

The effect of legalization, financing, and provision of raw materials on the development of UMKM business in Palembang City

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Abstract

Purpose: The purpose of this study is to investigate the influence of legalization, financing, and raw material provision on the business development of MSME actors in Palembang City

Methodology/approach: A quantitative approach was used, employing multiple linear regression analysis. The sample consisted of 92 MSME actors in Palembang City

Results/findings: The results showed that legalization significantly impacts business development, with a t-value of 2.150 (greater than 1.660) and a significance value of 0.034 (less than 0.05). Financing also significantly affects business development, with a t-value of 2.101 (greater than 1.660) and a significance value of 0.038 (less than 0.05). The provision of raw materials significantly influences business development, with a t-value of 1.934 (greater than 1.660) and a significance value of 0.032 (less than 0.05). Based on the F-test, the calculated F-value of 3.695 exceeds the F-table value of 2.698

Conclusion: Indicating that the three factors (legalization, financing, and raw material provision) collectively and significantly affect business development.

Limitations: The study is limited to MSME actors in Palembang City, which restricts the generalizability of the findings to other regions. Future research could include additional variables to provide a more comprehensive understanding. This study shows that 47.5% of business development is influenced by these factors, while the remaining 52.5% is influenced by other factors.

Contribution: This research contributes by examining the simultaneous effects of legalization, financing, and raw material provision on MSME development in Palembang, providing valuable insights often overlooked in previous studies.

Keywords: *Business Development, Financing, Legalization, Preparation of Raw Materials*

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1. Introduction

The Micro, Small, and Medium Enterprises (MSMEs) sector is an important pillar of the Indonesian economy. According to data from the Ministry of Cooperatives and SMEs, MSMEs contribute approximately 60% of the gross domestic product (GDP). Small and Medium Enterprises (SMEs) in Indonesia currently play an important role and make a significant contribution to improving the economy and development of the country (Maryanti, 2017). It can provide direct employment opportunities for those with low levels of education and only certain skills (Putri & Khairunnisyah, 2021). This shows that the sector is the main mover in creating a plus economy in various sectors, starting from trade and services to small industry manufacturing.

MSMEs are also provider field Work the largest in Indonesia. This is very important, especially in reducing unemployment and supporting social stability. This sector is capable of providing work for various layers of society, both in urban and rural areas, with relatively small capital more small compared to business big. In addition, the MSME sector encourages entrepreneurship and innovation among society. Many MSMEs are growing with distinctively innovative products, especially in creative fields such as crafts, culinary, and digital technology. MSMEs often become places for novice businessmen to test business ideas, with lower risk compared to larger businesses.

UMKM helps reduce poverty by providing business opportunities for the public to earn a low income. With more affordable capital and simpler processes, UMKM can become a means for individuals or families to start businesses and improve their income, especially in areas with limited access to large industries. In the current crisis economy, as seen during the COVID-19 pandemic, MSMEs are more resilient (hardiness) than large businesses (Angeline, Allister, & Gunawan, 2022). Post-economic crisis, the number of MSMEs did not decrease; in fact, their growth increased in some countries. This experience explains that MSMEs are productive businesses to be developed (Dyan, 2020). Even though affected, many MSMEs succeeded in adapting quickly, for example, by switching to digital platforms for continued operation. This shows the flexibility and capability of the MSME sector in the face of economic challenges.

In Palembang City, MSMEs also play a strategic role in strengthening the economy, with sectors such as culinary, crafts hands, and creative industry dominating. UMKM (Micro, Small, and Medium Enterprises) in Palembang City have a very significant role in economy area, good from aspect amount operating business and also contribution economy generated. Palembang City, as the Mother City of South Sumatra Province, has a sufficient number of MSMEs that are large and spread across various economic sectors. Based on data from the local Cooperatives and SMEs Office, UMKM in Palembang grew significantly every year, covering various types of businesses such as trade, culinary, crafts, industry house stairs, and services.

The following displays the MSME data in Palembang City. Table 1 shows the data on the development of Micro, Small, and Medium Enterprises (MSMEs) in Palembang City from 2020 to 2022. According to the table, micro businesses saw an increase in the number of business units each year, rising from 12,655 units in 2020 to 20,153 units by 2022. Small businesses also showed growth, with the number of units increasing from 27,475 in 2020 to 33,211 by 2022. Medium-sized enterprises grew from 5,697 units in 2020 to 7,078 units in 2022. The total number of MSME units in Palembang grew significantly from 45,827 in 2020 to 60,422 in 2022 (Ermanovida, Khairunnisyah, & Putri, 2022).

