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The Influence of Financial Institutions, Govermant, and Digital Technology in the MSME

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Abstract

The purpose of this study was to find out how the influence of financial institutions, cooperative and SME cooperative services, and digital technology on increasing MSME businesses in Kendal Regency, the method used was the data analysis method with a questionnaire using a Likert scale 5 Multiple Linear Regression approach and the help of IBM SPSS software version 25. The results of this study indicate that financial institutions have a significant effect on MSME business development, trade and SME cooperative services have a significant effect on MSME business development, and digital technology has no effect on MSME business development in Kendal Regency.

Keywords: Financial Institutions, Cooperative and SME Trade Office, Digital Technology, Increasing MSME business

Abstrak

Tujuan dari penelitian ini adalah untuk mengetahui bagaimana pengaruh lembaga keuangan, pelayanan koperasi dan koperasi UKM, serta teknologi digital terhadap peningkatan usaha UMKM di Kabupaten Kendal, metode yang digunakan adalah metode analisis data dengan kuesioner menggunakan skala likert 5 Multiple Pendekatan Regresi Linier dan bantuan software IBM SPSS versi 25. Hasil penelitian ini menunjukkan bahwa lembaga keuangan berpengaruh signifikan terhadap perkembangan bisnis UMKM, layanan koperasi perdagangan dan UKM berpengaruh signifikan terhadap perkembangan bisnis UMKM, dan teknologi digital tidak berpengaruh signifikan terhadap perkembangan bisnis UMKM. berpengaruh terhadap perkembangan usaha UMKM di Kabupaten Kendal.

Kata Kunci: *Lembaga Keuangan, Dinas Perdagangan Koperasi dan UKM, Teknologi Digital, Peningkatan Usaha UMKM*

INTRODUCTION

The increase or decrease in economic growth in Indonesia is influenced by various factors, including the involvement of MSMEs. Following the 1945 Constitution article 33 paragraph 4, MSMEs are part of an independent national economy and have great potential to improve community welfare and MSMEs have a significant role in the country's economic growth. Based on information from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) in March 2021, the number of MSME players in Indonesia reached 64.2 million with a contribution to gross domestic product (GDP) of 61.07% or IDR 8,573.89 trillion. MSMEs can absorb 97% of the total labor force and can collect up to 60.42% of the total investment in Indonesia (Nurhaliza, 2022).

MSMEs can develop supported by various pieces of training for the development of more varied and quality products, supported also by training in marketing their products not only through sales of the line but by marketing online. Business development requires business capital for MSME actors, including providing loans by banks with cheaper interest rates and a faster process. Capital is one of the most frequently experienced MSME problems. The lack of MSME business capital causes production activities to be hampered, thereby reducing income. Luthfa, 2021).

Board of Commissioners Tirta Segara said that currently there are still many problems faced by the MSME sector to improve, thus contributing more to the economy. "First, many MSMEs have not utilized digital technology, especially in marketing and market access," according to him, in line with the still 13 percent of MSMEs that have been connected to digital technology. The use of technology is considered important not only in promotion but also in the management of MSMEs. The second problem is access to financing or business capital. It is recorded that around 74 percent of MSMEs have not received access to financing, making it difficult for them to boost production scale. According to Tirta, the difficulty of access to capital occurs due to the complexity of procedures to the large number of documents that must be fulfilled in banks or financial service institutions. As a result, many are looking for alternative financing to the point of being entangled with loan sharks. "Finally, the low quality and capability of human resources, many MSME players are still difficult to market, less innovative, difficult to manage to license, and unable to manage financial statements" (Diamond, 2022).

