

## EVALUATING THE EFFECTIVENESS OF GOVERNMENT ENTREPRENEURSHIP ASSISTANCE PROGRAMS ON MSME DEVELOPMENT IN LHOKSEUMAWE

Sari Yulis Terfiadi<sup>1\*</sup>, Muttaqien<sup>2\*</sup>, Likdanawati<sup>3</sup>, Ishak Samusi<sup>4\*</sup>, Farid Haikal<sup>5\*</sup>

University Malikussaleh / Aceh Utara

E-mail: [sariyulis@unimal.ac.id](mailto:sariyulis@unimal.ac.id)<sup>1\*</sup>, [muttaqien@unimal.ac.id](mailto:muttaqien@unimal.ac.id)<sup>2</sup>, [likdanawati@unimal.ac.id](mailto:likdanawati@unimal.ac.id)<sup>3</sup>,

[ishaksanusi@unimal.ac.id](mailto:ishaksanusi@unimal.ac.id)<sup>4</sup>, [faridhaikal@unimal.ac.id](mailto:faridhaikal@unimal.ac.id)<sup>5</sup>

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### Abstract

This study aims to evaluate the effectiveness of government entrepreneurship mentoring programs on the development of MSMEs in Lhokseumawe City. Using a mixed-methods approach (quantitative and qualitative), the research analyzes the program's impact on business performance, managerial capacity, and technology adoption among MSME actors. Data were collected through questionnaires, in-depth interviews, and document analysis, involving MSME participants, facilitators, and implementing institutions. The analysis focuses on assessing the program's influence on key business development indicators, such as revenue growth, market expansion, managerial improvement, and digital technology adoption. The expected outcomes include measuring the level of program effectiveness, identifying implementation challenges, and evaluating its contribution to MSME growth. The findings are expected to provide policy recommendations and enrich the literature on entrepreneurship and evidence-based public policy. The main outputs of this study are a publication in a Sinta-3 accredited journal and an intellectual property right (HKI).

**Keywords:** *Entrepreneurship Mentoring Program; Entrepreneurship; Micro, Small, and Medium Enterprises (MSMEs).*

### INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economy, contributing more than 60% to GDP and absorbing up to 97% of the national workforce (Ministry of Cooperatives and MSMEs, 2023). Despite this significant contribution, MSMEs continue to face structural challenges such as limited access to finance, weak managerial capacity, low levels of innovation, and limited use of digital technology (Wulandari & Gunawan, 2022). To address these issues, both central and local governments have launched entrepreneurship assistance programs, including in Lhokseumawe City, which currently hosts more than 6,000 active MSMEs (Bappeda Lhokseumawe, 2024). These assistance programs are designed to strengthen business capacity through various interventions, such as management training, access to licensing support, marketing facilitation, and digitalization training. In Lhokseumawe, the program has been implemented for several years and has involved diverse micro and small business sectors. However, not all business actors have experienced tangible benefits, particularly in terms of business growth, increased turnover, and long-term sustainability. The effectiveness of such programs is influenced by multiple factors, including the quality of training, the availability of skilled mentors, the educational background of MSME actors, and the technological readiness applied in the mentoring process. At the same time, the absence of a comprehensive and standardized evaluation system makes it difficult for the government to assess the real impact of the programs on MSME growth (Rahmadani, 2022). Furthermore, the heterogeneity of MSMEs presents additional challenges, as generic strategies often fail to adequately address diverse needs. Therefore, a comprehensive evaluation of entrepreneurship assistance programs in Lhokseumawe is necessary, not only to measure their effectiveness but also to identify the dominant factors influencing program success. Such research is expected to generate strategic recommendations for more contextual and efficient mentoring approaches that can accelerate MSME growth and enhance competitiveness at both local and regional levels.

## **LITERATURE REVIEW**

### **Entrepreneurship Theory**

Entrepreneurship theory views entrepreneurship as a process of recognizing opportunities, mobilizing resources, and making decisions that generate added value through business activities (Azis & Maulida, 2023). It also highlights the ability to adapt to change, innovate, and seize opportunities to create valuable products and services (Reza & Nurbani, 2021). In line with this perspective, Rahmadani (2022) found that entrepreneurship assistance programs in Aceh improved the managerial capacity of MSMEs, although their long-term sustainability was limited due to the absence of systematic evaluation.