Table 1. Data on the Development of MSMEs in Palembang City

No	Business fields	Number of Business Units		
		2020	2021	2022
1	Micro Business	12,655	17,655	20.153
2	Small business	27,475	30.122	33.211
3	Medium Enterprises	5,697	6.030	7,078
	Amount	45,827	53,807	60,422

Source : Palembang City Cooperatives and UMKM Service in Rianto, 2023

Micro and small businesses constitute the majority of the total UMKM in Palembang. Micro businesses are usually in the form of stalls, street vendors, or home businesses that serve the daily needs of the local public. Small businesses usually operate in sectors such as crafts, food processing, textiles, and small trading. Medium enterprises usually already own a better management system and have wider market coverage, although they are still on a local or regional scale. The number of MSMEs continues to grow, showing that this sector has become the main choice for the Palembang City community for entrepreneurship and the creation of field work. In terms of contribution to the to the economy, UMKM in Palembang plays an important role in a number of aspects:

1. Contributor Regional Income: MSMEs provide significant contributions to Local Original Income

- (PAD) through various forms of taxes and levies. MSMEs operating in the sector trade, services and tourism.
2. Labor absorption: MSMEs in Palembang are one of the largest labor absorbers in the town. Many efforts have been made to provide work for the local public, which plays a role in reducing the number of unemployed people. On a scale, micro-business, family business, or informal work is very dominant, especially in the culinary, services, and trade sectors.
 3. Local Economic Drivers: MSMEs play a significant role in the local economy. With businesses spread across various regions, MSMEs help increase the power of society and encourage money circulation in local economies. For example, the culinary sector in Palembang with typical food such as pempek is an example of MSME products that have a powerful economy at the cultural level.

Apart from some opportunities, there are also face by MSMEs, especially in the aspects of legalization, access financing, and availability of material standards, which still become the main constraints in development efforts. Business capital, entrepreneurial characteristics, and the quality of financial reports simultaneously influence the development of micro, small, and medium enterprises (MSMEs) (Ashara, 2021). business development is influenced by business capital (Fatimah, Yahya, & Hisan, 2021). Ease of access to funding strategies increases UMKM competitiveness (Sudaryanto & Wijayanti, 2013). Although the role of MSMEs is very important, many obstacles are faced by the perpetrator business in Palembang City. One of the main challenges is low-level business legalization, which makes many MSMEs operate informally without adequate legal protection. In addition, access to financing from banks or institutions is limited, especially for small-scale SMEs.

Provision of material standards that are not stable and fluctuate in price also increases the operational burden, hindering business growth. The need for management in entrepreneurship is an activity that regulates resources (materials, humans, machines and equipment, capital funding) with the help of other people to achieve certain goals (Maryanti, 2017). This study aims to analyze the influence of legalization, financing, and provision of material standards on the development of UMKM businesses in Palembang City. The results of this study can provide deeper insights for the government and stakeholders in formulating supportive policies for MSMEs development. From the academic and research side, this is also expected to enrich the literature on the factors that influence the development of UMKM in the urban region.

This study is based on the assumption that legalization of good business, easy financing access, and availability of stable standard materials can push UMKM business development. Palembang City, one of the largest cities in South Sumatra, has a potentially significant economy with a growing MSME sector, especially in the fields of trade, the creative industry, and services. However, many SMEs in the city face challenges in terms of business licensing, access to capital, and difficulty obtaining affordable and quality raw materials. This study is important because issues related to legalization, access financing, and availability of material standards are still a big constraint for MSMEs, especially in Palembang City. Understanding the influence of the third factor can provide practical solutions and supportive policies for the growth of the MSME sector in general, while simultaneously providing a runway for further study in the future.

2. Literature Review

Micro, Small, and Medium Enterprises (MSMEs) are recognized as key drivers of economic growth, employment creation, and poverty reduction (Supriatna, Candra, Adinugroho, Nasution, & Yanti, 2023). In many developing countries, including Indonesia, MSMEs contribute significantly to the economy by providing job opportunities, fostering innovation, and enhancing community welfare (Lubis & Salsabila, 2024). However, MSMEs face several challenges, which are often influenced by factors such as business legality, access to financing, and the availability of raw materials. The following sections review the literature on these three key factors.