Based on research states that bank loans affect the growth of MSMEs (Utami & Sujarweni, 2020). Further research that banks have an impact on the development of MSMEs (Meslier et al., 2022). Banks have an impact on the growth of MSMEs (Sohag et al., 2022). Government policies support the development of MSMEs (Wonglimpiyarat, 2016). Based on research conducted in the field, the role of the Gresik Regency Micro Business Cooperatives Office of Industry and Trade (Diskoperindag) as a facilitator is to help facilitate Micro Business actors in Manyar District to get stimulus assistance from the central government (Auliya & Arif, 2021). The research found that government policies support the development of MSMEs (Wonglimpiyarat, 2016). The role of the government cannot moderate the influence of business location on the income level of MSMEs, this is not following the initial hypothesis which states that the role of the government moderates the influence of business location on the income level of MSMEs (Rahmah et al., 2020). In another study, it was stated that the higher the role of the government, the higher

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the business development (Tristiarto et al., 2021). Technology has a significant positive influence on the development of MSMEs accepted. In addition, the direction of influence is positive, this proves that the greater the use of technology, the greater the development (Berlilana et al., 2020). MSMEs have experienced an increase in sales because consumers are easy to interact directly with sellers and consumers also easy to get all information ranging from product prices, menus, promos, and so on (Febriyantoro & Arisandi, 2018). Research states that digital technology has an impact on the development of MSMEs (Chatterjee et al., 2022).

Business development for MSMEs is very important, the role of the government, in this case, is the Trade Office of Cooperatives and SMEs, through various pieces of training both related to quality products, as well as other training that supports the productivity of MSMEs, financial institutions through banks are also very helpful in increasing business capital so that MSME actors can develop properly. MSME players must also be able to follow technological developments to be able to increase sales so that they can affect the income of MSME players.

The purpose of the study proves empirically the influence of Financial Institutions on the increase of MSME business, empirically prove the influence of Trade and SME Services on the improvement of MSME business, and how the influence of Digital Technology on the increase of MSME business in Kendal Regency. Because this research can motivate MSME actors to continue to develop their businesses.

Capital is one of the most frequently experienced MSME problems, the lack of MSME business capital causes production operational activities to be hampered which will affect income. MSME actors, in this case, will look for loans for capital from financial institutions, which can be banks or cooperatives, and sometimes often fail and apply for loans because they do not meet the requirements of banks or cooperatives. This is what makes MSME business actors unable to operate anymore. The role of the government, in this case, is that the Department of Trade, Cooperatives, and SMEs are needed by MSME actors in increasing knowledge about business development through training, both related to products and how to make simple bookkeeping for MSME actors. Most micro, small, and medium business owners do not have enough knowledge on how to grow a business. They also only focus on the production process without trying to improve product quality.

There is still a lack of understanding of digital technology MSME players, so they have not been able to maximize sales which affect the potential profit. In this case, there must be awareness from MSME actors, in addition to encouragement from other parties and the government.

Improvement of MSME Business

According to the Law of the Republic of Indonesia, Number 20 of 2008 concerning Micro, Small, and Medium Enterprises article, 1 is 1. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law. 2. Small Business means a productive economic business that stands alone, which is carried out by an individual or business entity that is not a subsidiary or not a branch of a company that is owned, controlled, or is part either directly or indirectly of a Medium Enterprise or Large Business that

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meets the criteria for Small Business as referred to in this Law. 3. Medium Enterprises shall mean productive economic enterprises that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part either directly or indirectly with Small Businesses or Large Enterprises of the amount of net worth or annual sales proceeds as stipulated in this Law.

Criteria for MSMEs according to Law No. 20, Article 6; (1) The criteria for Micro Enterprises are as follows: a. has a net worth of at most Rp50,000,000.00 (fifty million rupiahs) excluding land and buildings for business premises, or b. have annual sales proceeds of at most RP 300,000,000.00 (three hundred million rupiahs) (2) The criteria for Small Business are as follows: a. has a net worth of more than Rp. 50,000,000.00 (fifty million rupiahs) up to a maximum of Rp. 500,000,000.00 (five hundred million rupiah) excluding land and buildings for business premises; or b.has annual sales proceeds of more than IDR 300,000,000.00 (three hundred million rupiahs) up to a maximum of IDR 2,500,000,000.00 (two billion five hundred million rupiahs) (3) The criteria for Medium Enterprises are as follows: a. has a net worth of more than Rp. 500,000,000.00 (five hundred million rupiahs) up to a maximum of Rp. 10,000,000,000.00 (ten billion rupiahs) excluding land and buildings for business premises; or b. have annual sales proceeds of more than IDR 2,500,000,000.00 (two billion five hundred million rupiahs) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiahs).

