

OPPORTUNITIES AND CHALLENGES FOR THE DEVELOPMENT OF MICRO SMALL MEDIUM ENTERPRISES (MSMEs) FROM VARIOUS ECONOMIC ASPECTS

Case Study: Development of Bubakan Hamlet MSMEs

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Abstract - *This research aims to discuss the opportunities and challenges in developing MSMEs in Bubakan Hamlet. This research uses a descriptive exploratory approach with a literature review or literature study approach. The theoretical approach taken refers to several sources, such as books, the internet, and scientific journals. The existence of Micro, Small and Medium Enterprises (MSMEs) is a part of community economic activity that is always being developed, with the goals and benefits of developing the family economy. Based on a survey of MSMEs in Bubakan Hamlet, Kembang Pacitan Village, there are still obstacles, namely a lack of knowledge in the proper and correct development and marketing of MSMEs. Apart from being a challenge for the business world, technology and the times are an opportunity to improve the economy and business of MSMEs. In this case the author provides socialization and guidance to Bubakan Hamlet residents regarding the many opportunities behind challenges in MSME development, which attended competent speakers such as Arofik, SE as representative of the Pacitan Regency MSME Service, and Umi Rohmah, SKM as Consultant and Companion for Halal Products in Pacitan Regency. The benefits of activities that run well and smoothly, participants can understand how to develop a business and market products that are good and right, overcome obstacles and obstacles in entrepreneurship, and how to get halal certification for the products being developed. E as representative of the Pacitan Regency MSME Service, and Umi Rohmah, SKM as Consultant and Companion for Halal Products in Pacitan Regency. The benefits of activities that run well and smoothly, participants can understand how to develop a business and market products that are good and right, overcome obstacles and obstacles in entrepreneurship, and how to get halal certification for the products being developed. E as representative of the Pacitan Regency MSME Service, and Umi Rohmah, SKM as Consultant and Companion for Halal Products in Pacitan Regency. The benefits of activities that run well and smoothly, participants can understand how to develop a business and market products that are good and right, overcome obstacles and obstacles in entrepreneurship, and how to get halal certification for the products being developed.*

Keywords: *MSME Development, Product Marketing, and Halal Certification.*

1. INTRODUCTION

Developments in the era of globalization depend heavily on the economic sector as a measure of success by the government. The role of society in national development, especially in economic development, is Micro, Small and Medium Enterprises (MSMEs). The position of MSMEs in the national economy has an important and strategic role. This condition is very possible because the existence of MSMEs is quite dominant in the Indonesian economy. (Gustika & Susena, 2019) In Indonesia, the MSME sector is one of the main pillars of Indonesia's economic fundamentals. In fact, during the 1998 economic crisis, it turned out that the MSME sector made a very positive contribution in saving the Indonesian economic ecosystem at that time. The same thing also happened during the Covid-19 pandemic, where the MSME sector had great potential to become an accelerator of national economic recovery. (Arianto, 2021)

MSMEs have contributed greatly to regional income and Indonesian state income. MSMEs are a form of small community business whose establishment is based on someone's initiative (Kholidah & Hakim, 2017). MSME business opportunities are unlimited, any field has the potential to become an MSME business as long as MSME actors have lots of creative ideas, expertise and skills that can be sold online and offline. (Marlinah, 2020). MSMEs play a major role in the national economy, one of which is the demographic trend factor that is owned by Indonesia, where Based on BPS data, the ratio of the productive age group in Indonesia is expected to continue to increase from 67.4% (in 2010) to 69.7% (in 2025) (Maulida & Greece, 2017).

On the other hand, MSMEs in Indonesia also have some weaknesses. According to Lestari (2016), there are several weaknesses of MSMEs in Indonesia such as management, organization, technology, capital, operational and technical in the field, limited market access, licensing constraints, as well as non-technical costs in the field that are difficult to avoid. Meanwhile, Marlinah (2020), stated that the current challenge for MSMEs is the competition that must be faced by producing a variety of innovations and services to be able to continue to survive in the local market, and also be able to compete in the international market.

