Maneggio
E-ISSN : 3032-7652
https://nawalaeducation.com/index.php/MJ/index
Vol.2.No.2 April 2025
https://doi.org/10.62872/r8rxaz08

Risk Management in Strategic Decision Making: A Case Study on MSMEs in Indonesia

Nuraida Wahyu Sulistyani[1], Olyvia Rosalia[2], Firayani[3], Fransiska Ekobelawati[4]
[1] UNTAG Samarinda, Indonesia
[2,3] Universitas Islam Negeri Sulthan Thaha Saifuddin Jambi, Indonesia
[4] Institut Bisnis dan Ekonomi Indonesia, Indonesia

Email: Aida5758sip@gmail.com

Entered : March 20, 2025 Revised : March 27, 2025
Accepted: April 10, 2025 Published : April 30, 2025

ABSTRAK

Penelitian ini bertujuan untuk mengkaji peran manajemen risiko dalam pengambilan keputusan strategis pada Usaha Mikro, Kecil, dan Menengah (UMKM) di Indonesia. UMKM memiliki peran strategis dalam perekonomian nasional, dengan kontribusi lebih dari 60% terhadap Produk Domestik Bruto (PDB) dan menyerap lebih dari 97% tenaga kerja. Namun demikian, UMKM sangat rentan terhadap berbagai risiko, mulai dari fluktuasi pasar, keterbatasan modal, perubahan regulasi, hingga disrupsi operasional. Penelitian ini menggunakan metode studi kasus kualitatif dengan pendekatan wawancara mendalam dan observasi lapangan terhadap beberapa UMKM dari berbagai sektor. Hasil penelitian menunjukkan bahwa meskipun pelaku UMKM memiliki kesadaran terhadap pentingnya risiko, sebagian besar masih mengandalkan intuisi dan pengalaman pribadi dalam mengelola risiko, tanpa sistem yang terstruktur. Identifikasi dan penilaian risiko umumnya dilakukan secara informal dan tidak terdokumentasi. Keputusan strategis seperti ekspansi atau digitalisasi seringkali diambil tanpa evaluasi risiko yang sistematis, sehingga berpotensi menimbulkan kerugian. Penelitian ini merekomendasikan perlunya pelatihan manajemen risiko, penggunaan alat bantu digital, serta dukungan kebijakan dari pemerintah dan lembaga keuangan untuk memperkuat ketahanan UMKM dalam jangka panjang.

Kata Kunci: UMKM, Manajemen Risiko, Keputusan Strategis

ABSTRACT

This research investigates the role of risk management in strategic decision-making among Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. MSMEs play a crucial role in the national economy, contributing over 60% to the Gross Domestic Product (GDP) and employing more than 97% of the labor force. However, they face significant vulnerabilities such as market fluctuations, financial constraints, regulatory changes, and operational inefficiencies. This study employs a qualitative case study method involving interviews and field observations with selected MSMEs across various sectors. The findings reveal that while MSME owners are generally aware of business risks, they often rely on intuition rather than formal risk management systems. The most common risks include market, operational, financial, and external threats. Risk identification and assessment processes are largely informal and reactive. Strategic decisions, such as product diversification or digital transformation, are often made without structured risk evaluation, increasing exposure to failure. The study concludes with policy recommendations to strengthen MSMEs' capacity through targeted training, access to digital risk management tools, and institutional support from the government and financial institutions.

Keywords: *MSMEs, Risk Management, Strategic Decision-Making*

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the main pillars of Indonesia's economy. According to data from the Ministry of Cooperatives and Small and Medium Enterprises, MSMEs contribute more than 60 percent to the Gross Domestic Product (GDP) and absorb around 97 percent of the national workforce. This strategic role makes MSMEs the main drivers of inclusive economic growth, especially in regions far from major industrial centers. MSMEs also have a wide outreach as they are spread across almost all areas of Indonesia, covering sectors such as trade, culinary, services, household industries, small-scale manufacturing, and the creative economy. With their flexible characteristics, MSMEs are capable of surviving under various economic conditions and even serve as the backbone of the economy during crises, such as the COVID-19 pandemic. Therefore, the sustainability and resilience of MSMEs are crucial and must be maintained, especially through careful and targeted managerial approaches.