Financial Institutions

Definition Financial institutions are official bodies in charge of providing products and facilities in the financial field, and also turning the flow of money in the economic system. In general, the task of financial institutions is to include the process of collecting funds from the community, then distributing them back to the community. But there is also only one of them (NISP, 2022). In Wikipedia, a financial institution can be defined as a business entity whose main assets are in the form of financial assets or bills that can be stocks, bonds, and loans, rather than in the form of real assets such as buildings, equipment, and raw materials. In general, financial institutions are indispensable in the modern economy because of their function as mediators between groups of people who are overfunded and groups of people who need funds. According to Law Number 14 of 1967 concerning Banking Principles, it is explained that what is meant by financial institutions are all entities that through activities in the financial sector attract funds from the public and channel them back to the public. In the Decree of the Minister of Finance Number 792 of 1990 concerning Financial Institutions, financial institutions are given restrictions as institutions engaged in finance whose activities are collecting and distributing public funds, especially for corporate investment. In addition, financial institutions also offer other financial services such as insurance, fund transfers, and storage of valuables (Wikipedia, n.d.)

A financial institution can be defined as an institution or business entity that offers services in the financial sector by collecting funds from the public and using them in the form of other financial assets. Financial institutions cover a wide range of business operations within the financial services sector including banks, trust companies, insurance companies, brokerage firms, and traders. In Indonesia, these financial institutions are divided into 2 groups, namely bank financial institutions and non-bank financial institutions

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(insurance, pawnshops, pension funds, mutual funds, and stock exchanges) (Entrepreneur, n.d.). But in this study, the financial institutions used are bank financial institutions, which can also include cooperatives.

Financial institutions serve many people in many ways. Since financial operations are an important part of any economy, individuals and companies rely on financial institutions for transactions and investments. The function of a financial institution is to provide services as an intermediary between the owner of the capital and the debt market who is responsible for distributing funds from investors to companies that need these funds (Entrepreneur, n.d.). The importance of financial institutions can help business actors, both small and large companies, including MSME owners. Then a hypothesis can be made:

H1: Financial Institutions have a positive effect on increasing MSME business

Department of Trade, Cooperatives, and SMEs

Referring to Regional Regulation No. 17 of 2011 that the position of the Office of Cooperatives, Micro, Small, and Medium Enterprises of Kendal Regency is the implementing elements of the Regional Government with the task of assisting the Regent to coordinate policy formulation and coordination of the implementation of the empowerment of Cooperatives and MSMEs. The position of the Trade, Cooperatives, and SMEs Office: 1. The Office of Cooperatives, Micro, Small, and Medium Enterprises is the implementing element of regional autonomy in the field of cooperatives, micro, small and medium enterprises. 2. The Office of Cooperatives, Micro, Small, and Medium Enterprises is headed by a Head of Service, who in carrying out his duties is subordinate to and responsible to the Regent through the Regional Secretary (Dinperinkop, 2016).

The role of the Trade, Cooperatives, and SMEs Office is expected to help increase the productivity of MSME actors. MSME players play a very important role in influencing the economy. The government through the Cooperatives and SMEs Office contributes in many ways including through training in terms of production as well as in bookkeeping training and, management and marketing. In this study, how the government's influence in this case was represented by the Trade, Cooperatives and MSMEs Office in increasing MSME business in Kendal Regency, Indonesia can be seen as follows:

H2: The Department of Trade, Cooperatives, and SMEs has a positive effect on increasing MSME business.

Digital Technology

Digital technology greatly influences the progress of MSMEs both in terms of information on products and in terms of marketing products. The role of Digital Technology in improving productivity and performance in Small and Medium Enterprises (Papadopoulos et al., 2020). The use of digital technology affects the future of micro-businesses (Reuschke et al., 2021). Digital technology is a technology whose operating system runs automatically using a computerized system.

