

The Effect of Oligopolistic Market Structure on the Competitiveness of Agribusiness Msmes in Padang City

Dara Ayu Artika¹, Zefriyenni²

^{1,2} Putra Indonesia University "YPTK" Padang
E mail: artikadaraayu@gmail.com

This study aims to analyze the influence of oligopolistic market structure on the competitiveness of agribusiness Micro, Small, and Medium Enterprises (MSMEs) in Padang City. The oligopolistic market structure is characterized by the dominance of a few large business actors who have the ability to influence prices, distribution, and market behavior, thus creating intense competition for MSMEs. The study used a quantitative approach with a survey method. The study population was all agribusiness MSMEs in Padang City operating in the agriculture, livestock, fisheries, and agricultural product processing sectors. The sampling technique used proportional random sampling. Data analysis was performed using simple linear regression with the help of SPSS application. The results of the study indicate that the oligopolistic market structure has a significant influence on the competitiveness of agribusiness MSMEs. Competition from large companies encourages MSMEs to improve innovation, product quality, cost efficiency, and marketing strategies to survive in the market. Therefore, government support is needed through healthy business competition policies, access to financing, marketing digitalization, and increasing human resource capacity to strengthen the competitiveness of agribusiness MSMEs.

Keywords: Oligopolistic Market Structure, Competitiveness, Agribusiness MSMEs, Business Competition

This is an open access
article under the [CC BY-NC](#)
license



Corresponding Author:

Dara Ayu Artika
Putra Indonesia University "YPTK" Padang
artikadaraayu@gmail.com

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are one of the main pillars of the Indonesian economy, playing a strategic role in driving national and regional economic growth. MSMEs not only contribute to increasing Gross Domestic Product (GDP) but also provide jobs, absorbing a large workforce. Furthermore, MSMEs play a crucial role in reducing unemployment, increasing income equality, reducing economic disparities, and strengthening national economic resilience in the face of various economic shocks. Indonesia's experience in various economic crises demonstrates that the MSME sector has a relatively better resilience than large-scale businesses due to their more flexible, adaptive characteristics, and closeness to community needs. Therefore, MSME development continues to be a priority in national and regional economic development policies.

In Padang City, the development of MSMEs shows a fairly positive trend, particularly in the agribusiness sector. This sector encompasses a wide range of economic activities, from providing agricultural production facilities, cultivating food crops, horticulture, animal husbandry, fisheries, to processing and marketing agricultural products. Padang City has potential natural resources that support the development of various agribusinesses based on local commodities, such as fishery processing, processed food industries, agricultural products, spices, and various other processed products made from local raw materials. This development has made a significant contribution to increasing community incomes and is one of the drivers of regional economic growth. Furthermore, the increasing number of agribusiness MSMEs also reflects the

growing public interest in developing businesses that utilize the potential of local resources as a source of income.

Despite their significant potential, agribusiness MSMEs in Padang City still face various challenges in maintaining their business sustainability. Increasingly fierce competition, shifting consumer preferences, the development of digital technology, limited access to capital, and changing market conditions are some of the factors affecting MSMEs' ability to increase their competitiveness. One increasingly apparent challenge is the shift in market structure, which is tending towards an oligopolistic market. This market structure is characterized by the dominance of a few large companies with relatively high market share, thus influencing prices, product quality, distribution networks, promotional strategies, and even consumer behavior. In this environment, decisions made by one large company often influence the strategies of other companies, creating increasingly complex competition for small-scale businesses.

The presence of large companies in the agribusiness market has significant consequences for the position of MSMEs. Large companies generally have advantages in terms of capital, production technology, operational efficiency, production capacity, access to raw materials, the ability to conduct extensive promotions, and broader distribution networks. These advantages enable large companies to offer products at more competitive prices and with relatively consistent quality. As a result, MSMEs often struggle to maintain market share due to limited resources. This situation also weakens MSMEs' bargaining position, both with suppliers and consumers, thus affecting their potential profit margins.

In addition to creating competitive pressures, an oligopolistic market structure can also increase barriers for new businesses to enter the market. High capital requirements, control of distribution networks by large companies, consumer loyalty to certain brands, and intense promotional efforts are some of the factors that make it difficult for MSMEs to expand their market. Many MSMEs ultimately operate only in specific market segments with limited marketing reach. These conditions demonstrate that market structure has a significant impact on business development, particularly for agribusiness MSMEs, which face limitations in various resource areas.

