

# Empowering Micro Small and Medium Enterprises (MSMEs) to Improve Global Economic Welfare

Bambang Irawan<sup>1</sup>, Chusnul Rofiah<sup>2</sup>, Asfahani<sup>3</sup>, Sufyati HS<sup>4</sup>, Wahyudin Hasan<sup>5</sup>

<sup>1</sup>Institut Ilmu Sosial dan Manajemen STIAMI; Indonesia

<sup>2</sup>STIE PGRI Dewantara Jombang; Indonesia

<sup>3</sup>IAI Sunan Giri Ponorogo; Indonesia

<sup>4</sup>UPN Veteran Jakarta; Indonesia

<sup>5</sup>Universitas Gorontalo; Indonesia

Correspondence Email: [bbgirw7980@gmail.com](mailto:bbgirw7980@gmail.com)

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## Abstract

In recent years, there has been a paradigm shift in understanding the role of MSMEs in the global economy. MSMEs are no longer considered local business entities but agents of change that can stimulate sustainable economic growth. This service research aims to make a real contribution to designing MSME empowerment strategies that have a broad impact, open up new opportunities, and positively affect global economic welfare. The method applied in this community service activity is community-based Research (CBR) using the forum group discussion (FGD) approach in the training and mentoring process. So, it is concluded that the empowerment of MSMEs proves its effectiveness in identifying, overcoming, and providing concrete solutions to their challenges. Involving business actors in decision-making and empowerment processes provides a solid foundation for sustainable growth. Training, mentoring, and support from the government and local communities form a supportive ecosystem in improving global economic welfare through developing MSMEs. Second, findings related to product innovation from natural resources, such as coconut and fish, show great potential in diversifying MSME businesses and opening up new opportunities in the global market.

## Keywords

empowering; global economic; MSMEs; welfare.



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## INTRODUCTION

Talking about global economic progress, we must recognize the crucial role the Micro, Small, and Medium Enterprises (MSMEs) sector plays. They are not just small players on the business stage; MSMEs are a force that can change economic paradigms

and improve welfare worldwide. Empowering MSMEs is key to leading the world toward a more inclusive and sustainable development phase (Rustidja & Karyani, 2017). Global economic growth is currently increasingly influenced by the contribution of the Micro, Small, and Medium Enterprises (MSMEs) sector (Alfiana et al., 2023); (Desembrianita et al., 2023). MSMEs are the backbone of a country's economy and play an important role in reducing economic inequality and improving people's welfare (Winarni & Mahsun, 2021); (Zaelani, 2019). Empowering MSMEs is not just about developing small businesses but also the key to creating a positive global impact.

In recent years, there has been a paradigm shift in understanding the role of MSMEs in the global economy. MSMEs are no longer considered local business entities but agents of change that can stimulate sustainable economic growth (Harjawati, 2020); (Rozuli, 2021). By understanding and improving the role of MSMEs, we can create a more inclusive and sustainable economic model. However, despite the great potential of MSMEs, various challenges still hinder their progress. Some of these include limited access to financial resources, lack of innovation in business management, and inability to compete in the global marketplace (Sri & Ahmad, 2017); (Keeping Up with AI., 2023); (Yuniarti, 2023). Therefore, concrete efforts are needed to empower MSMEs to contribute optimally to global economic welfare. Behind the brilliant potential of MSMEs are hidden challenges requiring serious attention. Limited access to resources, the need for innovation in business management, and the challenge of competing in the global market are the main obstacles that need to be solved (According to AI., 2020). This article takes us on an exploration journey to understand the crucial role of MSME empowerment in supporting global economic prosperity, removing barriers that hinder their growth, and unearthing hidden potential.

