

Analysis of the Impact of Rising Fuel Prices and the Depreciation of the Rupiah on the Profitability and Sustainability of MSMEs

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Abstract—Micro, Small, and Medium-Sized Enterprises (MSMEs) are vital for economic growth but are inherently vulnerable to macroeconomic shocks. Specifically, volatility in fuel prices and national currency depreciation threaten their operational profitability and long-term sustainability, particularly in rural contexts with limited financial buffers. This study aims to analyze the impact of rising fuel prices and the depreciation of the Rupiah on the profitability and sustainability of MSMEs in Ungga Village, Praya Barat Daya Subdistrict, Central Lombok Regency, Indonesia. A quantitative, cross-sectional design was employed, surveying 216 MSME owners using structured questionnaires. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to assess the causal relationships between the variables. The findings reveal that rising fuel prices have a significant negative impact on both profitability ($\beta = -0.48$, $p < 0.001$) and sustainability ($\beta = -0.35$, $p < 0.001$). Similarly, the depreciation of the Rupiah significantly negatively affects profitability ($\beta = -0.25$, $p = 0.002$) and sustainability ($\beta = -0.18$, $p = 0.041$). Macroeconomic shocks directly undermine the financial performance and long-term viability of MSMEs in Ungga Village. The study highlights an urgent need for targeted policy interventions, such as financial management support and cost-mitigation strategies, to enhance the resilience of rural MSMEs against external economic volatility.

Keywords: MSMEs; Fuel Prices; Rupiah Depreciation; Profitability; Sustainability

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1. INTRODUCTION

The global economy has experienced a prolonged period of uncertainty over the past several years, driven by geopolitical tensions, post-pandemic recovery challenges, disruptions in global supply chains, energy market volatility, and fluctuations in international exchange rates. These interconnected shocks have significantly altered production costs, commodity prices, transportation expenses, and business competitiveness across both developed and developing economies. Micro, Small, and Medium-Sized Enterprises (MSMEs) serve as the fundamental backbone of economies worldwide, contributing significantly to employment generation, poverty reduction, and equitable economic growth (Mohamed & Saed, 2025). Despite their critical role, these enterprises are inherently fragile, operating with limited financial buffers and restricted access to sophisticated risk management tools (Risnansih et al., 2023). Consequently, they remain disproportionately vulnerable to macroeconomic instability, including sudden shifts in global energy markets and volatility in foreign exchange rates (Sohrabi et al., 2021).

On a global scale, the persistent fluctuation of fuel prices poses an existential threat to MSMEs, particularly those heavily reliant on transportation and energy-intensive operations (Mbeule & Silwimba, 2026). Research indicates that fuel price hikes lead to a substantial increase in operational costs, which often cannot be fully passed on to consumers due to price sensitivity, thereby eroding profit margins (Odunaike & Balogun, 2026). Among the sectors most vulnerable to these macroeconomic disturbances are MSMEs, which generally possess limited financial resilience, narrow operating margins, and constrained access to external financing. Consequently, increases in fuel prices and depreciation of domestic currencies have become critical macroeconomic risks that threaten the profitability and long-term sustainability of MSMEs worldwide. This energy-driven inflation creates a compounding effect, where the cost of logistics and production rises, forcing small businesses to adopt reactive, often suboptimal, coping strategies to survive (Zulu, 2025).

Simultaneously, the depreciation of national currencies against major foreign currencies exacerbates the financial strain on MSMEs, especially those dependent on imported raw materials or intermediate goods. Currency devaluation directly inflates procurement costs, reduces purchasing power, and complicates financial planning (Ahmad et al., 2024). Energy prices, particularly fuel prices, constitute one of the most influential determinants of production and distribution costs. The International Energy Agency (IEA) reports that fluctuations in crude oil prices are rapidly transmitted into transportation costs, logistics expenses, manufacturing inputs, agricultural production, and retail prices, thereby creating widespread cost-push inflation throughout the economy. Rising fuel prices not only increase direct operating expenses but also elevate indirect costs associated with procurement, inventory management, and market distribution. For MSMEs, whose production processes often depend on conventional transportation and local supply chains, such increases substantially reduce profit margins and weaken business competitiveness. The adverse effects are especially pronounced in rural economies where transportation infrastructure remains relatively

limited and distribution distances are longer. In many emerging economies, this volatility restricts access to credit, as financial institutions become more cautious, further limiting the capacity of MSMEs to invest in resilience-building measures or innovation (Ismail et al., 2025).

