



## Analysis of Decision-Making Techniques in Increasing MSMEs Reviewed from a Managerial Economic Perspective (Study of MSEM in Jombang Regency)

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### **ABSTRACT**

*In the dynamic era of the business world, every company or UMKM actor is required to be able to have the ability to make decisions and choose the right decision-making techniques within the wheels of an organization or company, especially for a leader or manager. Therefore, researchers conducted this research using the literature study method to see how effective decision-making techniques can be used for MSME actors in terms of the perspective of Managerial Economics.*

**Keywords:** *Decision Making Techniques, MSMEs, Managerial Economics*

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### **INTRODUCTION**

In this modern era, Micro and Small Enterprises (MSMEs) are the fulcrum of the economy, where MSMEs are one of the most important pillars in the Indonesian economy. Basically, MSMEs are a business that is carried out by every individual, group, small business entity and household. In 2021, there were 64.2 million MSMEs with a contribution to GDP of 61.07% or worth 8,573.89 trillion rupiah, this is based on records from the Ministry of Cooperatives and SMEs. From this data, it proves that MSMEs are a sector that is popular with the community, this is because the capital required to start is not much and there are many people who have not found jobs (Ansir et al., 2022).

In this case, the Regional Government plays a major role in increasing MSMEs in their respective regions. Where local governments must pay attention to the growth of the business field, this must be done so that regional MSMEs can continue to innovate and can maintain their products even though not a few imported goods have entered the domestic market. The role of the Cooperatives and Micro Enterprises Office in developing MSMEs in Jombang Regency is expected to improve the welfare of the community and economic sectors such as business field mining, business capital assistance and training for business actors (Maghfiroh & Rahmawati, 2021).

Jombang is one of the regencies in East Java Province, geographically this regency has an area of 115,950 Ha: 1,159.5 Km<sup>2</sup>. Since it was inaugurated in 1950 AD as one of the regencies in East Java Province, this regency consists of 21 sub-districts and 306 sub-districts or villages. Jombang Regency is also famous for several independence heroes, namely KH. Hasyim Asy'ari and KH. A. Wahab Hasbullah and the 4th President of the Republic of Indonesia KH. Abdurrahman Wahid. In addition, the economic condition in Jombang Regency consists of 5 leading sectors, namely Agriculture, Plantations, Forestry, Fisheries and Livestock (Jombang, 2022).

With the number of MSMEs continuing to increase in Jombang Regency every year, it does not mean that there are no obstacles. Based on previous research conducted by Aminatul Maghfiroh and Lilik Rahmawati with the research title "MSME Development Through the Participation and Strategy of the Jombang Regency Cooperatives and Micro Enterprises Office" stated that the obstacle owned by MSME actors is the lack of knowledge or insight into entrepreneurship and management in improving product quality. Then the lack of capital in starting or running a business and the limitations in marketing products (Maghfiroh & Rahmawati, 2021).

Therefore, to be able to solve these obstacles, further analysis is needed related to the usefulness and efficient practice of the role in Decision Making Techniques based on Managerial Economics. Managerial economics itself is the application of economic theory and various tools in decision-making science to be able to solve managerial problems in a company in the most efficient way. Managerial problems in a

company exist due to limitations or obstacles faced by the company in achieving its goals. These managerial problems are not only experienced by profit-oriented companies, but also by non-profit-oriented institutions (Augustini, 2018).

In general, in determining a decision for the sustainability of a business, of course each business actor has its own qualifications, especially in the decision to improve their business. In Managerial Economics, before making a decision, we are first asked to define the obstacles faced. Then determine the goal of solving the problem, look for alternative actions to be taken, look for the consequences of each alternative, have the best alternative action, and conduct a sensitivity analysis. This is done so that every business actor can make up-to-date and efficient business decisions, so that it can have a positive influence in improving their business (Augustini, 2018).