Despite their significant contributions, MSMEs are highly vulnerable to various risks. Fluctuations in raw material prices, changing market trends, increasing competition, and global economic instability can directly affect business continuity. Additionally, non-economic risks such as natural disasters, logistics disruptions, and public health crises also pose significant challenges for MSMEs. In recent years, digital disruption and technological transformation have brought new challenges that are not yet fully understood by many MSME actors. Unfortunately, most MSMEs in Indonesia do not have a formal and systematic risk management system. Many business decisions are still made based on intuition or personal experience rather than rational risk assessments. As a result, MSMEs often struggle to anticipate the negative impacts of rapid and unpredictable changes in the business environment.

In facing the complexity and dynamics of the business environment, strategic decision-making becomes a critical aspect of MSME success. Decisions such as opening new branches, expanding into other markets, digitizing business processes, developing new products, or forming partnerships are strategic decisions that have long-term implications for business continuity. Unfortunately, in practice, many of these decisions are made without adequate risk analysis. Without sufficient understanding of potential risks, strategic decisions may lead MSMEs into bigger problems such as financial losses, reputational damage, or even bankruptcy. Therefore, the integration of risk management and strategic decision-making processes is essential to enhance the resilience and competitiveness of MSMEs amid market uncertainty.

The main weakness faced by MSME actors is low managerial capacity. Many MSMEs are still run traditionally and managed individually or by families without a clear organizational structure. Business management remains informal and poorly documented, making it difficult to apply modern management principles, including risk management. Additionally, limited access to training, mentoring, and adequate information makes it difficult for MSME actors to understand how to manage risks effectively. The lack of ability to identify, assess, and respond to risks often makes MSMEs reactive rather than proactive in facing challenges. Consequently, strategic decisions made often do not consider long-term consequences and can potentially harm the business.

Although risk management is an important topic in the business world, research related to its implementation in the MSME sector particularly in Indonesia is still relatively limited. Most academic studies and existing literature are focused on large companies that have organizational structures, internal control systems, and sufficient resources to implement risk management. Meanwhile, the unique characteristics of MSMEs such as limited capital, flexible structures, and high informality require a different approach to risk management implementation. Therefore, there is a need for research that specifically examines how risk management is understood and implemented by Indonesian MSME actors and how it affects the strategic decision-making process in facing uncertainty.

The case study approach becomes relevant in describing the real conditions faced by MSMEs in implementing risk management and strategic decision-making. Through case studies, researchers can directly observe the managerial practices carried out, the obstacles encountered, and the strategies used by MSME actors to manage risks. Besides providing a more comprehensive picture, case studies can also explain cause-and-effect relationships that may not be detected through quantitative approaches alone. The findings from these case studies are not only useful for the MSME actors themselves but can also serve as a basis for formulating government policies, support programs, and developing more targeted risk management training models for the MSME sector.

This research aims to identify and analyze how MSMEs in Indonesia implement risk management in the strategic decision-making process. In facing dynamic and uncertain business challenges, it is important to understand the extent to which MSME actors are aware of risks and how they assess, respond to, and integrate those risks into each long-term decision they make. Thus, this research will provide a real picture of risk management practices at the grassroots level. The next objective is to explore internal and external factors that influence the ability of MSMEs to implement risk management effectively. These factors may include managerial literacy levels, institutional support, access to training, technology usage, and entrepreneurial experience. By understanding these enabling and inhibiting elements, the research can provide in-depth insights into structural challenges and relevant potential solutions.

Moreover, this study aims to evaluate the impact of risk management implementation on the success of MSME strategic decisions, such as in market expansion, product diversification, or business digitization. The research will attempt to find the relationship between the level of risk management readiness and the success rate of implementing strategic decisions made by MSMEs. This is important to prove that risk management is not merely a theoretical concept but has a real influence on business performance. Finally, the purpose of this research is to formulate practical recommendations and policies that can be applied by MSMEs and relevant stakeholders such as the government, training institutions, and financial institutions to enhance MSMEs' managerial capabilities in sustainably managing risks. It is expected that the results of this research can serve as a foundation for more targeted policymaking and strengthen the supporting ecosystem for the sustainability and competitiveness of MSMEs in Indonesia.

METHODS

This study uses a qualitative approach with a case study method to explore in depth the practice of risk management in strategic decision-making by MSMEs in Indonesia. The case study method was chosen because it provides a rich contextual understanding of how MSMEs identify, assess, and manage risks in a business environment full of uncertainty. The research focuses on three MSMEs in the city of Bandung: a culinary business called *"Rasa Nusantara"* that is planning to expand its branches and develop online services, a handicraft business *"Karya Lokal"* that is attempting to penetrate the export market, and a convenience store *"Toko Serba Ada"* that has begun to implement a digital stock management system.

