

Presidential Election and SME Transformation in Indonesia: The Influence of Policies and Political Dynamics

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Abstract

This study aims to investigate the influence of independent variables, such as SME economic policies, political stability, funding access, regulatory changes, economic growth and policy uncertainty on SME performance leading up to the 2024 presidential election in Indonesia. This research employs a quantitative approach with regression analysis methodology. Data was collected through a survey using Google Form from SME owners in 29 districts and nine cities in East Java province. The research findings indicate that SME economic policies, political stability and economic growth have a positive and significant impact on SME performance. Meanwhile, funding access and policy uncertainty do not significantly affect SME performance. Regulatory changes also have a positive and significant impact on SME performance. These findings hold critical implications for the development of the SME ecosystem in Indonesia. In the context of an evolving economy, this research provides a solid foundation for decision-making in designing more effective policies. Additionally, the government's involvement in creating a stable and conducive environment for supporting, advancing and developing the SME sector, which is a vital pillar of the Indonesian economy, is highlighted.

Keywords: SME performance, presidential election, SME regulatory changes, SME role, Indonesia

JEL classification: L25, G38, M48, P48

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➔ Introduction

Micro, small and medium enterprises (MSMEs) play an indispensable role in the economic landscape of Indonesia. They are not only business actors, but also fundamental pillars of economic growth and social inclusivity (Ofori *et al.*, 2022; Alekhina & Ganelli, 2023; Kitagawa & Vidmar, 2023). Serving as catalysts for innovation and job creation, MSMEs have a significant role in achieving sustainable economic goals, as well as in reducing economic disparities and poverty. The existence of MSMEs provides a dynamic and sustainable dimension to the economy, paving the way for social mobility and supporting comprehensive national transformation.

It's no longer a secret that Indonesia, with its political diversity, turns the presidential elections into a significant stage for the country's direction of development. The political dynamics closely linked to economic policies and business regulations take center stage in influencing the fate of MSMEs (Chang & Andreoni, 2020;

Laurer & Seidl, 2021; Baker et al., 2022). Amidst this context, it is important for stakeholders to thoroughly understand the potential impact of political policies on the welfare and performance of MSMEs.

Tracking its impacts requires a sharp understanding of the mechanisms of interaction between political policies, economic stability and the business environment of MSMEs (Luo et al., 2022; Ufua et al., 2022; Hou & Fang, 2023). This research intends to delve deeper than just the direct impacts of political policy changes on MSMEs. The primary goal is to shed light on their broader implications for the national economy and society as a whole, as well as to comprehend how policy changes and political dynamics can shape the entrepreneurial ecosystem in Indonesia.

This research holds remarkable significance. By comprehending how shifts in policies, economic stability, access to funding and regulatory changes triggered by presidential elections influence the growth prospects, sustainability and adaptation of MSMEs, it aims to inform policies and strategic steps in supporting this sector (Ladi & Tsarouhas, 2020; Park & Kim, 2020; Sartzetakis, 2021; Dhar et al., 2022). Despite prior research on the influence of presidential elections on the economy, empirical evidence regarding its relationship with MSMEs remains quite limited. Therefore, through a comprehensive analytical approach, this research aims to fill this knowledge gap. It is hoped that the findings of this study will provide a better understanding of how presidential elections can impact the economic behaviors, aspirations and challenges faced by MSMEs during this critical period.

By understanding the influence of presidential elections on the operations, growth and strategic decision-making of MSMEs, we can provide more targeted policy recommendations that support the development and sustainable contributions of this sector. In the next phase, this research will identify and analyze relevant key variables, delve into related literature and design a research framework that can empirically uncover the intricate relationship between presidential elections and the MSME sector. Through meticulous data collection methodology, robust analysis and in-depth interpretation, this research is expected not only to enrich academic discourse, but also provide a tangible contribution to practitioners, policymakers and stakeholders in accelerating the growth and competitiveness of Indonesian MSMEs amidst the ongoing dynamics of political change.