As the global paradigm shifts towards economic inclusivity, it is important to observe how MSMEs can be a key catalyst in shaping the roadmap to global economic sustainability (Islam et al., 2022); (Zhan & Santos-Paulino, 2021). This article examines the problems faced by MSMEs and offers concrete solutions to support their growth and development. By charting a path for MSME empowerment, we are responding to today's challenges and investing in a more equitable and sustainable global economic future (Surya et al., 2020). It is important to create a framework that supports the development of MSMEs in terms of government policies, financial support, and civil society initiatives. This article aims to dig deeper into how MSME empowerment can improve global economic prosperity. By understanding the barriers MSMEs face and

formulating concrete solutions, we can create an inclusive and highly competitive business environment at the global level.

Although the empowerment of Micro, Small, and Medium Enterprises (MSMEs) is increasingly recognized as a key element in lifting the level of global economic prosperity, based on previous research gaps, there is still a need for a deep understanding of the specific factors that hinder the progress of MSMEs in various geographical and economic contexts (Perdana et al., 2023); (Kurniawan & Budiman, 2022). Not adequately covered is a detailed analysis of the critical challenges facing MSMEs, such as financial barriers, lack of access to global markets, and the need for managerial innovation (Mukherjee, 2018); (Reim et al., 2022); (Omondi & Jagongo, 2018). In addition, this gap calls into question the extent to which government policies and civil society initiatives have succeeded in aligning themselves with the real needs of MSMEs (Rubio-Mozos et al., 2019); (Van Tulder et al., 2021); (Chaves-Avila & Gallego-Bono, 2020). By detailing this research gap, this research can design a more appropriate and effective approach to empowering MSMEs, unlocking their full potential, and paving the way to a more balanced and sustainable global economy.

In this context, research and service are important in identifying best practices, providing training, and supporting the sustainability of MSMEs. This service research aims to make a real contribution to designing MSME empowerment strategies that have a broad impact, open up new opportunities, and positively affect global economic welfare. Through this article, it is expected to significantly contribute to improving global economic welfare through the empowerment of MSMEs.

This service activity lasts one month, from September 20 to October 21, 2023. The targets of this activity include local governments, PKK members, entrepreneur groups, and Micro, Small and Medium Enterprises (MSMEs). The method applied in this community service activity is community-based Research (CBR) using the forum group discussion (FGD) approach in the training and mentoring process. FGD is conducted with the community to find alternative solutions to the problems. These alternatives will be implemented to address various problems faced by the community.

The CBR method itself is a research approach based on community participation to provide support, empowerment, and active contribution in realizing values that benefit the community (*International Collaboration for Participatory Health Research*) (Hanafi et al., 2015), (Septiani et al., 2022). The CBR method is a participatory approach developed as an effort to promote collaboration between practitioners (researchers)

and respondents (Edgy & Moodley, 2018) to receive and develop more comprehensive findings and serve as a method for translating research results into applicable changes in practice (Miskiyah et al., 2023). This approach is implemented to improve the quality of business actors in Sumberpetung Village through community service activities, which involve financial and business management training. The stages of implementation of training and mentoring activities are explained as follows:

1. Phase I: Logging and Problem Identification

This initial step begins with collecting data on the number and type of businesses in Indonesia and conducting an in-depth analysis of the problems faced by business actors. This approach enables the service team to prepare, implement, and formulate solutions to problems.

2. Stage II: Execution

- a. Exposure: At this stage, the team presents general information on industry classification, entrepreneurship, and financial management.
- b. Training: Training is applied directly to business actors to provide in-depth knowledge and understanding of business management.

3. Phase III: Evaluation and Post-Test

This evaluation stage aims to assess the extent of understanding of business actors in managing their activities. This evaluation is done by:

- a. Provide questionnaires assessing the benefits of training, simulating problems, and providing suggestions as feedback from the organizing team.
- b. Conduct demonstrations of assistance to business actors as part of the evaluation process.

The community service team performs three main activities: providing production equipment, organizing training, and mentoring partners. The provision of equipment is adjusted to the idea that it will be used to empower natural resources, especially coconuts and fish. In this context, coconut is processed into coconut oil, while fish is processed into fish chips and shredded fish. The training and mentoring process is aimed at partners to improve their understanding of the production process and manage financial and marketing aspects.