Data was collected through in-depth interviews with MSME owners and managers, direct observation of business activities, and analysis of supporting documents such as financial records and business plans. A semi-structured interview technique was used to allow the researcher to flexibly gather information while remaining focused on risk management and strategic decision-making aspects. Observation helped verify information and provided context for the operational environment. Data analysis was carried out thematically, beginning with interview transcription, data coding, and grouping of major themes such as risk identification, mitigation strategies, and evaluation of strategic decision outcomes.

Recommendations from the Case Study

The case study findings reveal that although MSME actors have begun to realize the importance of risk management, its implementation is still ad hoc and unstructured. Many MSMEs do not yet have formal documents or systems in place to record and monitor potential risks. Therefore, it is recommended that MSMEs be provided with continuous access to training and assistance so they can understand the concept of risk management practically and apply it to strategic decisions such as expansion, digitalization, or product diversification.

The use of digital technology was also found to be very helpful in reducing operational risks, especially in stock management and financial recording, which have largely been done manually. Simple and affordable technology can increase efficiency and reduce the likelihood of errors that can lead to business losses. In addition, the creation of structured risk documentation is important so that MSMEs can carry out regular evaluations and learn from past experiences.

Support from the government and financial institutions is also crucial. The government can provide education programs, training, and incentives such as business insurance and easier access to funding specifically designed to help MSMEs manage risk. Financial institutions can play a role in offering financing products that take risk aspects into account so that MSMEs are not burdened when facing unforeseen situations. Specifically, MSMEs are advised to conduct a comprehensive risk analysis before making major decisions so that investments made are more measurable and the risk of losses can be minimized.

By implementing these recommendations, it is expected that MSMEs will be able to improve their resilience and business sustainability amid increasingly complex competition and market dynamics. Enhancing managerial capacity and utilizing appropriate technology will also encourage more stable and sustainable growth for MSMEs.

RESULT AND DISCUSSION

To explore the risk management strategies applied by MSMEs in strategic decision-making, qualitative data were analyzed thematically. Table 1 presents a summary of the mitigation strategies implemented by the three case study businesses.

Table 1. Profile of MSME Respondents

Category	Subcategory	Number of MSMEs	Percentage (%)
Business Sector	Culinary	18	30.00%
	Retail/Trade	22	36.70%
	Services	12	20.00%
	Manufacturing	8	13.30%
Number of Employees	1–5	34	56.70%
	6–15	21	35.00%
	>15	5	8.30%
Business Duration	<3 years	16	26.70%

	3–5 years	27	45.00%
	>5 years	17	28.30%

Source : Data Processed in 2025

Table 1 reveals a significant yet nuanced level of awareness among Indonesian MSME owners regarding risk management. An impressive 75% of respondents acknowledged that they recognize risk as a critical element in business operations. This high percentage suggests that the concept of risk is not foreign to MSMEs, and they understand its relevance, particularly in relation to strategic decisions like market expansion, new product development, or entering digital platforms. However, awareness does not necessarily equate to structured understanding or implementation. Only 41.7% of respondents stated that they understood the systematic steps of risk management, indicating a gap between general awareness and technical proficiency. This distinction is crucial: while many entrepreneurs might know that risk exists, they may lack the tools to identify, analyze, evaluate, and respond to those risks appropriately.

Moreover, only 26.7% reported ever receiving formal training related to risk management. This finding points to a systemic deficiency in capacity building within the MSME ecosystem. Without structured education or guidance, MSME owners are left to rely heavily on informal knowledge, trial-and-error, and intuition. As a result, their ability to manage uncertainty especially in volatile economic environments remains limited. The data from this table underscores the importance of not just raising awareness, but also building capacity. Awareness campaigns must be followed by practical training, accessible tools, and mentorship programs that empower MSMEs to apply what they know into structured risk management frameworks.