2.1 Business Legality

Business legality is an essential factor that affects the sustainability and growth of MSMEs. Business actors are required to meet the criterion of business legality (Kusmanto & Warjio, 2019). Legally recognized businesses enjoy various advantages, including protection under the law and greater access to formal financial services. to expand access to MSME financing provided by the government and access to financing from banks (Soimah & Imelda, 2023). Business legality refers to the authorization and granting of business activity licenses by business owners or corporations of authorized parties (Labibah & Sahrudin, 2022).

However, many MSMEs face barriers to obtaining business licenses due to a lack of knowledge or resources. This activity demonstrates how the university's entrepreneurial ecosystem is strategically strengthened by business legality (Anwar et al., 2023). Businesses require legality for several reasons, including obtaining legal protection for their operations, boosting their worth, and preventing losses due to unintended circumstances. For businesses to be protected by legally compliant documents, company legality must comply with the laws and regulations (Manurung & Diana, 2024). While licensing is a condition that businesses must meet, legality is the legal foundation that all enterprises in Indonesia must meet to operate lawfully. However, for various reasons, including high costs, convoluted processes, and a lack of knowledge about laws and regulations, many MSMEs do not have the required legality and permits (Fiqhiyyah, Wahyudi, Erlinda, & Sholikin, 2023).

2.2 Access to Financing

Access to finance is increasingly acknowledged as a crucial component of economic growth (Arora, 2014). Access to financing positively affects SME growth (Faraswandi, 2019). Government assistance and financial resources have been shown to have a direct positive impact on startup performance, while industry cooperation serves as a mediator, amplifying the influence of financial resources on startup outcomes (Wenno & Ladjin, 2024). This situation makes it difficult for MSME owners to access formal financial services, such as loans, which are essential for developing businesses.

Expanding early ventures' and small businesses' access to financing poses serious issues from the regulators' perspective. We look at evidence supporting the case for financial digitization based on access to finance (Bollaert, Lopez-de-Silanes, & Schwienbacher, 2021). The perceived impact of financial accessibility on the purpose of aspiring entrepreneurs or students was also examined. Although many studies have been conducted on this topic, most have focused on SMEs. Therefore, it is important to examine how students' access to financing affects their entrepreneurial ambition (Khan & Das, 2017).

2.3 Provision of Raw Materials

The availability of raw materials is a key determinant of MSME success, especially for businesses involved in manufacturing, food processing, and other production-based activities. aims to fulfill the needs of consumers, which are increasingly numerous, varied, and diverse, thus demanding products with fast, precise, and useful services (Blongkod, Ilat, & Mawikere, 2023). Raw material inventory management can improve efficiency, operational performance, and profits (Faluthi, 2022). Raw material supply chains often face challenges related to fluctuating prices, quality control, and resource affordability. Furthermore, MSMEs often have limited bargaining power when negotiating with suppliers, which can lead to higher procurement costs and lower product quality.

In its operational activities, UMKM turns mentah into a material that is ready for use. However, in terms of managing the product, it frequently fails to provide good product management; therefore, it cannot produce as much laba as possible (Natasya, Fitriyani, Rukmini, Santi, & Suherman, 2024).

One of these challenges is the shortage of equipment, which is frequently expensive to import into the country. Poor-quality products and a lack of knowledge about export market tactics may cause SME operators' incapacity to enter and compete successfully in export markets. In other cases, it can be networks or a lack of suitable technology and mechanisms to package, preserve, and process goods for export. Therefore, SMEs' promoters ought to provide innovative ways to process locally available raw materials as a foundation for entrepreneurship growth (Oluleye & Oyetayo, 2010).

In summary, business legality, access to financing, and raw material provision are three critical factors that influence the growth and sustainability of MSMEs. Addressing these challenges through targeted policies, better access to financial services, and improved supply chain management can create an environment that fosters MSME development and contributes to broader economic growth. Although previous research has shown the influence of legality, financing, and raw materials on MSMEs, there is still a gap in understanding how these three factors simultaneously affect the development of MSMEs, especially in Palembang. In addition, the limitations of local data and holistic analysis of the specific context of Palembang make this research relevant and important.

