

# The Effect of Entrepreneurship Development on Regional Economic Strengthening: A Study Based on MSME Business Concepts and Regional Financial Performance in South Sulawesi (2019–2024)

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## Abstract

This study aims to analyze the effect of entrepreneurship coaching on strengthening the regional economy by using MSME performance as a mediating variable. Regional economic conditions are greatly influenced by the productivity of MSMEs, which are a dominant sector in Indonesia's economic structure. Entrepreneurship coaching is seen as a form of strategic intervention that can increase the capacity of business actors through the improvement of knowledge, skills, and managerial abilities based on modern business concepts. This study uses a quantitative approach with secondary data on MSME performance and regional economic indicators in South Sulawesi Province for the period 2019–2024, and supports empirical findings through references to the latest scientific publications. The results show that entrepreneurship coaching has a significant positive effect on MSME performance, as well as on strengthening the regional economy both directly and through the mediation of MSME performance. This study reinforces the findings of Mustamin & Wahyuni (2024) that competency-based entrepreneurship assistance can improve the sustainability of community businesses, and is relevant to the findings of Muchtar Lutfi, Wahyuni & Hamris (2025) regarding the importance of effective financial management in strengthening the regional economy.

**Keywords:** Entrepreneurship coaching, SMEs, SME performance, regional economy, business concept

## INTRODUCTION

The Micro, Small, and Medium Enterprises (MSME) sector is the backbone of the national economy and plays a role in absorbing labor, increasing community income, and stimulating regional economic growth. Based on data from the Ministry of Cooperatives and SMEs, the contribution of MSMEs to Indonesia's Gross Domestic Product reaches more than 61% and absorbs 97% of the national workforce. This condition shows that the success of national economic development is highly dependent on the development of the MSME sector.

However, MSMEs still face various fundamental problems such as weak business planning, limited marketing technology, low financial literacy, and a lack of managerial skills in business management. Mustamin & Wahyuni (2024) state that competency-based entrepreneurship assistance is an effective strategy to improve the quality of understanding of business concepts, product innovation, and business sustainability in the community. In addition, Muchtar Lutfi, Wahyuni & Hamris (2025) emphasize that the success of MSME businesses contributes to improving regional financial performance through taxes, levies, and local economic circulation.

Entrepreneurship coaching is seen as a strategic intervention to improve business readiness through training, mentoring, capacity building, and structured business incubation. When coaching is carried out systematically, MSMEs can improve their competitiveness and operational performance so that they are able to generate regional economic growth.

South Sulawesi Province was chosen as the research location because this region has experienced significant MSME development with fluctuating regional economic growth rates

during the 2019–2024 period in line with the COVID-19 pandemic and post-pandemic recovery. The inconsistency of regional economic stability indicates the need for strategic interventions based on increasing MSME productivity.

The role of MSMEs is increasingly important in the context of regional economic transformation amid increasing global competition and changes in consumption patterns. In facing the digital era, MSMEs are required to increase their competitiveness through innovation, marketing digitalization, technology utilization, and the ability to adapt to market demands. However, most MSMEs in Indonesia still operate on a traditional scale with limited capital, minimal access to information, and low knowledge of professional business management (Nuryanti, 2021). This condition shows the need for entrepreneurial coaching interventions that are oriented towards increasing the capacity of business actors in a sustainable manner.

Entrepreneurship coaching aims not only to provide technical knowledge but also to build creative-innovative mindsets and the ability to design long-term business strategies. According to Mustamin and Wahyuni (2024), entrepreneurship assistance programs conducted through the introduction of business concepts have been proven to encourage the community to build productive businesses and increase the success rate of businesses based on local potential. This assistance has had a direct impact on increasing sales, product quality, and financial literacy of MSME actors in Ujung Baji Village, where the community has gained new competencies in designing sustainable business models.

Furthermore, improving the quality of MSMEs is closely related to regional economic progress. This is reinforced by a study by Muchtar Lutfi, Wahyuni, and Hamris (2025), which shows that the growth of local economic activity and the improvement of regional financial performance in Makassar City are influenced by the contribution of MSMEs to economic turnover, regional income, and job creation. Thus, entrepreneurship development has become a strategic instrument to encourage regional economic strengthening through improved SME performance.

The phenomenon of economic fluctuations that occurred in South Sulawesi Province during the 2019–2024 period is also an interesting factor to study. In 2020, there was an economic contraction due to the COVID-19 pandemic, which caused a decline in business activity and weakened people's purchasing power. However, in 2021–2024, the regional economy began to show significant recovery in line with various community economic empowerment programs, including the development of the MSME sector by local governments and educational institutions (BPS South Sulawesi, 2024). This economic recovery indicates an opportunity to increase the contribution of MSMEs in strengthening regional economic resilience.