### **Empowerment Theory**

Empowerment theory emphasizes strengthening the capacity of individuals or groups so they can exercise greater control over decisions affecting their lives (Novitasari & Prabowo, 2023). Empowerment involves enhancing skills, resource access, and self-confidence through structured and continuous interventions. Supporting this view, Fitriani and Setiawan (2021) showed that empowerment programs focusing on managerial mentoring contributed significantly to MSME marketing performance, particularly when coupled with digital adoption.

### **Social Support Theory**

Social support theory argues that emotional, informational, and instrumental support from the surrounding environment enables individuals to build resilience and cope better with challenges (Marlina & Hadi, 2022). This support also plays a role in achieving economic success. Sari (2020) found that entrepreneurship training accompanied by social support enhanced financial literacy and business development among MSMEs in North Sumatra.

### **Policy Implementation Theory**

Policy implementation theory suggests that the effectiveness of a policy depends on the clarity of its objectives, consistency, the capacity of implementing resources, and support from the external environment (Amalia & Rochman, 2020). Successful implementation also requires synergy between policymakers and executors, supported by regular evaluation. Yuliana (2019) observed that the lack of an adequate evaluation framework within local entrepreneurship programs limited their effectiveness and made it difficult to assess actual outcomes.

### **Institutional Support Theory**

This theory stresses the importance of formal institutions in shaping economic activities by providing regulations, resources, and a stable environment (Tania & Wibowo, 2023). Institutional support may take the form of regulations, facilities, mentoring, or market access. Lestari and Kurniawan (2022) confirmed this by showing that institutional support from government, particularly in financing access and training, significantly improved the competitiveness of MSMEs.

### **Human Capital Theory**

Human capital theory underlines that knowledge, skills, and experience are valuable assets that can enhance productivity and economic performance (Wahyuni & Sari, 2021). Investments in education, training, and technical capacity development contribute positively to both individual and organizational growth. Pratiwi (2021) found that strengthening human capital through digital training programs had a significant impact on MSME growth in Central Java.

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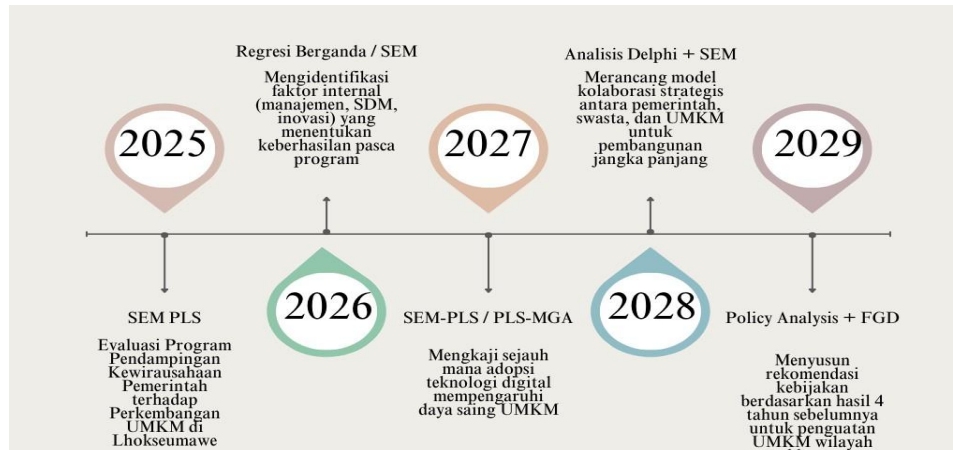


Figure 1.1 Research Road Map

## METHOD

This study adopts a descriptive quantitative approach to evaluate the effectiveness of entrepreneurship assistance programs on the development of MSMEs in Lhokseumawe. The sample was determined using purposive sampling, comprising MSMEs that had participated in government-led programs within the past two years. Data were primarily collected through structured Likert-scale questionnaires, complemented by limited interviews with key stakeholders, while secondary data were sourced from official documents and program reports. The research instrument was validated through expert review and pilot testing to ensure reliability and accuracy. Data analysis employed Structural Equation Modeling–Partial Least Squares (SEM-PLS) using SmartPLS 4, encompassing both measurement model and structural model assessments.

