

COMMUNITY SERVICE THROUGH STRENGTHENING UMKM: A REAL CONTRIBUTION TO VILLAGE PROGRESS

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Abstract

Community service through strengthening MSMEs is an effective strategy to encourage village progress. MSMEs have a crucial role in increasing local employment, which leads to a reduction in unemployment and an increase in the income of rural communities. In addition, the economic diversification resulting from the development of various business sectors helps create village economic resilience. Through empowerment and training, the capacity of human resources in the village increases, making MSME actors more competitive and efficient. Overall, strengthening MSMEs through community service programmes not only provides short-term benefits but also opens up opportunities for sustainable and inclusive economic growth in villages.

Keywords: Community Service, MSMEs, Village.

Introduction

MSMEs (Micro, Small, and Medium Enterprises) have a strategic role in the national economy, especially in the context of local economic empowerment in villages. The contribution of MSMEs is not only seen in terms of job creation and income generation, but also in driving inclusive and sustainable economic growth (Febrianty et al., 2023). In many villages, MSMEs not only create jobs for local residents but are also the main source of livelihood for families. By absorbing local labour, MSMEs help reduce poverty and unemployment and promote community welfare. Moreover, MSMEs often utilise local resources, both in the form of raw materials and local wisdom, which play an important role in maintaining the economic and cultural sustainability of villages (Shetty & Bhat, 2022).

In addition, the presence of MSMEs also encourages the capacity building of human resources in villages. Through direct involvement in business activities, villagers gain new knowledge and skills in production, management and marketing. This opens up opportunities for the community to transform from labourers to entrepreneurs, creating a more dynamic and sustainable economic development cycle. The adaptability of MSMEs to changing economic conditions can also serve as an example for communities in responding to global challenges and strengthening the resilience of village economies (Prabowo et al., 2024).

In addition to economic aspects, MSMEs also have a significant social role in village development. MSMEs often serve as agents of change that strengthen social cohesion through various community empowerment initiatives, such as community-based product marketing and cooperative ventures. These activities not only drive the local economy but also build co-operative networks among residents, increase solidarity, and foster a sense

of ownership towards village development (Maimun et al., 2023). Thus, strengthening rural MSMEs can serve as a catalyst for sustainable development that provides long-term benefits to all components of the village community. However, MSMEs in villages often face various challenges that hinder their development, including limited access to capital, low managerial capacity, limited market access, and low technology adoption.

Community service, conducted by various parties such as the government, educational institutions, and non-governmental organisations, is one of the strategic efforts to overcome these challenges. Through structured and sustainable community service programmes, strengthening MSMEs can be realised more effectively. This support can take the form of business management training, technical assistance, facilitation of access to capital, marketing, and application of relevant technology (Saratian et al., 2024).

An in-depth understanding of effective forms of community service and their impact on MSMEs is crucial. Not many studies have explored how community service concretely contributes to the strengthening of MSMEs and its impact on overall village progress. In fact, the success of MSMEs can be the key to independent and prosperous village development (Sharma et al., 2023).

This research aims to address this need through an in-depth study of community service in the context of strengthening MSMEs in villages. By focusing on identifying effective forms of community service, analysing the impact of strengthening MSMEs on the village economy, as well as factors that influence the success of these programmes, it is hoped that this research can make a real contribution to the development of policies and strategies for empowering MSMEs in the future.

Research Methods

The study in this research uses the literature research method. The literature research method is an approach used to collect, analyse and interpret existing information from various written sources. The literature research method aims to gain an in-depth understanding of a particular topic based on existing research and writing. This type of research does not involve primary data collection such as interviews or surveys, but instead focuses on the review of documents, books, journal articles, research reports, and other written sources. (Fadli, 2021); (Setiowati, 2016).

Results and Discussion

The role of MSMEs in the economy

Micro, Small, and Medium Enterprises (MSMEs) is an economic sector consisting of small to medium-sized businesses that play a significant role in a country's economy. MSMEs are defined based on the number of employees, annual revenue, and assets owned. In Indonesia, according to Law No. 20/2008 on MSMEs, micro-enterprises are businesses with maximum assets of IDR 50 million and maximum annual revenue of IDR 300 million (Puspasari et al., 2022). Small businesses have assets above IDR50 million to IDR500 million with annual revenue from IDR300 million to IDR2.5 billion. Meanwhile,

medium-sized enterprises have assets above Rp500 million to Rp10 billion and annual revenue from Rp2.5 billion to Rp50 billion (Faizin et al., 2024).

