

ENHANCING LOCAL INNOVATION : THE ROLE OF MSMES IN BUILDING GLOBAL ECONOMIC RESILIENCE

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Abstract:

This study aims to examine the role of Micro, Small, and Medium Enterprises (MSMEs) in improving the local economy in Madawau Village, Madapangga District, Bima Regency. MSMEs are one of the sectors that contribute greatly to national and local economic growth, especially in creating jobs, increasing community income, and encouraging village economic independence. The research approach used is qualitative with a phenomenological design, through in-depth interviews and observations of MSME actors and the local community. The results of the study show that MSMEs in Madawau Village are able to increase community income by 20-30% per year, create jobs, and encourage innovation and creativity in the village community. However, the development of MSMEs in this village still faces challenges both internally, such as limited capital, skills, and business management, as well as externally, such as market competition and access to financing. Therefore, support from the government, financial institutions, and community participation is needed in strengthening the MSME ecosystem so that it can become a sustainable driver of the local economy.

Keywords: *MSMEs, local economy, community empowerment, challenges*

INTRODUCTION

The main problem of a nation is to achieve ideal social conditions and find ways to make it happen. This process of finding formulas and strategies for change is known as development, which aims to improve people's ability to direct their future in a better direction (Makate 2020). In the era of globalization, development tends to measure the success of the economic sector run by the government. However, development that focuses only on economic growth without equity, and ignores the social, political, and economic aspects of society, will result in fragile development. The indicator of national development is economic growth (Perdana et al. 2023). Economic development is a pressing issue, especially in terms of increasing national income and improving welfare. On the other hand, development efforts in general also include social, political, and cultural development efforts (Mastur, et al 2020).

Economic growth can be interpreted as the development of economic activities that lead to an increase in goods and services produced by a society.

On the other hand, economic development is defined as changes in the structure and pattern of economic activities that accompany economic growth (Sukirno 2011). The goal of every country's economic development is to achieve fair and equitable economic development (M Iqbal Affandi et al. 2023). Economic development is an effort to improve the standard of living of a nation, as measured by the level of real income per capita, including accelerating economic growth, reducing inequality, and eliminating absolute poverty (Al Farisi, et al 2022).

The role of society in improving the economy is through Micro, Small, and Medium Enterprises (MSMEs). The position of MSMEs in the local economy has an important and strategic role (Yuan 2021). MSMEs are considered the spearhead of economic development because they can absorb a significant amount of labor and play a role in distributing development outcomes (Aldaba 2022). Moreover, MSMEs have been recognized as one of the most important in the economy, regardless of the size of the economy (Syaifudin 2023). This condition is very possible because the existence of MSMEs is quite dominant in the Indonesian economy, due to the large number of industries and found in every economic sector; great potential in employment absorption, and MSMEs' contribution to the formation of Gross Domestic Product (GDP) is very dominant (Syaifudin 2023).

MSMEs are one of the most significant sectors in the Indonesian economy (Khurana et al. 2021). Data obtained from the Ministry of Cooperatives and MSMEs shows that by 2024 the number of MSMEs in Indonesia will reach more than 65 million units. These MSMEs are spread across various sectors, including culinary, fashion, handicrafts, and digital technology (Khurana et al. 2021). (Micro, Small, and Medium Enterprises (MSMEs) play an important role in the national economy, especially in absorbing labor and improving people's welfare (Novitasari 2022). According to the Ministry of Cooperatives and MSMEs, MSMEs in Indonesia contribute greatly to the national Gross Domestic Product (GDP) and are able to create many jobs in the informal sector that reach rural areas. This makes MSMEs one of the important components in inclusive and sustainable economic development (Cahyono et al. 2023).

At the local level, the role of MSMEs in driving the rural economy is increasingly prominent because they play a direct role in growing the regional economy and improving people's living standards (Wahab 2019). In various villages, MSMEs not only create jobs for local residents, but also encourage economic growth through increasing local production, processing village-owned natural resources, and distributing village-owned superior products to a wider market. Thus, MSMEs are not only economic activities but also part of community empowerment (Aliyah 2022).

Many villages in Indonesia have their economies increasing thanks to MSMEs. For example, Cikole Village in West Java relies on food processing and agriculture. Sukawati Village in Bali is also developing through MSMEs in the agricultural sector to strengthen its MSMEs, in an effort to create new jobs to

increase community income, and make a positive contribution to the regional economy (Kawane et al. 2023).

Madawau Village is one of the villages that has great potential in developing MSMEs, both in the agricultural sector and household industry. However, there are still various challenges that hinder the development of MSMEs in this village, such as limited capital, limited market access, lack of managerial skills, and lack of technological support (Widodo et al. 2019). Without the active role and support of MSMEs in this village, the potential of Madawau Village will not develop optimally and make a meaningful contribution to the local economy (Baturina 2022).

