

Strategies for Developing MSMEs Based on the Creative Economy to Enhance Local Community Welfare

Rinandita Wikansari^{1*}, Renny Kurniawati², Disma Prasaja³, Ahmad Wimbo Helvianto⁴

¹Politeknik APP Jakarta, rinandita-w@kemenperin.go.id

^{2,3,4}Politeknik APP Jakarta, Indonesia

Abstract

This study aims to explore strategies for developing MSMEs based on the creative economy to enhance the welfare of local communities. Using a literature review and qualitative approach, the research analyzed 15 scholarly articles retrieved from Google Scholar during the 2016–2024 period. The findings indicate that strategies such as product innovation, digitalization, cross-sector collaboration, and accessible financing significantly impact the competitiveness and sustainability of MSMEs. Case studies from various regions in Indonesia, such as NTT's woven crafts, Penglipuran Village in Bali, and Yogyakarta's batik industry, provide evidence that creative economy-based approaches not only increase community income but also preserve local cultural values. This research offers practical insights for MSME actors, policymakers, and local communities to strengthen the contribution of MSMEs to sustainable economic and social development.

Keywords: MSMEs, Creative Economy, Community Welfare, Local Development

Strategi Pengembangan UMKM Berbasis Ekonomi Kreatif untuk Meningkatkan Kesejahteraan Masyarakat Lokal

Abstrak

Penelitian ini bertujuan untuk mengeksplorasi strategi pengembangan Usaha Mikro, Kecil, dan Menengah (UMKM) berbasis ekonomi kreatif dalam meningkatkan kesejahteraan masyarakat lokal. Dengan menggunakan metode tinjauan pustaka dan pendekatan kualitatif, penelitian ini menganalisis 15 artikel ilmiah yang diperoleh melalui Google Scholar pada periode 2016-2024. Hasil penelitian menunjukkan bahwa strategi seperti inovasi produk, digitalisasi, kolaborasi lintas sektor, dan pembiayaan yang mudah diakses memiliki dampak signifikan dalam meningkatkan daya saing dan keberlanjutan UMKM. Studi kasus dari berbagai daerah di Indonesia, seperti kerajinan tenun NTT, desa wisata Penglipuran di Bali, dan industri batik di Yogyakarta, memberikan bukti bahwa pendekatan berbasis ekonomi kreatif tidak hanya meningkatkan pendapatan masyarakat tetapi juga melestarikan nilai budaya lokal. Penelitian ini memberikan wawasan praktis bagi pelaku UMKM, pembuat kebijakan, dan komunitas lokal untuk memperkuat kontribusi UMKM terhadap pembangunan ekonomi dan sosial secara berkelanjutan.

Kata kunci: UMKM, Ekonomi Kreatif, Kesejahteraan Masyarakat, Pengembangan Lokal

INTRODUCTION

The creative economy has emerged as a pivotal driver of economic development in various countries, including Indonesia. This sector offers tremendous opportunities for Micro, Small and Medium Enterprises (MSMEs) to innovate and create added value through creativity, local culture, and technology. Indonesia holds immense potential to leverage the creative economy as a strategy for MSME development with its rich cultural heritage and creative human resources (Radiatl Ain & Fitri Wati, 2023). The government has demonstrated strong commitment by establishing the Creative Economy Agency



(Bekraf) and launching numerous supportive programs such as digitalization training and local branding enhancement. However, challenges such as access to global markets, limited capital, and low digital literacy continue to impede the development of creative economy-based MSMEs, particularly in remote areas.

MSMEs play a crucial role in Indonesia's economic structure, contributing more than 60% to the national GDP and absorbing approximately 97% of the workforce (Supriyanto, 2024). MSMEs can boost productivity and offer more competitive products and services in both domestic and international markets through a creative economy approach. For example, the local culinary sector, adopting innovative packaging and digital marketing, has successfully attracted global attention. Despite this, a lack of managerial skills and sustainable business strategies often hinders MSMEs from achieving substantial growth.

At the local level, creative economy-based MSMEs have the potential to enhance community welfare by creating jobs and preserving culture. For instance, handicrafts and traditional batik products from regions such as Yogyakarta and Solo have become the backbone of local economies, involving community members in their production processes. Furthermore, the synergy between MSMEs and the tourism sector opens up significant opportunities, especially in delivering authentic cultural experiences for tourists. However, sustaining these positive impacts requires robust collaboration among the government, local communities, and private sectors to build an inclusive and competitive creative economy ecosystem.