Digital technology is just a very fast counting system that processes all forms of information as numerical values or digital codes (Smart, n.d.). Digital technology is a technology that uses a computerized system to ensure that an operating system can run

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automatically. This is the main difference between digital and analog technologies. The origin of the need for digital technology is only limited to calculating and processing information into a code called an enigma (Signature, n.d.). Digital technology plays an important role in the development of MSMEs, provides many benefits through access to MSME products, and can improve MSME businesses, so the following hypotheses can be made:

H3: Digital Technology has a positive impact on improving MSME business

Research Framework

If you are focused on developing hypotheses that have been made, research models can be made visible on

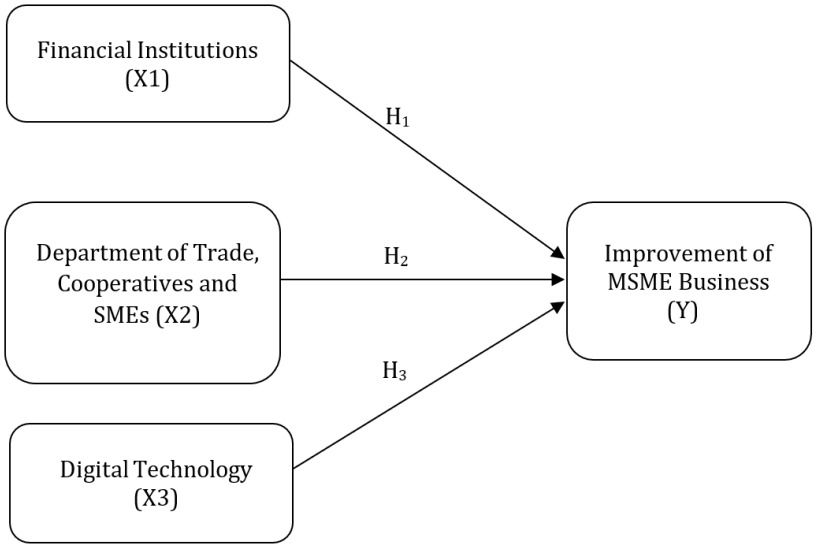

Figure 1: Frame of Mind

The independent variables of this study are financial institutions, cooperative trade offices and MSEs, and Digital Technology. While the dependent variable is Business Improvement.

METHOD

The population in this study is all MSME actors in Kendal Regency. The sample in this study is active MSME actors in Kendal Regency, who have used information technology, both using social media such as Facebook, Instagram, Twitter, YouTube, and so on, then using chat platforms such as Whatsapp, and line or MSME players using personal website media or in marketplaces such as Bukalapak, Tokopedia, Shopee and so on. The study used primary data obtained through the distribution of questionnaires based on scala Likert 5 with google forms, as well as observations. The number of samples in the study amounted to 100 MSME actors in Kendal Regency. The data used in this study are primary data with questionnaires. Primary data is in the form of individual or group opinions of subjects about variables related to research (Sugiyono, 2017). This study used a data analysis method with a Multiple Linear Regression approach with the help of IBM SPSS software version 25.

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RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1. TOTAL	100	23	45	33.79	4.046
X2. TOTAL	100	27	45	35.16	4.647
X3. TOTAL	100	25	45	35.46	5.250
Y_TOTAL	100	24	45	33.58	4.560
Valid N (listwise)	100				

Source: Data processed, 2022

Based on the table above, shows the total samples used in the study, namely as many as 100 data samples obtained from filling in the questionnaire. Based on the table, explains that the variable X1 has a minimum value of 23 while the maximum value is 45. Then, the mean is 33.79 and the standard deviation is 4.046. This shows that the value of the variable X1 is good and t evenly distributed because the value of the standard deviation is smaller than the mean value.

The variable X2 has a minimum value of 27 while the maximum value is 45. Then, the mean is 35.16 and the standard deviation is 4.647. This shows that the value of the variable X2 is good and t evenly distributed because the value of the standard deviation is smaller than the mean value.