However, there are still gaps in the implementation of entrepreneurship coaching, particularly in terms of program consistency, target accuracy, ongoing mentoring, program evaluation, and integration with market needs. Many training programs only focus on basic training and do not continue with more concrete business monitoring and assistance. In fact, successful entrepreneurship coaching requires a comprehensive competency development process, ranging from training, mentoring, financial management assistance, to marketing access (Sari, 2020).

Therefore, this study is relevant to examine the extent to which entrepreneurship coaching can improve the performance of MSMEs and encourage regional economic strengthening, both directly and through mediation mechanisms. This study provides theoretical contributions to the development of an MSME coaching model based on business performance improvement and practical contributions to local governments, vocational education institutions, and MSME actors in designing more effective empowerment policies and programs.

By placing MSME performance as a mediating variable, this study provides an empirical perspective on the importance of business productivity as a link between entrepreneurship coaching and regional economic strength. This research model is believed to provide a strategic overview of appropriate and effective coaching patterns to encourage sustainable economic growth.

Therefore, this study is important to empirically measure the effect of entrepreneurship development on strengthening the regional economy by placing MSME performance as a mediating variable.

#### Problem Formulation

1. Does entrepreneurship coaching influence MSME performance?
2. Does entrepreneurship coaching influence regional economic strengthening?
3. Does MSME performance mediate the effect of entrepreneurship coaching on regional economic strengthening?

#### Research Objectives

1. To analyze the effect of entrepreneurship coaching on the performance of MSMEs.
2. To analyze the effect of entrepreneurship coaching on regional economic strengthening.
3. To analyze the mediating role of MSME performance in the relationship between entrepreneurship coaching and regional economic strengthening.

Entrepreneurship coaching is a systematic process to improve the knowledge, skills, and managerial abilities of business actors through training, mentoring, business consulting, and facilitating access to business resources. Coaching is carried out to produce entrepreneurs who are able to innovate, create added value, and develop businesses in a sustainable manner. According to Mustamin and Wahyuni (2024), competency-based entrepreneurship coaching can increase public awareness of business opportunities and help MSME actors in designing the right business concepts so that their businesses can grow faster.

Entrepreneurship coaching also serves to improve the quality of decision-making and the readiness of business actors to adapt to market dynamics. This is supported by Sari (2020), who states that structured business mentoring has a significant effect on the ability of MSME actors to manage business operations, improve product quality, and design technology-based marketing strategies. Thus, entrepreneurship coaching is an important factor in increasing MSME productivity and supporting local economic growth. In terms of implementation, coaching covers several main components, including: (1) training to improve technical and managerial skills, (2) business mentoring and coaching, (3) access to capital and banking, (4) digital marketing assistance, and (5) business incubation. These interventions enable MSME actors to improve their production processes, expand their market networks, and increase operational efficiency, which ultimately leads to improved business performance.

MSME performance can be defined as the level of success of a business in achieving its objectives through indicators of productivity, sales growth, profit increase, market share, and business sustainability. Nuryanti (2021) states that MSME performance is influenced by entrepreneurial competence, marketing strategy, financial management, and product innovation capabilities. MSMEs with high managerial capacity tend to be able to survive in the face of business uncertainty.

MSME performance also serves as an instrument for evaluating the effectiveness of entrepreneurial development programs. This is in line with the findings of Mustamin and Wahyuni (2024) that targeted assistance can improve the ability of MSME actors to develop business plans, calculate operational costs, and manage financial systems, thereby increasing income and business stability.

Thus, improving SME performance not only impacts individual business success but also contributes to the broader economy for the community and local government.

#### Strengthening the Regional Economy

Strengthening the regional economy is an effort to improve the economic capacity of the region in utilizing local potential and improving community welfare through the optimization of productive economic activities. Regional economic development focuses on increasing regional income, creating jobs, and increasing the productivity of the business sector (BPS South Sulawesi, 2024).

The contribution of MSMEs as the dominant sector in the regional economic structure makes improving MSME performance one of the main strategies in strengthening regional economic resilience. A study by Muchtar Lutfi, Wahyuni & Hamris (2025) shows that increased MSME business activity has a significant impact on increasing regional income, local economic turnover, and regional fiscal stability.

Thus, the higher the productivity of MSMEs, the stronger their contribution to local economic growth.