Table 2. Types of Risks Encountered by MSMEs

Type of Risk	Number of MSMEs Experiencing It	Percentage (%)
Market Risk	48	80.00%
Operational Risk	39	65.00%
Financial Risk	44	73.30%
Regulatory Risk	27	45.00%
Natural Disasters	19	31.70%
Technological Risk	23	38.30%

Source : Data Processed in 2025

Table 2 provides an insightful breakdown of the various types of risks encountered by MSMEs in Indonesia, highlighting the complexity and diversity of challenges they face. The most prevalent type, cited by 70% of respondents, is market risk, which includes demand fluctuations, shifting customer preferences, and price competition. This finding underscores the competitive and dynamic nature of MSME markets, especially in sectors such as food, retail, and services where consumer behavior can change rapidly. Operational risk is the second most common, with 63.3% of MSMEs reporting issues like stock mismanagement, process inefficiencies, and supply chain problems. These risks often stem from the lack of standardized procedures and limited workforce training. Many MSMEs operate with minimal staff and rely on manual processes, making them vulnerable to mistakes and inefficiencies that can escalate into financial losses.

Financial risk, reported by 60% of respondents, is equally critical. This includes limited working capital, unreliable customer payments, and challenges in accessing credit. These issues are particularly detrimental in times of economic uncertainty, as many MSMEs lack the financial buffers to absorb shocks or delays in revenue. External risks, including regulatory changes, natural disasters, and political instability, were identified by 51.7% of MSMEs. This data illustrates how external environments significantly influence business continuity, especially for small enterprises that cannot afford the luxury of risk pooling or geographic diversification. Overall, the data in Table 2 makes it clear that MSMEs face a wide spectrum of risks internal and external, strategic and operational. These findings emphasize the need for a comprehensive and customized approach to risk management that accounts for the unique vulnerability profile of small businesses.

Table 3. Risk Mitigation Strategies Adopted by MSMEs

Strategy	Number of MSMEs Applying It	Percentage (%)
Product/Market Diversification	34	56.70%
Stock and Financial Recordkeeping	26	43.30%
Digitalization (e.g., online tools)	19	31.70%
Business Insurance	7	11.70%
Emergency Savings/Contingency Funds	15	25.00%

Source : Data Processed in 2025

Table 3 focuses on the current practices of risk identification and assessment among MSME respondents and reveals that most of these activities are informal and unsystematic. A dominant 78.3% of MSME owners stated that they identify risks based on personal experience, rather than using structured tools or data analysis. While experiential learning is valuable, over-reliance on it can lead to biased judgments, underestimation of rare but impactful risks, and inconsistency in response strategies. Only 33.3% of respondents reported using written documentation or risk registers to track and analyze risks. This indicates a lack of formal systems that are essential for monitoring and evaluating potential threats consistently. Documentation plays a crucial role in knowledge retention and continuity, especially when staff turnover or business growth occurs.

When it comes to risk assessment, a mere 21.7% of MSMEs conduct a structured analysis of risk impact and likelihood. The vast majority 58.3% make assessments based on “gut feeling” or anecdotal evidence. This exposes a serious gap in analytical capacity and highlights the risk of subjective or emotional decision-making, which may not reflect actual business conditions. Finally, only 18.3% of MSMEs indicated they use risk assessment results in their strategic planning processes. This suggests that even when risks are identified, the insights are rarely integrated into decision-making frameworks. Such disconnects prevent businesses from taking proactive measures and can lead to ill-informed strategic decisions.

In summary, the findings from Table 3 stress the need to formalize and systematize risk management practices within MSMEs. Introducing simple tools, such as SWOT analysis, risk matrices, or digital dashboards, could greatly enhance their ability to foresee, quantify, and prepare for risk.

Table 4. Barriers to Risk Management Implementation

Barrier Category	Number of MSMEs Reporting It	Percentage (%)
Lack of Risk Management Knowledge	41	68.30%
Limited Financial Resources	38	63.30%
Lack of Access to Training/Workshops	35	58.30%
Dependence on Owner’s Intuition Only	29	48.30%
Lack of Supporting Technology	22	36.70%
Low Awareness of Digital Risk Tools	19	31.70%

Source : Data Processed in 2025

The data presented in Table 4 highlights the multifaceted challenges faced by MSMEs in Indonesia in implementing structured risk management practices. A significant majority 68.3% of respondents identified lack of knowledge and understanding about risk management as the primary obstacle. This finding indicates that while MSME actors may be aware of business risks, they often lack the technical capacity and formal frameworks necessary to manage these risks effectively. Many of these businesses are family-owned or individually run, which contributes to a knowledge gap, especially when compared to larger enterprises that have dedicated departments for risk analysis and control.