➤ Review of literature and hypotheses

■ Economic policy theory

The theory supporting this variable, as explained by Aljanabi (2023), Athari and Bahreini (2023) and Chang et al. (2023), suggests that specific economic policies for MSMEs, such as tax incentives, funding assistance and deregulation, can play an essential role in driving the growth and performance of this sector. Relevant tax incentives, such as reductions or lower tax rates, are believed to stimulate productivity, investment and innovation within MSMEs. Targeted funding assistance, such as loans with lower interest rates or interest subsidies, is expected to address the common financing constraints faced by MSMEs, enabling expansion and increased production capacity. Furthermore, deregulation and ease of doing business have the potential to reduce administrative costs and operational barriers often encountered by MSMEs. As a result, MSMEs can concentrate more on product innovation, technological adaptation and market expansion. All of these efforts are expected to create a more conducive environment for MSME growth, trigger the creation of new job opportunities and provide a sustainable contribution to overall economic growth. Therefore, the relationship between economic policies that support MSMEs and the sector's performance will be the main focus of this research, to identify how the political dynamics of presidential elections influence the adoption, implementation and impact of these policies.

■ Political stability theory

Within the framework of this theory, as explained by Ashraf (2023), Farooq et al. (2023) and Khan et al. (2023), if political stability is maintained during the presidential election process, it has the potential to positively

impact the performance and business environment of MSMEs. This stability ensures that unexpected policy changes are minimized, providing MSME owners with the certainty to plan long-term strategies with greater confidence. Moreover, political stability also plays a role in reducing business risks due to low political uncertainty. The trust of MSME owners in consistent economic directions and policies can increase, encouraging bolder investment decision-making. A stable political environment also supports sustainable economic growth, with increased growth bringing opportunities for MSMEs to enhance sales and market share. Thus, the political stability theory asserts that presidential elections marked by political stability can offer tangible benefits to MSMEs. This research will further deepen the understanding of how political stability interacts with MSMEs, and in the context of presidential elections, how this stability is maintained and why it impacts businesses at the micro and medium levels.

■ Funding access theory

The theory of funding access for MSMEs, as explained by [Anclin *et al.* \(2023\)](#), [Arzubiaga *et al.* \(2023\)](#) and [Fiorentin *et al.* \(2023\)](#), emphasizes the importance of easier and more affordable funding availability during presidential elections as a determinant of MSME growth and adaptation. Within this framework, improved access to working capital during the presidential election period will enable MSMEs to respond to opportunities and overcome production barriers. The provision of low interest rates or interest subsidies during the presidential election is also believed to impact the affordability of funding for MSMEs, reducing financial burdens and allowing greater allocation of funds for business development. This concept perceives that adequate funding access will expand the capacity of MSMEs to face business challenges and opportunities. MSMEs with limited funding access might struggle to manage uncertainty or respond to market demands. From this perspective, a presidential election that facilitates better funding access can trigger MSME growth by providing more working capital and financial flexibility. Through this research, the interaction between funding access and MSMEs during the presidential election period will be studied in greater depth, along with how these external factors play a role in directing the course of MSME development in its various aspects.

■ Regulation change theory

The theory of regulatory changes in the context of MSMEs, as explained by [Gillespie \(2023\)](#), [Nuryanah *et al.* \(2023\)](#) and [Sindhvani *et al.* \(2023\)](#), posits that policy and business regulation changes, stemming from presidential elections, can have significant implications for this sector. These changes may involve licensing regulations, taxation or new investment environments. Their impact encompasses increased operational costs due to new requirements or bureaucratic adjustments, potentially reducing efficiency and profitability. Regulatory changes can also affect the processes of MSMEs, requiring adjustments in operations, production or marketing. Beyond challenges, regulatory changes also present opportunities; adaptable MSMEs can gain competitive advantages. The key lies in swift adaptation to new regulations, which will affect the competitiveness and performance of MSMEs. Therefore, this research will delve deeper into how regulatory changes occur, how MSMEs respond and adapt, and the overall impact on the performance and growth of MSMEs during the presidential election period.

■ Economic growth theory

In the context of Indonesia's economic dynamics, economic growth plays a central role in shaping the business environment, especially for micro, small and medium enterprises. As explained by [Guerron *et al.* \(2023\)](#), [Heimberger \(2023\)](#) and [Ning *et al.* \(2023\)](#), MSMEs hold a key role in economic growth and job creation, and robust economic growth can have a positive impact on the performance of MSMEs. However, there is a need for a deeper understanding of the extent to which and how concrete economic growth affects the performance indicators of MSMEs. Particularly, this research gap includes an in-depth analysis of how economic growth impacts

revenue growth, profitability and the ability of MSMEs to seize economic opportunities. Therefore, the objective of this study is to analyze the relationship between economic growth and the performance of MSMEs, with a focus on its impact on revenue growth, profitability and the ability of MSMEs to capitalize on positive economic conditions. By understanding the interaction between economic growth and the performance of MSMEs, this research will provide deeper insights into the importance of inclusive economic growth in supporting the sustainable growth and contribution of MSMEs to the national economy.