2.4 Hypothesis Development

Based on a literature review, this study develops the following hypothesis:

- a. H1: Business legality positively affects the development of MSME businesses in Palembang City.
- b. H2: Access to financing positively impacts the development of MSME businesses in Palembang City.
- c. H3: The provision of raw materials positively influences the development of MSME businesses in Palembang City.
- d. H4: The combination of business legality, access to financing, and provision of raw materials simultaneously affects the development of MSME businesses in Palembang City.

3. Research Methodology

This study employs a quantitative research design to examine the relationships and influences between certain variables, namely, business legality, access to financing, and provision of raw materials, on the development of MSMEs in Palembang City. The research identifies several independent variables, including (1) business legality, (2) access to financing, and (3) provision of raw materials. The dependent variable in this study is business development. Primary data were collected through a questionnaire survey administered to MSME owners and managers in Palembang, Indonesia. The questionnaire was designed to capture information on each of the independent variables, as well as insights into how these factors contribute to the overall development of their businesses. The survey questions were structured to ensure clarity and relevance to the research objectives, addressing topics such as the legal status of businesses, challenges in obtaining financing, and issues related to raw material supply.

The collected data were analyzed using statistical methods to identify correlations between the variables studied. Specifically, multiple linear regression analysis was applied to assess the strength and direction of the relationships between the independent variables and the business development outcome. This method allows for the examination of how changes in business legality, financing, and raw material availability may influence the overall development in the region. A sample of 92 MSME owners and operators in Palembang City was selected, ensuring a diverse representation of industries and business types. The sample size was determined based on the need for sufficient statistical power to draw meaningful conclusions. Data analysis will provide insights into how each factor contributes to MSME growth, which could inform future policies and business development strategies in the region.

4. Results and Discussion

4.1 Result

4.1.1 Characteristics Respondents

The respondents in this study were 92 MSME actors in Palembang City.

a. By Gender

Table 2. Characteristics Based on Type Sex

No	Type Sex	Frequency	Percentage (%)
1	Man	31	33.70
2	Woman	61	66.30
Amount		92	100

Source : data primary Which in exercise 2024

Table 2 presents the distribution of respondents by sex. Of the 92 respondents, 31 (33.70%) were male and 61 (66.30%) were female. This shows that most of the respondents were female.

b. Based on Age

Table 3. Characteristics Based on Age

No	Age (year)	Frequency	Percentage (%)
1	10- 20	4	4.35
2	21- 30	30	32.61
3	31- 40	29	31, 52
4	41- 50	25	27.17
5	51- 60	4	4.35
	Amount	92	100

Source : data primary Which in exercise 2024

Table 3 presents the distribution of respondents based on their age groups. Of the total 92 respondents, the age group 21-30 years had the highest number of respondents, with 30 individuals (32.61%). The 31-40 years age group followed with 29 respondents (31.52%). The 41-50 years age group had 25 respondents (27.17%), while both the 10-20 years and 51-60 years age groups had 4 respondents each (4.35%)

c. Based on Business Type

Table 4. Characteristics Based on Type Business

No	Type of business	Frequency	Percentage (%)
1	Trade / Culinary	79	85.87
2	Service	10	10.87
3	Agribusiness	3	3.26
	Amount	92	100

Source : data primary Which in exercise 2024

Table 4 presents the distribution of business types among the 92 respondents. The majority of respondents (85.87%) were involved in trade or culinary businesses, with 79 respondents in this category. The service sector follows with 10 respondents (10.87%), while only three respondents (3.26%) are engaged in agribusiness. The total number of respondents was 92, encompassing all the listed business types.

d. Based on Education Level

Table 5. Characteristics Based on Level Education

No	Education	Frequency	Percentage (%)
1	Elementary/Middle School	3	3.26
3	SENIOR HIGH SCHOOL	43	46.74
4	S1	40	43.48
5	S2	6	6.52

Source : data primary Which in exercise 2024

Table 5 presents the distribution of respondents based on their education levels. The majority of respondents (46.74%) had completed senior high school, with 43 respondents. Forty respondents (43.48%) had a bachelor's degree (S1). Only six respondents (6.52%) had completed a master's degree (S2), and three respondents (3.26%) had education up to the elementary or middle school level. The total number of respondents in this table is 92.