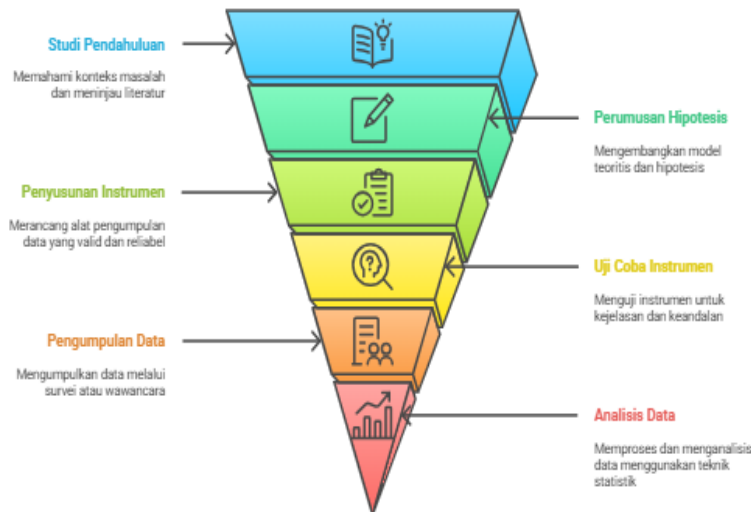


Figure 1.2 Research Stage Plan

## RESULTS AND DISCUSSION

### Measurement Model Assessment

This study employs a measurement model assessment, also known as outer model analysis, which aims to ensure that the measurement instruments used meet the required criteria of validity and reliability. This process identifies the relationships between latent variables and their corresponding indicators. The results of the outer loading test for the Lower Order Construct (LOC) in this study are presented in Figure 1.3.

