

# The Role Of Msmes In Driving Regional Economic Growth: A Case Study Of Medan City

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## Keywords:

*Digital Transformation,  
Medan City, MSMEs,  
Regional Economic Growth*

## Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in fostering regional economic growth, including in Medan City, which is the third-largest city in Indonesia and the economic hub of Sumatra. The background of this study is based on the significant contribution of MSMEs to job creation and regional gross domestic product (GDP), while also recognizing the structural challenges they face. This research aims to analyze the contribution of MSMEs to the economy of Medan City and to identify the challenges and opportunities encountered. The study employed both quantitative and qualitative approaches, using secondary data from government reports and primary data collected through surveys with 150 MSME owners. The findings reveal that MSMEs absorb approximately 60% of the workforce and contribute 45% to the GDP growth of Medan City. However, MSMEs still face limited access to financing, technological constraints, and marketing difficulties. On the other hand, development opportunities can be achieved through digital transformation and government support programs. In conclusion, MSMEs are not only the backbone of the local economy but also hold great potential to enhance regional competitiveness if the main challenges are addressed through appropriate policies and strategies.

## INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are widely recognized as the backbone of emerging economies, given their outsized role in job creation, local demand stimulation, and economic diversification (Keelson et al., 2024; Morales Pedraza, 2021). In Indonesia, government statistics show that micro and small enterprises are spread across all provinces and can readily adapt to shifting local market conditions, making cities like Medan (the economic hub of Sumatra) an ideal case to examine MSME-led regional growth (Tambunan, 2019; Morales Pedraza, 2021).

At the national level, Indonesia's MSMEs contribute roughly 60% of total output and employ over 90% of the workforce, although these shares can vary with macroeconomic cycles and sectoral structure (Tambunan, 2019). Official reports consistently record vibrant micro and small industry activity across all regions, underlining their role in output formation and labor absorption in every province (Tambunan, 2019). This suggests that local urban ecosystems—such as Medan's markets, logistics networks, and service industries—are integral to sustaining Indonesia's overall growth momentum.

Despite their importance, Indonesian MSMEs face structural hurdles that limit their productivity and ability to scale up. Chief among these are financing constraints: banks' lending requirements (e.g. high collateral and formal credit history) tend to exclude many smaller firms, leaving them credit-constrained (Beck et al., 2005; Beck & Demirgüç-Kunt, 2006; Nareswari et al., 2023). In addition, most MSMEs have low export orientation and suffer capability gaps in areas such as record-keeping, logistics, and marketing, which further impede their growth (Tambunan, 2019; Nareswari et al., 2023). Studies indicate that these frictions are especially acute for the smallest enterprises and those in less-developed regions of the country (Beck et al., 2005; Tambunan, 2019).

Concurrently, digital transformation offers a potential pathway for resilience and upgrading among MSMEs. Recent progress in national payment systems—such as the rollout of the QRIS unified QR-code standard—has led to growing adoption of cashless payment channels by MSMEs. As of early 2023, about 25.4 million (roughly 38%) of Indonesia's 66 million

The Role Of Msmes In Driving Regional Economic Growth: A Case Study Of Medan City MSMEs had adopted QRIS for transactions (Faisal et al., 2024), bringing benefits in transaction efficiency and financial inclusion (Iskandar et al., 2022). Beyond digital payments, many studies note that engaging with online platforms (e.g. e-commerce marketplaces or digital bookkeeping apps) can improve small firms' productivity and market reach, but only if businesses also develop the necessary skills and supporting infrastructure (Ausat & Peirisal, 2021; Lukas & Hasudungan, 2024).

Against this backdrop, our study will take Medan as a strategic case to assess MSMEs' contributions and constraints at the city level. By combining new survey evidence with secondary data, we aim to (i) quantify the role of MSMEs in employment and output within Medan's urban economy; (ii) map the binding constraints they face in areas like finance, technology, and marketing; and (iii) evaluate the potential for digital adoption and targeted government programs to unlock further growth. The findings are intended to inform policymakers with practical, evidence-based interventions to enhance MSME contributions to regional development.

## METHODS

This study employed a descriptive quantitative approach designed to provide an objective overview of consumer preferences for two types of coffee, namely Gayo Coffee and Cappuccino sachet coffee, among Agribusiness students at Universitas Medan Area. The descriptive quantitative design allowed the researchers to measure variables systematically and present data in numerical form, which was then analyzed statistically to generate valid conclusions (Utama et al., 2021). In addition, qualitative insights were integrated through open-ended survey items to capture nuanced consumer motivations, thus complementing the quantitative findings (Hapsari & Triana, 2020). The research was conducted at Universitas Medan Area, Medan, North Sumatra, which was purposively selected because university students represent a younger consumer segment with diverse and relatively high levels of coffee consumption (Dyah et al., 2023). The study took place between May and June 2025.

