

## **Abstract**

Micro, Small and Medium Enterprises are very significant in social and economic growth. MSMEs have made important contributions to the Indonesian Gross Domestic Product and employment. The type of MSME business in Malang that is currently in high demand and continues to increase in quantity is the type of coffee shop business. But there are problems with the performance efficiency of MSMEs in Malang. The research method used is a stochastic frontier analysis of the efficiency. This study uses primary data with a sample of 100 coffee shops in Malang City, spread across districts.

Research on profit efficiency gets very diverse results and it is known that there are differences in results from studies using dummy variables of young entrepreneurs, education of owners and length of business on business efficiency. The results showed that the profit efficiency of coffee shops in Malang was still very low at 25%. In addition, based on the results of the study of variable owner factors with the category of young entrepreneurs have a negative influence on the profit efficiency of coffee shops in Malang. The owner's education factor also has a negative effect and the business duration factor has a positive and significant effect.

Keywords: Profit efficiency, stochastic frontier analysis, coffee shop