■ Policy uncertainty theory

The theory of policy uncertainty, as explained by [John \(2023\)](#), [Singh et al. \(2023\)](#) and [Varma and Dutta \(2023\)](#), suggests that uncertainty regarding changes in economic policies during presidential elections has the potential to hinder strategic decision-making by MSMEs. From this viewpoint, uncertainty can lead to hesitation in taking strategic steps, such as significant investments, expansions or new product development. Its influence includes investment delays or reductions, obstacles in expansion and innovation plans, and a lack of business confidence due to unclear economic policy directions. In relation to this, MSMEs might also focus on short-term plans, limiting their long-term strategies due to policy uncertainty that could impact business conditions in the future. This research will delve deeper into how the level of policy uncertainty can affect MSME decision-making, how they overcome these challenges, and the impact on their expansion, investment and innovation plans during the presidential election period.

■ Hypotheses development

In an increasingly dynamic economic landscape, micro, small and medium enterprises have played a crucial role in contributing to economic growth and job creation in Indonesia. Economic policies that support MSMEs, such as tax incentives, funding assistance and deregulation, are believed to have a significant impact on MSME performance. However, within the context of presidential elections that often bring policy changes, there remains an insufficiently explored research gap concerning the extent and concrete influence of MSME economic policies on performance indicators in Indonesia. Therefore, this research aims to analyze the relationship between MSME economic policies and MSME performance, focusing on how these policies affect revenue growth, profitability and job creation among MSMEs. By understanding the interaction between economic policies and MSME performance, this study will provide deeper insights into the importance of sustainable policies to support the development and contribution of MSMEs to the Indonesian economy.

Based on the theoretical study above, the first hypothesis of this research is formulated as follows:

H1: Economic policies significantly impact the performance of SMEs in Indonesia.

In the context of a dynamic economy, political stability plays a crucial role in shaping the business environment in Indonesia. Micro, small and medium enterprises have a significant role as drivers of economic growth and job creation in the country. High political stability during presidential election periods is believed to contribute positively to MSME performance. However, there is still a lack of understanding about the extent and concrete impact of political stability on MSME performance. Particularly, this research gap pertains to a deeper exploration of how political stability contributes to revenue growth, profitability and the ability of MSMEs to sustain their operations during these challenging periods. Therefore, the objective of this research is to analyze the relationship between political stability and MSME performance, focusing on its impact on revenue growth, profitability and operational stability of MSMEs in Indonesia. By uncovering the interaction between political stability and MSME performance, this research will provide deeper insights into the importance of political stability in creating an environment supportive of the growth and sustainable contribution of MSMEs to the national economy.

Based on the theoretical study above, the second hypothesis of this research is formulated as follows:

H2: Political stability significantly influences the performance of SMEs in Indonesia.

In the dynamic economic context, funding access holds a vital role in the development and growth of micro, small and medium enterprises in Indonesia. MSMEs have substantial potential to contribute to economic growth and job creation, but they often face challenges in obtaining sufficient funding to support their operations and expansions. Smooth and affordable funding access is believed to have a positive impact on MSME performance. However, there is still a gap in understanding the extent and concrete ways in which funding access influences MSME performance. Particularly, this research gap pertains to an in-depth analysis of how funding access affects revenue growth, profitability and the potential of MSMEs to navigate economic challenges. Therefore, the objective of this research is to analyze the relationship between funding access and MSME performance, focusing on its impact on revenue growth, profitability and the ability of MSMEs to tackle economic uncertainties. By unveiling the interaction between funding access and MSME performance, this research will provide a deeper understanding of the importance of adequate funding access in supporting the growth and competitiveness of MSMEs in Indonesia.

Based on the theoretical study above, the third hypothesis of this research is formulated as follows:

H3: Funding access significantly influences the performance of SMEs in Indonesia.

