

EFFECTIVENESS OF GOVERNMENT BUSINESS INCUBATORS IN STIMULATING THE GROWTH OF UMKM IN MAKASSAR CITY

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Abstract

This study aims to analyze the effectiveness of the Government Business Incubators in encouraging the growth of MSMEs in Makassar City. Using a qualitative approach and case study research design, this study explores the experiences and perceptions of MSME actors and incubator managers regarding the impact of incubation on their business development. Data were collected through in-depth interviews, participant observation, and documentation related to the incubation program run by Makassar Technopark and Makassar City Business Incubator. The results of the study indicate that business incubators have a positive impact on improving managerial skills, wider market access, and strong business networks for MSMEs. However, there are challenges related to the suitability of training materials to the needs of specific sectors, difficulties in accessing capital, and limited time that MSME actors can invest in participating in the incubation program. Lack of ongoing mentoring after the incubation is complete is also one of the obstacles faced by business actors. Therefore, this study recommends adjusting the incubation program to be more relevant to the needs of each MSME sector, as well as increasing post-incubation support to ensure business sustainability.

Keywords: *Business Incubator, MSMEs, Makassar, Mentoring, Access to Capital*

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the Indonesian economy. According to data from the Ministry of Cooperatives and SMEs (2022), the MSME sector contributes around 60% to Indonesia's Gross Domestic Product (GDP) and absorbs more than 97% of the national workforce. . In Makassar City, which is the capital of South Sulawesi Province, the MSME sector also has a large contribution to the regional economy. With a growing population and large market potential, MSMEs in Makassar have the opportunity to grow, but also face various challenges that complex. Based on data from the Makassar City Cooperative and UMKM Service, more than 70% of UMKM actors in Makassar experience difficulties in terms of capital, marketing, and efficient business management.

In response to these challenges, local governments through various initiatives have formed business incubator programs, which aim to assist MSMEs by providing various services such as managerial training, access to capital, product development, and business network facilitation. Business incubators are expected to reduce the rate of business failure among MSMEs by increasing the capacity of business actors and accelerating their business development process. One example of a business incubator in Makassar is Makassar Technopark, which aims to provide technology and innovation support for technology-based MSMEs.

However, despite the many business incubation programs launched, their effectiveness in encouraging the growth of MSMEs in Makassar has not been fully ascertained. Several previous studies have shown that business incubators can improve the competitiveness and sustainability of micro and small businesses in Indonesia. Pratama (2020) in his research revealed that effective business incubators can help MSMEs improve their human resource capacity and technical skills, which are crucial elements in maintaining business sustainability. Likewise, Anwar's (2018) research highlighted that proper business incubation can accelerate the digitalization process and market access for MSMEs, which are increasingly important in the era of globalization and digitalization of the economy. In addition, Rizal (2019) in a study on Business Incubators in South Sulawesi found that a successful incubation program depends not only on the provision of facilities, but also on the active involvement of the government and business actors in the business development process.

However, the phenomenon that occurred in Makassar showed varying results. Several business incubators in Makassar, such as Makassar Technopark and Makassar City Business Incubator, have succeeded in producing rapidly growing MSMEs, but there are still many incubators that experience obstacles in terms of resource capacity, funding, and lack of attention to the specific needs of MSME actors. In many cases, MSME actors who participate in incubation programs feel that they have not received optimal access to market networks, financing, and the support needed to develop their businesses. Data from the Makassar City Cooperative and MSME Service (2023) also shows that only around 40% of MSMEs that have participated in business incubation programs can survive in the long term, while the rest experience stagnation or even go bankrupt in the first few years after participating in incubation.

It is important to examine more deeply the effectiveness of business incubator programs in Makassar City in the context of encouraging the growth of MSMEs. Some questions that need to be answered are, have business incubators in Makassar provided maximum benefits in terms of increasing business capacity and market access for MSMEs? What are the challenges faced by business incubators in this city, and how do they affect the growth of the incubated MSMEs? This study aims to answer these questions by analyzing various factors that influence the success of business incubation in Makassar City, as well as providing

recommendations that can improve the effectiveness of incubation programs in supporting MSMEs.

Related Research Previous research shows that business incubators have great potential to support the growth of MSMEs. According to Sari (2019), business incubators that integrate information technology and managerial training can increase the competitiveness of MSMEs, especially in big cities. Furthermore, Hidayat (2021) found that incubators that are able to connect MSMEs with experienced investors and mentors will be more effective in encouraging business development. Meanwhile, research by Pratama (2020) also shows that the quality of mentoring provided by business incubators, including financial management and digital marketing, has a significant impact on the success of MSMEs.

