

## PAVING THE WAY FOR UMKM SUCCESS: A SERVICE INITIATIVE FOR THE WELFARE OF RURAL COMMUNITIES

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### Abstract

The importance of service to rural communities in improving welfare through the development of micro, small and medium enterprises (MSMEs). Service in the form of skills training, access to capital, and opening new markets allows village MSMEs to grow and develop, creating jobs and reducing poverty. In addition, the health programmes provided help improve the quality of life for villagers. Free health counselling and check-ups facilitate access to medical services, which has positive implications for economic productivity. Furthermore, this service strengthens social ties and solidarity among villagers, building active participation in village development activities. As such, the service to the village community provides comprehensive economic, social and health impacts, and creates a foundation for long-term prosperity and sustainable development.

**Keywords: MSMEs, Service, Community Welfare, Village.**

### Introduction

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the economy of a country, including Indonesia. MSMEs have become the economic foundation for many communities, especially in rural areas, due to their ability to create jobs and improve community welfare. With the existence of MSMEs, rural communities have the opportunity to start and develop their own businesses, which in turn creates jobs and reduces unemployment. (Kania et al., 2021). In addition, MSMEs that develop in villages can utilise local potential, such as natural raw materials and traditional skills, thereby adding value to the local economy and promoting village economic independence. In the long term, strong MSMEs can strengthen the economic structure of villages, making them more resilient to global economic shocks (Hakim, 2021). (Hakim, 2021).

Furthermore, MSMEs also serve as an important means to curb urbanisation. With sufficient employment and business opportunities in rural areas, people do not feel the need to migrate to big cities to make a living. This reduces urbanisation pressure, which in turn reduces urban poverty and other social problems in cities. In addition, the success of MSMEs in improving the welfare of rural communities can promote more equitable development, reduce disparities between villages and cities, and improve the overall quality of life in rural areas. However, MSMEs in villages often face various constraints that hinder their growth and development. (Qin & Leung, 2021).

One of the main problems faced by MSMEs in rural areas is limited access to information and technology. Lack of knowledge on modern business management, digital marketing and technical skills often makes it difficult for MSMEs to compete with larger

companies. In addition, limited access to capital and financial resources is also a major challenge that hinders business expansion and innovation. (Hakim, 2021).

On the other hand, the potential of human resources (HR) and natural resources (SDA) in villages is enormous. Unfortunately, this potential is often not optimally utilised due to a lack of adequate support and guidance. Service initiatives from various parties, including government, academia, and non-governmental organisations, are urgently needed to help overcome the various problems faced by MSMEs and maximise their potential. (Qin & Leung, 2021).

Through community service initiatives that focus on the development of MSMEs, it is hoped that various programmes can be implemented that support business capacity building, community empowerment, and local economic development. Continuous training and mentoring, access to financial resources, and strengthening market networks are some of the important aspects that need to be considered to pave the way for MSME success and improve the welfare of rural communities. (Efendi & Angkat, 2023).

Thus, service initiatives for MSMEs in rural areas are not only an economic empowerment effort, but also a strategic step towards realising equitable and sustainable community welfare.

## **Research Methods**

The study in this research uses the literature method. The literature research method, also known as literature review or library research, includes systematic steps to collect, analyse, and synthesise various sources of information relevant to the research topic. (Firman, 2018); (Suyitno, 2021).

## **Results and Discussion**

### **Key Barriers Faced by MSMEs**

MSME stands for Micro, Small, and Medium Enterprises, which is a category of businesses with a smaller business scale compared to large companies. MSMEs play an important role in the economy, especially in creating jobs, reducing poverty, and promoting economic growth. (Udjianto et al., 2021).. In general, MSMEs can be defined based on the number of employees, annual turnover, and total assets. In Indonesia, the definition of MSMEs refers to the criteria stipulated in Law No. 20/2008 on Micro, Small, and Medium Enterprises. (Kunyanti & Mujiono, 2021)..

MSMEs can be classified into three main categories: micro, small and medium enterprises. Micro enterprises have maximum asset criteria of IDR 50 million (excluding land and building of the business premises) and a maximum annual turnover of IDR 300 million. Small businesses have assets between IDR 50 million and IDR 500 million and an annual turnover between IDR 300 million and IDR 2.5 billion. Meanwhile, medium-sized enterprises have assets between IDR 500 million and IDR 10 billion and an annual turnover between IDR 2.5 billion and IDR 50 billion. This classification helps in providing appropriate

support and regulations from the government and related institutions to support the growth and sustainability of MSMEs. (Lusambili et al., 2021)..

