



RESEARCH ARTICLE

Enhancing Rural Entrepreneurship: Business Incubation and MSME Development in West Java

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economic growth, contributing significantly to GDP and employment. Despite their potential, MSMEs in rural West Java face challenges such as limited market access, inadequate entrepreneurial capacity, and insufficient infrastructure. This study examines the rural entrepreneurial ecosystem and proposes a business incubation model focused on stimulation, support, and sustainability to enhance MSME growth. Using a qualitative approach, data were collected through interviews with MSME operators, Village-Owned Enterprise (BUMDes) managers, and local government representatives. Thematic analysis identified key barriers, including a subsistence-oriented mindset, limited financial access, and weak institutional support. To address these challenges, this research proposes a tailored business incubation framework emphasizing entrepreneurial mindset development, mentorship, financial literacy, and infrastructure support. The model also integrates strategies for innovation, market expansion, and stakeholder collaboration. This study contributes to understanding rural entrepreneurial ecosystems and provides practical recommendations for policymakers and stakeholders to support sustainable MSME development in West Java.

Keyword: Entrepreneurship Ecosystem, MSMEs, Business Incubation, Rural Development, Sustainability

Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economy, contributing 61% of GDP and employing 97% of the workforce (Kementerian Koperasi dan UKM, 2023). Despite their significance, MSMEs in rural areas of West Java face structural challenges, including limited market access, inadequate technological adoption, and weak managerial capacity (Purwanto, 2020). These barriers hinder their ability to scale, innovate, and compete in broader markets, resulting in low competitiveness and business sustainability (Antaranews, 2024).

Rural areas in West Java have substantial potential in agriculture, fisheries, and small-scale industries, yet many MSMEs remain stagnant due to a subsistence-oriented mindset and lack of strategic business development (Deny, 2024). Government initiatives and external interventions, such as business incubators, have been introduced to support MSMEs. However, existing programs often lack continuity and fail to address specific local needs (Amalia, 2024). Previous studies suggest that structured business incubation can significantly improve MSME performance by providing training, funding access, and market expansion strategies (Mahmood, Jamil, & Yasir, 2017).

Business incubators have proven to be an effective mechanism for fostering entrepreneurship by reducing business risks and enhancing innovation through structured mentoring, financial support, and infrastructure development (Bergek & Norrman, 2008). Research has shown that incubation programs contribute up to 46.9% to improving MSMEs'

management capacity, competitiveness, and technology adaptation (Nurjanah & Setyaningsih, 2023). However, in rural Indonesia, the impact of such programs remains inconsistent due to the lack of long-term implementation strategies and weak institutional collaboration (Ramadian, Wibowo, & Puspitasari, 2024).

To enhance MSME development, entrepreneurship ecosystems must integrate policy, financial access, culture, human capital, market expansion, and infrastructure support (Isenberg, 2011). While some regions have successfully implemented incubator-led interventions, rural MSMEs in West Java continue to struggle with fragmented support systems and limited stakeholder collaboration (Kusakina et al., 2016). The role of academia and private sector involvement in incubation remains underutilized, making it imperative to develop a comprehensive model that bridges these gaps. Strengthening incubation initiatives through multi-stakeholder collaboration can improve MSMEs' resilience and long-term sustainability in rural markets.

This study aims to analyze the entrepreneurial ecosystem in rural West Java and develop a business incubation model tailored to the region's unique challenges. The model focuses on three key pillars: stimulation, to develop entrepreneurial mindsets; support, to provide resources and mentorship; and sustainability, to ensure long-term business growth through innovation and market integration (Isenberg, 2011). The findings of this research contribute to the broader discourse on rural entrepreneurship by offering actionable recommendations for policymakers and stakeholders. By fostering a structured incubation ecosystem, this study seeks to bridge the gaps in MSME development and drive sustainable economic growth in rural Indonesia.

Method

This study employs a qualitative research approach to explore the entrepreneurial ecosystem and the role of business incubation in supporting MSMEs in rural West Java. A case study approach was used to gain in-depth insights into the

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challenges faced by MSMEs and identify potential solutions through business incubation. Participants in this study included MSME actors, Village-Owned Enterprise (BUMDes) managers, local government representatives, and stakeholders from Societal Impact SBM ITB. The selection of participants focused on individuals actively engaged in the entrepreneurial ecosystem of Ciroyom Village, representing diverse roles such as business owners, community leaders, and incubation facilitators.

The sampling process employed a purposive technique to ensure the inclusion of participants who could provide rich, relevant data. Criteria for participant selection included active involvement in MSME operations, direct management of village-owned enterprises, and participation in entrepreneurial development programs. Data collection was carried out through semi-structured interviews with MSME owners, BUMDes managers, and local government officials, complemented by field observations to assess business operations, infrastructure, and resource utilization. Additionally, secondary data were gathered from government reports, academic literature, and policy documents to provide a comprehensive context.

For data analysis, thematic analysis was utilized to identify recurring patterns and key themes within the collected data. This process involved familiarizing with the data, identifying and refining themes, and integrating these findings with theoretical frameworks such as the Entrepreneurship Ecosystem Model and Business Incubation Theory. This approach facilitated the extraction of meaningful insights aligned with the research objectives. Ethical considerations were rigorously maintained throughout the study, including obtaining informed consent from all participants and ensuring the confidentiality of the data. Participants were fully informed about the purpose of the study, their voluntary involvement, and the measures taken to protect their identities.