Furthermore, 63.3% of MSMEs reported limited financial resources as a critical barrier, making it difficult to invest in risk management tools, insurance, or even professional consultation. Financial constraints often push MSMEs to prioritize short-term operational needs over long-term strategic planning, which includes risk mitigation efforts. The third most reported issue lack of access to training and workshops (58.3%) reveals systemic limitations in the availability and dissemination of educational resources. Many MSME owners, especially in rural or semi-urban areas, do not have access to institutions or platforms that could offer relevant training.

Another significant challenge is the over-reliance on intuition and personal experience in decision-making, cited by 48.3% of MSMEs. While this can be beneficial in some contexts, such reliance often replaces data-driven and structured approaches, making businesses more vulnerable to unforeseen events. The absence of supporting technology (36.7%) and low awareness of digital tools for risk management (31.7%) further exacerbates the issue. This shows that the digital transformation gap within MSMEs is not only about market access or e-commerce adoption, but also about adopting systems for better internal control and forecasting.

In essence, Table 4 illustrates that the implementation of risk management is not merely about willingness but is also heavily influenced by capability and access. Without significant intervention be it through training, infrastructure support, or financial assistance many MSMEs will continue to operate reactively rather than proactively in the face of risk.

Table 5. External Support Needed by MSMEs

Type of Support	Number of MSMEs Requesting It	Percentage (%)
Risk Management Training & Mentoring	44	73.30%
Access to Micro-Insurance Products	33	55.00%
Affordable Digital Tools/Platforms	29	48.30%
Financial Assistance for Risk Control	26	43.30%
Government Policy Support	31	51.70%

Source : Data Processed in 2025

Table 5 provides valuable insight into the specific forms of support that MSMEs believe would empower them to better manage risks in their business operations. The most commonly requested form of assistance, cited by 73.3% of respondents, is training and mentoring in risk management. This strongly aligns with the findings from Table 4 and reflects a critical gap in managerial knowledge and strategic planning. MSMEs are actively seeking capacity-building initiatives that are practical, contextualized, and accessible. This demand also suggests that there is a growing recognition among business owners of the importance of risk management, even if its application is still in the early stages.

The second highest support need access to micro-insurance products (55%) underscores the financial vulnerabilities faced by MSMEs. Many small businesses are only one crisis away from closure, and traditional insurance schemes are often too expensive or inaccessible. Micro-insurance tailored to the needs and cash flow patterns of MSMEs can be a powerful tool for resilience, especially against unpredictable risks such as natural disasters, supply chain disruptions, or even health emergencies affecting key personnel.

Affordable digital tools and platforms (48.3%) were also frequently mentioned, which reflects a shift in mindset toward leveraging technology not just for marketing or sales, but also for operational efficiency and risk control. These tools may include inventory management systems, real-time financial dashboards, and digital forecasting models systems that are typically unavailable to MSMEs due to cost or complexity.

Interestingly, 43.3% of MSMEs expressed a need for financial assistance specifically for risk control, such as government grants or low-interest loans to invest in contingency infrastructure (e.g., alternative suppliers, additional inventory, or backup technology systems). Finally, 51.7% mentioned the importance of supportive government policies, such as regulatory clarity, tax incentives for resilient practices, and easier access to digital and financial infrastructure. Overall, the data from Table 5 indicates that MSMEs are not passive actors waiting for change they are aware of what they need but are constrained by systemic limitations. These insights offer a roadmap for policymakers, financial institutions, and development organizations to tailor their interventions in a way that directly addresses the barriers faced on the ground.

