

Exploring Local Potential: Economic Transformation and MSME Empowerment in Bakalankrajan, Malang City

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Abstract. The economic dynamics in RW 05 and 06 Bakalankrajan, Malang City, have found new light through an innovative strategy that combines halal certification with the integration of digital technology. MSMEs in this region are the main focus, with the aim of strengthening the foundations of the local economy and increasing their competitiveness in the global market. Through a multidisciplinary approach, the empowerment program explores local potential and encourages broader market penetration with halal certification. In line with this, E-Commerce training provides additional tools for MSMEs to seize opportunities in the increasingly developing digital realm. With an inclusive approach and data-driven strategy, the project foresees a significant transformation in the local economic landscape. The hope is that this effort can create a new pattern of economic empowerment for local communities and provide encouragement for sustainable growth in RW 05 and RW 06 Bakalankrajan.

Keywords: community empowerment; economic development, MSME

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INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) in Indonesia are very important for the nation's economy (Putra & Sajida, 2023), where this sector employs 97.2% of the workforce and contributes around 57.5% of GDP (Ariwiati, 2015). Only a small portion of these MSMEs, despite their large contribution, use the internet for business, this shows great potential in online retail sales and e-commerce adoption (Ariwiati, 2015; Tambunan, 2020). Although there are still obstacles in the way Indonesian MSMEs adopt ICT and e-

commerce, there are many opportunities for digital integration given the rapidly increasing internet user base in this country (Ariwiati, 2015). There is still room for improvement in this regard, as can be seen from the moderate level of financial literacy among Indonesian MSMEs, the majority of which still use artisanal technology (Purnomo et al., 2021; Rahadi et al., 2023). The COVID-19 pandemic has exacerbated these challenges, causing a decline in profits and requiring changes in business strategy. However, there are potential recovery strategies, including government policies aimed at facilitating access to financing, production and marketing for MSMEs (Madyatmadja et al., 2023; Widiastuti et al., 2021), as well as community empowerment carried out as part of a form of community service by academic community.

Especially at the regional level, MSMEs have become the backbone of the regional economy, as seen in the Bakalankrajan area, where Community Service is implemented. In this context, increasing the competitiveness of MSMEs becomes imperative, considering that increasing competitiveness can provide opportunities for MSMEs to survive and grow. Especially in the midst of increasingly complex competition due to technological developments, optimizing the use of technology is the main key in increasing competitiveness. In today's digital era, for self-satisfaction, better offers, relative prices, product diversity, and product knowledge, consumers today have a tendency to buy goods online (Sharma et al., 2024). Consumer behavior has changed as a result of online shopping, with adjustments to purchasing habits and concerns regarding delivery, quality, and trust (Monish & Nayak, 2023). When making online purchases, customers use more online channels than when making offline purchases. This shows that as online shopping develops, consumer behavior changes (Voorveld et al., 2016).

Therefore, MSMEs need to not only ensure product quality, but also adapt to digitalized consumer behavior. In RW 05 and 06 Bakalankrajan, where Community Service is implemented, there are MSMEs that have not yet adopted technology in the sales process, resulting in low competitiveness. In addition, several MSMEs, especially in the food sector, have not yet obtained halal certification, even though the existence of this certification can attract consumer interest, especially among Muslims. Thus, promoting halal certification for MSMEs is very important in increasing sales power (Anggarkasih & Resma, 2022).

The objectives of this program are divided into several aspects. First, the main aim is to increase the competitiveness of Micro, Small and Medium Enterprises (MSMEs) in

RW 05 and 06 Bakalankrajan in an increasingly competitive market. This will be achieved by strengthening the position of MSMEs in the market and providing support so that they have superiority and high competitiveness. Furthermore, this program also aims to help MSMEs adapt to technological developments by teaching them the importance of adopting technology in the sales process and increasing their understanding of the effectiveness of using technology in increasing business efficiency. The final point of the aim of this program is to improve the quality of MSME products and services. This will be done by educating them about halal certification standards to improve product quality and encourage the implementation of high-quality business practices to meet consumer expectations.