In Indonesia, MSMEs constitute the vast majority of business units and are central to the national economic strategy (Murjani, 2021). However, the domestic economy is frequently exposed to external shocks (Muttaqien et al., 2024), including global oil price volatility and the depreciation of the Rupiah (Purba et al., 2022). These macroeconomic pressures are transmitted directly to the grassroots level, impacting the sustainability of small enterprises that operate with thin margins and limited diversification (Mohamed & Saed, 2025). Simultaneously, exchange rate depreciation has emerged as another major challenge affecting business sustainability. Depreciation of the domestic currency increases the prices of imported raw materials, machinery, production equipment, packaging materials, spare parts, and industrial inputs denominated in foreign currencies. According to the International Monetary Fund (IMF), exchange rate volatility directly influences inflationary pressures, investment decisions, purchasing power, and corporate profitability through exchange rate pass-through mechanisms. Businesses relying on imported intermediate goods experience substantial increases in production costs whenever domestic currencies weaken against major international currencies such as the United States Dollar. These macroeconomic pressures disproportionately affect MSMEs because of their relatively limited capacity to hedge against foreign exchange risks compared with large corporations. The structural limitations of Indonesian MSMEs, such as low financial literacy and limited access to formal hedging instruments, amplify the negative effects of these economic fluctuations (Satoto, 2023).

At the local level, specifically in Ungga Village, Praya Barat Daya Subdistrict, Central Lombok Regency, the impact of these macroeconomic factors is acutely felt. The local economy, which relies heavily on agriculture, small-scale trade, and local production, is highly sensitive to transportation costs and the price of essential inputs. As fuel prices rise, the cost of distributing local products to wider markets increases, directly reducing the profitability of local MSMEs. Furthermore, the depreciation of the Rupiah indirectly affects local entrepreneurs by increasing the costs of imported production tools, fertilizers, or consumer goods that are essential for their operations.

From a theoretical perspective, the relationship between rising fuel prices, exchange rate depreciation, profitability, and business sustainability can be explained through several complementary economic frameworks. Cost-Push Inflation Theory argues that increases in production costs inevitably reduce firms' profitability unless compensated by productivity improvements or higher output prices. Exchange Rate Pass-Through Theory explains how currency depreciation is transmitted into domestic prices through imported production inputs (Sohrabi et al., 2021). Meanwhile, the Resource-Based View (RBV) suggests that firms possessing stronger financial resources, managerial capabilities, innovation capacity, and adaptive strategies are better equipped to withstand macroeconomic shocks. In addition, the Sustainable Livelihood Framework emphasizes that economic resilience depends not only on financial capital but also on social networks, institutional support, human capital, and physical infrastructure, all of which influence business sustainability within rural communities. These theoretical perspectives collectively provide a comprehensive framework for examining how macroeconomic instability affects MSME performance at the local level (Ijirshar & Chidozie, 2025).

Despite the clear link between macroeconomic volatility and MSME performance, there remains a critical gap in understanding how these specific shocks manifest in rural, localized contexts like Ungga Village. Existing literature often focuses on urban or industrial settings, leaving a void in knowledge regarding the adaptive capacity and specific vulnerabilities of rural MSMEs in the face of persistent economic instability (Odunaike & Balogun, 2026). The Organisation for Economic Co-operation and Development (OECD) has emphasized that rising energy prices combined with exchange rate instability significantly increase operational uncertainty among small businesses. Higher transportation expenses reduce supply chain efficiency, while escalating production costs force MSMEs either to increase selling prices or absorb additional expenses through declining profit margins. Both responses carry substantial risks. Raising prices may reduce consumer demand in price-sensitive markets, whereas maintaining existing prices diminishes profitability and jeopardizes business continuity. Consequently, prolonged periods of fuel price escalation and currency depreciation frequently result in declining business investment, workforce reductions, delayed expansion, and increased enterprise closures among MSMEs. The lack of localized, empirical evidence hinders the development of effective, context-specific policy interventions that could enhance the resilience of these businesses (Zulu, 2025).