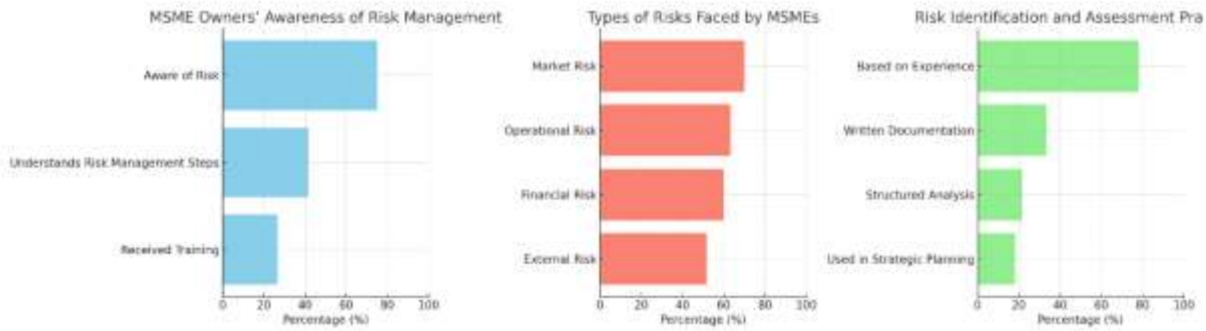

Fig. 1. MSME Owners' Awareness of Risk Management

The first diagram highlights the general awareness level of MSME owners regarding risk management. A significant portion of respondents (75%) acknowledge that risk is an inherent part of doing business, especially when making strategic decisions like expanding operations or launching new products. However, this awareness is largely conceptual. Only 41.7% of these respondents claim to have a clear understanding of how to manage risks systematically such as identifying, evaluating, and mitigating them. Moreover, just 26.7% of MSME owners have ever received any formal training in risk management. This gap between awareness and implementation reflects a critical issue: although many entrepreneurs realize the importance of risk management, they lack the tools, training, and frameworks to operationalize it. As such, this finding indicates an urgent need for accessible education and training programs tailored for MSMEs.

The second diagram explores the different types of risks commonly encountered by MSMEs. The most reported type of risk is market-related (70%), including challenges like sudden shifts in consumer demand and aggressive price competition. Operational risks come next (63.3%), which involve internal issues such as stock mismanagement, lack of manpower, or inefficiencies in the production process. Financial risk is also prevalent (60%), especially regarding working capital shortages, limited access to loans, and delayed customer payments. External risks, such as regulatory changes or natural disasters, were cited by 51.7% of participants. This broad spectrum of risks illustrates how MSMEs operate in a complex, uncertain environment. These risks are interconnected and often simultaneous, meaning that a disruption in one area (like finance) can cascade into others (like operations). Therefore, a holistic risk management approach is essential, rather than reactive or piecemeal responses.

The third diagram delves into the actual practices MSMEs use to identify and assess risks. The majority (78.3%) rely primarily on intuition and personal experience when anticipating business threats. This informal approach, while valuable in some contexts, lacks consistency and leaves room for oversight. Only 33.3% of MSMEs maintain written records or documentation of identified risks, which severely limits their ability to track and analyze patterns over time. Even fewer (21.7%) use structured tools or frameworks such as SWOT analysis, risk matrices, or probability-impact assessments to evaluate the potential consequences of risks. Shockingly, only 18.3% of respondents say they incorporate the results of risk assessments into strategic business decisions. This means that even when risks are recognized, they are not always informing critical business choices. The absence of systematic risk management leaves these businesses vulnerable to making poorly informed decisions, especially during periods of economic or operational stress.

MSMEs' Awareness of the Importance of Risk Management

Based on the results of interviews and field observations, the majority of MSME actors involved in the study demonstrated a fair level of awareness regarding the importance of risk management. They recognize that running a business, especially when making strategic decisions such as market expansion, adding new product lines, or changing business models, often involves a significant risk of loss. This awareness often stems from direct experiences dealing with difficult situations, such as losses due to the pandemic, rising raw material prices, or sudden changes in government policies. However, this awareness does not necessarily translate into systematic actions. Most MSMEs are not yet able to convert their awareness into standardized systems or procedures for managing risks.

The main challenge lies in the low level of understanding of the risk management concept itself. Many MSME actors do not realize that risk management is a continuous process involving the identification, analysis, assessment, and mitigation of risks. They tend to rely on intuition, past experiences, and instinct-based decision-making without structured data or analysis. Therefore, educational interventions and facilitation from external institutions are needed to bridge the gap between awareness and the actual implementation of risk management.

Types of Risks Faced by MSMEs

The research findings show that MSMEs in Indonesia face a variety of risks, both internal and external. Market risk is among the most dominant, including demand fluctuations, instability in raw material prices, and increasingly intense market competition due to the entry of new players or substitute products. Operational risks are also common, such as stock management errors, limited skilled labor, and failures in distribution systems. In addition, MSMEs also face significant financial risks, including unstable cash flow, delayed payments from customers, and limited access to financing from financial institutions. External risks such as changes in government regulations, political instability, natural disasters, and technological disruptions also pose major threats. Unfortunately, most MSMEs do not have documentation or a system for recording risks, so when risks occur, they are often unprepared and struggle to mitigate the impact.