The ability of MSMEs to compete in the era of free trade, both in the domestic market and in the export market, is largely determined by two main conditions that need to be met. First, a conducive internal environment for MSMEs, including aspects of HR quality, mastery of technology and information, organizational structure, management systems, business culture/culture, capital strength, business networks with outsiders, and the level of entrepreneurship. Second, the external environment must also be conducive, which is related to government policies, legal aspects, market competition conditions, social economic conditions, infrastructure conditions, the level of public education, and changes in the global economy (Susila, 2017).

Improving business performance can be done through various strategies, including product innovation, mastery of marketing skills, financial management and business leadership abilities. In addition, the application of digital technology in business was found to have a significant impact on the financial performance of MSMEs, where MSMEs that were able to use the internet saw their business strength grow 46% higher than those run conventionally (Hanifawati & Listyaningrum, 2021). It can be said that the digital industry is a way of inclusive growth because the strong penetration of the internet

via smartphones means that more and more people can interact in cyberspace, both as producers, consumers and just as intermediary traders (Maulida & Greece, 2017)

The easy-to-access digital-based MSME business development has spurred many economic movements in various corners of the region. Nowadays the potential for creative industries has promising prospects. If the many creative industries in Indonesia continue to be explored and improved by MSMEs, the economic absorption capacity in both cities and villages will be spread evenly and the absorption capacity will be higher so that in the end it can increase economic prosperity in the region. and provide employment opportunities in order to reduce poverty (Marlinah, 2020)

Advances in science and technology in the product processing industry have developed very rapidly. By taking advantage of advances in science and technology, the processing of life necessities products has used various ingredients, both halal and haram, whether intentionally or unintentionally. Therefore, to determine the halalness and purity of a processed product requires special multidisciplinary studies and knowledge, such as knowledge in the fields of food, chemistry, biochemistry, industrial engineering, biology, pharmacy, and an understanding of sharia (Warto & Samsuri, 2020).

From the description of the background above, it can be seen that this research article has a different object of study. This study wants to see how to overcome challenges in developing MSMEs. This study also provides ways to obtain halal certification to guarantee product halalness which includes the provision of materials, processing, storage, packaging, distribution, sales and presentation of products (Widayat et al., 2020). The purpose of compiling this article is to explain the results of KKN student service at the Sunan Kalijaga State Islamic University in Bubakan Hamlet, Kembang Village, Pacitan.

Thus, based on the problems above, the UIN Sunan Kalijaga Yogyakarta KKN Group Batch 111 which carried out service activities in Bubakan Hamlet, Kembang Village, Pacitan collaborated with local village officials and village organizational youth to make efforts to increase the potential of MSMEs in Bubakan Hamlet. This is done by conducting outreach and coaching MSMEs to develop village potential and also carrying out training activities to explore innovation and creativity of residents. Apart from that, there is also assistance and assistance in the process of halal products for MSMEs.

2. RESEARCH METHODS

This study uses an exploratory approach by knowing the Opportunities and Challenges in developing MSMEs from various economic aspects. The method developed uses a literature or literature study approach that refers to several sources, such as books, scientific journals, articles, and the internet. The subject of this research is Bubakan Hamlet SMEs, while the object of this research is Development of Micro, Small and Medium Enterprises (UMKM) in Pacitan Regency, East Java. Especially MSMEs in Bubakan Hamlet, Kembang Village.

Based on the description of the problem described. The efforts made by the Bubakan Hamlet community in increasing MSME actors use several stages of activity, namely:

A. Holding MSME Training and Development Seminars

The seminar was conducted as a form of providing an understanding to the community regarding MSME training and development. During the seminar, resource

persons from the Pacitan MSME Office, consultants and assistants for halal products were also present. The people who attended this counseling were people from Bubakan Hamlet.

B. Holding Training on Making Chocolate Bananas (Piscok)

This activity is an application of MSME training and coaching seminars. Where in this application one of the snacks was made, namely chocolate bananas (piscok), which was carried out with participants in the MSME training and coaching seminar. In the implementation of making piscok in Bubakan Hamlet, the Pacitan MSME service was involved.