On the other hand, an oligopolistic market structure does not always negatively impact the development of MSMEs. Increasingly intense competition can actually encourage MSMEs to improve product quality, innovate, enhance production process efficiency, and develop more effective marketing strategies. Advances in information technology and digitalization also open up opportunities for MSMEs to expand market access through the use of social media, e-commerce platforms, and digital marketing. By leveraging these technologies, MSMEs can reach a wider consumer base without having to rely entirely on conventional distribution networks. Furthermore, innovations in packaging, product differentiation, quality certification, and local brand development are important strategies for increasing the added value and competitiveness of agribusiness products.

Competitiveness is a business's ability to produce products or services that better meet consumer needs than its competitors. Competitiveness is not only determined by competitive pricing, but also influenced by product quality, innovation, cost efficiency, customer service, adaptability to market changes, and the effectiveness of marketing strategies. In the context of agribusiness MSMEs, competitiveness is a crucial factor because it determines a business's ability to survive, grow, and expand market share amidst increasingly dynamic competition. The higher the competitiveness of an MSME, the greater the opportunity for the business to increase revenue, expand its marketing network, and create long-term business sustainability.

Various previous studies have shown that market structure is one of the external factors influencing company performance and competitiveness. An increasingly concentrated market structure can impact the

level of competition, business behavior, pricing strategies, and even a company's ability to innovate. However, research on the relationship between oligopolistic market structures and MSME competitiveness still shows mixed findings. Some studies suggest that the dominance of large companies tends to reduce MSME competitiveness due to limited resources. Conversely, other studies indicate that competitive pressures can actually encourage MSMEs to improve innovation, efficiency, and product quality, resulting in greater competitive advantage. These differing results indicate that the relationship between market structure and competitiveness still requires more in-depth empirical study, particularly in the agribusiness sector at the regional level.

Based on the above description, research on the influence of oligopolistic market structure on the competitiveness of agribusiness MSMEs in Padang City is important to conduct. This research is expected to provide an overview of the extent to which market structure characteristics influence the competitiveness of agribusiness MSMEs, while also identifying the challenges and opportunities faced by business actors in facing the dominance of large companies. The results of this study are expected to provide input for local governments in formulating MSME development policies, particularly in creating a healthy business competition climate, increasing access to financing, expanding marketing networks, strengthening human resource capacity, and encouraging the use of digital technology. In addition, the results of this study are also expected to serve as a reference for MSME actors in developing more adaptive business strategies so as to be able to increase competitiveness and maintain the sustainability of their businesses amidst the dynamics of an increasingly competitive market structure.

2. Method

This study uses a quantitative approach with an explanatory research type. The quantitative approach was chosen because the study aims to examine the causal relationship between the independent variable, namely the oligopolistic market structure, and the dependent variable, namely the competitiveness of agribusiness MSMEs. Through this approach, data obtained from respondents is processed statistically to provide an objective picture of the magnitude of the influence of the variables studied. Meanwhile, explanatory research is used because the study not only describes the phenomena that occur but also explains the causal relationship between variables based on theory and empirical testing results.

The research was conducted on Micro, Small, and Medium Enterprises (MSMEs) operating in the agribusiness sector in Padang City, West Sumatra. The research location was selected based on the consideration that Padang City has a relatively rapid development of agribusiness MSMEs and faces increasingly competitive business dynamics due to the presence of large-scale companies. These conditions make Padang City a relevant location to examine the influence of oligopolistic market structures on MSME competitiveness.

Data collection was conducted using several techniques to obtain more complete and accurate information. The first technique was a questionnaire, which involved distributing a list of written questions to respondents, compiled based on indicators for each research variable using a five-point Likert scale. The second technique was observation, which involved directly observing business activities, operational conditions, and marketing practices carried out by agribusiness MSMEs. Furthermore, structured interviews were conducted with several business actors to obtain more in-depth information regarding market competition conditions and strategies implemented to increase business competitiveness. Furthermore, the study also utilized documentation, namely data collection through documents, reports, archives, official publications, and various written sources related to the development of agribusiness MSMEs in Padang

City. The combination of these four techniques is expected to produce valid, reliable data that supports the achievement of the research objectives.

3. Results And Discusion

The results of the study indicate that the oligopolistic market structure has a positive and significant effect on the competitiveness of agribusiness MSMEs in Padang City. This condition indicates that the stronger the characteristics of an oligopolistic market, the greater the demands on MSMEs to improve their competitiveness through cost efficiency, product innovation, quality improvement, and marketing strategy development. Competition created by the dominance of several large companies not only puts pressure on small businesses but also encourages them to undertake various forms of adaptation to remain viable in the market.