The variable X3 has a minimum value of 25 while the maximum value is 45. Then, the mean is 35.46 and the standard deviation is 5.250. This shows that the value of the variable X3 is good and t evenly distributed because the standard deviation value is smaller than the mean value.

The variable Y has a minimum value of 24 while the maximum value is 45. Then, the mean is 33.58 and the standard deviation is 4.560. This shows that the value of the variable Y is good and t is evenly distributed because the value of the standard deviation is smaller than the mean value.

Test Data Quality

Validity Test

The purpose of conducting a validity test is to find out the extent of the accuracy of a measuring instrument in performing its measuring function. A measuring instrument is said to have high validity if the Pearson correlation (r count) result for each question item of each variable is greater than the r table value (0.1966). The results of the test of the four variables consisting of Financial Institutions (X1), the Office of Trade Cooperatives and SMEs (X2), Digital Technology (X3), and MSME Business Improvement (Y) all indicators of the question have a greater r calculations value than the r table so that it can be concluded that all indicators are declared valid.

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Table 2. Financial Institution Validity Test (X1)

No Question Item	Pearson Correlation	Gis.2 (Tailed)	Information
X1.1	0.664	0.000	Valid
X2.1	0.651	0.000	Valid
X3.1	0.660	0.000	Valid
X4.1	0.706	0.000	Valid
X5.1	0.686	0.000	Valid
X6.1	0.626	0.000	Valid
X7.1	0.653	0.000	Valid
X8.1	0.366	0.000	Valid
X9.1	0.386	0.000	Valid
X1. TOTAL	1	0.000	Valid

Source: Data processed, 2022

Table 3. Validity Test of the Department of Trade Cooperatives and SMEs (X2)

No Question Item	Pearson Correlation	Gis.2 (Tailed)	Information
X1.2	0.760	0.000	Valid
X2.2	0.683	0.000	Valid
X3.2	0.588	0.000	Valid
X4.2	0.804	0.000	Valid
X5.2	0.831	0.000	Valid
X6.2	0.772	0.000	Valid
X7.2	0.829	0.000	Valid
X8.2	0.744	0.000	Valid
X9.2	0.781	0.000	Valid
X2. TOTAL	1	0.000	Valid

Source: Data processed, 2022

Table 4. Digital Technology Validity Test (X3)

No Question Item	Pearson Correlation	Gis.2 (Tailed)	Information
X1.3	0.727	0.000	Valid
X2.3	0.833	0.000	Valid
X3.3	0.846	0.000	Valid
X4.3	0.788	0.000	Valid
X5.3	0.705	0.000	Valid
X6.3	0.844	0.000	Valid
X7.3	0.844	0.000	Valid
X8.3	0.865	0.000	Valid
X9.3	0.649	0.000	Valid
X3. TOTAL	1	0.000	Valid

Source: Data processed, 2022

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Table 5. Validity Test for MSME Business Improvement (Y)

No Question Item	Pearson Correlation	Gis.2 (Tailed)	Information
Y1.1	0.641	0.000	Valid
Y2.1	0.740	0.000	Valid
Y3.1	0.730	0.000	Valid
Y4.1	0.806	0.000	Valid
Y5.1	0.811	0.000	Valid
Y6.1	0.722	0.000	Valid
Y7.1	0.678	0.000	Valid
Y8.1	0.763	0.000	Valid
Y9.1	0.578	0.000	Valid
Y.TOTAL	1	0.000	Valid

Source: Data processed, 2022

Table 6. Reliability Test

No	Variable	Cronbach's Alpha	Information
1	X1	0.760	Reliable
2	X2	0.905	Reliable
3	X3	0.920	Reliable
4	Y	0.881	Reliable

Source: Data processed, 2022

Reliability testing is used to measure a questionnaire which is an indicator of a variable. The reliability test was performed with the Cronbach Alpha statistical test. The question item is said to be reliable if the Cronbach Alpha value obtained > 0.70. The results of the variable reliability test from Financial Institutions (X1), the Cooperatives and SMEs Trade Service (X2), Digital Technology (X3), and MSME Business Improvement (Y) were 0.760, 0.905, 0.920, and 0.881, respectively. So that it can be concluded that the construct of questions compiled to measure the Increase in MSME Business (Y) is reliable and variables can be used further in subsequent research.