In the dynamics of Indonesia's economy, regulatory changes hold significant implications for the business environment, especially for micro, small and medium enterprises. MSMEs play a crucial role in economic growth and job creation, but they are often affected by policy changes that can impact operational costs, business processes and their adaptation to new environments. Regulatory changes stemming from presidential elections have the potential to shape MSME performance. However, understanding how regulatory changes concretely impact MSME performance needs further exploration. Particularly, this research gap lies in the in-depth analysis of how regulatory changes affect revenue growth, profitability and MSMEs' adaptation to changing environments. Therefore, this research aims to analyze the relationship between regulatory changes and MSME performance, focusing on its impact on revenue growth, profitability and the ability of MSMEs to adapt to regulatory changes. By analyzing the interaction between regulatory changes and MSME performance, this research will provide a deeper understanding of the importance of rapid regulatory adaptation in supporting the performance and competitiveness of MSMEs in Indonesia.

Based on the theoretical study above, the fourth hypothesis of this research is formulated as follows:

H4: Regulatory changes significantly affect the performance of SMEs in Indonesia.

In the context of Indonesia's economic dynamics, economic growth plays a central role in shaping the business environment, especially for micro, small and medium enterprises. MSMEs hold a key role in economic growth and job creation, and strong economic growth can have a positive impact on MSME performance. However, there is a need to gain a deeper understanding of the extent and concrete ways in which economic growth influences MSME performance. Particularly, this research gap involves an in-depth analysis of how economic growth affects revenue growth, profitability and the ability of MSMEs to capitalize on economic opportunities. Therefore, the objective of this research is to analyze the relationship between economic growth and MSME performance, focusing on its impact on revenue growth, profitability and the ability of MSMEs to benefit from positive economic conditions. By understanding the interaction between economic growth and MSME performance, this research will provide deeper insights into the importance of inclusive economic growth in supporting the growth and sustainable contribution of MSMEs to the national economy.

Based on the theoretical study above, the fifth hypothesis of this research is formulated as follows:

H5: Economic growth significantly impacts the performance of SMEs in Indonesia.

In the context of Indonesia's rapidly evolving and sophisticated economy, policy uncertainty holds significant implications for the business environment, particularly for micro, small and medium enterprises. MSMEs play a central role in economic growth and job creation, and high levels of policy uncertainty in economic matters can impact MSME performance. However, the understanding of the extent and concrete ways in which policy

uncertainty specifically affects MSME performance still requires further exploration. Specifically, this research gap involves an in-depth analysis of how policy uncertainty impacts revenue growth, profitability and the ability of MSMEs to adapt to regulatory changes. Therefore, the objective of this research is to analyze the relationship between policy uncertainty and MSME performance, focusing on its impact on revenue growth, profitability and the adaptation of MSMEs to uncertain regulatory changes. By understanding the interaction between policy uncertainty and MSME performance, this research will provide deeper insights into the importance of policy stability in supporting the growth and sustainable contribution of MSMEs to the national economy.

Based on the theoretical study above, the sixth hypothesis of this research is formulated as follows:

H6: Policy uncertainty significantly impacts the performance of SMEs in Indonesia.

➤ Research methodology

■ Research data

The chosen research methodology to support this study is a quantitative research method with a cross-sectional approach. Furthermore, the adopted research type is explanatory research using a deductive method. A survey approach is employed to collect data from a randomly selected sample of SMEs across various sectors and regions in Indonesia, aiming to represent a broader population. The deductive approach allows researchers to test hypotheses based on existing theories. The collected data will be analyzed using multiple linear regression statistical techniques to identify relationships between predictor variables and the explanatory variable. In the context of quantitative research with a cross-sectional approach in this study, the steps of sample selection become essential. By setting the significance level (α) at 0.05 and the precision level (error margin) (d) at 0.05, the formula for calculating the sample size can be applied as follows:

$$n = \frac{Z^2 + p + (1 - p)}{d^2} \times 100\% \quad (1)$$

Through these steps, the cross-sectional approach and proper sample selection will form a strong foundation to generate a profound understanding of the impact of policy uncertainty on the performance of SMEs in Indonesia, as well as the implications of these findings in the context of policy development and business practices that promote the growth and sustainable contribution of SMEs to the national economy.