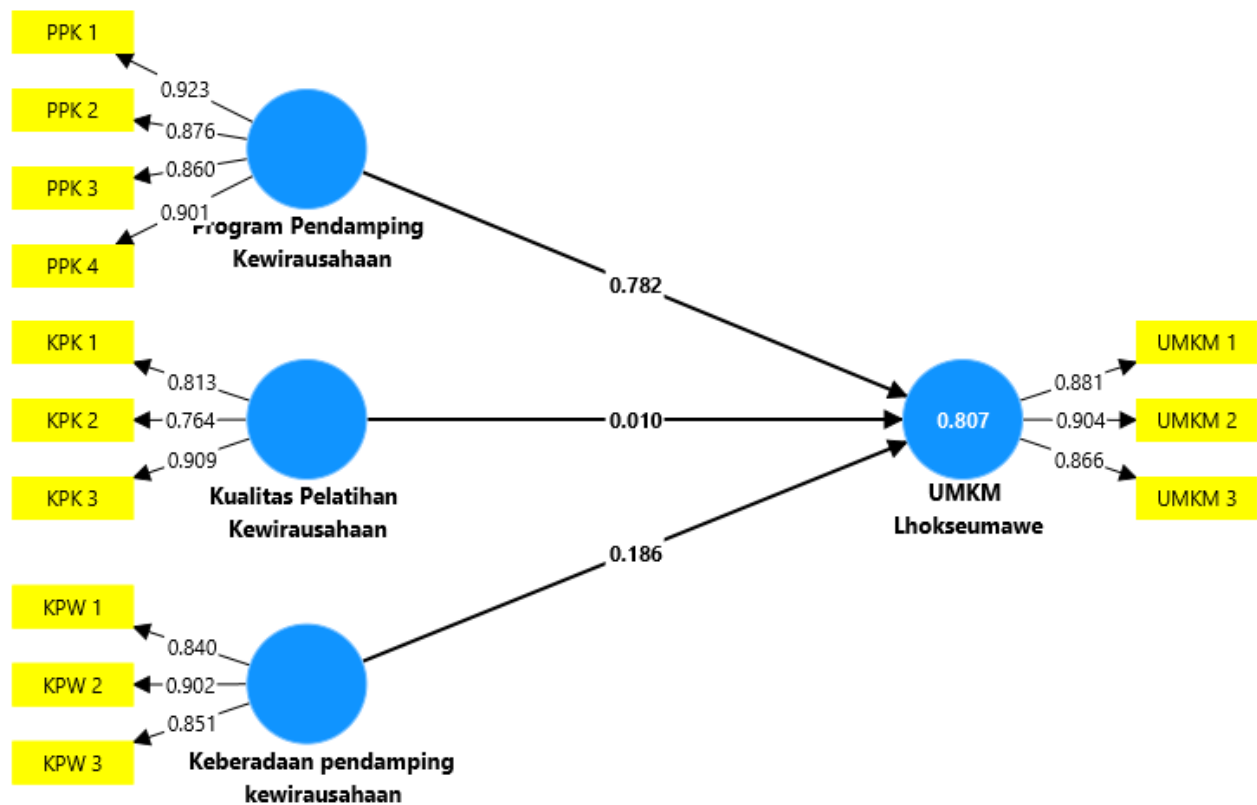


Figure 1.3 Measurement Model Assessment

**Convergent Validity Test**

The convergent validity test was conducted to ensure that each indicator accurately represents its respective construct. The outer loading values of all items under *Entrepreneurship Mentoring Program*, *Entrepreneurship Training Quality*, *Entrepreneurship Mentor Availability*, and *MSMEs in Lhokseumawe* were above 0.7, with AVE values exceeding 0.5. These results confirm that all indicators meet the criteria for convergent validity and are suitable for further analysis.

Table 1.1 List of Outer Loadings (LOC)

Variabel	Item Pengukuran	Outer Loading	AVE
<b>Program Pendamping Kewirausahaan</b>	PPK 1	0.923	0.793
	PPK 2	0.876	
	PPK 3	0.860	
	PPK 4	0.901	
<b>Kualitas Pelatihan Kewirausahaan</b>	KPK 1	0.813	0.691
	KPK 2	0.764	
	KPK 3	0.909	
<b>Keberadaan Pendamping Kewirausahaan</b>	KPW 1	0.840	0.747
	KPW 2	0.902	
	KPW 3	0.851	
<b>UMKM</b>	UMKM 1	0.881	0.781
	UMKM 2	0.904	
	UMKM 3	0.866	

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Variabel	Item Pengukuran	Outer Loading	AVE
<b>Lhokseumawe</b>			

Source: PLS Output processed, 2025.

**Reliability Test**

The reliability test was performed to examine the internal consistency of each construct. All constructs showed Cronbach’s Alpha values greater than 0.6 and Composite Reliability (CR) values greater than 0.7, indicating that the constructs are reliable and internally consistent.

**Table 1.2 Cronbach’s Alpha**

	Cronbach's alpha	Composite reliability (rho_c)
<b>Kualitas Pelatihan Kewirausahaan</b>	0.797	0.869
<b>Keberadaan Pendamping Kewirausahaan</b>	0.831	0.899
<b>Program Pendamping Kewirausahaan</b>	0.913	0.939
<b>UMKM Lhokseumawe</b>	0.860	0.914

Source: PLS Output processed, 2025.

**Effect Size (F-Square) Test**

The F-Square test was conducted to evaluate the effect size of each exogenous variable on the endogenous construct. According to Yamin (2023), F<sup>2</sup> values of 0.02, 0.15, and 0.35 indicate small, medium, and large effects, respectively. The results presented in Table 1.3 show that the *Entrepreneurship Mentoring Program* exerts the largest influence on MSMEs in Lhokseumawe, while the *Entrepreneurship Training Quality* variable has a negligible effect.

**Table 1.3 F-Square**

	UMKM Lhokseumawe
Kualitas Pelatihan Kewirausahaan	0.001
Keberadaan Pendamping Kewirausahaan	0.126
Program Pendamping Kewirausahaan	2.212

Source: PLS Output processed, 2025.

**Hypothesis Testing**

Hypothesis testing in PLS-SEM aims to evaluate the significance of the relationships between variables, which requires the use of the bootstrapping procedure. The results of hypothesis testing are assessed based on the *t-statistic* and *p-value*. In this study, the bootstrap resampling method was conducted using a 10% significance level (two-tailed), where the correlation between variables is considered significant if the *t-statistic* > 1.96 or *p-value* < 0.010 (Hair et al., 2021). The direction of the relationship between variables is determined by the *path coefficient* value. If the *path coefficient* ranges from 0 to 1, the relationship is positive, while a value between -1 and 0 indicates a negative relationship (Ghozali & Latan, 2020). The results of the hypothesis testing are presented below.

**Tabel 1.4 Bootstrapping**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T-statistics (O/STDEV)	P-values
<b>KPK-&gt; UMKM</b>	0.010	0.013	0.061	0.169	0.866
<b>KPW -&gt; UMKM</b>	0.186	0.198	0.070	2.663	0.008
<b>PPK -&gt; UMKM</b>	0.782	0.769	0.074	10.548	0.000

Source: PLS Output processed, 2025.