Test Classical Assumptions

Normality Test

Testing this normality using the test tool of one sample Kolmogorov Smirnov. The test uses a significance value of > 0.05 and if it exceeds the value of 0.05, it is declared to have passed the normality test. Based on the Kolmogorov-Smirnov normality test, it can be concluded that the data that have been processed are normally distributed. results can be seen from Asymp. A sig of 0.200 where the result is greater than the significance level of 0.05. So it can be concluded that the normality test in this study is normally distributed.

Table 6. Normality Test

		Unstandardized Residual
N		93
Normal Parameters,b	Mean	.0000000
	Std. Deviation	287.242.843
Most Extreme Differences	Absolute	.078
	Positive	.065
	Negative	-.078
Test Statistics		.078
Asymp. Sig (2-tailed)		.200c,d

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Data processed, 2022

Multicollinearity Test

The results of the multicollinearity test can be seen in the following table:

Table 7. Multicollinearity Test

Type		Collinearity Statistics	
		Tolerance	VIF
1	X1. TOTAL	.498	2.007
	X2. TOTAL	.332	3.011
	X3. TOTAL	.487	2.052

Source: Data processed, 2022

The Multicoloniality Test is used to test whether there is a significant correlation between its free variables. If in the regression model there is a correlation or relationship between independent (free) variables then the regression model has symptoms of multicollinearity. To find out whether or not there is multicollinearity, it can be seen in the tolerance value or Variance Inflation Factor (VIF) number. If the tolerance value is > 0.10 and the VIF value is < 10 then it can be concluded that the variable does not occur multicollinearity. The results of this study showed tolerance values from Financial Institutions of 0.498, the Department of Trade of Cooperatives and SMEs of 0.332, and Digital Technology of 0.487. Meanwhile, the variable VIF of Financial Institutions is 2,007, the Department of Trade of Cooperatives and SMEs is 3,011, and Digital Technology is 2,052. The variables of Financial Institutions, The Office of Trade Cooperatives and SMEs, and Digital Technology have a tolerance value> 0.10 and a VIF value of < 10, so it can be concluded that there is no multicollinearity in each of the variables used in the study.

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Heterochedasity Test

The heteroskedasticity test aims to test whether the regression model does not occur in similarity to variance or residual of observation to another.

Table 8. Heterochedasity Test

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.003	.003		1.147	.254
	TRANSFORMX1	.009	.051	.053	.179	.858
	TRANSFORMX2	-.025	.062	-.126	-.408	.684
	TRANSFORMX3	-4.89E-04	.000	-.143	-.548	.585

Source: Data processed, 2022

The significance level of a study can be calculated in a heteroskedasticity test using the glejser test. In conducting the test, it is said that heteroskedasticity does not occur if the confidence is 5% or > 0.05 this can be seen from the probability of its significance (Ghozali, 2016). The results of the study showed that all variables X1, X2, and X3 successively 0.858, 0.684, and 0.585 had significance values greater than 0.05. So it can be concluded that the regression model does not occur heteroskedasticity.

Multiple Linear Analysis

Table 9. Multiple Linear Analysis

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.003	.004		.582	.562
	TRANSFORMX1	.325	.088	.361	3.670	.000
	TRANSFORMX2	.581	.106	.565	5.470	.000
	TRANSFORMX3	-6.58E-04	.000	-.037	-.427	.670

Source: Data processed, 2022

This analysis is to determine the direction of the relationship between independent variables (Financial Institutions, The Office of Trade Cooperatives and SMEs, and Digital Technology) and the dependent variables (MSME Business Increase) and whether each independent variable is positively or negatively related and to predict the value of the dependent variable if the value of the independent variable increases or decreases. The results of this study the Financial Institutions variable has a positive coefficient of 0.325, and the Cooperative and SME Trade Office has a positive coefficient of 0.581, so it can be concluded that there is a 1% increase in the X1 and X2 variables which causes an increase in Y. Meanwhile, Digital Technology has a negative coefficient of -6.584, so it can be concluded that there is a 1% decrease in the X3 variable which causes a decrease in Y.