The benefits of this service program are also very diverse. First, this program will open business growth opportunities for MSMEs by increasing competitiveness, so that they can develop and survive in the local market. Apart from that, optimizing the use of technology will increase the efficiency of the sales process and expand the marketing reach of MSMEs through the E-Commerce platform. This program is also expected to increase MSME income and contribute to the opening of new jobs as a result of their business growth. Another aspect of the benefits of this program is the attraction for Muslim consumers by providing halal certification which is expected to attract consumer interest and increase consumer confidence and the reputation of MSMEs in the market. Lastly, this program is expected to improve the welfare of local communities by contributing to local economic growth, improving the standard of living of the community in Bakalankrajan Subdistrict as a whole, as well as encouraging sustainable and inclusive community development.

METHODS

The implementation of this community service activity has been determined to be carried out within one month, starting from February 1 2024 to February 29 2024. The MSME empowerment activity is planned to take place in RW 05 and 06 Bakalankrajan Village, Sukun District, Malang City. In this context, people who manage small or medium businesses will actively participate in supporting the running of the program. The main target of this empowerment activity is MSMEs spread across RT 01-13 in RW 05 and RT 01-05 in RW 06. The method applied involves data collection and assistance to MSMEs in these two RWs. Data collection is carried out using Google Form to collect information

related to MSMEs, which will then be verified through direct visits to each business location. The use of Google Form adopts the MSME data collection method which has been carried out previously in several similar community service activities (Agustina et al., 2021; Asrirawan et al., 2021). Meanwhile, assistance will focus on providing guidance regarding halal certification and the use of technology, especially E-Commerce, to MSMEs in need. This data collection and assistance aims to increase the competitiveness and attractiveness of MSMEs in RW 05 and 06 so that they can continue to develop and adapt to the market. The planned activity stages include site survey, planning, implementation and evaluation, starting from January 29 2024 to February 2024.

RESULT AND DISCUSSION

This service activity is carried out through a series of comprehensive work stages, starting with site survey, planning, implementation and evaluation. The site survey stage, as a first step, involved direct visits to RWs 05 and 06, where discussions with the RW heads resulted in findings regarding the main problems faced by the community. In RW 05, the lack of initiative is the focus, while in RW 06, the inequality of selling prices in the tilapia farming community is a concern. The proposal to empower MSMEs in these two RWs was welcomed positively by the RW heads. The planning stage, following dialogue with relevant parties, involves developing a strategy for data collection and support for MSMEs. Google Form was chosen as the initial data collection tool, with plans for direct visits to each MSME. The implementation phase consists of several sub-stages, including MSME data collection which is carried out in two stages to ensure accurate evaluation.

In the MSME data collection process, there were several findings mapping the local potential of MSMEs. Data on the distribution of MSMEs in RW 5 and 6, Bakalankrajan Subdistrict, reveals several interesting patterns and characteristics. First, the data shows that there is quite significant diversification in the MSME business sector in the region. There are MSMEs operating in the food, craft, beverage and construction sectors, indicating broad market potential and diverse business opportunities in the local community.



Figure 1. Distribution of MSMEs in RW 05 and RW 06, Bakalankrajan Subdistrict
Source: Processed by Internal Data. 2024

Furthermore, the majority of MSMEs have been operating for more than 5 years, indicating good business resilience amidst changes in the economic environment and market competition, which reflects public trust in the products or services provided by local MSMEs.

Table 1. Distribution of Length of Establishment of MSME Businesses in RW 05 and RW 06 Bakalankrajan Subdistrict

MSME Sector	Business Duration	Total
Handicrafts	>5 years	14
	1 year	5
	2 years	3
	3 years	2
Construction	>5 years	1
	2 years	1
Food	>5 years	32
	1 year	14
	2 years	5
	3 years	8
Beverages	>5 years	4
	2 years	1
	3 years	1

Source: Processed by Internal Data. 2024

Apart from collecting statistical data, this activity also interviewed the development of MSMEs in service locations so far. The findings that emerge consistently are difficulties in marketing and business capital. Many MSME owners complain about obstacles in marketing their products and limited capital which hinders business growth. This shows the need for further support, both from the government and financial institutions, to increase the capacity and accessibility of capital for MSMEs. Most MSME owners emphasize the quality of their products and services as the main attraction, but there is also

recognition of shortcomings, such as the product's vulnerability to weather changes or the availability of capital. This highlights the importance of innovation and improving the quality of products and services to maintain competitiveness in an increasingly tight market.