On the other hand, the results of Rizal's (2019) research in Makassar show that many MSME actors feel that they do not have access to funding and markets even though they have participated in business incubation. This is a major challenge for the business incubator program in Makassar. Therefore, this study will focus on analyzing the factors that influence the effectiveness of business incubators in Makassar in helping MSMEs develop.

RESEARCH METHOD

This study uses a qualitative approach to examine the effectiveness of the Government Business Incubators in encouraging the growth of MSMEs in Makassar City. The qualitative approach was chosen because it allows researchers to explore in depth the experiences, perceptions, and views of MSME actors and business incubator managers regarding the implementation and results of the incubation programs they are undergoing. This approach is also suitable for understanding the more complex social and economic contexts and dynamics that exist in the relationship between business incubators and MSME actors (Creswell, 2013; Denzin & Lincoln, 2011).

Through a qualitative approach, this study focuses on data collection through in-depth interviews and observations, which allows researchers to capture richer and more holistic narratives from participants (Babbie, 2010). This technique is in line with Patton's (2002) view that in-depth interviews are an effective tool for understanding individual subjective experiences in a broader social context. This study also adopts a case study approach, as described by Bloor and Wood (2006), which allows researchers to focus on a particular phenomenon in a very specific environment, in this case the relationship between business incubators and MSMEs in Makassar City.

By using this approach, it is hoped that deeper insights can be obtained into the factors that influence the effectiveness of incubation programs and how MSMEs utilize the various supports provided by business incubators.

1. Research Design

This research design uses a case study with a descriptive approach. The study aims to describe in detail and analyze the process and impact of business incubation on the development of MSMEs in Makassar City. Through this approach, researchers will explore various factors that influence the success or failure of business incubators in increasing the capacity and competitiveness of MSMEs, both in terms of human resources, market access, and product innovation.

This research is exploratory in nature, where researchers will seek a deeper understanding of the implementation of business incubation programs, especially those managed by the government, and their impact on MSME actors in Makassar City. The focus of the research will cover two main aspects:

- How business incubators can support the development of MSMEs in various aspects (managerial, marketing, funding, technology, etc.).
- What are the factors that hinder the effectiveness of the business incubator?

2. Location and Subject of Research

This research was conducted in Makassar City, South Sulawesi Province, focusing on several business incubators managed by the local government. The business incubators that are the focus of this research include:

- Makassar Technopark, an incubator that focuses on developing technology-based MSMEs.
- Makassar City Business Incubator, a broader incubation program covering various business sectors and aims to increase the capacity of MSME actors in various economic sectors.
- Hasanuddin University Business Incubator, Focuses on supporting MSMEs based on research and technology development.

The research subjects consisted of two main groups:

1. MSME actors who have participated in the government's business incubation program in Makassar, with the following criteria:
 - Have participated in the incubation program for at least 6 months.
 - Coming from various business sectors, such as culinary, creative products, technology, and others.
 - Have a business that has been running for at least 1 year after participating in incubation.
2. Business Incubator Managers , including coordinators, facilitators, and mentors who are directly involved in the business incubation program. They have a role in assisting MSMEs, providing training, and providing access to business networks and capital.

3. Data collection technique

In this study, data was collected through various qualitative techniques that can dig up information in depth:

a. In-depth Interviews

Interviews were conducted with MSMEs and incubator managers to explore their experiences, perceptions, and views on the incubation program they are undergoing. These interviews are semi-structured, with open-ended questions that allow informants to provide broader and more in-depth answers. Topics to be explored in the interviews include:

- Perceptions regarding the quality of business incubator services (mentoring, training, access to capital, etc.).
- Experience of MSME actors before and after participating in the incubation program.
- Challenges faced in the incubation and post-incubation process.
- The impact of incubation programs on business development and business independence.

b. Participatory Observation

The researcher will conduct direct observation in the business incubator to understand the dynamics of interaction between incubator managers and incubator participants. This observation will be conducted during training programs, mentoring, and other activities in the incubator. The researcher will record how the mentoring process is carried out, the interaction between participants and mentors, and how the incubator provides facilities and access to other resources.

- Documentation

Secondary data will also be collected from various document sources, such as incubator annual reports, training materials, incubation guides, and evaluation results of existing incubation programs. This document provides a more complete picture of the goals, objectives, and expected achievements of the incubation program.