Within the Community Service (PKM) activities framework, Mitra 1, the village head, has officially expressed its readiness to provide training and mentoring space at every stage of PKM. Meanwhile, Mitra 2, a community leader, expressed his readiness to actively participate in all activities included in the PKM program, including training and mentoring. In addition, the participants have also affirmed their willingness to

contribute to the design of the product packaging to be produced. Through this PKM activity, people's income can increase, and the products produced can become icons of partner regions. This willingness of partners to collaborate is officially recorded in the statement letter of willingness to cooperate.

## **FINDINGS AND DISCUSSION**

### *Findings*

This dedicated research produced several significant findings in efforts to empower micro, small, and medium enterprises (MSMEs) to improve economic welfare globally. One of the main findings is that empowering MSMEs through a Community-Based Research (CBR) approach and Forum Group Discussion (FGD) can positively impact the development of MSMEs. In the problem identification stage, comprehensive data collection on the type and number of businesses in Indonesia provides in-depth insight into the challenges faced by MSME actors.

These findings provide a basis for the service team to design appropriate solutions and focus on the community's real needs. During the implementation stage, training and exposure to industry classification, financial management, and other important aspects showed an increased understanding of business actors. The evaluation and post-test results revealed that business actors benefited significantly from the training, with a better understanding of the management of their business activities. The importance of support from local governments, community leaders, and active participation of business actors in Community Service (PKM) activities also emerged as crucial findings. Partners, both village heads and community leaders, demonstrated readiness and willingness to support every stage of PKM activities, including providing training spaces and active participation in the program.

In the context of natural resource utilization, the findings show that product innovations from coconut and fish, such as coconut oil, fish chips, and shredded fish, can be great in diversifying MSME businesses and opening opportunities in the global market. The results of this study provide evidence that empowering MSMEs through a combination of CBR, FGD, training, and active participation of partners can be an effective approach to improving global economic welfare. With full support from the government and society, as well as the application of innovations in MSME products, these findings can significantly contribute to realizing an inclusive and sustainable economy globally.

This dedicated research explores in-depth findings detailing the impact and potential of empowering Micro, Small, and Medium Enterprises (MSMEs) to improve global economic prosperity. One striking finding is that empowering MSMEs through the Community Based Research (CBR) method results in a deeper understanding of the needs and potential of small businesses. Actively involving business actors in the decision-making process and solution development is the key to success in improving MSME performance.



Figure 1. One of the MSMEs processing fruit into various chips

At the problem identification stage, the findings imply that the main challenges MSMEs face are financial barriers, global market access, and lack of managerial innovation. By exploring these aspects in detail, the study provides a clearer view of how to overcome these obstacles. Solutions used to meet the specific needs of each MSME can have a more positive impact. The implementation of training and mentoring also showed important findings. Training in financial and business management increases the understanding of business actors and provides a solid foundation for business growth. Ongoing mentoring plays a crucial role in applying the knowledge gained in a practical context, helping to address everyday challenges, and ensuring the sustainability of positive change.

Another striking finding was the willingness of the partners, including village heads and community leaders, to participate actively in community service (PKM) activities. Full support from local authorities and communities amplifies the positive impact of MSME empowerment, ensures the adoption of supportive policies, and creates an environment conducive to local economic growth. In natural resource utilization, the in-depth findings highlight the great potential of product innovation from coconuts and fish. Products such as coconut oil, fish chips, and shredded fish diversify MSMEs and create new opportunities for global market expansion.



Figure 2. One of the attractive MSME business places

Overall, these in-depth findings show that empowering MSMEs is not only about providing financial support but also involves collaborative decision-making processes, tailored training, full support from government and communities, and product innovation relevant to local resources. By understanding and responding concretely to the needs and potential of MSMEs, a significant impact can be generated in improving global economic welfare.