Digitalization has become a critical element in developing creative economy-based MSMEs, particularly in the era of Industry 4.0. E-commerce platforms, social media, and financial technology (fintech) have expanded MSMEs' market reach significantly (Ausat et al., 2022). Initiatives like the "Go Digital" program by the Ministry of Cooperatives and MSMEs illustrate how digital literacy can drive MSMEs toward modern and efficient operations. Nevertheless, the digital divide remains a pressing issue in many regions, where limited internet access and low technological understanding restrict MSMEs' growth potential.

Developing creative economy-based MSMEs requires a holistic approach encompassing capacity-building for human resources, providing supportive infrastructure, and fostering product innovation. Entrepreneurship training programs, such as those conducted by creative communities in Bandung, have shown promising results in improving managerial skills and competitiveness among MSME actors. Additionally, partnerships with educational institutions and research organizations can help develop innovative solutions to enhance production efficiency and marketing strategies (Tereshchenko et al., 2024).

The government's role in creating supportive regulations and a conducive business environment is also critical. Policies such as tax incentives, financing subsidies, and strengthening intellectual property rights are strategic measures to encourage the growth of creative economy-based MSMEs. For instance, the People's Business Credit (KUR) program has been a significant source of financing for MSMEs to start or expand their

businesses. However, implementing such policies requires effective monitoring and evaluation to ensure their benefits reach local communities equitably.

This research aims to analyze strategies for developing creative economy-based MSMEs to enhance local community welfare. This study is expected to provide practical recommendations for MSME actors, policymakers, and relevant stakeholders in building a sustainable and inclusive creative economy ecosystem in Indonesia.

Micro, Small, and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy, contributing significantly to the Gross Domestic Product (GDP) and serving as a vital source of employment. MSMEs are characterized by small capital, limited workforce, and simple business management, yet their flexibility allows them to adapt to market changes (Ausat & Suherlan, 2021). Spread across various sectors such as trade, agriculture, manufacturing, and services, MSMEs drive local economic growth in many regions. Their role is strategic in promoting economic equity and inclusivity, particularly in remote or underdeveloped areas.

Creative Economy

The creative economy refers to an economic sector based on creativity, innovation, and the exploration of local culture to create added value in products and services (Boccella & Salerno, 2016). This sector encompasses industries such as performing arts, design, fashion, culinary arts, advertising, film, and media. The creative economy fosters economic growth and promotes cultural identity by leveraging digital technology and cultural heritage. It plays a pivotal role in generating new business opportunities, particularly for young people who tend to be more creative and innovative in addressing global market challenges.

Community Welfare

Community welfare pertains to conditions where basic needs such as education, health, income, and security are adequately met (Judijanto et al., 2024). MSMEs and the creative economy significantly contribute to enhancing community welfare by creating job opportunities, increasing income, and empowering local communities to actively participate in economic development. Furthermore, success in improving community welfare is often reflected in better quality of life, encompassing improved social, cultural, and environmental aspects.

Local Development

Local development is a process aimed at enhancing the economic, social, and cultural potential of a specific region by empowering local resources (Hidayat & Syahid, 2019). In the context of MSMEs, local development involves strengthening the capacity of entrepreneurs, utilizing technology, and fostering collaboration between government, communities, and the private sector. This process emphasizes independence and sustainability through strategies oriented toward local community needs. Local

development enhances economic productivity while preserving the cultural and environmental identity of a region by involving all stakeholders.

METHOD

This research employs a literature review method with a qualitative approach to enrich the body of knowledge in community service, particularly regarding strategies for developing MSMEs through the creative economy to improve local community welfare. The literature review method was chosen as it allows for the collection, analysis, and synthesis of information from various credible sources to identify relevant concepts, models, and strategies. The qualitative approach is used to understand the context and relationships between variables supporting MSME development, ensuring the findings provide theoretical and practical insights for policymakers, MSME actors, and local communities. The data for this study were sourced from various scholarly articles available on Google Scholar, covering publications from 2016 to 2024. The data collection process began by identifying 30 relevant articles based on keywords such as "MSMEs," "creative economy," "community development," and "local welfare." These articles were then rigorously screened based on inclusion and exclusion criteria, including topic relevance, journal or proceeding quality, and alignment with the research objectives. After the selection process, 15 articles that met the criteria were used as the primary sources for analysis. Data analysis was conducted using a descriptive approach, where information from the selected articles was organized and presented to provide a comprehensive overview of MSME development strategies within the creative economy framework. This approach aims to identify patterns, challenges, and opportunities encountered by MSMEs in the creative economy context. Moreover, descriptive analysis was employed to interpret how these strategies contribute to improving local community welfare, making the findings a valuable reference for community service initiatives.