## **METHOD**

The method used in writing this scientific article is by qualitative method and literature study or library research. According to Mardalis (1999), literature studies are studies that are used to obtain information and data with the help of various materials in libraries (Sudjana & Rizkison, 2020). This method is carried out by examining theories and studying literature books that are in accordance with the theory discussed, especially related to the scope of decision-making in the family of Managerial Economics. In addition, it also analyzes reputable and un reputable scientific articles and journals.

Then this research consists of several stages. First, to collect data, a search is needed sourced from Google Scholar and Mendeley. Second, an analysis of scientific articles and journals is carried out that is in line with the theme of this article, namely "Decision Making Techniques", "MSME Improvement" and "Managerial Economics". Third, group articles related to authors, decision-making techniques based on Managerial Economics to improve MSMEs. The results of this analysis are expected to help MSME actors in improving the quality of their businesses.

## **RESULT AND DISCUSSION**

### **SWOT Analysis in General of MSMEs in Jombang Regency**

Micro, Small and Medium Enterprises (MSMEs) is a form of business that is in the form of a business run by an individual or more on a smaller scale. MSMEs in Indonesia are now experiencing quite rapid development. This development can be seen through the many innovations in product sales that are increasingly advanced, as well as technology that supports the needs of MSME actors in developing and running their businesses. Technological advances and the rapid receipt of information bring benefits to MSME actors in reaching a wider market share.

Jombang, is one of the cities that has its own uniqueness. Jombang as a city that has the nickname "city of students" has many MSME actors who are not only focused on selling basic necessities products, but also on original products in Muslim clothing, pesantren textbooks, and so on. In addition, many Islamic boarding schools in Jombang, especially around Tambak Beras, have business units in the form of Islamic Boarding School Cooperatives (Kopontren). Not a few of these cooperatives also absorb the potential of students, so that later students when they graduate from the pesantren can enter the community and become independent MSME actors and not only depend on one source of income.

MSMEs in Jombang Regency have various interesting potentials to be developed. However, from the potential it has, it is undeniable that MSMEs also have weaknesses and threats. To analyze the various general capabilities possessed by MSMEs in Jombang, it is necessary to have a SWOT analysis that is able to identify in general terms the strengths, shortcomings, potentials, and threats to MSME actors. The general SWOT analysis on MSME actors in Jombang in table 1.

Judging from the analysis, in general, Jombang regency as a city that is thick with pesantren culture and its students have the potential to market products related to students. No wonder there are so many products from Jombang that are widely found in various regions in Indonesia, especially in East Java. As the city where one of the largest community organizations in Indonesia is founded, namely Nahdlatul 'Ulama (NU) makes Jombang a city with a strong NU culture. So, there are a lot of books, Muslim clothing such as sarongs, mukena, peci, and so on that are also produced in Jombang.

**Table 1.** SWOT Analysis

Strength	Weakness	Opportunities	Threat
<ul style="list-style-type: none"> <li>- Jombang as a city of Santri has the strength in branding MSME products, especially products that are often used by students and scholars.</li> <li>- MSMEs have adequate food resources, for example durian in Wonosalam District which can be obtained into various ready-to-eat foods and marketed to various regions.</li> </ul>	<ul style="list-style-type: none"> <li>- Jombang Regency is visited by tourists who want to go to religious places, so the potential in marketing products is only limited to products related to the Islamic environment.</li> <li>- The lack of entertainment facilities and tourist attractions in Jombang makes MSMEs have to struggle to market their products to various tourists who come to Jombang</li> <li>- The lack of knowledge of MSME actors in Jombang in making decisions to manage and develop their MSMEs.</li> </ul>	<ul style="list-style-type: none"> <li>- Jombang has the opportunity as a city of students to supply Muslim fashion needs with various types by utilizing MSMEs and Kopontren to help sell and market products.</li> </ul>	<ul style="list-style-type: none"> <li>- The number of MSMEs that always compete in selling their products makes competitors from MSMEs in Jombang in the realm of Muslim clothing and fashion not only from within the city of Jombang, but also competitors from well-known brands.</li> </ul>

**Benefits of Studying Managerial Economics on Decision Making Techniques**

Managerial Economics is very important for every MSME because it can help in making the right decision or solution to each problem. The application of managerial economics by managers themselves can achieve several results, namely evaluating past managerial policies, this is done because the problems faced by each MSME are always different from year to year. So evaluation is needed by every manager to be able to find solutions to the problems that are being experienced. So that with the changing market demand, there are also new policies made by managers to be able to meet the market demand.