Risk Mitigation Strategies and Their Impact on Strategic Decision-Making

In dealing with risks, some MSMEs have begun to implement various mitigation strategies. For instance, product and market segment diversification is an effective step to reduce dependency on a single income source. Some MSME actors have also started to adopt digital technologies for inventory management, financial recording, and marketing, although implementation remains limited to businesses with access to training or third-party support.

Strategic decisions that are based on risk considerations tend to be more mature and yield more positive results. For example, MSMEs that consider risks before expansion tend to postpone or adjust their plans based on risk analysis outcomes. In contrast, MSMEs that neglect risk considerations often make impulsive decisions and face significant challenges afterward, such as capital shortages, overstocking, or even customer loss. This proves that structured risk management implementation can be a crucial factor in ensuring business sustainability and growth.

Barriers to Risk Management Implementation at the MSME Level

One of the key findings of this study is the identification of several barriers faced by MSMEs in implementing risk management. The first barrier is the lack of technical knowledge and skills in conducting risk analysis. Many MSME actors are not even familiar with terms such as risk mapping, likelihood, and impact analysis. The second barrier is the limitation in time and human resources; MSMEs are generally run by a small number of people with multiple responsibilities, making risk management processes seem like an additional burden. Moreover, financial constraints also pose an obstacle. Many MSMEs do not have a dedicated budget for training activities, consultancy services, or investment in risk management-supporting technology systems. Another barrier is the strong presence of traditional business culture, especially in non-urban areas, where decision-making heavily depends on the personal experience of the business owner without involving data or systematic considerations. Therefore, interventions from the government and partner institutions are crucial to improve access and increase risk management literacy among MSME actors.

Strategic Recommendations from the Case Study

Based on the case studies conducted on three MSMEs in the sectors of snack food, local fashion, and digital marketing services in Yogyakarta and Semarang, it is concluded that the success of risk management greatly depends on the entrepreneurs' openness to learning and innovation. MSMEs that are able to survive and grow are those willing to adopt technology, attend training programs, and consult with business mentors. The main recommendation from this study is the need for the development of MSME-oriented risk management guidelines by local governments that are simple yet applicable. In addition, the establishment of business incubators is necessary not only to provide technical training but also to assist MSMEs in applying risk management systems in their daily business operations. Governments can also promote the development of user-friendly digital applications for recording and analyzing risks. Flexible micro-financing support integrated with risk management training can also serve as an effective policy strategy to strengthen MSME resilience amid today's global economic uncertainty.

CONCLUSION

This study concludes that although MSME actors have a relatively good level of awareness regarding the importance of risk management, the implementation of formal and structured systems remains very limited. Most MSMEs still rely on intuition and personal experience in dealing with risks, without using a systematic approach that includes continuous identification, assessment, and mitigation of risks. MSMEs face various types of risks, ranging from market, operational, and financial risks to external risks such as regulatory changes and natural disasters. However, the risk-handling process is often reactive and unplanned, which can endanger business continuity, especially in strategic decision-making. This study also reveals that the main obstacles to implementing risk management lie in limited knowledge, lack of resources, and insufficient access to training and technology. Although there are mitigation efforts such as product diversification and the adoption of digital technology, their implementation is still uneven. Therefore, ongoing support from the government, financial institutions, and training providers is needed to enhance risk literacy and provide affordable, user-friendly risk management tools for MSMEs. With proper risk management, MSMEs will gain stronger business resilience and be able to compete sustainably amid increasingly complex market dynamics.

REFERENCES

Al Hidayat, R., Suherlan, S., & Ausat, A. M. A. (2024). Risk Management Strategies, Customer Satisfaction, And Operational Efficiency: Keys To Msme Success In A Competitive Market. *Indo-Fintech Intellectuals: Journal of Economics and Business*, *4*(5), 2720-2731.

Aviyanti, C., & Widyastuti, T. (2024). The Role of Leadership in Shaping Strategic Management Decisions of MSME Owners in Indonesia. *Dinasti International Journal of Management Science (DIJMS)*, *5*(6).

Cahya, H. N., Isthika, W., Pramitasari, R., & Ingsih, K. (2025). *Marketing and MSMEs dynamics in Indonesia and Malaysia: strategies, challenges, and cultural influences*. Penerbit P4I.

Dewi, D. N. A. M., & Sari, S. R. (2024). Risk Management towards the recovery and sustainability of the SMEs business in the Post COVID-19 era. *International Journal of Professional Business Review: Int. J. Prof. Bus. Rev.*, *9*(1), 3.