MSMEs play a crucial role in economic development, especially in developing countries like Indonesia. First, MSMEs contribute significantly to job creation, reducing unemployment and improving people's welfare. Secondly, MSMEs also play a role in economic equality, as they are generally spread across various regions and are able to reach local communities that are not served by large enterprises. In addition, MSMEs encourage innovation and creativity, as they often operate in niche markets that require unique approaches and solutions. With significant contributions to Gross Domestic Product (GDP) and participation in exports, MSMEs are the backbone of the economy that spurs inclusive and sustainable economic growth. (Hastuti & Setyawan, 2021).

One of the main obstacles faced by MSMEs is limited access to capital. Many micro, small and medium enterprises have difficulty obtaining loans from formal financial institutions such as banks. This is often due to the inability of MSMEs to fulfil credit requirements, such as adequate collateral and presentable financial statements. Without access to sufficient capital, MSMEs find it difficult to expand their businesses, purchase raw materials, or invest in technology and equipment that can improve productivity. (Kaweenuttayanon & ..., 2021).

Another significant barrier is the lack of managerial capabilities as well as human resource skills. Many MSME owners do not have enough knowledge and expertise to effectively manage their businesses. This includes aspects of marketing, finance, operations and business development strategies. These limitations often result in less efficient business management and an inability to compete with larger, more established firms. (Hong et al., 2021).

MSMEs often face difficulties in reaching a wider market, both at the domestic and international levels. Factors such as lack of distribution networks, low product quality, and limitations in carrying out effective marketing are major barriers to market expansion. In addition, MSMEs also tend to struggle to penetrate global supply chains due to constraints in quality standards and limited production capacity. (Sharma & Sarmah, 2021)..

Complex regulations and high operational costs are also serious obstacles for MSMEs. Convoluting licensing, burdensome taxation, and various other regulations that are often out of sync between the central and regional levels can hinder the growth of MSMEs. In addition, high operational costs, such as electricity, raw materials, and logistics, add to the burden of these small businesses. Without adequate policy support, it is difficult for MSMEs to develop and compete in a competitive market. (Simanjuntak, 2021).

Solutions to address limited access to capital for MSMEs include the development of various financing schemes that are more inclusive and accessible. The government and financial institutions can provide microcredit with low interest rates and lighter requirements. In addition, technology-based funding programmes such as crowdfunding and fintech can also be an alternative for MSMEs to obtain capital. (Wikantiyoso et al., 2021)..

Addressing the lack of managerial skills and human resources can be done through various training and mentoring programmes. The government, educational institutions and non-governmental organisations can work together to provide training that focuses on improving management skills, digital marketing, financial management and production technology. Empowering skilled human resources will improve the efficiency and competitiveness of MSMEs. (Watini et al., 2021).

To overcome limited market access, MSMEs need to be encouraged to utilise digital platforms and e-commerce. Support in the form of training on the use of information technology and digital marketing is important to expand market reach. In addition, partnership programmes with large companies and opening avenues for MSMEs to engage in global supply chains can expand markets and increase sales volumes. (Singarimbun, 2021).

Simplifying regulations and providing incentives are also important steps to reduce the operational burden of MSMEs. The government can ease the burden of licensing and taxation and provide various incentives such as subsidies for electricity, raw materials, and logistics. In addition, there should be harmonisation of regulations between the central and regional levels to ensure consistency and ease of doing business. (Ramadhani et al., 2021).

As such, MSMEs play a vital role in economic development with their contributions to employment, economic equity, innovation, and GDP. However, they often face various barriers such as limited access to capital, lack of managerial skills, limited market access, and high regulatory and operational costs. With measures such as improving access to finance, human resource training, expanding market access, and simplifying regulations, these barriers can be overcome, allowing MSMEs to grow more rapidly and contribute more to the national economy.

### **The Role of Service Initiatives in Supporting MSMEs**

Service initiatives, such as programmes run by universities, community empowerment agencies, and non-governmental organisations, play a significant role in developing the capacity and expertise of MSMEs. Training programmes and workshops facilitated by experts in various fields, such as business management, digital marketing, financial management, and production technology, help MSME players improve essential skills to manage their businesses more effectively. This capacity building not only improves operational efficiency, but also supports the innovation necessary for MSMEs to remain competitive in an ever-evolving marketplace. (Ozodovich & o'g'li, 2021).

Service initiatives also play an important role in opening up access to wider networks and markets. Through partnerships built between MSMEs and various stakeholders such as large companies, government agencies, and the business community, MSMEs get opportunities to market their products more widely. Business incubator and accelerator programmes run by universities and other institutions can help

MSMEs make useful connections, both domestically and internationally, for market expansion and business collaboration. (He et al., 2021).

In the digital era, the application of technology is key to business success. Service initiatives can provide MSMEs with access to the latest technologies and innovations. This includes training in the use of business management software, e-commerce platforms, and effective digital marketing techniques. With technological support, MSMEs can increase productivity, lower operational costs, and reach consumers more efficiently. Programmes that introduce MSMEs to this blend of technology and innovation are critical to their adaptation and growth amidst fierce global competition. (Kristiyanti, 2021).