➤ Empirical findings and discussion

■ Descriptive statistics

This research has been conducted for five months using a Google Form link as a data collection tool. The main focus of this study is to analyze **the impact of policy uncertainty on the performance of SMEs** in the lower axis in 29 districts and nine cities in East Java province. Through a quantitative methodology approach with a survey method, SME respondents were randomly selected to represent the studied population. This process was supplemented with the use of relevant keywords during the analysis process. In designing this research, structured statistical steps were used to ensure the validity and accuracy of the analysis. A cross-sectional approach was employed to collect data at a specific point in time, providing a snapshot of the situation at that time, regarding the factors of policy uncertainty and SME performance. Furthermore, descriptive statistical analysis techniques were used to detail the characteristics of the obtained data. The results of this analysis provide a systematic overview of the patterns and fundamental nature of the data. Data from each district and city in East Java province were integrated into further analysis, such as linear regression, to test the relationship between policy uncertainty variables and SME performance. With a strong approach and accurate analysis, this research is expected to provide detailed insights into the impact of policy uncertainty on the performance of SMEs in the studied region. Below is a table of data interpreting descriptive statistical analysis.

Table 1. Descriptive statistics

Model	N	Minimum	Maximum	Average	Standard deviation
Economic policies for SMEs	244	6.00	15.00	11.04	20.33
Political stability	244	4.00	10.00	7.43	14.82
Funding access	244	6.00	15.00	10.97	20.12
Regulation changes	244	4.00	10.00	7.32	14.70
Economic growth	244	6.00	15.00	11.02	12.16
Policy uncertainty	244	4.00	10.00	7.61	14.91
Performance of SMEs	244	10.00	25.00	19.38	25.62
Valid N (Listwise)	244				

Source: The results of data analysis using SPSS Version 23.0 by the authors.

The results of descriptive analysis reveal the basic characteristics of the data collected from 244 MSMEs in the lower axis across 29 districts and nine cities in East Java province. The variables in this study are economic policies for SMEs, political stability, funding access, regulation changes, economic growth, policy uncertainty and performance of SMEs. The analyzed data encompass the minimum, maximum, average and standard deviation of each variable. Based on the description, the results show that the average score for economic policies for SMEs is 11.04, with a standard deviation of 20.33. Political stability has an average score of 7.43 and a standard deviation of 14.82. Meanwhile, the average score for funding access is 10.97 with a standard deviation of 20.12. Regulation changes have an average score of 7.32 and a standard deviation of 14.70. The variable economic growth has an average score of 11.02 and a standard deviation of 12.16. Policy uncertainty has an average score of 7.61 with a standard deviation of 14.91. Lastly, the variable performance of SMEs has an average score of 19.38 and a standard deviation of 25.62.

This interpretation indicates significant variation in the responses of MSMEs towards the observed factors. High standard deviations in some variables like economic policies for SMEs, funding access, regulation changes and policy uncertainty demonstrate a wide range of variation in MSMEs' responses to these factors. This substantial variability could be influenced by various external and internal factors affecting MSMEs' perceptions and responses. Meanwhile, the economic growth variable exhibits lower variation in MSMEs' responses. The performance of SMEs variable shows a relatively high average value, yet the high standard deviation also means significant variation in the observed performance of MSMEs. In conclusion, this interpretation of the analysis results provides an initial understanding of data distribution and variation, laying a crucial foundation for a deeper comprehension of the relationship between the observed factors and performance of SMEs.

The comprehensive analysis conducted provides a profound overview of the distribution and variation of the six predictor variables that are the focus of this study. This descriptive analysis goes beyond mere statistical figures; it also pertains to the essential characteristics of each variable. Referring to the core attributes and quantitative information inherent in the variables encompasses whether the data is continuous (able to take various values) or categorized (such as in income groups) and how common patterns generally emerge in the data. This introduction to essential characteristics allows the analysis to be more contextual and aids in providing a deeper interpretation of the analysis results. This information plays a crucial role in offering an initial understanding of patterns and trends that might exist in the data, as well as mapping how these variables relate to one another. Therefore, these findings indicate that the conducted analysis has yielded a robust and relevant depiction of the characteristics of the research variables, along with a more directed interpretation of the analysis results that can be readily connected to the research objectives and proposed hypotheses.