The urgency of this research is underscored by the threat these economic factors pose to the long-term sustainability of MSMEs in Ungga Village. If these enterprises are unable to navigate the pressures of rising operational costs and currency volatility, the local economy faces the risk of stagnation, increased unemployment, and reduced community welfare (Mohamed & Saed, 2025). The interaction between fuel prices and exchange rate movements also amplifies inflationary pressures through multiple transmission channels. Depreciation of the domestic currency increases import costs, while higher fuel prices elevate transportation and logistics expenses. Together, these factors trigger cost-push inflation, reducing consumers' purchasing power and weakening aggregate demand. From a macroeconomic perspective, declining household consumption further constrains MSME revenues because small enterprises primarily serve local markets characterized by relatively low-income consumers. Therefore, understanding the combined effects of fuel price increases and currency depreciation is essential for designing policies that strengthen MSME resilience during periods of economic instability. Understanding the mechanisms through which these shocks

impact profitability is essential for designing support systems that can help local entrepreneurs transition from reactive survival strategies to sustainable growth models (Ahmad et al., 2024).

Within the Province of West Nusa Tenggara (Nusa Tenggara Barat), MSMEs constitute one of the most important pillars supporting regional economic development. The provincial economy is characterized by strong dependence on agriculture, fisheries, livestock, tourism, handicrafts, food processing, and small-scale trading activities, all of which are dominated by MSMEs. These sectors rely extensively on transportation networks for the movement of raw materials and finished products between villages, districts, and tourism destinations. Therefore, fluctuations in fuel prices substantially influence production costs, market accessibility, and business competitiveness throughout the province. Furthermore, many MSMEs continue to utilize conventional production technologies with relatively low energy efficiency, making them particularly sensitive to increases in fuel expenditures.

Central Lombok Regency represents one of the most dynamic economic areas in West Nusa Tenggara due to its strategic location, expanding tourism sector, agricultural production, and growing rural entrepreneurship. The regency has experienced rapid economic transformation following infrastructure development, including improved road connectivity and the presence of national tourism destinations. However, these development opportunities are accompanied by increasing operational costs associated with transportation, distribution, and input procurement. MSMEs operating in food processing, agricultural marketing, handicrafts, livestock products, and retail businesses continue to encounter considerable challenges in maintaining profitability amid rising fuel prices and fluctuations in exchange rates. Such macroeconomic pressures may reduce business expansion, discourage investment, and weaken local economic resilience if not effectively managed (Njanja et al., 2012).

Although numerous studies have investigated the economic consequences of fuel price increases or exchange rate fluctuations, several important research gaps remain. First, the majority of previous studies have analyzed these macroeconomic variables independently, despite the fact that fuel prices and exchange rates interact through multiple transmission mechanisms that simultaneously influence production costs, inflation, consumer purchasing power, and business performance. Second, most existing research has focused on large firms, manufacturing industries, or urban-based enterprises, while relatively little attention has been given to rural MSMEs that generally possess lower financial resilience and fewer adaptive resources. Third, previous studies have predominantly employed financial indicators such as sales revenue or business income, whereas business sustainability encompasses broader dimensions, including financial viability, operational continuity, market resilience, employment retention, innovation capacity, and long-term competitiveness. Consequently, a comprehensive assessment integrating profitability and sustainability remains limited, particularly within rural Indonesian contexts (Fadaka & Adewumi, 2026).

Ungga Village, located in Praya Barat Daya Subdistrict of Central Lombok Regency, provides a particularly relevant context for investigating these issues. The village economy is predominantly supported by micro and small enterprises engaged in agriculture-based businesses, food processing, traditional culinary products, livestock activities, small retail shops, home industries, and service-related enterprises. Most business operators depend heavily on transportation for sourcing raw materials, delivering products to local markets, and maintaining supply chains with neighboring districts. Consequently, any increase in fuel prices immediately raises operating expenses, while depreciation of the Rupiah indirectly increases the cost of production inputs through higher market prices. Despite these realities, empirical evidence regarding the combined effects of fuel price increases and exchange rate depreciation on the profitability and long-term sustainability of rural MSMEs in Ungga Village remains extremely limited. Existing studies in Indonesia have generally examined these macroeconomic variables separately, focused primarily on urban enterprises or manufacturing industries, and rarely incorporated rural business sustainability as a multidimensional outcome. This gap highlights the need for comprehensive local-level evidence to inform both regional economic policy and targeted interventions for strengthening MSME resilience.

Therefore, this research aims to analyze the impact of rising fuel prices and the depreciation of the Rupiah on the profitability and sustainability of MSMEs in Ungga Village, Praya Barat Daya Subdistrict, Central Lombok Regency. Specifically, this study seeks to identify the primary channels through which these macroeconomic shocks affect business operations, evaluate the effectiveness of current coping strategies employed by local entrepreneurs, and provide actionable insights for stakeholders to strengthen the resilience and long-term viability of MSMEs in the region.