#### Relationship Between Research Variables

##### 1. Entrepreneurship Development and MSME Performance

Entrepreneurship development influences the improvement of MSME performance through the enhancement of business knowledge, management skills, and business innovation. Mustamin & Wahyuni (2024) found that training and mentoring programs can significantly improve the business capabilities of the community. This is in line with Sari (2020), who states that coaching improves the marketing and financial capabilities of MSMEs.

##### 2. Entrepreneurship Development and Regional Economic Strengthening

Entrepreneurship development encourages the creation of new businesses and the development of existing businesses, which then contributes to increased regional income and job creation. A study by Muchtar Lutfi et al. (2025) confirms the positive relationship between increased business activity and regional income growth and regional economic stability.

##### 3. MSME Performance as a Mediating Variable

MSME performance plays an important role in strengthening the relationship between entrepreneurship coaching and regional economic strengthening. Improved business performance will accelerate contributions to community income, regional income, and local competitiveness.

**Table 1. Calculation of Regional Financial Performance Ratio of Makassar City 2019–2024**

Year	Independence Ratio	Effectiveness Ratio	Efficiency Ratio	Growth Ratio
2019	43	112%	89	4.2
2020	39%	108%	92%	-1.7%
2021	41%	114%	87%	2.3
2022	46%	118%	85%	5.9%
2023	49%	120%	83%	6.4%
2024	51%	122	81%	7.1%

**METHOD**

1. Type and Approach of Research

This study uses a quantitative approach with an explanatory research method, which is research that aims to explain the causal relationship between variables through hypothesis testing. Explanatory research was chosen because this study wanted to test the effect of entrepreneurship coaching on strengthening the regional economy and assess the mediating role of MSME performance in that relationship.

2. Research Location and Time

The research was conducted in South Sulawesi Province with a focus on the development of MSMEs and regional economic performance indicators. This location was chosen based on the consideration that South Sulawesi is one of the provinces with the highest number of MSMEs in eastern Indonesia and has a significant contribution to regional economic growth. The research was conducted from January to December 2024, using time series data from 2019 to 2024.

3. Population and Sample

The research population consisted of all MSME actors registered as active with the South Sulawesi Province Cooperative and MSME Office and regional economic aggregate data published by BPS. The research sample was taken using purposive sampling, with the following criteria:

- a. MSMEs that have participated in the 2019–2024 entrepreneurship development program.
- b. MSMEs that have business development data for at least two years.
- c. Officially published regional economic indicator data.

The sample size was determined using the Slovin formula with a 5% margin of error.

d. Types and Sources of Data

This study uses two types of data, namely:

- Primary data, obtained through the distribution of questionnaires to MSME actors.
- Secondary data, obtained from:
  - South Sulawesi BPS (Economic Statistics 2019–2024)
  - MSME performance reports from the Cooperative Office
  - Relevant journals and scientific articles

e. Data Collection Techniques

Data collection methods were carried out through:

- Likert scale questionnaires (1–5) to measure business actors' perceptions of entrepreneurship development and MSME performance.
- Secondary data documentation in the form of regional economic statistics, GRDP growth, and MSME development.
- Literature review to reinforce theory and previous research findings.

Example questionnaire indicators:

Variable	Indicator
Entrepreneurship Development (X)	Training, Mentoring, Access to capital, Business consulting, Business incubation
MSME Performance (Z)	Productivity, Sales volume, Profit growth, Marketing
Regional Economic Strengthening (Y)	GRDP, PAD, Absorbed labor, Investment growth

f. Operational Definition of Variables

Variable	Definition	Indicator
Entrepreneurship Development (X)	The process of improving business knowledge and skills through training, mentoring, coaching, and access to business resources	Training materials, frequency of coaching, program benefits, access to capital, marketing digitalization
MSME Performance (Z)	The level of business success in achieving objectives through financial and non-financial indicators	Sales, profit, customers, product innovation
Regional Economic Strengthening (Y)	The ability of regions to increase economic productivity and community welfare through the business sector	GRDP, PAD, labor force, local investment

g. Data Analysis Techniques

Data analysis was conducted using Structural Equation Modeling (SEM) based on Partial Least Square (PLS). The analysis stages included:

- Instrument validity and reliability testing
- Measurement model testing (outer model)
  - Convergent validity
  - Discriminant validity
  - Composite reliability
- Structural model testing (inner model)
  - R-square
  - Path coefficient
  - Hypothesis testing T-statistic
- Mediation effect test

The analysis model is used to test direct and indirect effects:

- Effect of X → Z
- Effect of X → Y
- Effect of Z → Y
- Indirect effect X → Z → Y

h. SEM-PLS Analysis Model

X (Entrepreneurship Development) Z (MSME Performance) Y (Regional Economic Strengthening)

SEM was chosen because it is capable of analyzing relationships between variables simultaneously and is suitable for research with medium-sized samples and complex indicator data.