FINDING AND DISCUSSION

The creative economy has become a key catalyst for the development of MSMEs in Indonesia by leveraging local creativity to create added value in both products and services, despite facing infrastructure limitations. A tangible example of this success can be seen in the woven fabric industry in East Nusa Tenggara (NTT), where artisans have transformed cultural heritage into high-value economic products through design and technological innovations (Administrator, 2019). Support from local governments in the form of training and access to financing, coupled with the role of digital platforms like Tokopedia and Shopee in facilitating online marketing, has opened wider markets for these local products. This strategy has not only increased incomes but also strengthened local cultural identity in the global market, reduced dependence on traditional markets, and created new job opportunities in local communities. This success highlights how the creative economy can integrate digital technology with local traditions as a solution to overcome geographical and infrastructure challenges while promoting MSME growth in remote areas.

Digitalization serves as a cornerstone in transforming MSMEs based on the creative economy, offering opportunities to enhance competitiveness and access global markets, as exemplified by Penglipuran Village in Bali, recognized as one of the world's best tourism villages. MSMEs in this village by leveraging digital technology, particularly in the Bali souvenir sector, were able to overcome challenges posed by the COVID-19 pandemic, which disrupted global tourism (Fitriyani & Rachmawati, 2023). The use of e-commerce platforms like Shopee and Tokopedia, supported by social media promotions on Instagram and Facebook, enabled MSMEs to market their products to international consumers, diversify income streams, and strengthen their presence in the market. Ongoing digital literacy programs provided through government training and private sector partnerships have been key success factors, underscoring that digitalization broadens market access and provides resilience strategies during crises while strengthening MSMEs as a sustainable driving force for the local creative economy.

The collaboration between MSMEs and the tourism sector in Yogyakarta serves as a compelling example of how synergy supports the creative economy while enhancing the appeal of tourism destinations. Local crafts such as Yogyakarta's signature batik and silver jewelry from Kotagede have become icons attracting domestic and international tourists and building an inclusive economic ecosystem (Baparekraf RI, 2022). Support from the city government through tourism promotion, cultural festivals, and the development of tourism infrastructure has opened broader access for MSMEs to reach global markets. Meanwhile, local communities play a role in reinforcing the authenticity of products through skills training, design innovation, and the use of digital technology for marketing. This collaboration significantly increases MSME revenues, promotes economic equity, creates new jobs, and improves community welfare, positioning tourism as a catalyst capable of integrating local potential with global market demands sustainably.

Product innovation plays a central role in developing MSMEs based on the creative economy, as demonstrated by the success of Eiger, a Bandung-based brand that combines local values with modern innovation to create competitive products in national and international markets. Eiger has met the evolving needs of the market while maintaining its local identity through smart marketing strategies such as using social media to reach younger consumers and incorporating the latest technology in product design and materials (Kusnara et al., 2024). Products such as bags, outdoor apparel, and adventure gear reflect Indonesia's cultural heritage and are designed with quality and functionality to compete globally. This success underscores the importance of investment in research and development (R&D), collaboration with creative communities, and adaptation to market trends as key elements for maintaining the competitiveness of MSMEs in an increasingly competitive environment, proving that innovation is the foundation of business sustainability in the creative economy sector.

Financing remains one of the main challenges faced by MSMEs, particularly in adopting creative economy strategies. However, programs like Kredit Usaha Rakyat (KUR) have proven effective in supporting this transformation. In Solo, culinary MSMEs have utilized KUR to innovate by creating new products such as frozen food, which meets

modern market demands and enables expansion into national and international markets (Wasita, 2022). MSMEs have been able to increase production capacity with investments supported by this financing, adopt better packaging technology, and expand distribution networks through strategic collaborations with logistics companies like JNE and GrabExpress. The KUR program has also enhanced MSMEs' ability to address market competition challenges, providing access to financial training and creating a supportive ecosystem that fosters sustainable growth. The success of Solo's culinary MSMEs demonstrates that targeted financial support opens opportunities for innovation and accelerates the development of the creative economy sector as a key pillar of local and national economies.