The research population consisted of 229 students who had purchased and consumed ready-to-drink coffee, both Gayo Coffee and instant Cappuccino sachets. Using the Slovin formula with a 15% margin of error, a sample size of 37 respondents was determined. The sampling technique applied was stratified random sampling, in which the population was grouped by faculty, and respondents were randomly selected within each stratum to ensure proportional representation across groups (Rahman et al., 2022). Primary data were obtained using a structured questionnaire that employed a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). This scale was applied to evaluate consumer perceptions of coffee attributes including taste, aroma, price, packaging, and volume (Ningsih & Arifin, 2021). Complementary data were gathered through direct observation of coffee consumption behavior in the campus environment and institutional documentation, thereby enhancing the validity of the findings.

The collected data were analyzed in three stages. First, descriptive statistics such as percentages, means, and standard deviations were used to summarize respondent characteristics and overall preferences. Second, the Chi-Square test was applied to evaluate whether significant differences existed between consumer preferences and demographic variables such as gender, age, and income, a method widely applied in consumer preference research (Oey, Meiviana, Husin, & Nurcahyo, 2025). Finally, the Fishbein Multi-Attribute Model was employed to assess consumer attitudes toward the attributes of Gayo Coffee and Cappuccino sachets. In this model, attitude scores were calculated as the product of consumers' belief strength ( $B_i$ ) regarding a given attribute and their evaluation score ( $E_i$ ) of that attribute. This provided a quantitative measure of the relative importance of different attributes, indicating which factors most strongly influenced consumer purchasing decisions (Yuwono, Pranata, & Sari, 2020). This comprehensive analytical framework allowed the study to combine both statistical evidence and attitudinal measures, ensuring that the conclusions drawn were robust and relevant for

understanding consumer behavior toward packaged coffee products in the student segment.

## RESULTS AND DISCUSSION

The results of this study revealed that consumer preferences for Gayo Coffee and Cappuccino sachet coffee among Agribusiness students at Universitas Medan Area varied significantly across product attributes, as confirmed by the Chi-Square analysis. As presented in Table 1, all tested attributes—taste ( $\chi^2 = 32.000$ ), variety ( $\chi^2 = 17.615$ ), price ( $\chi^2 = 24.154$ ), packaging ( $\chi^2 = 15.154$ ), and volume ( $\chi^2 = 38.846$ )—showed calculated Chi-Square values higher than the critical table value of 5.991 at the 5% significance level. This indicates that the null hypothesis, which assumed no difference in consumer preferences, was rejected. Consequently, the findings affirm that consumers assess multiple factors before making purchasing decisions, consistent with previous research showing that sensory, economic, and packaging attributes strongly shape coffee consumption behavior (Dyah, Wuryandani, & Wijayanti, 2023; Utama, Sumarwan, Suroso, & Najib, 2021).

**Table 1. Chi-Square Test Results for Coffee Attributes**

Attribute	$\chi^2$ Calculated	$\chi^2$ Table ( $\alpha=0.05$ )	Significance	Interpretation
Taste	32.000	5.991	$p < 0.05$	Significantly different
Variety	17.615	5.991	$p < 0.05$	Significantly different
Price	24.154	5.991	$p < 0.05$	Significantly different
Packaging	15.154	5.991	$p < 0.05$	Significantly different
Volume	38.846	5.991	$p < 0.05$	Significantly different

Source: Primary Data Analysis (2025)

Taste emerged as the most influential attribute, with the Fishbein Multi-Attribute Model showing the highest attitude score ( $A_o = 19.79$ ). As shown in Table 2, students who preferred Gayo Coffee tended to appreciate its strong bitterness, complex flavor, balanced acidity, and long aftertaste, characteristics aligned with premium Arabica quality. Conversely, Cappuccino sachet drinkers favored lighter, sweeter, and creamier flavors, which match the practical and lifestyle-oriented preferences of younger consumers. These results support prior studies that emphasize taste as the dominant factor in coffee purchase decisions, particularly among millennials and Gen Z, who exhibit distinct preferences for either authenticity or convenience (Samoggia & Riedel, 2020; Oey, Meiviana, Husin, & Nurcahyo, 2025).