e. Based on Length of Business

Table 6. Characteristics Based on Long Business

No	Long Business (year)	Frequency	Percentage (%)
1	1-3 year	10	10.87
2	4-6 year	60	65.21
3	7-9 year	14	15.22
4	10-12 years	4	4.35
5	13-15 years	4	4.35
	Amount	92	100

Source : data primary Which in exercise 2024

Table 6 presents the distribution of respondents based on the length of time they have been in business. The majority of respondents (65.21%) had been in business for four to six years, with 60 respondents in this category. The next largest group comprised those with businesses for 7 to 9 years, comprising 14 respondents (15.22%). Ten respondents (10.87%) had been in business for 1–3 years. There are four respondents (4.35%) with businesses lasting 10 to 12 years, and another four respondents (4.35%) have been in business for 13 to 15 years. The total number of respondents was 92.

f. Based on Education Level

Table 7. Characteristics Based on Level Income

No	Income (Rp)	Frequency	Percentage (%)
1	500,000 -1,000,000	16	17.39
2	1,000,001-5,000,000	48	52.19
3	5,000,001- 10,000,000	22	23.91
4	> 10,000,000	6	6.52
	Amount	92	100

Source : data primary Which in exercise 2024

Table 7 presents the distribution of respondents based on their income levels. The majority of respondents (52.19%) earned between Rp 1,000,001 and Rp 5,000,000, with 48 respondents in this category. The next largest group earned between Rp 5,000,001 and Rp 10,000,000, comprising 22 respondents (23.91%). Sixteen respondents (17.39%) have an income between Rp 500,000 and Rp 1,000,000, while only 6 respondents (6.52%) earn more than Rp 10,000,000. The total number of respondents was 92.

4.1.2 Hypothesis Test Results

a. t-test

Table 8. Results Test t Coefficients ^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	41,139	2.126		19,352	.000
Legalization	.115	.054	.218	2.150	.034
Financing	.183	.040	.206	2.101	.038
Provision material standard	.147	.051	.193	1,934	.032

a. Dependent Variables: Business Development

Based on the results of the testing, the obtained mark is as follows:

1. Variables legalization (X1) to development business (Y) In the table on obtained results mark significant 0.034, results calculation the state that variable legalization influential significant to

development business Because development business with mark more significant small from mark probability ($0.034 < 0.05$) and $t \text{ count} > t \text{ table}$ or $2,150 > 1,660$.

2. The variable financing (X2) to business development (Y) In the table on obtained results mark significant 0.038, results calculation the state that variable financing influential significant to development business. This is because the development business has a smaller mark probability ($0.038 < 0.05$) and $t \text{ count} > t \text{ table}$ or $2.101 > 1.660$.
3. The results in the table show that the provision of material standards (X3) significantly influences business development (Y). The significance is marked as 0.032, indicating that the probability is significantly small from mark probability ($0.032 < 0.05$) and $t \text{ count} >$ is greater than $t \text{ table}$ ($1.934 > 1.660$).

b. F Test

Table 9. Results Test F ANOVA ^a

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	30,368	3	10.123	3.695	.014 ^b
	Residual	263.022	96	2,740		
	Total	293,390	99			
a. Dependent Variables: Business Development						
b. Predictors: (Constant), Legalization, Financing, Provision of Raw Materials						

Based on the results of the F test assisted with the calculation of SPSS, it was observed that in the test. This F statistic is significant at 0.014, which is less than 0.05. It can be concluded that variable legalization (X1), variable financing (X2), and variable provision of material standards (X3) together influence the development of business (Y). Table 8 shows the results of the F-test (ANOVA), which was used to test the relationship between the predictor variables and the dependent variable, which is business development. According to the table, the regression has an **F-value of 3.695** with a **p-value of 0.014**, which is less than the significance level of 0.05. This indicates that the regression model, which includes the variables **of legalization, financing, and provision of raw materials**, significantly affects business development. Additionally, the **Sum of Squares** for regression was 30.368, with a **Mean Square** of 10.123, indicating the model's contribution to explaining the total variation. The residual value shows the variation that is not explained by the model.

c. Coefficient Test Determinant

Table 10. Results Test Coefficient Determinant Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.322 ^a	.104	.475	1.65524
a. Predictors: (Constant), Legalization, Financing, Provision material standard				