Local community involvement is a key element in the success of MSMEs based on the creative economy, as seen in Dieng Village, Central Java, which leverages community participation to manage the production and distribution of local specialty products such as potato chips and handcrafted items (Rahmawati & Rudiarto, 2022). This model creates employment opportunities and increases community income while strengthening a sense of ownership in the businesses operated, thus encouraging long-term business sustainability. Communities are involved in various stages of the value chain, from sourcing raw materials to marketing products to tourists, which enriches the visitor experience while promoting local culture. The success of this model is reinforced by collaborations with government and private sectors that provide training, funding, and technology access. Active community participation minimizes dependence on external parties, enhances local-based innovation, and establishes villages as competitive creative economy hubs. This demonstrates that local involvement is not just a complementary component but a vital pillar in building inclusive and sustainable MSMEs.

The importance of a supportive ecosystem in developing MSMEs based on the creative economy is evident from the experience of creative communities in Bandung, recognized as a UNESCO Creative City (Riswanto, 2019). The city provides various facilities such as coworking spaces, business incubators, and access to entrepreneurship training, offering MSME actors opportunities to collaborate, learn, and innovate in a growth-supportive environment. MSMEs in Bandung with this infrastructure, particularly in the fashion and culinary sectors, have been able to produce high-quality goods and services that meet local market needs and compete globally. This approach provides entrepreneurs with access to essential resources such as technical knowledge, distribution networks, and innovation funding, which in turn accelerates their business development. Collaboration between government, private sectors, and local communities in creating this ecosystem demonstrates that adequate support can accelerate MSME growth, enhance competitiveness, and foster sustainability in the creative economy sector. This makes Bandung a successful example of how a conducive ecosystem plays a crucial role in driving MSMEs toward success and sustainable innovation.

The development strategy for MSMEs based on the creative economy in Indonesia requires a holistic approach encompassing synergy between the government, local communities, and the private sector, as demonstrated by the successes in NTT weaving,

Penglipuran Village, and Yogyakarta batik. This synergy ensures MSME sustainability through product innovation, digital marketing, inclusive financial access, and cross-sector collaboration that supports capacity building among business actors. For example, the government plays a role by providing entrepreneurship training and proactive policies such as Kredit Usaha Rakyat (KUR), while local communities preserve the cultural uniqueness that serves as the main selling point of creative economy products. Meanwhile, the private sector provides access to technology and global distribution networks that strengthen MSMEs' positions in international markets. This approach creates economic opportunities, reinforces cultural identity, improves local community welfare, and establishes an inclusive and sustainable business ecosystem. The creative economy can act as the main driving force for the transformation of Indonesian MSMEs by integrating these elements, ensuring their competitiveness in global markets while preserving the local values that form the foundation of this sector.

CONCLUSION

This study demonstrates that the development strategy of MSMEs based on the creative economy has significant potential to improve local community welfare. This approach leverages creativity, local culture, and technology to create added value and competitiveness for MSMEs, both in domestic and global markets. Successful examples, such as the woven crafts of NTT, digital integration in Penglipuran Village, and the collaboration of the Yogyakarta craft sector, show that product innovation, digitalization, financing, and community engagement are key elements in this strategy. MSMEs based on the creative economy contribute to economic growth and the preservation of local cultural identities with the support of a conducive ecosystem and collaboration among stakeholders.

The implications of this research include the importance of the roles of the government, private sector, and local communities in creating an ecosystem that supports the development of MSMEs based on the creative economy. The government can play a role in providing supportive regulations, financing incentives, and digital infrastructure to facilitate MSME transformation. The private sector can assist through investment in technology, partnership programs, and entrepreneurship training. On the other hand, local community involvement ensures that MSME development impacts the economy and empowers communities socially and culturally.

Based on the findings of this research, several recommendations can be made. For the government, it is necessary to develop more inclusive policies to support MSMEs based on the creative economy by expanding access to microfinance, providing digitalization training, and promoting intellectual property rights protection. These efforts aim to create a conducive business ecosystem. Meanwhile, MSME actors are encouraged to enhance digital literacy and product innovation to compete in global markets and collaborate with other sectors, such as tourism and education, to expand markets and enrich product value. For future researchers, it is crucial to conduct deeper studies on the impact of MSME development strategies based on the creative economy on specific indicators, such as

household income growth or their contribution to poverty reduction, to provide a more comprehensive insight for future policies and practices. Additionally, local communities are encouraged to become more active in supporting MSMEs, both through consuming local products as a form of appreciation for creative efforts and through active participation in the development of culturally-based businesses to ensure sustainability and a broader positive impact on society.