The findings of this study align with Sumarni's (2022) analysis of the shallot market structure. The study showed that at the wholesale level, an oligopoly market structure with a high level of market concentration exists, requiring small businesses to improve efficiency and marketing strategies to remain competitive. This demonstrates that a concentrated market structure influences business behavior in increasing competitiveness.

Furthermore, the results of this study are also supported by research by Rahmi Awalina et al. (2022) on strategies to increase the competitiveness of coffee agribusinesses in West Sumatra. The study concluded that agribusiness competitiveness is influenced not only by internal company conditions but also by the structure of market competition, necessitating innovation, marketing strategies, and strengthening competitive advantages based on local resources.

The results of this study are also consistent with research by Bella Septiana, Nunung Kusnadi, and Anna Fariyanti (2022) on the competitiveness of garlic in Indonesia. This study showed that agribusiness competitiveness is influenced by production efficiency, productivity, and the ability of business actors to respond to changes in market structure. The more efficient the production process, the greater the business's ability to face market competition.

This research finding is supported by research by Dewi, Antari, and Yuni (2022), which found that product innovation has a positive impact on the competitiveness of MSMEs. In increasingly competitive conditions, innovation is a key strategy for increasing product added value, enabling MSMEs to retain customers and expand market share.

Gultom and Lumbanraja's (2022) research on MSME strategy analysis using Porter's Five Forces approach also shows that competitive pressure from large companies drives MSMEs to adopt low-cost strategies, product differentiation, and focus on specific market segments. These strategies have been shown to improve MSMEs' competitiveness in the face of industry competition.

The results of this study also align with research by Ernawati et al. (2022), which states that market orientation and product innovation are crucial factors in building competitive advantage for MSMEs. Companies that understand consumer needs and produce innovative products have a greater chance of maintaining their existence amidst intense market competition.

Santoso's (2022) research on increasing the competitiveness of agricultural products shows that utilizing digital marketing and improving packaging can enhance the competitiveness of agribusiness products. These findings reinforce the research findings that digital marketing is a crucial strategy for MSMEs in facing increasingly competitive market structures.

This research is also supported by research by Sepfrian, Adhi, and Firdaus (2022), which shows that agricultural business competitiveness is influenced by production efficiency and the ability to adapt to changes in the business environment. Businesses that can increase productivity will have a greater competitive advantage over their competitors.

Research by Fathurroziq and Purnomo on strategies to enhance the competitiveness of the coffee agro-industry using Porter's Diamond model indicates that strategy, competitive structure, supporting factors, and the role of government are crucial elements in boosting the competitiveness of agribusinesses. This reinforces the current study's findings that the competitiveness of MSMEs is influenced by a combination of internal and external factors.

Furthermore, a study by Taru, Prihtanti, and Nuswantara (2023) on the development of home-based industries also utilizing Porter's Diamond model concluded that competitive pressure drives business operators to strengthen innovation, marketing strategies, and product development, thereby improving their competitive position in the market.

At the international level, these findings align with the concept of competitive advantage developed by Porter (1990), which explains that industrial competitive pressure is a primary driver for companies to enhance efficiency, productivity, innovation, and product differentiation in order to achieve sustainable competitive advantage. This theory posits that companies capable of responding to competitive pressures will secure a stronger position relative to their competitors.

These results are also supported by research from Kamilaris, Fonts, and Prenafeta-Boldú (2019), which explains that digital technology developments within agribusiness supply chains can enhance transparency, efficiency, and the competitiveness of business operators. Technology adoption is a key factor in strengthening the competitive position of agribusinesses in the global market.

Research by Muhammadin et al. (2020) demonstrates that marketing strategies and an organization's ability to adapt to changes in the business environment positively influence organizational performance. These findings reinforce the current study's conclusion that adaptive capability is a primary factor determining MSME competitiveness when facing an oligopolistic market structure.

Additionally, research by Nosratabadi et al. (2019) on sustainable business models explains that business model innovation is a factor capable of enhancing corporate competitiveness amidst a changing business environment. Implementing adaptive business strategies enables companies to create sustainable value for consumers while simultaneously strengthening their competitive position. Furthermore, research by Abigail and Astuti (2024) indicates that industrial competitiveness is influenced by various external factors, including investment, the quality of human resources, and business environment conditions. These findings demonstrate that enhancing competitiveness depends not only on a company's internal capabilities but is also shaped by policies and market conditions that foster a competitive business climate.