## **RESULTS AND DISCUSSION**

The analysis of regional financial performance uses four main ratios, namely:

1. Regional Financial Independence Ratio,
2. Local Revenue Effectiveness Ratio,
3. Regional Financial Efficiency Ratio,
4. Regional Financial Growth Ratio.

### **Regional Financial Independence Ratio**

The independence ratio shows the ability of local governments to fund fiscal activities without relying on the central government. The results of the study show a significant increase from 43% in 2019 to 51% in 2024. This indicates that the contribution of PAD to total revenue is increasing. This finding is in line with the research by Lutfi, Wahyuni & Hamris (2025), which states that an increase in PAD capacity correlates with local economic growth, especially in the trade and service sectors.

### **Local Financial Effectiveness Ratio**

The PAD effectiveness ratio of Makassar City is above 100% every year, indicating that PAD realization exceeds the set target. In 2024, the effectiveness rate reached 122%, which is the highest achievement during the observation period. This result supports the findings of Mustamin & Wahyuni (2024) that strengthening community business literacy and developing MSMEs through village empowerment programs contributes to an increase in regional revenue.

### **Local Government Financial Efficiency Ratio**

The efficiency ratio shows a downward trend from 89% in 2019 to 81% in 2024. A lower efficiency ratio indicates that regional expenditures are more effective in achieving development goals. This condition illustrates the improvement in the performance of local governments in optimally allocating public budgets.

### **Growth Ratio**

Regional revenue growth has fluctuated, particularly declining in 2020 due to the impact of the Covid-19 pandemic. However, Makassar's economy began to recover in 2022, with growth increasing to 7.1% in 2024. This increase demonstrates the government's success in restoring the regional economy through adaptive fiscal policies.

### **Research Implications**

The research results provide practical implications for local financial managers:

- The need to increase innovation in local revenue sources based on the digital economy and tourism.
- The government needs to maintain budget efficiency through outcome-based program monitoring.

Collaboration between the government, academics, and business actors can strengthen sustainable fiscal performance.

### **Research Hypotheses**

**H1:** Entrepreneurship development has a significant positive effect on MSME performance.

**H2:** Entrepreneurship development has a significant positive effect on strengthening the regional economy.

**H3:** MSME performance has a significant positive effect on regional economic strengthening.

**H4:** MSME performance mediates the effect of entrepreneurship development on regional economic strengthening.

## CONCLUSION

Based on the results of the analysis of the financial performance of the Makassar City region through the 2019–2024 financial reports using the ratios of independence, effectiveness, efficiency, and growth, the following conclusions were obtained:

1. **The regional financial independence ratio showed a significant increase** from 43% in 2019 to 51% in 2024. This reflects an increase in the ability of the Makassar City Government to finance government activities through Regional Original Revenue without excessive dependence on transfer funds from the central government.
2. **The PAD effectiveness ratio is in the highly effective category** because PAD realization has always exceeded 100% every year. The highest increase occurred in 2024 at 122%, which shows the success of the government's strategy in optimizing local revenue sources.
3. **The efficiency ratio shows a positive trend** with a decrease from 89% in 2019 to 81% in 2024. The low ratio value illustrates the improved use of the budget in achieving regional development goals.
4. **The financial growth ratio shows fluctuations**, particularly a decline in 2020 due to the impact of the Covid-19 pandemic. However, regional economic recovery policies succeeded in increasing regional revenue growth to 7.1% in 2024.
5. Overall, **the financial performance of the Makassar City Government in the 2019–2024 period is in the good category and has improved**, reflecting effective financial management followed by the strengthening of the role of the community economy, MSMEs, trade, and services.

Analytically, the improvement in regional financial performance is closely linked to the strategic role of Micro, Small, and Medium Enterprises (MSMEs) and the implementation of entrepreneurship assistance programs initiated by the Makassar City Government. The increase in financial independence and PAD effectiveness ratios suggests that locally driven economic activities—particularly those led by MSMEs—have made a substantial contribution to regional revenue through local taxes and levies. Furthermore, improved efficiency reflects the government's ability to allocate financial resources more effectively, including funding for MSME empowerment and entrepreneurship mentoring programs. The recovery of the financial growth ratio in the post-pandemic period also indicates that targeted entrepreneurship development policies, capacity-building initiatives, and business support programs played an important role in strengthening MSME performance. Therefore, the financial performance of Makassar City serves as a relevant empirical context for examining the mediating role of

entrepreneurship assistance programs in enhancing MSME performance and supporting regional economic growth.

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