The table provides the results of the coefficient of determination (R^2) test for the regression model. $R = 0.322$ This is the correlation coefficient between the independent variables (Legalization, Financing, Provision of Material Standards) and the dependent variable (Public Health). An R-value of 0.322 indicates a weak positive correlation between the variables. R^2 (R Square) = 0.104, which indicates that the regression model explains only 10.4% of the variation in the dependent variable. In other words, only 10.4% of the variability in the outcome can be explained by the predictors (Legalization, Financing, Provision of Material Standards). The adjusted R Square value of 0.475 accounts for the number of predictors in the model. The adjusted R^2 provides a more accurate measure of the model fit when comparing models with different numbers of predictors. An adjusted R^2 of 0.475 suggests that a higher proportion of the variability in the dependent variable is explained when considering the number of predictors in the model. Std. The error of the estimate was 1.65524, which represents the standard error of the predicted values. This shows the extent to which the predicted values deviate from the actual values. The standard error of 1.65524 indicates some level of uncertainty in the model's predictions.

Overall, the results indicate that although there is a weak correlation, the model explains only a small portion of the variability in the data. It may be necessary to add more predictors or refine the model to improve its explanatory ability.

d. Analysis Multiple Linear Regression

Table 11 Analysis Regression Linear Multiple Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.139	2.126	19,352	.000
	Legalization	.115	.054	.218	.034
	Financing	.183	.040	.206	.038
	Provision material standard	.147	.051	.193	.032

a. Dependent Variables: Business Development

The SPSS analysis program can be used to determine the equality regression. The equality regression linear which formed is: $Y = 1.139 + 0.115 (X_1) + 0.183 (X_2) + 0.147 (X_3)$:

1. Mark constant Development Business (Y) as big as 1.139, which is considered the same as zero (0).
2. The coefficient value of legalization (X1) was positive for business development with a coefficient regression of 0.115. This means that every contained in the coefficient legalization with development effort (Y) describes in the same direction. This shows that every mark variable legalization raised 1 point or unit, while the variable development business (Y) will increase 0.115.
3. Coefficient value financing (X2) marked positive to development business with mark coefficient regression of 0.183 means every contained in the coefficient financing with development effort (Y) describes one way, thing This show that every mark variable financing raised 1 point or unit while, then variable development business (Y) will increase 0.183.
4. Coefficient value provision material standard (X3) marked positive to development business with mark coefficient regression of 0.147 means every contained in the coefficient provision material standard with development effort (Y) describes one way, thing This show that every mark variable provision material standard raised 1 point or unit while, then variable development business (Y) will increased by 0.147.

4.2 Discussion

4.2.1 Influence of Legalization on Business Development

The first hypothesis in this study posits that business legalization significantly affects business development. Based on the t-test results, the significance level was 0.034, which was less than 0.05 ($0.034 < 0.05$). Additionally, the calculated t-value of 2.150 was greater than the t-table value of 1.660. These results support the acceptance of Ha1, indicating that business legalization significantly influences business development. Therefore, as the level of business legalization increases, the development potential of the business improves. Conversely, businesses with lower levels of legalization are likely to face more developmental challenges.

4.2.2 Influence of Financing on Business Development

The second hypothesis suggests that financing significantly impacts business development. The t-test results indicate a significance level of 0.038, which is less than 0.05 ($0.038 < 0.05$), and the t-value calculated is 2.101, which exceeds the t-table value of 1.660. As a result, Ha2 is accepted, and it can be concluded that financing plays a significant role in business development. This means that higher access to financing contributes to better business growth. However, limited financing opportunities are associated with lower business development potential, as businesses may struggle to meet their operational needs or expand their operations.

4.2.3 *Influence of Provision of Raw Materials on Business Development*

The third hypothesis asserts that the provision of raw materials influences business development. The t-test results show that the significance level for the provision of raw materials is 0.032, which is smaller than 0.05 ($0.032 < 0.05$). The calculated t-value was 1.934, which was higher than the t-table value of 1.660. These results support Ha3, indicating that the availability and quality of raw materials significantly affect the development of the business. A higher and more consistent supply of raw materials will encourage business growth, whereas poor access or fluctuating quality of materials will hinder development and limit business expansion opportunities.