As one of the pillars of the local economy, MSMEs in Madawau Village need to receive attention and support from various parties, both the government, financial institutions, and the community itself, in order to be more competitive (Riza Chakim et al. 2023). With coaching, access to capital, and market expansion, it is hoped that MSMEs can increase their production capacity, expand their marketing network, and create wider employment opportunities for villagers. In addition, increasing the role of MSMEs is also expected to reduce the economic dependence of village communities on the limited formal sector, thereby creating a stronger and more independent local economic structure (Creswell 2014).

Therefore, this study aims to examine the role of MSMEs in improving the local economy in Madawau Village, identify the factors that affect the success and challenges faced by MSMEs in this village, and formulate an effective strategy for the development of MSMEs as a sustainable local economic driver, with the research title "The Role of MSMEs in Improving the Local Economy in Madawau Village, Madapangga Regency, Bima Regency"

RESEARCH METHODS

A method is a way or technique used to do something, such as research, analysis, or problem-solving. In the context of research, methods are the means used to collect and analyze data, as well as to test hypotheses or answer research questions (Shava and Vyas-Doorgapersad 2022).

This study uses a qualitative approach with a phenomenological research design to understand the role of Micro, Small, and Medium Enterprises (MSMEs) in improving the local economy in Madawau Village. This qualitative research is very closely related to research on the role of MSMEs in improving the local economy of the community because it is able to provide a deep understanding, capture the complexity of the local context, and produce recommendations based on field reality, thus this research was chosen because it allows researchers to understand in depth and detail experiences and perceptions of MSME actors and village communities (Trochim 2019). Data were collected using in-depth interview and observation techniques, with research instruments in the form of interviews and field notes. Data analysis was carried out using thematic analysis to understand patterns and themes related to the

role of MSMEs in improving the local economy(Stefany 2023).

FINDINGS AND DISCUSSION

Based on the results of the interview, with several resource persons such as, Mrs. Masita, the owner of the food processing agribusiness MSME in Madawau village, it is known that the business she runs has made a significant contribution to the income of her family and the surrounding community. Mrs. Masita explained *"since I started developing this processed food business, my income has almost doubled compared to before, besides that I also employ 2 local residents who do not have jobs, besides that this business not only benefits me but also the community who sells processed food in us who have a business, but besides that, my business also experiences obstacles such as limited business capital and lack of food supply by the local community."*

And Mr. Ibrahim who also has the same business as Mrs. Masita said *"This business also plays a very important role in improving the economy of the local community, because the products of the community farmers here are vegetables, sweet potatoes and fruits. sold in us and we who market it, and also businesses like this provide job opportunities for unemployed people"*.

From the results of this interview, it can be concluded that MSMEs have a very important role in improving the local economy of the community and promoting local products and services. However, MSMEs also face challenges that require the help of the government and other parties. and from the results of observations at the MSME location, it can be seen that the marketing and buying and selling process of agricultural products is carried out simply and well organized. In addition, the interaction between business actors and local buyers is very intimate, creating strong and mutually beneficial relationships.

Field observation and documentation, this study found several important points related to:

The role of MSMEs in improving the local economy in Madawau Village, Madapangga District, Bima Regency.

Table 1.

No	Results findings	Description
1.	Contribution to the Community's income	MSMEs in Madawau Village, especially in the trade sector of agricultural products, local processed foods, have contributed to increasing community income, around 20-30% per year from the sale of food products such as ganyong, corn, fruits, etc.
2.	Local Employment Opportunities;	MSMEs have become an alternative source of labor for the community, especially for housewives and village youth. From the data collected, around 65% of MSMEs employ local workers directly.

3.	Increasing Economic Independence	MSMEs help people become more economically independent. Many business actors who used to rely on seasonal agriculture now have additional income from MSMEs
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MSMEs in various regions are the backbone of the local economy, but business actors often face multi-layered challenges in efforts to improve community welfare, from several interviews with MSME actors, the main challenge they feel is the limited business capital of many MSME actors still rely on personal capital or loans from their families, while access to banking or formal financial institutions is very limited. This makes it difficult for them to develop their business, increase production capacity, or improve product quality (Aldaba 2022).

In addition to capital problems, MSME actors also complained about the difficulty of obtaining raw materials at stable prices and quality. Dependence on specific suppliers and fluctuations in raw material prices often make production costs soar, resulting in very thin profit margins. On the other hand, poduk juga marketing products are a big challenge. Many MSME actors have not mastered digital marketing strategies, even though online marketing is currently very important to reach a wider range of consumers. The lack of knowledge and skills in utilizing social media or digital platforms makes their products less competitive with products from outside.

Challenges faced by MSMEs in Madawau Village in an effort to improve the community's economy which comes from

Table 2.