**Table 2. Consumer Attitude Scores (Fishbein Multi-Attribute Model)**

Attribute	Belief (Bi)	Evaluation (Ei)	Attitude Score (Ao)	Rank
Taste	4.33	4.57	19.79	I
Variety	4.50	4.30	19.35	II
Price	4.21	4.25	17.90	III
Packaging	4.07	4.11	16.74	IV
Volume	3.90	4.15	16.19	V

Source: Primary Data Analysis (2025)

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The second-highest ranking attribute was flavor variety ( $Ao = 19.35$ ). Cappuccino sachets were particularly favored because they offer multiple flavor options such as vanilla, mocha, caramel, and hazelnut, which provide flexibility and novelty for consumers. In contrast, Gayo Coffee generally does not include additional flavorings, instead emphasizing authenticity and purity of taste. For students, who are highly dynamic and responsive to trends, flavor variety provides psychological value and prevents consumption fatigue. This aligns with earlier findings that product diversification enhances consumer satisfaction by offering adaptability to mood and context, a trend especially visible in instant beverage markets (Murray, Raynolds, & Heller, 2021; Górná & Bylok, 2022).

Price was the third attribute influencing consumer decisions, with an attitude score of 17.90. Students, as the main respondents, often operate under budget constraints, making affordability a key determinant. Cappuccino sachets are widely available in single-serve packs at relatively low prices, making them attractive for daily consumption. On the other hand, Gayo Coffee is positioned as a premium product with higher prices, which limits its appeal to students with greater purchasing power or those prioritizing quality. This finding resonates with global studies showing that younger consumers are highly sensitive to price when purchasing coffee, often balancing perceived quality with their economic capacity (Jun, Kang, & Arendt, 2022; Beck, Demirgüç-Kunt, & Maksimovic, 2005).

Packaging also played a notable role in shaping preferences, with an attitude score of 16.74. Instant Cappuccino was favored for its practical sachet and ready-to-drink bottle formats, which align with students' need for convenience and mobility. By contrast, Gayo Coffee is typically sold in larger bags of ground coffee requiring brewing equipment, which is less attractive for busy students. These results underscore the role of packaging as more than just a container—it serves as a communication tool influencing product perception and consumer identity (Djekic et al., 2021; Kim, Lee, & Lee, 2021).

Finally, product volume was ranked lowest ( $Ao = 16.19$ ), though still significant. Consumers appreciated the consistency of Cappuccino sachets, which provide a fixed, single-serving portion of around 200–250 ml, offering convenience in terms of consumption. Meanwhile, Gayo Coffee, sold as ground beans, allows flexible serving sizes but requires more effort, which is less attractive to students seeking quick consumption. Although volume is not a primary determinant compared to sensory and economic attributes, it still affects perceptions of value and convenience, echoing findings from international coffee markets (Ribeiro, Fernandes, & Proença, 2020).

Overall, the study demonstrates that sensory quality—particularly taste—remains the most dominant factor influencing student consumer decisions, followed by the desire for flavor variety and price considerations, while packaging and volume serve as supporting elements. These findings are consistent with international evidence showing that younger consumers combine both rational and emotional considerations when choosing coffee products, balancing authenticity with convenience (Boaventura, Fischmann, Silva, & Mazzon, 2021; Samoggia & Riedel, 2020). For producers and marketers, this highlights the importance of product innovation that maintains sensory quality while addressing student preferences for affordability, variety, and convenience.

## CONCLUSION

This study concludes that consumer preferences among Agribusiness students at Universitas Medan Area for Gayo Coffee and Cappuccino sachet coffee vary significantly across product attributes. The results of the Chi-Square analysis confirmed that all tested attributes—taste, variety, price, packaging, and volume—show meaningful differences, while the Fishbein Multi-Attribute Model indicated that taste and flavor variety were the most dominant factors influencing consumer attitudes. Gayo Coffee is generally chosen by students who value authenticity and strong sensory experiences, while Cappuccino sachets are preferred for their affordability, practicality, and wider flavor options.

From a managerial perspective, the findings highlight that coffee producers and marketers must consider not only the sensory quality of their products but also affordability, innovative packaging, and product diversification to meet the expectations of young consumers. For students in particular, coffee functions as both a necessity and a lifestyle choice, making the balance between quality, convenience, and price critical for ensuring consumer satisfaction and loyalty.

## ACKNOWLEDGMENT

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Internasional Journal of Economic, Agribisnis and Development Studies

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