In addition, it can also help analyze the industrial environment, this serves to analyze economic conditions, the industrial environment and the company environment. This analysis was carried out to monitor the condition of suppliers, namely suppliers of unfinished raw materials. In addition, it also monitors consumers, whether the product is in accordance with the needs of the local community and is needed by many people. Then to monitor the existence of competitors, this is done if there are competitors in the company environment, then we can find solutions so that our products remain in demand by the wider community and provide many benefits (Ibn, 2019).

**Managerial Economics Attachment to the Sub-Science of Decision Making in Solving Problems**

Managerial Economics has a very close attachment to Decision Making, this happens because the decision-making made by managers requires a certain amount of data and information that is accurate, relevant and accountable. Some of the things that must be done to obtain information data are (1) Analyzing data from various sources through certain instruments, namely by distributing questionnaires or going directly into the field to conduct interviews with objects, (2) Conducting analysis of the data that has been obtained in detail and appropriately to reduce risks and (3) if sufficient data has been obtained, then a decision is made by the manager (Jazuli, 2021).

In this case, mathematics, economics and econometrics are very important because the value of the results that have been obtained aims to help companies or MSME actors to achieve their goals in the most efficient way. Where economic mathematics aims to describe in the form of equations the economic model postulated by economic theory. While econometrics aims to apply statistical tools (regression analysis) to the real world to estimate models postulated by economic theory and for forecasting (2, 2022).

### **How MSMEs Practice Decision Making Techniques**

The first stage that must be passed by MSMEs in practicing decision-making techniques is the Identification Stage, where this stage is a stage in problem recognition. Recognize more deeply about the strengths and weaknesses of MSMEs first, so that MSME obstacles are found so that their business does not experience an increase in profits or even cannot develop rapidly. Then the Development Stage, where MSME actors are looking for various alternatives or the best solutions to each existing problem. If the problem is the same as the previous year, it can be done by looking at the solution to the existing problem by adding new ideas. The last stage is the selection stage, which is to determine the solution that is felt to be the most appropriate. It is carried out in three ways of forming selection, namely by assessing decision-makers: based on experience or intuition and not logical analysis, with logical and systematic alternative analysis, and by bargaining. Where at the time of selection all parties are involved so that the decision can be accepted can be carried out as planned (Education, 2022).

### **CONCLUSIONS**

Based on the analysis of decision-making techniques in MSMEs from a managerial economic perspective in Jombang Regency, several key conclusions can be drawn. First, the implementation of managerial economics principles in MSME decision-making processes is crucial for business sustainability and growth. The study reveals that successful decision-making requires a systematic approach through three critical stages: identification, development, and selection, which must be properly executed by MSME actors.

The research also highlights that MSMEs in Jombang Regency possess unique strengths, particularly in Islamic-based products and services, due to their identity as a "santri city." However, these businesses face significant challenges, including limited knowledge of decision-making techniques and management practices, which affects their ability to grow and compete effectively. The role of managerial economics in decision-making becomes particularly important in addressing these challenges through systematic analysis of market conditions, competitor behavior, and consumer needs.

Furthermore, the study emphasizes the importance of data-driven decision-making, where accurate and relevant information gathering, combined with proper economic and statistical analysis, leads to more effective business decisions. The success of MSMEs in Jombang Regency significantly depends on their ability to integrate managerial economics principles into their decision-making processes, particularly in evaluating past policies, analyzing the industrial environment, and developing strategic responses to market changes.

Lastly, the research suggests that for MSMEs to thrive in the competitive business environment, they need to enhance their understanding and application of managerial economics principles in their decision-making processes. This includes continuous evaluation of business strategies, proper market analysis, and the implementation of systematic decision-making techniques that consider both internal capabilities and external market conditions.

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