Overall, the results of this study demonstrate consistency with various national and international studies, which state that a competitive market structure can be a driver of increased competitiveness if MSMEs are able to increase efficiency, innovate products, utilize digital technology, strengthen market orientation, and develop adaptive business strategies. Thus, an oligopolistic market structure is not only seen as an obstacle for agribusiness MSMEs, but also as an opportunity to encourage business transformation towards sustainable competitive advantage.

4. Conclusion

Based on the research results, it can be concluded that the oligopolistic market structure has a positive and significant impact on the competitiveness of agribusiness MSMEs in Padang City. The dominance of several large companies in the market creates an increasingly high level of competition, thus encouraging MSMEs to improve their competitiveness through various business development strategies. This competition encourages MSMEs to improve product quality, carry out continuous innovation, increase operational efficiency, and optimize marketing strategies, especially through the use of digital technology. These efforts are crucial factors in maintaining business continuity and expanding market share amidst increasingly fierce competition. The oligopolistic market structure also poses various challenges, such as limited market access, low bargaining power of MSMEs, and limited resources compared to large companies. However, these challenges can be transformed into opportunities if MSMEs are able to increase business capacity, strengthen human resource competencies, and develop products with competitive advantages. In addition, government support through policies that favor MSMEs, such as increasing access to financing, entrepreneurship training, strengthening digital marketing, facilitating product certification, and creating a healthy business competition climate, is essential to increase the competitiveness of agribusiness MSMEs. Thus, the synergy between the internal capabilities of MSMEs and government policy support is a major factor in creating sustainable competitiveness and strengthening the contribution of MSMEs to regional economic growth.

5. Reference

- Abigail, R., & Astuti, D. (2024). Industrial competitiveness: The role of investment, human capital, and business environment. arXiv.<https://arxiv.org/abs/2408.01985>
- Bella Septiana, Kusnadi, N., & Fariyanti, A. (2022). Analysis of garlic competitiveness in Indonesia. *Indonesian Agribusiness Journal*, 10(2), 145–158.
- Dewi, NPA, Antari, NMS, & Yuni, NLP (2022). The influence of product innovation on the competitiveness of micro, small, and medium enterprises. *Journal of Business and Entrepreneurship*, 18(2), 132–142.
- Ernawati, E., Nurhayati, S., & Hidayat, R. (2022). Market orientation, product innovation, and competitive advantage of MSMEs. *Journal of Entrepreneurship and Business*, 27(1), 15–28.
- Fathurroziq, M., & Purnomo, SH (2022). Strategy to increase the competitiveness of the coffee agro-industry using Porter's Diamond. *Scientific Journal of Innovation*, 22(3), 275–286.
- Gultom, M., & Lumbanraja, P. (2022). Analysis of MSME strategy using Porter's Five Forces approach. *Journal of Business Administration*, 11(2), 80–91.
- Kamilaris, A., Fonts, A., & Prenafeta-Boldú, FX (2019). The rise of blockchain technology in agriculture and food supply chains. *Trends in Food Science & Technology*, 91, 640–652.
- Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia. (2024). Development of micro, small, and medium enterprise (MSME) data in 2024. Ministry of Cooperatives and SMEs of the Republic of Indonesia.
- Muhammadin, A., Wibowo, A., & Rahman, M. (2020). Organizational adaptation and marketing strategy on organizational performance. arXiv.<https://arxiv.org/abs/2007.12433>
- Nosratabadi, S., Mosavi, A., Shamshirband, S., Kazimieras Zavadskas, E., Rakotonirainy, A., & Chau, K. W. (2019). Sustainable business models: A review. *Sustainability*, 11(6), 1663.
- Rahmi Awalina, A., Sayamar, E., & Eliza, E. (2022). Strategies for increasing the competitiveness of coffee agribusiness in West Sumatra. *Journal of Agricultural Research*, 2(1), 35–47.
- Santoso, B. (2022). Digital marketing as a strategy to increase the competitiveness of agricultural products. *Journal of Agricultural Inotek*, 26(1), 45–56.
- Sepfrian, D., Adhi, AK, & Firdaus, M. (2022). Analysis of farming business competitiveness through increasing production efficiency. *Indonesian Agribusiness Journal*, 10(1), 55–68.
- Sumarni, S. (2022). Analysis of the market structure of shallot commodities in Indonesia. *Journal of Agribusiness and Fisheries*, 15(2), 145–156.
- Taru, JP, Prihtanti, TM, & Nuswantara, B. (2023). Analysis of home industry competitiveness using Porter's Diamond approach. *AGRISEP: Journal of Agricultural and Agribusiness Socio-Economic Problems Studies*, 22(1), 91–104.