Results and Discussion

The findings of this study reveal several key challenges that hinder the growth of MSMEs in rural West Java. These challenges include financial constraints, lack of business support, limited market access, and a subsistence-oriented **mindset. Despite the region's economic potential in agriculture, fisheries, and small-scale industries, MSMEs struggle to expand due to restricted access to capital, weak institutional support, and inadequate infrastructure.** Entrepreneurs primarily rely on informal lending sources with high-interest rates, which limits their ability to invest in business development. Additionally, most businesses operate with minimal strategic planning, focusing on short-term survival rather than long-term sustainability.

One of the key sectors with high potential but limited market access is fisheries. Rural MSMEs involved in fisheries production face challenges in scaling their business due to limited financial access, outdated infrastructure, and lack of direct market connections. Fish farming in Cirata Reservoir, for example, provides significant economic opportunities for local entrepreneurs, but their dependency on traditional sales methods hinders revenue growth.

The results highlight that financial access remains one of the biggest barriers for MSMEs in rural areas. Similar studies have shown that MSMEs in developing economies often face difficulties obtaining formal financing, pushing them to rely on informal loans with high interest rates (Purwanto, 2020). Without structured financial support mechanisms, rural entrepreneurs struggle to expand their businesses. Business incubators have been identified as an effective solution to address this issue by providing financial literacy programs and linking MSMEs with formal financial institutions (Mahmood, Jamil, & Yasir, 2017).

Another significant challenge is the lack of structured mentorship and business training. Many rural entrepreneurs operate based on trial-and-error experiences rather than formal business strategies. Research has shown that

mentorship and business incubation programs can significantly improve MSME performance by enhancing managerial capacity and market adaptability (Nurjanah & Setyaningsih, 2023). However, as observed in this study, most available incubation programs in Indonesia prioritize technology-based startups, leaving traditional MSMEs without adequate support (Amalia, 2024). The proposed business incubation model seeks to fill this gap by providing structured mentorship tailored to rural MSMEs.

The lack of market expansion strategies is another key issue that affects MSME sustainability. Many businesses in rural West Java remain confined to local markets, which limits their growth potential. Studies indicate that digital marketing and e-commerce integration can significantly improve MSME market reach and competitiveness (Von Graevenitz, Harhoff, & Weber, 2010). However, findings from this research suggest that limited digital literacy among MSMEs prevents them from leveraging online platforms for business growth. Business incubation programs must include comprehensive digital training to help MSMEs transition into more competitive markets.

To address these challenges, this study proposes a business incubation model tailored to rural MSMEs, emphasizing stimulation, support, and sustainability. The stimulation phase focuses on shifting the entrepreneurial mindset from subsistence-based to opportunity-driven through training programs, awareness campaigns, and mentorship initiatives. The support phase provides MSMEs with access to financial resources, business development programs, and infrastructure support. Finally, the sustainability phase aims to integrate MSMEs into broader supply chains and digital markets, ensuring long-term growth through innovation and collaboration with stakeholders.

The proposed incubation framework is expected to enhance MSME resilience by equipping entrepreneurs with essential business skills, improving their financial literacy, and expanding their market reach. By implementing structured incubation strategies, rural MSMEs can transition from informal business operations to more sustainable, growth-oriented enterprises. This study highlights the need for increased collaboration between local governments, business incubators, and financial institutions to create a supportive ecosystem that fosters entrepreneurship in rural communities.

Limitation of the Study

This study has several limitations. First, the research relies on qualitative data from a limited sample size, which may not fully capture the diversity of MSME experiences in different rural regions of West Java. Second, the findings are context-specific, focusing on rural areas with distinct socio-economic conditions that may differ from urban or other rural environments in Indonesia. Third, while the study provides valuable insights into the role of business incubation, it does not extensively address the long-term impact of incubation programs, as longitudinal data were not available. Future research should consider larger, more diverse samples and longitudinal studies to evaluate the sustainability of business incubation impacts over time.

Conclusions and Recommendations

This study concludes that the entrepreneurial ecosystem in rural West Java faces critical challenges, including a subsistence-driven mindset, limited financial resources, restricted market access, and inadequate managerial and infrastructure capacities. The tailored business incubation model proposed in this study effectively addresses these barriers through the pillars of stimulation, support, and sustainability. By fostering entrepreneurial mindsets, providing essential resources such as mentorship and financial access, and emphasizing long-term innovation and market connectivity, the model bridges gaps in the entrepreneurial ecosystem. The findings highlight that comprehensive

incubation approaches can empower MSMEs to shift from survival-focused operations to opportunity-driven enterprises, contributing significantly to sustainable regional economic development.

Based on these findings, several recommendations are proposed. First, MSMEs should actively participate in business incubator programs to acquire entrepreneurial skills, access broader markets, and adopt sustainable practices. Second, local governments should collaborate with academic institutions and private sector actors to provide targeted support, including infrastructure, funding, and continuous training. Third, business incubators must focus on delivering tailored programs that address the specific needs of rural MSMEs, emphasizing mentorship, capacity building, and market integration. Lastly, future research should explore the long-term impacts of incubation models on MSME sustainability and regional economic growth, with a focus on digital transformation and global market access.

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