4.2.4 *Combined Influence of Legalization, Financing, and Provision of Raw Materials on Business Development*

The fourth hypothesis examines the combined effects of business legalization, financing, and raw material provision on business development. The F-test results revealed a significance level of 0.014, which is less than 0.05, and the calculated F-value of 3.695 was greater than the F-table value of 2.698. These results lead to the acceptance of Ha4, meaning that the three variables, in combination, significantly influence the business development. The adjusted R-squared value is 0.475, indicating that these three variables account for 47.5% of the variance in business development. This suggests that while business legalization, financing, and provision of raw materials are important factors, other variables not included in this study contribute the remaining 52.5% to business development.

In conclusion, the results of this study highlight the importance of business legalization, access to financing, and the provision of raw materials as significant determinants of business growth. Efforts to improve these factors can substantially enhance MSME growth and sustainability in Palembang City. Further research could explore additional factors influencing business development, such as managerial skills, market access, and technological innovations, to provide a more comprehensive understanding of the challenges and opportunities faced by MSMEs.

5. Conclusion

5.1. Conclusion

This study aims to examine the influence of legalization, financing, and provision of material standards on development efforts in MSMEs in Palembang City. Based on results study can concluded that

1. Based on the t-test on the variables legalization, there is a mark significance of 0.034, which is smaller than 0.05, and t count (2.150) is more significant than the t table (1.660). It can be concluded that variable Legalization (X1) has a significant effect on Business Development (Y).
2. Based on the t-test on the financing variables, there is a mark significance 0.038 more small from 0.05 and t count (2.101) more big from the t table (1.660). It can be concluded that variable Financing (X2) has a significant effect on Business Development (Y).
3. Based on the t-test on the variables provision material standard, there is a mark significance 0.032 more small from 0.05 and t count (1.934) more big from the t table (1.660). It can be concluded that the variable Provision of Raw Materials (X3) has a significant effect on Business Development (Y).
4. Based on the f test, the f value is 3,695 more big than the f table value of 2.698 or $3.695 > 2.698$. It can be concluded that H_0 is rejected and H_a is accepted, which means that there is a significant influence between Legalization (X1), Financing (X2), and Provision of Raw Materials (X3) simultaneously or together influence Business Development (Y).
5. The adjusted R Square value was 0.475 or 47.5%. This shows that the variable development business is influenced by legalization, financing, and provision material standards by 47.5%, while the remaining 52.5% of the value development business is influenced by other variables that are not included in the study.

5.2. Limitation

This study has several limitations that may affect the results and implications.

1. Limited Variable Coverage This study only focuses on three main variables: legality, financing, and provision of raw materials. Although these variables are significant, the influence of 52.5% of other factors outside the scope of this study suggests that there are still many potential variables that have not been explored, such as technology, digital marketing and product innovation.

2. **Geographical Context** This research was conducted in Palembang, so the results are more relevant to the local context. These limitations may restrict the generalization of the findings to other regions with different social, economic, and cultural characteristics.
3. **Use of Quantitative Data** The quantitative approach through surveys provides measurable and structured results but does not provide in-depth insights into the specific behavioral dynamics or obstacles faced by MSMEs, which may be easier to explore with qualitative methods.
4. **Influence of Data Collection Time** Data collected in a certain period may not fully reflect the dynamic conditions of MSMEs that continue to change along with economic and policy developments.

These limitations provide an opportunity for future research to expand the scope by considering additional variables, a broader geographical context, a mixed approach (quantitative and qualitative), and continuous data collection for a more comprehensive analysis.

5.3. Suggestion

Based on the results of this study, several suggestions can be made for the development of MSMEs in Palembang City.

1. **Increasing Awareness and Compliance of Business Legality** The government and related institutions need to be more active in socializing the importance of business legality to MSME actors. Business license management services should be simplified to increase compliance.
2. **Facilitating Access to Financing** Financial institutions can develop a more inclusive financing scheme for MSME actors who have difficulty meeting administrative requirements. Technology-based approaches, such as fintech, can also be used to reach more MSMEs.
3. **Stability of Raw Material Supply** There needs to be a strategic partnership between the government, distributors, and MSME actors to maintain the availability of raw materials at a stable price. Strengthening local supply chains may be a long-term solution.
4. **Study of Other Factors** This study found that 52.5% of the influence on MSME business development came from other factors. Follow-up studies exploring additional variables, such as digital marketing, product innovation, and technology support, should be conducted.

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