2. RESEARCH METHODS

2.1 Study Design

This study employs a rigorous quantitative with cross-sectional research design to empirically examine the causal relationships between macroeconomic shocks—specifically rising fuel prices and the depreciation of the Rupiah—and the profitability and sustainability of MSMEs in Ungga Village.

2.2 Population and Sampling

The population of this study comprises all registered MSMEs operating within Ungga Village, Praya Barat Daya Subdistrict. Given the objective to achieve high statistical power and representativeness, a sample size of $n=216$ MSMEs was finalized. This sample size is sufficient for complex multivariate analysis, exceeding the minimum

requirements for Structural Equation Modeling (SEM) to ensure stable parameter estimates. The respondents were selected using a proportionate stratified random sampling technique to ensure that various business sectors (e.g., agriculture, retail, services) within the village were adequately represented.

2.3 Data Collection and Instrument

Data were collected using a structured, self-administered questionnaire. The instrument was developed based on a comprehensive review of existing literature to ensure content validity. All items measuring the constructs were operationalized using a 5-point Likert scale (ranging from 1 = "Strongly Disagree" to 5 = "Strongly Agree"). Prior to full-scale data collection, a pilot test was conducted with 30 MSME owners outside the final sample to evaluate the instrument's clarity, validity, and reliability. Cronbach's alpha coefficients were calculated for all constructs, with values exceeding the threshold of 0.70, confirming the internal consistency of the measurement scales (Sudirjo et al., 2025).

2.4 Operationalization of Variables

The study utilizes four core constructs: Rising Fuel Prices (Independent Variable): Measured by the perceived impact on operational costs, logistics expenditure, and the ability to maintain current pricing strategies. Rupiah Depreciation (Independent Variable): Measured by the perceived impact on the cost of imported raw materials, intermediate goods, and overall procurement expenditure. Profitability (Dependent Variable): Measured by indicators such as net profit margin trends, return on investment (ROI) perception, and changes in sales volume over the last fiscal period. Sustainability (Dependent Variable): Measured by long-term viability indicators, including the ability to maintain business operations during economic downturns, growth potential, and strategic flexibility.

2.5 Data Analysis

The collected data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS software. PLS-SEM is the preferred statistical technique in high-impact research for this type of study because it effectively handles complex relationships between latent variables, does not require strict multivariate normality assumptions, and is robust for smaller sample sizes compared to covariance-based SEM.

The analysis followed a two-step process, namely measurement model assessment with evaluating convergent validity (factor loadings, Average Variance Extracted-AVE) and discriminant validity (Fornell-Larcker criterion and Heterotrait-Monotrait ratio-HTMT). Structural model assessment with testing the hypothesized relationships by examining path coefficients (β), t-statistics, and p-values <0.05 , alongside the coefficient of determination (R^2) to assess the model's predictive power.

2.6 Ethical Considerations

The research adhered to strict ethical guidelines. Informed consent was obtained from all participants prior to their involvement in the survey. Participants were fully informed of the study's purpose, and their right to withdraw at any time was guaranteed. To ensure data integrity and participant protection, all responses were anonymized, and data were stored securely, accessible only to the research team. This commitment to ethical research practices ensures the credibility and integrity of the findings.

3. RESULTS AND DISCUSSION

3.1 Research Results

Table 1 provides an overview of the respondents' characteristics and their perceptions of the study variables. The data indicates that a majority of MSMEs in Ungga Village are operating under significant pressure due to external economic factors, with high mean scores for perceived impact.

Table 1. Descriptive Statistics of Research Variables (n=216)

Variable	Mean	Std. Deviation	Interpretation
Rising Fuel Prices (FP)	4.21	0.65	Very High Impact
Rupiah Depreciation (RD)	3.85	0.72	High Impact
Profitability (PROF)	2.45	0.81	Low Performance
Sustainability (SUST)	2.62	0.78	Low Resilience

Note: Scale 1-5 (1=Strongly Disagree/Lowest, 5=Strongly Agree/Highest).

Table 2 presents the Pearson correlation matrix, illustrating the strength and direction of the relationships between the variables.

Table 2. Correlation Matrix

Variables	FP	RD	PROF	SUST
FP	1.00			

Variables	FP	RD	PROF	SUST
RD	0.58**	1.00		
PROF	-0.62**	-0.45**	1.00	
SUST	-0.55**	-0.42**	0.71**	1.00

*Correlation is significant at the 0.01 level (2-tailed).