The characteristics of MSMEs include a smaller scale of operations, limited capital, and management that is usually carried out by direct owners or families. MSMEs often have simple and flexible organisational structures, allowing them to quickly adapt to changes in the business environment. In addition, MSMEs usually focus on local markets and specific products, and often utilise simple technology in their operations. Despite their small scale of operations, MSMEs play an important role in employment generation, product innovation, and economic equity by empowering local economies and reducing poverty. MSMEs also have the potential to expand through increased access to larger markets and resources (Latif et al., 2023).

MSMEs have a vital role in the national economy. One of its main contributions is job creation. According to data from various studies, MSMEs absorb around 97% of the total labour force in Indonesia. In addition, MSMEs provide many opportunities for people with limited access to formal education and job training to earn income. Thus, MSMEs not only help reduce unemployment, but also support social inclusion and empowerment of local communities (Ningsih & Zaidi, 2024).

In addition to their role in job creation, MSMEs also play an important role in increasing the country's Gross Domestic Product (GDP). MSMEs contribute more than 60 per cent of Indonesia's GDP, indicating that the sector is the backbone of the national economy. This large contribution occurs because MSMEs are spread across various sectors of the economy, including trade, agriculture, fisheries, manufacturing, and services. This sector diversification helps mitigate economic risks and enhance national economic stability (Pida & Sudiarti, 2022).

In addition, MSMEs also play a role in product innovation and development. With their small scale of operations and flexible structure, MSMEs are more prone to experimentation and innovation than large enterprises. They can quickly respond to changes in market demand and make necessary adjustments to improve the competitiveness of their products. MSMEs are also often the source of unique and distinctive products and services based on rich local culture and resources, which not only add value to the local economy but also to the reputation and bargaining power of the national economy in the global market. With proper support, MSMEs have great potential to grow and further contribute to economic prosperity (Wisesa & Lawang, 2023).

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In addition to these three main roles, MSMEs also have a significant impact in reducing economic disparities. With MSMEs spread across the country, income distribution becomes more equitable. People in remote or rural areas have the opportunity to run businesses and improve their lives without having to migrate to big cities. This helps in reducing excessive urbanisation and maintaining a balance of economic development in each region (Akbar et al., 2024).

MSMEs also serve as a key support in the supply chain of large industries. Many large industries depend on products or services provided by MSMEs. Thus, there is a symbiotic relationship that ensures the stability and sustainability of the industry as a whole. This cooperation between MSMEs and large industries helps to create a mutually supportive ecosystem that is able to face the challenges of globalisation and competition in international markets (Sompaa, 2021).

Overall, MSMEs play a crucial role in the Indonesian economy. From job creation, GDP increase, product innovation, to reducing economic disparity, the contribution of MSMEs is diverse and significant. The existence of MSMEs not only affects the macro economy, but also provides direct benefits to the community at the micro level. Therefore, adequate support and policies from the government and various related parties are essential to ensure the growth and sustainability of MSMEs, so that they can continue to contribute in building a more inclusive and competitive economy.

Models and approaches in community service

Community service refers to a set of activities carried out by individuals, groups, or organisations with the aim of providing benefits to the wider community or society. These activities often involve the application of knowledge and skills, with the hope of improving quality of life, education, health, and other aspects of social welfare (Kandis et al., 2024). Community service can be manifested in various forms, such as educational programmes, health services, infrastructure development projects, and social awareness advocacy. This

is done both by educational institutions, government institutions, non-governmental organisations, and individuals on a voluntary basis (Faidati et al., 2021).

The concept of community service rests on the principles of equality, inclusion, and empowerment. Its essence is to create positive and sustainable changes in society through collaboration and active participation of all parties involved. In addition, community service also plays a role in shaping the spirit of togetherness and social solidarity, where more capable individuals or groups help the less capable. Thus, community service not only benefits the beneficiaries but can also provide valuable experience and inner satisfaction for the perpetrators (Prasetyo et al., 2024).