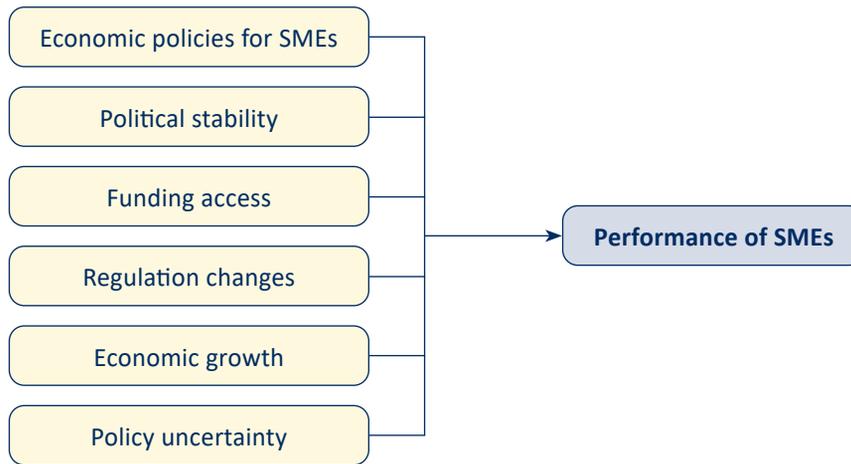
Table 2. Interpretation of multiple linear regression analysis test results

Classical assumptions of the model		Intercept	
Excluded Cronbach's Alpha		891 ^a	
Asymp. sig. (2-tailed)		.173 ^c	
Durbin-Watson test		2.036	
Adjusted R ²		.867	
F-value		8.430	
p-value F-value		.001 ^b	
Model intercept		n	Pearson correlations
Economic policies for SMEs		244	548*
Political stability		244	804*
Funding access		244	572*
Regulation changes		244	747*
Economic growth		244	365*
Policy uncertainty		244	533*
Coefficients ^a	B-value	t-value	α
(Constant)	13.510	14.512	
Economic policies for SMEs	3.095	1.679	.004
Political stability	3.010	1.750	.002
Funding access	-2.146	-0.586	.297
Regulation changes	3.264	1.623	.000
Economic growth	2.987	1.792	.000
Policy uncertainty	-1.985	-0.534	.153

Source: The results of data analysis using SPSS Version 23.0 by the authors.

Based on Table 2, the analysis involved a two-way asymmetric test on the Cronbach's Alpha values, with a p-value reaching 0.173. The statistical significance of this p-value indicates that the interpretation of this statistical test suggests that the data tends to approach normality, as the p-value of 0.173 > α 0.05. Moving on, observing the Durbin-Watson statistic of 2.036 indicates the potential for autocorrelation in the residuals of the regression model. This value falls within the range of 0-4, nearing the mid-value of 2, which suggests the possibility of autocorrelation. Next, the model's quality is measured by the Adjusted R-squared value, which yields a value of 0.867, signifying that approximately 86.7% of the variation in the dependent variable can be explained by the independent variables in the model. Furthermore, the model's significance is verified through a significant F-value of 8.430, accompanied by a very low p-value (0.001). This implies that the independent variables make a significant contribution in explaining the variation in the dependent variable.

The coefficient interpretation indicates that the **economic policies** for SMEs variable has a positive and significant coefficient that exceeds the significance threshold, with a t-statistic of 3.095 > t-value 1.96, the **political stability** variable has a t-statistic of 3.010 > t-value 1.96, the **regulation changes** variable has a t-statistic of 3.264 > t-value 1.96, and the **economic growth** variable has a t-statistic of 2.987 > t-value 1.96. On the other hand, the **funding access** and **policy uncertainty** variables have negative and non-significant coefficients below their respective significance thresholds, with t-statistics of -0.586 and -0.534. The interpretation in this study results in a deeper and coherent understanding of the interaction between independent variables in influencing the dependent variable. Furthermore, this interpretation provides insights into the extent to which each independent variable holds a strong influence within the framework of the regression analysis employed. Thus, in the findings of this research, the essence of the research framework has depicted the theoretical analysis concept that supports the entire conceptual research flow used to design and organize essential elements, as follows:



Conceptual framework

■ Discussion

The **economic policies** for SMEs have a significant influence on the performance of SMEs in Indonesia. This is due to the findings from the t-statistic of $0.004 < \text{constant } 0.05$. For the reason, firstly, SMEs are a mainstay in Indonesia’s economic structure, contributing to growth, employment and income. Policies that support SMEs through tax incentives, financing and bureaucracy reduction will stimulate growth and competitiveness. Secondly, Indonesia’s diverse social and cultural characteristics demand attention to SMEs as local economic empowerers and inequality reducers. Furthermore, inclusive growth becomes a critical target, where SMEs can act as agents to achieve it. Policy support will enhance productivity, expand markets and level economic growth. Technological connectivity also opens new opportunities for SMEs, requiring support for adaptation in technological developments. This aligns with findings by [Kraus *et al.* \(2020\)](#), [Donahue \(2020\)](#) and [Tryphone and Mkenda \(2023\)](#) that explain how implementing economic policies in line with SME characteristics is key to accelerating inclusive, sustainable and equitable economic growth across regions and sectors.