4. Data analysis

Data obtained from in-depth interviews, observations, and documentation will be analyzed using thematic analysis. This data analysis process involves the following steps:

- Data Collection, The data obtained will be arranged and grouped based on data sources and types.
- Transcription and Coding, Interview and observation results will be transcribed and coded to facilitate identification of emerging themes.
- Theme Identification, The codes that emerge will be grouped into main themes related to the effectiveness of business incubators, such as quality of mentoring, market access, access to funding, and MSME capacity development.
- Data Interpretation, After the themes are identified, the researcher will interpret the findings to understand the factors that influence the success or failure of the business incubation program in Makassar.
- Writing the Report, The results of the analysis will be compiled in a research report that combines the findings with relevant theoretical references. provide a clearer picture of the effectiveness of business incubators.

5. Validity and Reliability

To ensure the validity and reliability of the data, this study uses several techniques:

- Source Triangulation, Data will be obtained from various sources, such as MSME actors, incubator managers, and related documents, to ensure consistency and validity of the findings.
- Triangulation Method, Researchers use various data collection methods (interviews, observation, and documentation) to verify existing findings.
- Member Checking, After the interview, the researcher will re-verify the findings with the informants to ensure that the information provided is in accordance with what they intended.
- Audit Trail, The data collection and analysis process will be recorded in detail to ensure transparency in the research.

6. Research Ethics

This research will pay attention to the principles of research ethics to maintain the quality and reliability of the data collected:

- Confidentiality and Anonymity, All data obtained from respondents will be kept confidential, and the identities of respondents will be kept confidential to ensure their privacy.
- Informant Consent, Before conducting interviews or observations, researchers will provide clear explanations to respondents regarding the purpose of the research and obtain their voluntary consent.
- Right to Withdraw, Respondents are given the freedom to withdraw from the research at any time without any consequences or pressure.
- Transparency, Researchers will clearly explain the process, objectives, and benefits of the research to all parties involved.

7. Research Limitations

This study has several limitations that need to be considered:

- The research focus is limited to government business incubators in Makassar City and MSMEs participating in the incubation program in the 2019–2022 period.

- This study only involved business incubators registered with the government and did not include private business incubators or non-formal incubators.

RESULT AND DISCUSSION

The results of the study on the effectiveness of Government Business Incubators in encouraging the growth of MSMEs in Makassar City will be discussed in more depth and supplemented with references from previous studies. This discussion will detail the influence of business incubators on MSME development and the challenges faced, by linking the results of this study with findings from various relevant literature.

1. Profile of Business Incubators in Makassar City

This study highlights two main business incubators operating in Makassar City, namely Makassar Technopark and Makassar City Business Incubator. These two incubators have different characteristics and objectives, but both play a major role in supporting MSMEs in Makassar City to grow and increase competitiveness.

Makassar Technopark is a business incubator that focuses on the technology and innovation sector. This incubator provides adequate facilities for MSMEs engaged in technology, with access to the latest technology, co-working space, and intensive assistance in developing technology-based products. Meanwhile, the Makassar City Business Incubator focuses more on MSMEs from various sectors, such as culinary, handicrafts, and other creative sectors. This incubator offers various training programs in business management, marketing, and improving product quality. Both incubators are supported by the Makassar city government with the aim of increasing the capacity of local MSMEs and supporting regional economic growth.

2. Impact of Business Incubators on MSME Development

This study shows that business incubators in Makassar City have a significant impact on the development of MSMEs, although some challenges still need to be overcome. Some of the impacts that are clearly visible include:

a. Improving Managerial Capacity and Skills of MSMEs

Most MSMEs participating in the incubation program reported significant improvements in their managerial skills. The training programs provided by the incubator, especially those focused on financial management, digital marketing, and human resource management, have been shown to strengthen their ability to manage their businesses. This is in line with the findings in Taufik & Nurhadi's (2019) study which showed that business incubators have a positive impact on improving MSME managerial skills. This improvement

is not only limited to business management, but also includes improving skills in market analysis, bookkeeping, and business capital management.

However, despite the improvements, most MSMEs participating in the incubation program felt that the training materials provided sometimes did not fully meet their specific needs, especially for MSMEs operating in the non-technology sector. Research by Wijaya (2021) states that the importance of adjusting training materials to the needs of the business sector is a key factor in ensuring that the training can provide maximum impact.

b. Access to Business Networks and Markets

One of the most significant benefits felt by MSMEs involved in the incubation program is access to a wider business network and market access. Business incubators in Makassar City provide opportunities for participants to meet fellow entrepreneurs, investors, and potential business partners. In addition, the incubator also holds exhibitions and networking events, which allow MSMEs to present their products to potential customers, distributors, or even investors.