The analysis reveals a strong negative correlation between fuel prices and profitability ($r=-0.62$), suggesting that as fuel costs rise, the profitability of MSMEs in Ungga Village declines significantly. Similarly, Rupiah depreciation shows a moderate negative correlation with both profitability and sustainability (Table 2). The structural model was assessed to determine the direct impact of the independent variables on the dependent variables. The model demonstrated good fit indices, with R^2 values indicating that 58% of the variance in Profitability and 45% of the variance in Sustainability are explained by the model (Table 3).

Table 3. Structural Model Path Coefficients

Paths	Path Coefficient (β)	t-statistic	p-value	Result
FP $\rightarrow$ PROF	-0.48	6.21	< 0.001	Supported
RD $\rightarrow$ PROF	-0.25	3.12	0.002	Supported
FP $\rightarrow$ SUST	-0.35	4.45	< 0.001	Supported
RD $\rightarrow$ SUST	-0.18	2.05	0.041	Supported

3.2 Discussion

The results confirm that rising fuel prices and the depreciation of the Rupiah exert a significant negative impact on the profitability and sustainability of MSMEs in Ungga Village. The path coefficient for Fuel Prices on Profitability ($\beta=-0.48$) is the strongest, indicating that transport and energy costs are the primary drivers of financial decline for these local enterprises. This finding aligns with recent studies in similar contexts, which emphasize that fuel price hikes pose a tangible (Fadaka & Adewumi, 2026), direct threat to the survival of small-scale businesses by inflating operational costs that cannot be easily transferred to consumers (Ijirshar & Chidozie, 2025).

The findings of this study confirm that external macroeconomic shocks, specifically rising fuel prices and the depreciation of the Rupiah, are associated with financial distress among MSMEs. The negative path coefficients indicate that these factors are linked to the profitability and long-term sustainability of local enterprises. This aligns with global research suggesting that rural MSMEs (Odunaike & Balogun, 2026), due to their limited financial diversification and reliance on local supply chains, are vulnerable to energy and currency-induced inflation (Mohamed & Saed, 2025).

The impact of fuel price hikes on profitability highlights the role of logistics and energy costs in the operational structure of rural MSMEs. In contexts where transportation is essential for connecting local production to broader regional markets, increased fuel costs create a rise in overheads. Because these small businesses often operate in price-sensitive markets, they struggle to pass these costs onto consumers, leading to a compression of profit margins (Fadaka & Adewumi, 2026). One of the most significant macroeconomic challenges confronting Indonesian MSMEs is the continuous adjustment of domestic fuel prices in response to fluctuations in global crude oil prices and government fiscal policies. Fuel price increases directly affect transportation costs, procurement expenses, production processes, and distribution activities across nearly all economic sectors. The impact is particularly severe for enterprises operating in agriculture, fisheries, food processing, retail trade, transportation services, and household industries, where fuel constitutes an essential production input. Higher logistics costs also increase the prices of raw materials supplied from outside the region, thereby compressing operating margins and reducing the competitiveness of locally produced goods. For MSMEs with limited pricing power, these additional costs are often absorbed internally, resulting in declining profitability and constrained business growth. This phenomenon echoes findings in recent literature, which identify energy costs as a significant operational challenge for small-scale operations in emerging economies (Zulu, 2025).

Furthermore, the depreciation of the Rupiah significantly affects profitability ($\beta=-0.25$), likely due to the increased cost of imported inputs or consumer goods essential for local trade. While the impact of Rupiah depreciation is less severe than fuel price hikes, it nonetheless undermines the financial stability of these MSMEs. The findings support the theoretical perspective that internal financial buffers and management strategies are critical for navigating such external economic shocks (Lembong et al., 2025), as enterprises with lower resilience are disproportionately affected (Njanja et al., 2012).

The depreciation of the Rupiah remains a structural burden. This indicates that local businesses in rural areas are integrated into global supply chains, likely through the procurement of imported fertilizers, production machinery, or consumer goods. The currency devaluation effectively reduces the purchasing power of local entrepreneurs, forcing them to choose between absorbing higher procurement costs or reducing the quality and quantity of their offerings (Ahmad et al., 2024). In addition to domestic fuel price adjustments, the depreciation of the Indonesian Rupiah against major international currencies particularly the United States Dollar has further intensified production costs for many businesses. Exchange rate depreciation raises the prices of imported machinery, packaging materials, industrial equipment, fertilizers, spare parts, fuel derivatives, food ingredients, and various intermediate inputs required by

Indonesian enterprises. Even MSMEs that primarily utilize locally sourced materials are indirectly affected because many domestic suppliers depend on imported inputs or transportation systems linked to international fuel markets. Consequently, depreciation of the Rupiah generates a cascading increase in production costs throughout domestic supply chains, ultimately reducing enterprise profitability and limiting investment capacity. This dynamic underscores the interconnectedness of local rural economies with global currency fluctuations, a reality often documented in economic development studies (Ismail et al., 2025).