Based on Table 4.9, the results of the hypothesis testing using SEM with the Smart-PLS approach are as follows. The first hypothesis (H1) examines the effect of the Entrepreneurship Mentoring Program (PPK) on MSMEs in Lhokseumawe, showing a *t-statistic* value of 10.548 (> 1.96), a *p-value* of 0.000 (< 0.010), and a path

coefficient of 0.782. These results indicate that the Entrepreneurship Mentoring Program has a positive and significant effect on MSMEs in Lhokseumawe. The second hypothesis (H2) investigates the effect of Entrepreneurship Training Quality (KPK) on MSMEs in Lhokseumawe, with a *t-statistic* value of 0.169 ( $< 1.96$ ), a *p-value* of 0.866 ( $> 0.010$ ), and a path coefficient of 0.010. This suggests that Entrepreneurship Training Quality has a negative and insignificant effect on MSMEs in Lhokseumawe. The third hypothesis (H3) analyzes the effect of Entrepreneurship Mentors (KPW) on MSMEs in Lhokseumawe, showing a *t-statistic* value of 2.663 ( $> 1.96$ ), a *p-value* of 0.008 ( $< 0.010$ ), and a path coefficient of 0.186. These results indicate that the presence of Entrepreneurship Mentors has a positive and significant effect on MSMEs in Lhokseumawe.

### **Entrepreneurship Mentoring Program and MSMEs in Lhokseumawe**

The findings indicate that the Entrepreneurship Mentoring Program (EMP) has a positive and significant effect on the development of MSMEs in Lhokseumawe. The relatively large coefficient value confirms that mentoring is a dominant factor in improving business performance. This is reasonable since the program not only transfers technical knowledge but also provides strategic guidance, market access, and managerial support that MSMEs urgently need. These results are consistent with Indrawan (2022), who emphasizes that mentoring plays a crucial role in strengthening the managerial, innovative, and competitive capacity of entrepreneurs. Thus, this evidence reinforces empowerment theory, which highlights that external interventions such as mentoring are essential in building the internal capacity of MSME actors.

### **The Influence of Entrepreneurship Training Quality on MSMEs in Lhokseumawe**

In contrast to mentoring, the quality of entrepreneurship training (QET) was found to have no significant effect on MSMEs in Lhokseumawe. This result suggests that the training provided has not yet been effective in addressing the actual needs of business actors. Possible explanations include overly general training materials, theoretical delivery methods, and a lack of follow-up, which makes it difficult for participants to implement the acquired knowledge. Rahayu (2021) argues that the lack of relevance in training often results in minimal benefits perceived by MSMEs. Similarly, Fitriani and Nasution (2022) found that without integration with mentoring and hands-on practice, training tends to increase knowledge but fails to foster changes in business behavior. Therefore, this finding highlights the need to reformulate entrepreneurship training programs by adopting a demand-driven curriculum, ensuring practical applicability, and integrating continuous support.

### **The Influence of Entrepreneurship Facilitators on MSMEs in Lhokseumawe**

The study further reveals that the presence of entrepreneurship facilitators (EF) has a positive and significant effect on MSMEs, although the impact is smaller compared to EMP. Nevertheless, the role of facilitators remains vital, as they act as consultants, motivators, and problem-solvers for entrepreneurs in managing daily challenges. Facilitators also help bridge the gap between training content and business practices, enabling MSMEs to adapt more effectively to market shifts and regulatory changes. This finding aligns with Sari (2022) and Utami and Prasetyo (2023), who emphasize that facilitators enhance entrepreneurs' confidence, managerial capacity, and strategic direction. Thus, although the effect is relatively smaller compared to structured mentoring programs, the presence of facilitators still contributes significantly to the sustainability of MSMEs.

## **CONCLUSION**

This study concludes that the Government Entrepreneurship Mentoring Program has a positive and significant effect on the development of MSMEs in Lhokseumawe, making it the most dominant factor in improving business performance. The presence of entrepreneurship facilitators also has a positive and significant effect, although the magnitude of the influence is relatively smaller. In contrast, the quality of entrepreneurship training does not significantly affect MSME development, indicating that the training provided has not yet addressed the real needs of business actors.

Overall, the findings highlight that structured mentoring and the role of facilitators are more effective in supporting MSME growth compared to training activities. These results emphasize the importance of strengthening mentoring mechanisms and the role of facilitators in order to enhance the effectiveness of entrepreneurship assistance programs in Lhokseumawe.

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