Research by Rachman & Fauzi (2021) also highlights the importance of business incubators in providing global market access for MSMEs, allowing their products to be known not only locally but also in the international market. In Makassar, MSMEs that focus on technology-based products, such as those in Makassar Technopark, gain access to overseas markets through digital platforms and international events organized by incubators. This expands market opportunities for products that were previously only known in the local market.

However, even though wider market access is provided, there are still several obstacles faced by MSMEs in utilizing this network. One of them is the inability to adapt to international market requirements and tight competition. According to Adisurya & Hadi (2020), the main challenges for MSMEs in accessing the global market are limited knowledge of international market regulations, as well as language and logistics barriers.

c. Assistance in Access to Capital

One of the main roles of business incubators is to facilitate access to capital for MSMEs. Business incubators in Makassar City provide access to financial institutions, investors, and crowdfunding to help MSMEs get the capital they need to develop their businesses. In this study, most MSMEs felt that they had gained better knowledge about business financial management and funding strategies, but only a few managed to get direct access to the funding they needed.

Research by Sari (2020) states that even though business incubators provide training related to access to capital, MSMEs often have difficulty meeting the requirements put forward by financial institutions. This is because many MSMEs do not yet have neat financial reports, mature business planning, or even collateral requested by lenders. Although incubators try to help MSMEs prepare the required documents, the process is still considered long and complicated.

3. Challenges in Implementing Incubation

Despite the many benefits gained, some significant challenges also arise during the incubation program. One of the main challenges is the limited time given to MSMEs to participate in the incubation program. Most MSMEs find it difficult to balance running their business with participating in an incubation program that requires full time and attention. Research by Kurniawan (2020) also shows that limited time is a major obstacle for many MSMEs, who often focus more on daily operations than on intensive training and mentoring

In addition, another challenge found was the lack of post-incubation mentoring. Most MSMEs felt that they gained many benefits during the incubation period, but once the program ended, they lost access to the mentoring and support they needed to continue developing their businesses. This is in line with research by Wijaya (2021) which emphasizes the importance of ongoing mentoring to ensure that MSMEs can overcome the challenges they face after completing the incubation program. Without continued mentoring, many MSMEs have difficulty in dealing with market changes or increasingly fierce competition after the incubation ends.

4. Improvement and Development of Incubation Program

Based on these findings, several improvements can be made to increase the effectiveness of business incubation programs in Makassar City:

- Adjustment of training materials to the specific needs of the MSME business sector. Training programs should be more directed at technical skills relevant to the industrial sector in which participants work.
- More intensive post-incubation mentoring to ensure that MSMEs can implement what they have learned during the incubation program.
- Increasing access to capital by working more closely with financial institutions that are more flexible in providing financing to MSMEs, especially those that are still in the early stages of business development.

In addition, incubators also need to provide more facilities for MSMEs to collaborate and share experiences with fellow incubator participants. This collaboration can strengthen networking and open up opportunities for broader business cooperation.

CONCLUSION

Government Business Incubators in Makassar City, such as Makassar Technopark and Makassar City Business Incubator, have been proven to have a positive impact on the development of MSMEs. The training and mentoring programs provided by these incubators are able to improve the managerial and technical skills of MSME actors, especially in terms of financial management, marketing, and product development. Access to technology, shared workspace facilities, and business networks provided by the incubators also help expand their business opportunities. However, research results show that training materials are often not fully adapted to the specific needs of the business sector run by each MSME, which requires adjustments to be more relevant and applicable.

In addition, business incubators also play a role in opening wider market access, both locally and internationally, by providing opportunities for MSMEs to participate in exhibitions and networking events. However, the challenges faced by MSMEs in utilizing this access are the difficulty in meeting international market standards, as well as obstacles in logistics and regulations. Incubators need to provide further support, such as special training to overcome these obstacles, so that MSMEs can be better prepared to face global competition. Access to capital provided by incubators also has great potential to support business development, although MSMEs still have difficulty in meeting the capital requirements set by financial institutions.

On the other hand, the biggest challenge in implementing the incubation program is the limited time that MSMEs have. Many of them find it difficult to balance between running their daily businesses and participating in the incubation program which requires full commitment. In addition, the lack of ongoing mentoring after the incubation program is over is also a problem for many MSMEs. Without continued guidance, many MSMEs find it difficult to overcome the challenges that arise after the incubation ends. Therefore, improvements are needed in the mentoring model, both during and after the incubation program, so that MSMEs can continue to grow and overcome the obstacles that exist on their journey.

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