No	Results findings	Description
1.	Limited Business Capital	The majority of MSME actors rely on limited personal capital.
2.	Lack of Market Access	Local MSME products such as agricultural products and processed foods are difficult to penetrate the wider market. Sales are still limited in the neighborhood around the village and are not yet connected in the Digital network
3.	Lack of Mentoring and Training	MSME actors feel the need for long-term guidance, especially in business management and product development.

4.	Fierce competition	Fierce competition is one of the challenges for MSMEs in Madawau Village. MSMEs face stiff competition from other businesses, both from within and from outside. This can hinder their ability to increase market revenue
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DISCUSSION

The Role of MSMEs in Improving the Local Economy in Madawau Village, Kedadatan Madapangga, Bima Regency.

Micro, Small, and Medium Enterprises (MSMEs) have an important role in improving the local economy. MSMEs are the backbone of the local economy and increase people's income.

Based on the results of research conducted in Madawau Village, it shows that MSMEs have a significant role in the growth and development of the local economy. Here are some of the roles of MSMEs in Madawau Village can increase community income, MSMEs in Madawau Village can increase public opinion by providing goods and services needed by the community. Based on research conducted by researchers, MSMEs can increase people's income by 20-30% per year. This is because MSME actors can provide quality goods and services at affordable prices according to the needs of the community. Thus, people can have a stable income and improve their quality of life. Then creating MSME jobs in Madawau Village can also create jobs for the community, so that it can reduce unemployment and improve community welfare. Based on the results of research conducted by researchers, MSMEs have an important role in creating jobs for workers in rural areas. This is because MSMEs can absorb local workers and increase job opportunities for the community. Increasing local economic independence One of the important roles of MSMEs is that MSMEs can increase local economic growth by reducing dependence on other sectors. Thus, regions and local communities can have a stable and independent economy. And Increasing innovation and creativity One of the roles of MSMEs is to increase innovation and creativity, MSMEs can increase innovation and creativity by developing unique and diverse products and services. This can increase the competitiveness of MSMEs and improve their ability to face market challenges.

MSMEs have an important role in developing and improving the local economy by creating jobs, increasing people's income and increasing local economic growth. So that MSMEs in Madawau Village have great potential to improve the local economy, because this village has abundant natural resources and a creative and innovative community.

Challenges Faced by MSMEs in Madawau Village in an Effort to Improve the Community Economy

Micro, small, and medium enterprises (MSMEs) in Madawau village have an important role in improving the community's economy. However, MSMEs in Madawau village also face several challenges that can hinder their

efforts to improve the community's economy.

Based on the results of the research conducted, there are several challenges faced by MSMEs in improving the community's economy:

Internal Challenges

Faced by business actors such as, Limited Resources, MSMEs in Madawau Village often have limited resources, such as capital and technology, which can hinder their ability to improve production and product quality, Skills and Knowledge are also a challenge Some MSME actors in Madawau village do not have enough skills and knowledge to manage their business effectively and improve product quality. and Ineffective Management, Ineffective management is also an internal challenge for MSMEs in Madawau village. Some MSME actors in Madawau Village do not have effective management, which can hinder their ability to increase efficiency and productivity. Effective management is very important to improve the ability of MSMEs to manage their businesses and improve the community's economy.

External Challenges

MSMEs in Madawau Village also face external challenges that can hinder their ability to improve the community's economy. Some of the external challenges faced by MSMEs in Madawau Village are: Fierce competition, Fierce competition is one of the external challenges for MSMEs in Madawau Village. MSMEs face stiff competition from other businesses, both from within and from outside. This can hinder their ability to increase market revenue. Fierce competition can make MSMEs in Madawau Village have to be more innovative and creative in managing their businesses. Limited access to financing, Limited access to financing is also an external challenge for MSMEs in Madawau Village. MSMEs have limited access to financing which can hinder their ability to increase investment and business development. Adequate access to financing is very important to improve the ability of MSMEs to manage their businesses and improve the community's economy.

Therefore, MSMEs in Mdawau Village need to improve their ability to manage their businesses and increase access to resources to improve the community's economy. The government and related institutions also need to provide greater support to improve the capabilities of MSMEs in Madawau Village.

CONCLUSION

Based on the results of research conducted in Madawau Village, Madapangga District, Bima Regency, it can be concluded that Micro, Small, and Medium Enterprises (MSMEs) have a very significant role in improving the local economy. MSMEs have been proven to be able to increase people's income by 20-30% per year, create jobs, and encourage local economic independence. In addition, MSMEs also contribute to encouraging innovation and creativity in creating valuable products and services. However, MSMEs in Madawau Village still face various challenges, both internally and externally. Internal challenges include limited resources, skills, and suboptimal business management.

Meanwhile, external challenges in the form of fierce market competition and limited access to financing are considerable obstacles in business development. Overall, MSMEs have great potential as a driver of the local economy in Madawau village, especially with the support of abundant natural resources and an entrepreneurial spirit.

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