Political stability has a significant impact on the performance of SMEs in Indonesia. This is due to the findings from the t-statistic of $0.002 < \text{constant } 0.05$, supported by several reasons that are in line with the country’s conditions. Firstly, a stable political environment minimizes the potential for conflicts among diverse societal groups, providing operational certainty for SMEs. Secondly, political stability fosters investor confidence, encouraging long-term investments in SMEs and boosting growth. Thirdly, this stability safeguards pro-SME policies necessary for driving innovation and expansion. This aligns with findings by [Nugroho and Nugraha \(2020\)](#), [Majeed and Mushtaq \(2022\)](#) and [Owusu *et al.* \(2022\)](#) that explain how in the global context political stability also maintains Indonesia’s positive image as an attractive investment destination. Overall, political stability creates an environment that allows SMEs to flourish uninterrupted, brings investment opportunities and maintains the crucial direction of pro-SME policies for sustainable economic growth.

Access to financing in Indonesia for SMEs, despite its importance, does not have a significant influence on SMEs’ performance according to the findings of this research. This is due to the findings from the t-statistic of $0.297 > \text{constant } 0.05$, and this can be explained through several factors. Firstly, the financial market structure tends to favor large corporations, and the lack of uniform understanding between lenders and SMEs hinders adequate access to financing. Secondly, some SMEs prefer to rely on internal revenue and avoid high debt risks, especially amid uncertain economic fluctuations. Thirdly, bureaucratic challenges and complex lending requirements can hinder access to financing, as well as the lack of effective fund management by some SMEs. Additionally, the preferences and management capabilities of SMEs in handling external financing can also influence the impact

of access to financing on performance. The geographical and sectoral variabilities in Indonesia also explain why the influence of access to financing is not evenly distributed across SMEs' overall performance, thus aligning with the findings of [Esubalew and Raghurama \(2023\)](#), [Mahmoud et al. \(2023\)](#) and [Singh et al. \(2023\)](#).

Regulatory changes have a significant impact on the performance of SMEs in Indonesia. This is due to the findings from the t-statistic of $0.000 < \text{constant } 0.05$. Complex regulatory conditions and diverse business environments directly affect SMEs. If regulatory changes can simplify business processes and reduce bureaucratic burdens, SMEs will have more room to grow. Additionally, adapting regulations to technological advancements and global trends will support SMEs in accessing digital technology and international markets. Improved legal protection, especially concerning trademarks and intellectual property rights, will also provide crucial legal certainty for SMEs. Furthermore, regulations that are responsive and adaptable to local conditions in various regions of Indonesia will enhance SME performance in a more relevant manner. This aligns with findings by [Amiri et al. \(2023\)](#), [Lew et al. \(2023\)](#) and [Pfister and Lehmann \(2023\)](#), indicating that regulatory changes not only affect business processes, but also provide a stronger foundation for SME growth, innovation and competitiveness, in line with the complexity and development of the business environment in Indonesia.

Economic growth has a strong influence on the performance of SMEs in Indonesia. This is due to the findings from the t-statistic of $0.000 < \text{constant } 0.05$. When the economy grows, purchasing power increases, driving demand for SME products. Additionally, economic growth creates a stable and optimistic business climate, reducing the uncertainty that affects SME business decisions. Access to funding is also easier during economic growth, providing opportunities for SMEs to expand their businesses. In the context of Indonesia, economic growth impacts job creation, reduces unemployment rates and offers opportunities for social mobility. Therefore, SMEs can contribute more significantly to the national economy. This aligns with findings by [Chapman Cook and Karau \(2023\)](#), [DiBella et al. \(2023\)](#) and [Jabeen et al. \(2023\)](#), explaining that overall, positive economic growth supports the growth and success of SMEs through increased demand, access to funding, a stable business climate and broader job opportunities.