Figure 2. MSME Data Collection Process
Source: Internal Data. 2024

In addition, the majority of MSMEs do not yet have halal certification, which can be an obstacle in reaching a wider market, especially for consumers who pay attention to the halal aspects of products. Internal data shows that only 13 MSMEs have halal certification for food and beverage products. Therefore, efforts need to be made to assist MSMEs in obtaining the necessary certification to increase their selling power. The location of MSMEs is also an important factor in business success. MSMEs that are in strategic locations or close to busy places such as fields or bird stands tend to be visited more often. However, challenges may arise for MSMEs located in areas that are less accessible to potential customers. Overall, this data provides a fairly comprehensive picture of the dynamics of MSMEs in RW 5 and 6, Bakalankrajan Subdistrict.

Next, community service also carried out activities to introduce E-Commerce through direct visits to MSME homes, with the aim of increasing competitiveness and accessibility through the Grabfood and Gojekfood platforms. Next, a video profile was created to provide a comprehensive overview of MSME products and profiles to potential consumers.

Finally, halal certification activities were introduced as an effort to increase awareness, with activities carried out in collaboration with the Halal Center for Muslim Scholars (HCCM) Malang City. HCCM has spread widely in Indonesia and has become a trusted institution as a companion for halal certification of community businesses (Fauziyah & Mahardhika, 2022). Meanwhile, HCCM Malang City, in this case, is an institution that officially collaborates with Merdeka University Malang to disseminate the

MSME page certification process in Malang City, especially in Sukun District. It is hoped that all the community service activities carried out will increase the local potential of MSMEs in Bakalankrajan Village.



Figure 3. Footage for Making MSME Profile Videos
Source: Internal Data. 2024

Although the results of the community service activities in RW 05 and 06 Bakalankrajan towards empowering MSMEs are promising, there are still a number of limitations and challenges to its implementation. In some areas, the technological infrastructure was quite poor and hence not so conducive to e-commerce training and digital integration. On the other hand, the lack of business entities willing to register for halal certification is also a challenge. These challenges reiterate the need for follow-up programs, especially in logistics planning and increase of resources in the face of infrastructural and motivational barriers that come in the way of effectively realizing these MSME-empowerment initiatives to full potential.

CONCLUSION

The aim of empowering MSMEs in RW 05 and 06 Bakalankrajan, Sukun District, Malang City through community service activities is directed at providing meaningful support for local MSMEs. Especially as an effort to make a significant contribution in increasing the competitiveness and sustainability of existing MSMEs. It is hoped that through this effort, the community, especially MSMEs, will gain real benefits and become increasingly aware of the importance of adopting technology as a means of promotion and obtaining halal certification as a strategy to strengthen the position of their products on the market. It is hoped that increasing awareness and utilization of this technology will enable MSMEs in RW 05 and 06 to compete more effectively in the current era of globalization,

expand market coverage, and increase their economic contribution on a wider scale. As a result the MSME empowerment initiative holds promise, in making a lasting difference in local communities and could serve as a model for similar programs elsewhere. To further empower MSMEs in RW 05 and 06 Bakalankrajan, Sukun District, Malang City several recommendations can be put forward. Firstly enhancing the accessibility and sustainability of training and mentoring programs for MSMEs is crucial by extending their reach to areas and incorporating comprehensive capacity building efforts. Secondly fostering collaboration among authorities educational institutions and businesses can enhance the overall support available to MSMEs in terms of financing, technology access and market opportunities. Additionally initiatives to enhance infrastructure and internet connectivity in the area can play a role in facilitating the online growth of MSMEs. Lastly promoting networking and knowledge sharing, among MSMEs at both national levels through establishing communities and organizing regular meetings and training sessions is essential. By putting these recommendations into action the aim is, for the MSME empowerment initiative to improve its effectiveness and long term viability, in aiding the development and continuity of MSMEs within the area.

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