There are several models and approaches used in the implementation of community service, one of which is the **direct service model**. In this model, individuals or groups provide services or assistance directly to communities in need. Examples of this approach include activities such as food aid distribution, organising free health clinics, or tutoring programmes for children from underprivileged families. This model allows service actors to interact directly with the community and see the real impact of their efforts (Pamungkas et al., 2023).

Another model is the **community development model**, which emphasises the process of community empowerment and capacity building. This approach involves active collaboration between service actors and community members to identify local needs and problems, and design and implement community-based solutions. For example, job skills training programmes for villagers, the creation of environmentally friendly infrastructure, or education quality improvement projects through local community involvement. The main objective of this model is to create long-term sustainable change by equipping communities with the knowledge and resources needed to improve their well-being independently (Wulandari et al., 2024).

Next, there is the **participatory research model**, which combines elements of community service with scientific research. This approach involves community members as co-researchers in the process of data collection, analysis and problem-solving. The aim of this model is to ensure that community voices and perspectives are recognised and integrated in the formulation of development strategies and public policies. For example, a study conducted to identify the root causes of health problems in an area may involve local residents in collecting data and planning intervention strategies. Thus, this approach not only produces relevant and applicable research outputs, but also empowers communities through improved knowledge and research skills (Butarbutar & Wijaya, 2021).

The Relationship between MSMEs and Village Progress

Micro, Small and Medium Enterprises (MSMEs) play a very important role in the progress of villages. MSMEs are often the backbone of the local economy, providing employment for local people who may have limited access to jobs outside the village. By creating local jobs, MSMEs can reduce unemployment rates and increase family incomes, which in turn can improve the welfare and quality of life of village communities. The

existence of MSMEs also encourages local economic circulation, where revenues generated by MSMEs will be spent back within the village (Desmawan, 2023).

In addition, MSMEs contribute to the diversification of the village economy. With a wide range of businesses that can be developed - from handicrafts, to culinary, to services - MSMEs help reduce the dependence of village economies on agriculture or certain natural resources. This diversification is important in creating economic resilience, as villages will be less vulnerable to commodity price fluctuations or environmental changes that may affect agricultural output. For example, a village with MSMEs in the tourism and handicraft sectors may be more resilient to poor harvest seasons than a village that relies solely on agriculture (Pugu et al., 2024).

The development of MSMEs also has a positive impact on the development of infrastructure and public services in villages. With the additional revenue earned from MSME activities, village governments can allocate more funds to improve infrastructure such as roads, bridges, health facilities, and education. In addition, the presence of successful MSMEs can attract investment from outside the village, either from individual investors or financial institutions that see the potential for economic growth in the area. This investment can be used to further improve existing infrastructure and services, creating a positive cycle for the overall progress of the village (Rizal & Akmalia, 2022).

Finally, training and empowerment for MSME entrepreneurs also plays a role in human resource capacity development in villages. Training programmes facilitated by the government, non-governmental organisations or private initiatives can provide new skills and business knowledge for MSME actors. With better management skills, access to technology, and wider business networks, MSMEs can operate more efficiently and competitively. This development not only strengthens the position of MSMEs in the local market, but also opens up opportunities for expansion into broader markets, including exports. Thus, MSMEs not only function as drivers of the village economy, but also as agents of social change that increase the potential and independence of village communities.

Conclusion

Community service through strengthening MSMEs has a significant impact in advancing the village. MSMEs play an important role in creating local jobs that can reduce unemployment and increase community income. With new jobs, the welfare level and quality of life of the villagers have also improved. This increase in income not only benefits individuals but also triggers a more dynamic local economic circulation.

Furthermore, the contribution of MSMEs to village economic diversification helps create economic resilience. Villages that have a variety of businesses are more resilient to commodity price fluctuations or environmental changes. Sectors such as tourism and handicrafts can be valuable additions to the traditional agricultural sector. This diversification also helps reduce the risk of dependence on one type of economic resource

and provides a wide range of products and services that strengthen the overall village economy.

Finally, empowerment and training for MSME players through community service programmes increases the capacity of human resources in the village. With better skills and knowledge, MSME players can be more competitive and efficient in running their businesses. This not only has a positive impact on the village economy in the short term but also opens up opportunities for expansion to wider markets to the national and international levels. Thus, strengthening MSMEs through community service is one of the important pillars in a sustainable and inclusive village development strategy.

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