Determinant Coefficient Test

The coefficient of determination (R2) can be used to measure how far the model is capable of describing dependent variation.

Table 10. Determinant Coefficient Test

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.943a	.889	.885	.00229

Source: Data processed, 2022

The results of this study obtained an R square value of 0.889 or 88.9%. This shows that jointly between Financial Institutions (X1), the Office of Cooperative Trade and SMEs (X2), and Digital Technology (X3) affects the dependent variable, namely the Increase in MSME Business (Y) by 88.9% while the remaining 11.1% is influenced by other variables from outside the research model.

T-Test

The Statistical Test t is a test performed to test whether or not an independent variable partially has a significant relationship to a dependent variable.

Table 10. T-test

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.003	.004		.582	.562
	TRANSFORMX1	.325	.088	.361	3.670	.000
	TRANSFORMX2	.581	.106	.565	5.470	.000
	TRANSFORMX3	-6.58E-04	.000	-.037	-.427	.670

Source: Data processed, 2022

The result of partial testing of the first hypothesis of the significant value of the Financial Institution variable (X1) is 0.000. The significance value is smaller than the level of significance, which is 0.05 or 0.00 < 0.05, from these results it can be concluded that the Financial Institution variable (X1) has a positive and significant effect on the Increase of MSME Business. So the first hypothesis is accepted. Research by Utami and Sujarweni, 2020, that bank loans affect the growth of MSMEs (Utami & Sujarweni, 2020), In line with research that banks have an impact on the development of MSMEs (Meslier et al., 2022), banks have an impact on the growth of MSMEs (Sohag et al., 2022), according to research that bank lending has a strong impact on MSMEs (Guo et al., 2022; Yu et al., 2022; Disli et al., 2022).

The result of the partial test of the second hypothesis, the significance value of the variable of the Department of Trade Cooperatives and SMEs (X2) is 0.000. The significance value is smaller than the significance level of 0.05 or 0.00 < 0.05, from these results it can be concluded that the variables of the Cooperatives and SMEs Trade Service (X2) have a positive and significant effect on the Increase of MSME Business. So the second hypothesis

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is accepted. This is comparable to other studies mentioning that the higher the role of the government, the higher the business development (Tristiarto et al., 2021), as well as stated that government policies support the development of MSMEs (Wonglimpiyarat, 2016; Chen et al., 2022; Zhong et al., 2022; Nguyen et al., 2023; Takeda et al., 2022).

The third partial test result, the significance value of the Digital Technology variable (X3) is 0.670. The significance value is greater than the significance level of 0.05 or 0.670 > 0.05, from these results it can be concluded that the Digital Technology (X3) variable does not affect the Increase of MSME Business. So it can be concluded that the third hypothesis is rejected. The results of this study are contrary to Berlilana, et al (2020), the greater the use of technology, the greater the development (Berlilana et al., 2020), it is also contrary to research that digital technology has an impact on the development of MSMEs (Chatterjee et al., 2022; Agyekum et al., 2022).

CONCLUSION

From the test results, it can be concluded that financial institutions, cooperative trade offices, and SMEs have a significant effect on increasing MSME business in Kendal district while technology digital shows no effect on business improvement. It can be said that the role of the government is very helpful in developing businesses through training conducted by cooperatives and SMEs, which can affect productivity which later affects sales that can increase.

Likewise, the role of financial institutions is very influential in business development through Bank loans. Government support, in this case, is from the Trade Office, Cooperatives, and SMEs, as well as from financial institutions that are very concerned about the improvement and development of MSME businesses, which will indirectly affect the economy in Indonesia. This research still has many shortcomings, the MSMEs studied for business types are still not specified, meaning they do not see the same business field. For further research, it can include innovation variables as well as family ownership variables that can also affect the business development.

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