In the context of Indonesia, **policy changes** often do not significantly affect the performance of SMEs due to several key factors. Firstly, limited access to information makes it challenging for SMEs to effectively respond to policy changes. Secondly, the general nature of policy changes often fails to consider the diversity of SMEs, limiting their impact. Moreover, external factors, such as global economic fluctuations and market developments, can have a more dominant influence on SME performance. Bureaucracy and complex implementation often hinder the execution of policy changes, reducing their effectiveness in influencing SME performance. If SMEs do not see tangible results or consistency in policy change implementation, they may be less inclined to respond significantly. Therefore, in some situations, external factors and implementation may play a larger role in determining SME performance than policy changes. This aligns with findings by [Adhikari and Safaee Chalkasra \(2023\)](#), [Afolabi et al. \(2023\)](#) and [Ali et al. \(2023\)](#), stating that policy changes often have limited impact on SME performance in this more complex context.

➔ Conclusion

Variable analysis indicates that economic policies supportive of SMEs can have a positive impact on SME performance in Indonesia. Political stability has also been shown to play a crucial role in influencing SME performance. However, access to funding has not been proven to significantly affect SME performance, while regulatory changes and economic growth rates have a positive impact. Meanwhile, policy uncertainty appears to have a relatively lower influence in this context. Overall, these findings provide important insights for policymakers and business stakeholders to enhance SME performance in Indonesia.

The analysis demonstrating the positive impact of economic policies on SME performance can be explained by the fact that measures supporting SMEs, such as tax incentives and financial assistance, provide direct support to SME operators in developing their businesses. Political stability plays a crucial role because in a stable political

environment business risks tend to be lower, encouraging SME operators to take more confident strategic steps. The lack of proven influence of funding access may be due to other factors, such as complex bureaucracy or less conducive banking policies. Positive-impact regulatory changes can be explained by the fact that policy changes reducing regulatory burdens or enhancing legal protections for SMEs can trigger growth and innovation. The positive influence of economic growth on SME performance might be driven by increased purchasing power, thus stimulating demand for SME products. Meanwhile, the relatively lower impact of policy uncertainty could stem from the more resilient business conditions faced by SMEs, which might render uncertainty factors more secondary in affecting performance.

Thus, this phenomenon reveals the complexity and interrelation among factors influencing SME performance leading up to the presidential election. The intricate interaction among economic policies, political stability, funding access, regulatory changes, economic growth and policy uncertainty forms a more holistic picture. Understanding this dynamic becomes key in formulating effective strategies to support sustainable growth and continuity of SMEs in Indonesia.

➔ Research limitations and contribution

The limitations of this research finding include the presence of external factors that might also influence SME performance in Indonesia, but were not included in the analytical model. Factors such as global market fluctuations, changes in consumer trends and the impact of digital technology could have significant effects, but were not explored within the context of this study. Additionally, limitations in available data could also constrain more in-depth analysis. Despite efforts to gather representative data, there could still be unmeasured variations and factors that could not be incorporated into the analysis. Nonetheless, this research makes a substantial contribution by identifying significant relationships between key variables and SME performance leading up to the presidential election. These findings can guide stakeholders in formulating more effective and targeted policies to support SME growth. In the context of Indonesia's complex political and economic conditions, this research provides valuable insights into how certain factors can impact this crucial sector, which in turn can affect the overall national economy. Furthermore, the research's contribution also lies in the methodology employed, offering guidance for future similar studies to delve deeper into the causal dynamics among these variables.

➔ Further research

Future research can expand its scope by considering external factors that have not been explored in this study. Taking into account factors such as global economic fluctuations, changes in trade regulations and technological advancements, will provide a more comprehensive view of the environmental complexity influencing SME performance. Furthermore, adopting a longitudinal approach by collecting data from multiple presidential election periods will enable researchers to observe long-term trends and deeper changes related to the political impact on SMEs.

Subsequent studies can also consider mediating or moderating factors that might influence the relationship between the identified variables in this study. For instance, cultural, geographical or business scale factors might play a role in moderating the effects of these variables on SME performance. Moreover, further analysis regarding specific characteristics of SMEs, such as industry sector, size and geographical location, will also provide deeper insights into how this context influences the impact of key variables.

As a further step, future research could involve in-depth interviews with SME owners, industry associations and other stakeholders to gain direct insights into how the identified variables interact in the real world. Qualitative approaches like this will offer deeper insights into mechanisms and dynamics that quantitative analysis alone might not capture. Thus, forthcoming research holds significant potential to present a richer and more comprehensive picture of the relationship between presidential elections and SME performance in Indonesia, along with its implications within the evolving economic and political context.

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