### *Discussion*

The analysis of the findings from this service research illustrates the complexity of challenges and potential solutions that arise during the MSME empowerment process. The findings provide deep insights that can form a strategic foundation for improving global economic prosperity through empowering MSMEs. One of the key findings is that actively involving business actors in problem identification and strategic decision-making is a key success factor. A deeper understanding of financial barriers, global market access, and lack of managerial innovation allowed the

dedication team to design more targeted solutions. This confirms the importance of a participatory approach in formulating empowerment policies and programs (Hadi, 2020). The training and mentoring process positively impacts increasing the understanding and managerial skills of business actors.

These findings highlight the importance of a sustainable approach in providing technical and managerial support. The application of the acquired knowledge in a practical context ensures that business actors can face daily challenges with more confidence, and this can improve the competitiveness and sustainability of their business. The active involvement of village heads and community leaders also positively supports the success of empowerment activities. This support is symbolic and practical, such as providing training spaces and participating in service programs. These findings reflect the importance of policy adoption and community participation in creating an environment that supports MSME growth. In the context of product innovation from natural resources, such as coconuts and fish, the findings show that product diversification can be key to MSME sustainability. These products provide added value and open up new opportunities in the global market. This shows that utilizing local resources and sustainable product innovation can be an effective strategy for increasing the competitiveness of MSMEs in the global market.

Previous research relevant to this context highlights that MSME empowerment involves aspects such as training, mentoring, and active community participation (Harini et al., 2023). These studies show that involving business actors in decision-making processes and providing participatory approaches can amplify the positive impact of empowerment. Meanwhile, theories related to MSME empowerment, such as community empowerment theory and community-based development theory, provide a strong conceptual basis. This theory emphasizes the importance of the active participation of business actors in designing and implementing empowerment policies and programs (Fitri, 2022). In addition, concepts such as innovation, community engagement, and local resource management are also at the core of this theory.

The link between this research, previous research, and relevant theory can be seen in the findings regarding the in-depth need for participatory approaches. Based on previous research, the involvement of business actors in the decision-making process can increase the effectiveness of empowerment (Ortiz & Huber-Heim, 2017). These findings are consistent with community-based development theories that assert that successful empowerment engages local communities actively.



Furthermore, the concept of product innovation from natural resources, such as coconut and fish, aligns with previous research highlighting the importance of product diversification to increase the competitiveness of MSMEs. This concept also supports innovation and product development theories that emphasize the importance of creating added value through innovation in product production and marketing (Sjödin et al., 2020). By considering the findings and applying the lens of previous research and relevant theories, this study contributes significantly by presenting empirical evidence that supports the principles of MSME empowerment. These findings create a strategic foundation for practitioners, policymakers, and researchers to design more effective and sustainable empowerment approaches in the context of global economic well-being.

The analysis of the study's findings shows that empowering MSMEs involves a holistic approach that includes active participation, ongoing training, government and community support, and product innovation relevant to local resources. The implementation of solutions resulting from these findings is expected to create a global economic ecosystem that is more inclusive and sustainable and provides broad benefits for micro, small, and medium-scale businesses.

## **CONCLUSION**

Several significant conclusions can be drawn from the results of this service research. *First*, the empowerment of MSMEs proves its effectiveness in identifying, overcoming, and providing concrete solutions to the challenges faced by MSMEs. Involving business actors in decision-making and empowerment processes provides a solid foundation for sustainable growth. Training, mentoring, and support from the government and local communities form a supportive ecosystem in improving global economic welfare through developing MSMEs. *Second*, findings related to product innovation from natural resources, such as coconut and fish, show great potential in diversifying MSME businesses and opening up new opportunities in the global market. With an empowerment approach oriented towards local needs and potential, MSMEs can become agents of change that contribute significantly to the global economy. By understanding and responding concretely to the needs of MSMEs, we can shape a strategic direction that has a positive and sustainable impact on global economic prosperity. Through active collaboration between governments, communities, and businesses, the results of this study illustrate the real potential to create a more inclusive and sustainable economy.

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