8111212>
- Warsiyanto Faizal, 2025 , Soft System Methodology (Ssm) Approach To Address Organizational Inefficiencies In Huff And Puff Operations , *Jurnal Costing: Journal Of Economic, Business And Accounting* , Volume 8 Nomor 4. <https://doi.org/10.31539/costing.v8i4.15552>
- Wenbin Bi Liu, Developing a performance management system using soft systems methodology: A Chinese case study *European Journal of Operational Researc*, <https://www.sciencedirect.com/science/article/abs/pii/S0377221712004845>
- Kemenko Perekonomian Republik Indonesia . (2025). Ekonomi Indonesia Tumbuh 4,87% pada Triwulan I-2025, Tetap Solid Meski Hadapi Tantangan Eksternal, Retrived November 3 ,2025 . <https://ekon.go.id/publikasi/detail/6341/ekonomi-indonesia-tumbuh-487-pada-triwulan-i-2025-tetap-solid-meski-hadapi-tantangan-eksternal>
- LPEM FEB Univeritas Indonesia . (2025). LPEM Economic Experts Survey Semester I 2025, Retrived November 3 ,2025. <https://lpem.org/lpem-economic-experts-survey-semester-i-2025/>
- Organisation For Economic Co-Operation And Development (OECD) (2009).The Impact of the Global Crisis on SME and Entrepreneurship Financing and Policy Responses and Contribution to the OECD Strategic Response to the Financial and Economic Crisis , Retrived November 3 ,2025 . <https://www.canada.ca/content/dam/canada/employment-social-development/migration/documents/industry/smes/43183090.pdf>