This study has several limitations. First, it relies solely on secondary data from articles sourced from Google Scholar, thus lacking direct empirical data from MSME actors. Second, the geographic scope of this study is limited to the local context in Indonesia, so the findings may not be fully applicable to other countries or regions with different conditions. Third, the descriptive analysis used does not provide a quantitative model, so the impact of specific variables on the outcomes of MSMEs based on the creative economy has not been measured in detail. Further research with an empirical approach and quantitative analysis is recommended to complement these findings.

ACKNOWLEDGEMENT

We would like to thank all those who have supported the implementation of this research.

REFERENCES

- Administrator. (2019). *Tenun NTT, Harta Keluarga yang Bernilai Tinggi*. Indonesia.Go.Id.
- Ausat, A. M. A., Siti Astuti, E., & Wilopo. (2022). Analisis Faktor Yang Berpengaruh Pada Adopsi E-commerce Dan Dampaknya Bagi Kinerja UKM Di Kabupaten Subang. *Jurnal Teknologi Informasi Dan Ilmu Komputer (JTIK)*, 9(2), 333–346. <https://doi.org/10.25126/jtiik.202295422>
- Ausat, A. M. A., & Suherlan, S. (2021). Obstacles and Solutions of MSMEs in Electronic Commerce during Covid-19 Pandemic: Evidence from Indonesia. *BASKARA: Journal of Business and Entrepreneurship*, 4(1), 11–19. <https://doi.org/10.54268/BASKARA.4.1.11-19>
- Baparekraf RI. (2022). *Kerajinan Perak Kotagede: Perhiasan Khas Yogyakarta yang Berdaya Saing Global*. Kemenparekraf.Go.Id.
- Boccella, N., & Salerno, I. (2016). Creative Economy, Cultural Industries and Local Development. *Procedia - Social and Behavioral Sciences*, 223, 291–296. <https://doi.org/10.1016/j.sbspro.2016.05.370>
- Fitriyani, L. R., & Rachmawati, D. (2023). Sosialisasi Digital Marketing dan Penggunaan Pembayaran Digital bagi UMKM Desa Penglipuran, Bangli, Bali. *Journal of Servite*, 5(1), 13. <https://doi.org/10.37535/1020054120232>
- Hidayat, D., & Syahid, A. (2019). Local Potential Development (Local Genius) in Community Empowerment. *Journal of Nonformal Education*, 5(1), 1–14. <https://doi.org/10.15294/jne.v5i1.18343>
- Judijanto, L., Yumame, J., & R Pugu, M. (2024). Implementation of Public Policy in Improving Public Welfare. *Jurnal Administrasi Negara*, 2(3), 125–133.

- Kusnara, H. P., Raida Sri Rahmawati, & Tiara Vindria Rusman Putri. (2024). Tren Konsumen Generasi Z dalam Pembelian Online Produk Eiger: Implikasi bagi Strategi Pemasaran Bisnis Digital. *J-CEKI: Jurnal Cendekia Ilmiah*, 3(5), 3389–3395.
- Radiatl Ain, & Fitri Wati. (2023). Peran Ekonomi Kreatif dalam Pengembangan UMKM di Indonesia. *JOSEE*, 1(2), 25–32.
- Rahmawati, I., & Rudiarto, I. (2022). Analisis Kesejahteraan Masyarakat Petani Dataran Tinggi Dieng Menggunakan Pendekatan Penghidupan Berkelanjutan. *Jurnal Ilmu Lingkungan*, 20(3), 637–645. <https://doi.org/10.14710/jil.20.3.637-645>
- Riswanto, R. (2019). *Kolaborasi Kreatif Perkukuh dan Perkokoh Bandung sebagai Kota Desain*. [Www.Bandung.Go.Id](http://www.bandung.go.id).
- Supriyanto, B. E. (2024). *Pemberdayaan UMKM Melalui Pembiayaan Ultra Mikro (UMi): Solusi Inklusif untuk Meningkatkan Ekonomi Lokal*. [Djpb.Kemenkeu.Go.Id](http://djp.kemendagri.go.id).
- Tereshchenko, E., Salmela, E., Melkko, E., Phang, S. K., & Happonen, A. (2024). Emerging best strategies and capabilities for university–industry cooperation: opportunities for MSMEs and universities to improve collaboration. A literature review 2000–2023. *Journal of Innovation and Entrepreneurship*, 13(1), 28. <https://doi.org/10.1186/s13731-024-00386-4>
- Wasita, A. (2022). *Pelaku usaha Soloraya pilih KUR untuk kembangkan bisnis*. [Www.Antarane.ws](http://www.antarane.ws).