3. RESULTS AND DISCUSSION

1. MSME Marketing Development

The marketing carried out by most MSMEs in Bubakan Hamlet still tends to be conventional and only targets the local market. Not many MSME products are capable of direct export. Weak ability to innovate and feeling quite satisfied with what is currently obtained are factors that make the resulting competitiveness not strong enough. It is important for every MSME business that is run to be able to implement appropriate development that suits the needs of its target market. The following are some tips for developing the best product marketing on an MSME scale (Dimas Hendika Wibowo, 2015):

a. Marketing Products that are Attractive and Have Value

Value in an MSME business is important, because it can make the business being undertaken has its own uniqueness compared to similar products and competitors, be it direct competitors or substitute products. In addition, it must make the appearance of the product more attractive and make it easier to market.

b. Target Market Determination

Starting a business must first think and analyze the product target because it is important to know the needs and desires of the product target. Determining market positioning to seize a position in the minds of consumers, so this development concerns how to build trust, confidence and competence for customers by producers to communicate the benefits of their products, persuade and remind target consumers to buy the product.

c. Making Packaging Unique and Attractive

Unique packaging and attractive appearance will increase consumer interest in the product. It is common knowledge in business that appearance will be the main allure for a business product. In addition, the packaging on the product becomes an identity and differentiator between competitors' products, making it more unique and attractive to consumers. The interest of buyers to buy selling products will also increase. Therefore, it is very important to learn how to package products that are good, safe and also attract the attention of consumers.

d. Doing the Right Promotion

It is important for entrepreneurs when marketing their products to pay attention to the right promotional aspects so that the target market can be attracted to the products they offer. Currently promotions can be done online and offline. One promotion that can be done online and at a fairly affordable cost is to use social media. Apart from social media, you can also use relationships.

e. Focusing on Product Advantages

When selling a product, you must have a prominent value and differentiator in the product because the product being sold could be the same as other people's products. Therefore, as a businessman, you must think of ways so that the advantages of the product can be conveyed well to the target market so that they are interested and want to try the product so that they become loyal. f. Approaching Consumers you can take a friendly approach and from there you can find out the character of the consumer. This approach aims to make consumers feel comfortable and know what consumers need.

g. Create a Product Website or Social Media

Another way that can be done so that the product is known is by providing a website for the product that contains detailed information about product information such as product descriptions, prices, how to order, and testimonials from consumers. This goal is to reach consumers from various regions. An alternative for businesses can also be through social media which of course provides complete information to reach products.

2. MSME Challenges

Becoming an MSME actor is something full of challenges, requiring a lot of determination and effort. With continuous growth and supported by government policies, there are still a number of basic obstacles and challenges faced by MSMEs. These obstacles and challenges come from a number of common factors that are often encountered. Therefore, here are the challenges of MSMEs and how to face them (Lucky Nugroho, 2020):

a. Attract New Customers

The toughest challenge for SMEs is to attract new customers. Of course this problem is a problem faced by many business actors, both MSMEs and entrepreneurs. However, large companies with a history of success usually find it easier to attract new customers because they have strong brand awareness. Attracting new customers while maintaining high-quality service to existing customers is complicated. However, it is vital to be able to balance the two and do them together. This balance is also part of branding. Therefore, being pro-active and relevant to customers is one of the long-term strategies in branding. Pro-active and relevant can mean actively delivering promises, existing at various events that are relevant to the target market,

b. Maintaining Profitability

This profitability problem is quite difficult for a small business because it has to make many adjustments in all sectors. Therefore, several things that can be basic considerations when trying to maintain profitability are:

- 1) Reduce costs
- 2) Increase turnover
- 3) Increase productivity and efficiency
- 4) Evaluate existing suppliers, premises, production processes and financial facilities
- 5) Carrying out a number of breakthroughs and new initiatives

c. Retaining Employees

The next problem that is often encountered by SMEs is the failure to show value to employees and the work they do. This problem can cause a business to lose some valuable assets. The tendency that is also common is that employees will leave a position if they do not feel valued. It is important to remember that salary is a crucial factor in making employees feel valued. When a business and profits grow, ideally, employee salaries will also increase. Even though paying employees more may hurt the business in the short

term, the impact will help the business make more money in the long term.

d. Increase Revenue

It is common knowledge that every business struggles to drive and sustain growth. Even though it is impossible for MSME players to control the market conditions they face, there are several things that must be considered. For example, if an MSME operates in a market niche that is too small, then try offering additional products or services to increase people's interest in the primary product. MSME players can also consider pricing, especially if they are in tight market competition. Price is often an important consideration factor for consumers. Finding this price balance is quite difficult and requires trial and error over several weeks.

e. Embracing Technology

Most MSME businesses have carried out digital transformation and changed their business to online business platforms. Nowadays, a number of software and applications available in the market are there to make things easier and simpler. So that MSME business owners can reduce several challenges and problems.

3. Entrepreneurial Strategy

Entrepreneuris often interpreted as a person who takes the risk of investing his money in new discoveries (innovation), while entrepreneurship is more meaningful, emphasizing entrepreneurship (adjective). Schumpeter defines an entrepreneur as a person who:

- 1) Exhibiting products as a result of creation/innovation.
- 2) Create new production methods.
- 3) Look for new markets.
- 4) Look for new raw materials.
- 5) Finding a new organization is different from the existing one.

Another opinion, entrepreneur is defined as a person:

- 1) Imaginative
- 2) Can see opportunities
- 3) Innovation and innovation are used to improve society
- 4) Having the following characteristics: (a) confident; (b) task and result oriented; (c) for risk takers; (d) have a leadership spirit; (e) originality of ideas; (f) foresight.

Based on the results of research conducted in the United States and Indonesia by Nurseto, T. (2004), the majority of successful entrepreneurs come from families with strong traditions in the business sector. Thus, it can be emphasized that corporate culture (*culture*) is a family or a tribe or even the community has a big influence on the birth of new, tough entrepreneurs.

The culture of several Indonesian tribes (Thiong, Minang) glorifies the entrepreneurial profession, so many strong entrepreneurs come from these tribes. However, in general the culture of Indonesian (Javanese) society glorifies work that is relatively "risk free" (PNS, ABRI, or large companies).

To create new entrepreneurs, a program of this size should be applied to university graduates who already have a high scientific and intellectual foundation. This is based on the company's competitive situation in the globalization era which demands the ability of an entrepreneur with very high skills. One way to develop strong and better entrepreneurs is to provide education and training opportunities supported by facilities/technology, management, markets, capital and knowledge (general or specific),

in addition to higher education through business incubators.

4. Halal Certification

A halal certificate is evidence that the product being sold meets the halal requirements stipulated by the MUI fatwa. The growing middle class population in Indonesia is a huge marketing potential. Especially Muslims who make up 87% of the total population of the country. Gradually, several goods manufacturers began to carry out direct marketing, especially to the Muslim middle class, and did not hesitate to offer halal guarantees through halal certificates.

PPH support is a series of activities to ensure the halalness of a product through the verification and validation process of the Business Actor's halal statement (self-declaration). PPH assistance is an activity to assist micro and small business actors in fulfilling the requirements for product halal statements in accordance with the provisions of applicable regulations/laws. The criteria for micro, small and medium enterprises according to Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), micro businesses have a maximum asset of 50 million and a maximum turnover of 300 million, while small businesses must have a turnover of more than 50-500 million and a turnover of more than 50 million. more than 300 million – 2.5 billion, and medium businesses must have a turnover of more than 500 million – 10 billion, and a turnover of more than 2.5 billion – 50 billion to be considered a medium business.