The decline in sustainability scores suggests that the cumulative effect of these shocks threatens the viability of many MSMEs. Sustainability in this context involves the ability to maintain operations, reinvest in the business, and adapt to future volatility. When profitability is consistently eroded by external shocks, entrepreneurs are forced to exhaust their limited capital reserves, leaving them with no "cushion" to innovate or upgrade their business models. This creates a cycle of stagnation where survival becomes the primary goal, stalling the growth potential of the local economy (Lembong et al., 2025).

The significant negative impact on sustainability ($\beta = -0.35$ for FP; $\beta = -0.18$ for RD) highlights that these macroeconomic pressures are not merely short-term profitability concerns but threaten the long-term viability of the MSME sector in Ungga Village. These results suggest a critical need for targeted policy interventions, such as fuel cost stabilization support or capacity building in financial management (Limpong & Febrisutisyanto, 2026), to enhance the resilience of these vulnerable enterprises (Ijirshar & Chidozie, 2025). These macroeconomic pressures have become increasingly important for rural MSMEs, which generally possess fewer financial resources and lower adaptive capacity than enterprises located in urban centers. Rural entrepreneurs often face additional structural constraints, including inadequate transportation infrastructure, limited market access, restricted availability of formal financial services, lower technological adoption, and insufficient business diversification. Such conditions reduce their ability to absorb external economic shocks or implement effective cost-management strategies. Consequently, prolonged increases in fuel prices and exchange rate volatility may threaten not only the financial performance of individual enterprises but also household livelihoods, local employment opportunities, and regional economic resilience.

A critical insight is the apparent challenge regarding adaptive capacity among MSMEs. The high mean scores for perceived impact combined with low sustainability performance suggest that these entrepreneurs may lack access to formal hedging instruments, financial literacy training, or alternative supply chain arrangements. Without these tools, they are left to manage macroeconomic shocks using reactive, short-term coping mechanisms, which often exacerbate long-term fragility (Rahmadani & Lubis, 2023). This finding highlights a gap in the support infrastructure currently available to rural business owners (Andiani et al., 2025).

Comparing these results to the broader Indonesian context, the situation reflects a nationwide struggle where MSMEs serve as the economic safety net but receive insufficient targeted support during periods of macroeconomic instability. While national-level policies often focus on large-scale industrial stabilization, the grassroots impact on rural, micro-level enterprises requires a more localized approach. The findings suggest that "one-size-fits-all" economic policies are insufficient; there is a need for interventions that account for the specific logistical and financial constraints faced by rural entrepreneurs (Setiawati et al., 2025).

The urgency of these findings is significant. If the current trajectory of fuel and currency volatility persists, the sustainability of the MSME sector is at risk, which could lead to increased local unemployment and a decline in community welfare. The research demonstrates that the vulnerability of these businesses is a structural issue that requires proactive policy intervention rather than passive observation (Halpiah & Utami, 2025). Enhancing the resilience of these enterprises is a requirement for maintaining the stability of the local rural economy (Tulhayat et al., 2025).

The study underscores that the profitability and sustainability of MSMEs are linked to macroeconomic stability. To mitigate these impacts, stakeholders should prioritize initiatives that improve the financial resilience of local businesses, such as providing access to micro-insurance, facilitating collective bargaining for raw material procurement, and offering training in financial management (Salim et al., 2020). By transitioning from reactive survival strategies to proactive risk management, MSMEs can better navigate the complexities of the global economic landscape and secure their long-term viability (Wijaya et al., 2022).

4. CONCLUSION

This study has empirically demonstrated that rising fuel prices and the depreciation of the Rupiah exert a substantial negative impact on the profitability and sustainability of MSMEs in Ungga Village, Central Lombok. The findings highlight that these macroeconomic shocks are significant drivers of financial instability for local enterprises, with fuel price volatility acting as the primary threat to operational viability. The strong negative correlation and path coefficients confirm that these businesses lack the necessary financial buffers to absorb the increased costs of production and logistics, thereby threatening their long-term survival in an increasingly volatile economic landscape.

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