In addition to training and technology, the service initiative provides ongoing business mentoring and consulting. Guidance from experienced mentors assists MSMEs in making the right strategic decisions and navigating day-to-day business challenges. This assistance covers various aspects, from business planning, market analysis, to expansion and diversification strategies. With comprehensive consultative support, MSMEs can develop a solid foundation for long-term growth and face market dynamics with more confidence. (Arco et al., 2021).

Service initiatives also play a role in coordinating and synergising efforts with government policies to support MSMEs. The government often creates various programmes and incentives aimed at strengthening MSMEs, such as providing low-interest loans, entrepreneurship training, and facilitating market access. Service initiatives can support these programmes by ensuring MSMEs are aware of and take advantage of the various opportunities available. This collaboration between various parties creates an ecosystem that is conducive to the growth of MSMEs and strengthens the local and national economic base. (Astuti et al., 2023).

In addition to the business and technology aspects, service initiatives play a role in the social and economic empowerment of communities. By providing support to MSMEs, these initiatives not only improve the economic well-being of individual entrepreneurs but also contribute to poverty alleviation and improved quality of life in local communities. Thriving MSMEs create employment opportunities, increase household income, and strengthen community-based economies. Thus, the positive impact of this service is felt widely and sustainably for the community. (Saragi et al., 2021).

As such, the dedication initiative plays a crucial role in supporting the development of MSMEs through various aspects, including capacity and skill development, access to networks and markets, provision of technology and innovation, and strategic business mentoring. Coordination with government policies and socio-economic empowerment adds an important dimension in strengthening the MSME ecosystem. With this comprehensive and synergistic support, MSMEs can grow faster, adapt to changing times, and make a significant contribution to the national and local economy. This integration not only enhances the competitive capabilities of MSMEs but also ensures their sustainability in the future, supporting the overall well-being of society.

## **Impact of Service on Village Community Welfare**

Village community service has a significant impact on improving community welfare in various aspects of life. One such impact is increased access to education and skills training. Service programmes often provide training for rural communities in a variety of skills, ranging from modern agriculture, to agro-processing, to entrepreneurship. Through these trainings, villagers gain new knowledge and skills that can be used to increase their productivity and income. Various trainings also help communities to adapt to changes in technology and markets, so that they are not left behind in the flow of modernisation. (Aditama & Winarto, 2021)..

In addition, village community service also improves access to health services. Health programmes such as free health check-ups, nutrition counselling, and healthy lifestyle campaigns are often organised by community service initiatives. This helps villagers to recognise the importance of health and gives them access to medical services that may have been difficult to reach before. With better health services in place, villagers' health outcomes can improve, infant mortality decreases, and people can live more productive and healthy lives. (Yasir et al., 2021).

Economic impact is also one of the outcomes of village community service programmes. Such programmes often assist villages in developing micro, small and medium enterprises (MSMEs), creating employment opportunities, and developing local and regional markets. With this support, villagers can access the capital, guidance and markets needed to grow their businesses. The creation of new business opportunities or the enhancement of existing business capabilities has a direct impact on increasing community incomes and reducing poverty in villages (Priatmoko et al., 2021)..

Finally, service to rural communities also strengthens social solidarity and cohesion. Through service initiatives, the community is invited to work together, both in the implementation of programmes and in overcoming problems faced together. The active participation of the community in various service activities creates a strong sense of togetherness and social responsibility. This solidarity forms a solid foundation for sustainable village development, making the village more resilient and able to face various challenges in the future.

## **Conclusion**

"Paving the Way for MSME Success: Service Initiatives for Village Community Welfare" emphasises that service to village communities has a crucial role in improving their welfare through the development of micro, small and medium enterprises (MSMEs). Service programmes that focus on skills training, access to capital, and opening new markets help village communities improve their economic capacity. With this support, MSMEs in villages can grow and thrive, creating new jobs and ultimately reducing poverty in the region.

In addition to the economic impact, service to village communities also brings significant changes in social and health aspects. The training and health services provided

help villagers maintain their health and improve their quality of life. Free health counselling and check-ups facilitate villagers' access to medical services, which they may have previously found difficult to reach. This not only improves the health level of the community, but also enables them to contribute more optimally to the economic and social activities of the village.

Finally, community service strengthens social ties and builds solidarity among villagers. Programmes that involve active community participation build a sense of community and collective responsibility, creating an environment conducive to sustainable village development. A solid and cohesive community is better able to face challenges and work together to achieve common goals. Thus, service to rural communities not only brings short-term benefits, but also provides a solid foundation for long-term prosperity and sustainable development.

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