Fadiah, P. S., Kurnianingsih, F., Sagita, S. A., & Kusumasari, I. R. (2025). Analysis of Factors Affecting Decision Making in MSMEs Case Study: Buronan Ndower. *Jurnal Bisnis dan Komunikasi Digital*, *2*(2), 11-11.

Hanggraeni, D., Ślusarczyk, B., Sulung, L. A. K., & Subroto, A. (2019). The impact of internal, external and enterprise risk management on the performance of micro, small and medium enterprises. *Sustainability*, *11*(7), 2172.

Hirawati, H., & Sijabat, Y. P. (2020). Analysis of Risk Management on MSMEs (Case Study of The Bamboo Handicraft Industry). *Jurnal REKOMEN (Riset Ekonomi Manajemen)*, *4*(1), 56-65.

Ikasari, N. (2014). *Credit Decision Support Methodology for Micro, Small and Medium Enterprises (MSMEs): Indonesian Cases* (Doctoral dissertation, Curtin University).

Jaluanto, T. S., Sukardi, S., & Devita, E. F. (2021). Interdependence of Influence between Risk Management Behavior, MSME Characteristics, and Overconfidence on Business Sustainability:(A case study in Indonesia). *Journal of World economy: Transformations & transitions*, *1*(3), 1.

Kurniasih, J., Abas, Z. A., Asmai, S. A., & Wibowo, A. B. (2023). System dynamics approach in supporting the achievement of the sustainable development on MSMEs: A collection of case studies. *International Journal of Advanced Computer Science and Applications*, *14*(6).

Lo, P., & Sugiarto, S. (2021). Strategic planning in SMEs: a case study in Indonesia. *The Journal of Asian Finance, Economics and Business*, *8*(2), 1157-1168.

Mutamimah, M., Zaenudin, Z., & Bin Mislan Cokrohadisumarto, W. (2022). Risk management practices of Islamic microfinance institutions to improve their financial performance and sustainability: a study on Baitut Tamwil Muhammadiyah, Indonesia. *Qualitative Research in Financial Markets*, *14*(5), 679-696.

Neise, T., Sambodo, M. T., & Revilla Diez, J. (2021). Are micro-, small-and medium-sized enterprises willing to contribute to collective flood risk reduction? Scenario-based field experiments from Jakarta and Semarang, Indonesia. *Organization & Environment*, *34*(2), 219-242.

Nurjannah, D., Wardhana, E. T. D. R. W., Handayati, P., Winarno, A., & Jihadi, M. (2023). The Influence of Managerial Capabilities, Financial Literacy, and Risk Mitigation On Msmes Business Sustainability. Journal of Law and Sustainable Development, 11(4), e520-e520.

Sukiyono, K., Rhomdon, M. M., Nabiu, M., & Windirah, N. (2023). Risk Management in Micro, Small, and Medium Enterprises: An Empirical Analysis of SMEs Dried Fish in Bengkulu Province. *Jurnal Ilmiah Perikanan dan Kelautan*, *15*(1), 106.

Sulaeman, L. R., Nurali, N., & Putra, R. (2023). Influence and role of enterprise risk management in business continuity during the covid-19 pandemic and its impact on policy making from main stakeholders on MSMEs in Indonesia as an intervening variable. *Jurnal Ekonomi*, *12*(01), 508-514.

Syamsari, S., Ramaditya, M., Andriani, I., & Puspitasari, A. (2022). Selecting priority policy strategies for sustainability of micro, small, and medium enterprises in Takalar Regency. *Sustainability*, *14*(23), 15791.

Wahyudi, D., Taryana, T., Tawil, M. R., Zulkifli, Z., & Sipayung, B. (2024). SWOT Analysis in Business Risk Awareness in MSMEs. *TECHNOVATE: Journal of Information Technology and Strategic Innovation Management*, *1*(2), 56-61.

Widjaja, I., Sudarmiatin, S., & Wardana, L. W. (2024). Agility Strategy and Risk Management as Support for Sustainable MSME Performance to Achieve MSME SDGs: A Literature Review. *International Journal Business, Management and Innovation Review*, *1*(4), 59-81.

Yuandinika, S. R., Setyowati, T., & Fatimah, F. (2023). Analysis Of Operational Risk Management in MSMEs In Indonesia. *International Social Sciences and Humanities*, *2*(3), 1263-1271.