SertHalal certificates offer great benefits for consumers, producers and governments. Some of these benefits include:

1. Halal certification guarantees the safety of the products consumed

To obtain a halal certificate, you must go through strict stages starting from product production to product sales, all of which cannot be separated from the evaluation of obtaining a halal certificate. Strict halal certification procedures ensure that products or goods are guaranteed halal for consumption or use. Halal certificates issued by trusted authorities will certainly increase public safety and trust in products. The halal guarantee system requires that the production process must follow a halal and thayyib production method. Clean and hygienic tools and places must be used in the production process and contamination must be avoided. Likewise, the use of additives and auxiliary materials in production must be carried out in accordance with the regulations that allow it. In large industries,

2. Halal Certificate Has a Unique Selling Point (USP)

Unique Selling Point Unique Selling Proposition is a marketing concept that differentiates a product from other products, thanks to Halal certification, the product has a high USP. In other words, products that are halal certified have competitive advantages that make these products more valuable in the eyes of consumers.

3. Halal Certification Provides Inner Peace for the Community

Halal certification offers consumers physical and mental peace and security. People who are aware of the importance of halal products feel worried when they find out that the products they buy do not have a halal logo approved by the MUI, because they believe that halal brands are important for their products to be safe for consumption or use. With halal certification, consumers no longer need to worry

about unclean foods such as pork or other illegal goods, because the products they consume already have halal certification so that their halal status is guaranteed.

4. Halal Certification Provides Comparative Advantage

Even though the term halal is no longer just a religious issue and has developed into global business language, halal values actually include the meaning of holy, pure, clean, work ethic, responsibility and honesty. Halal products have even increased the value of the following aspects of Sharia law: safe, nutritious, healthy, humane, appropriate and environmentally friendly (Evans and Evans 2012). The main task of the Halal label is to help consumers choose products without hesitation. In general, every Muslim views a product with a halal label as a guarantee that it is safe for consumption. With this guarantee, the domestic market is not only limited, but most of the sharia markets abroad are open. In other words, halal can be used as a global marketing tool and strategy (Evans and Evans 2012).

5. Halal Certification Protects Domestic Products From Global Competition

Entering the free market era, Indonesia is certainly the most promising market. Starting from Sabang to Merauken, the number of residents and geographic areas certainly require different consumption needs. This market becomes an extraordinary strength if it can be filled with local products. However, if local products fail to guarantee their quality, similar foreign products will soon take over the market. The obligation to certify halal products of animal origin upon arrival in Indonesia can more or less reduce the flood of imported meat (Putra 2014).



Figure 1. Documentation with Resource Persons for MSME Development and Halal Certification Consultants.

4. CONCLUSION

The socialization and coaching of MSMEs and Halal Certification carried out in Bubakan Hamlet provides Benefits for participants include being able to understand how to develop a business and market products properly and correctly, overcome obstacles and hurdles in entrepreneurship, and how to obtain halal certification for the products

being developed. Activity Marketing carried out by most MSMEs in Bubakan Hamlet still tends to be conventional and only targets the local market. Not many MSME products are capable of direct export. Weak ability to innovate and feeling quite satisfied with what is obtained now are factors that make the resulting competitiveness not strong enough. There are several challenges faced by SMEs, one of them namely. Maintaining Profitability, This profitability problem is quite difficult for a small business because it has to make many adjustments in all sectors. Therefore, several things that can be basic considerations when trying to maintain profitability are (1) Reduce costs, (2) Increase turnover, (3) Increase productivity and efficiency, (4) evaluate suppliers, places, production processes, and ongoing financial facilities, (5) make a number of breakthroughs and new initiatives. One way to develop strong and better entrepreneurs is to provide education and training opportunities supported by facilities/technology, management, markets, capital and knowledge (general or specific), in addition to higher education through business incubators.

Obtaining halal certification training provides benefits for MSME actors, consumers, producers, and the government, namely (1) Halal certification guarantees the safety of products consumed, (2) Halal Certification has a Unique Selling Point (USP), (3) Halal Certification Provides Inner Peace for the Community, (4) Halal Certification Provides Comparative Advantage, and (5) Halal Certification Protects Internal Products The Land of Global Competition.

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