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Revealing the Vital Role of MSMEs in Community Workforce Empowerment

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Abstract

Empowering the regional economy through the development of micro, small, and medium enterprises (MSMEs) plays a vital role in fostering inclusive and sustainable economic growth at the local level. This research investigates the success and challenges faced by MSMEs in Thamrin City, focusing on strategies to enhance their development and contribute to local economic empowerment. Employing a descriptive approach, the study analyzes employment trends within MSMEs from 2019 to 2023, complemented by interviews with MSME owners and key stakeholders. The findings reveal that while MSMEs in Thamrin City face significant challenges such as limited access to funding, restricted market reach, and resistance to innovation, these hurdles can be addressed through strategic initiatives. Strong human resource (HR) capabilities, coupled with effective marketing strategies, are identified as critical factors in enabling small businesses to overcome these barriers and achieve sustainable growth. The study contributes to a deeper understanding of the pivotal role that MSMEs play in supporting regional economic development. It highlights the necessity of targeted empowerment policies and initiatives to facilitate the expansion of small businesses, which, in turn, enhances community well-being. By focusing on capacity-building and market development, stakeholders can create an environment that fosters the resilience and competitiveness of MSMEs. This research underscores the need for collaborative efforts between governments, financial institutions, and local communities to unlock the full potential of MSMEs as drivers of economic progress and social inclusion.

Keywords

Empowerment, MSMEs Development, Regional Economy, Sustainable Growth, Local Economic Challenges.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are businesses with annual resources and revenues of approximately IDR 500 million. Typically managed by individuals or family groups, these enterprises often operate from residential locations (Quyen, 2020; Muryanto, 2022). MSMEs are a cornerstone of the Indonesian economy, contributing significantly to cash flow acceleration and job creation (Wibowo, 2023). With the advancement of technology, many MSMEs have increased their market reach by utilizing websites and social media, making their products more accessible to a broader audience. Businesses categorized as small-scale MSMEs, with annual turnovers ranging from IDR 300 million to 500 million, encompass a variety of industries such as motorcycle repair shops, photocopying services, minimarkets, handicrafts, and food production businesses, including catering services run by individuals or companies (Abduh & Fansury, 2023; Prameswari et al., 2024).

The rapid expansion of MSMEs highlights their growing importance in regional economic development. According to Muryanto (2022), MSMEs not only drive cash flow and job creation but also empower local communities by fostering innovation and leveraging technological advancements. Research conducted by Viddy & Herlina (2023) emphasizes the role of MSMEs as key drivers of local economic growth and facilitators of community empowerment, especially for women, including housewives. This is evident in Thamrin City, where MSMEs supported by Bank Rakyat Indonesia (BRI) in 2020 successfully penetrated export markets, particularly in the fashion sector. For example, Dewi Yuniarti, who started her business in Thamrin City in 2010, transitioned from formal employment to establishing a brocade-focused business for events such as weddings in the Ladies Market area. Beginning with one kiosk, her business has grown to encompass four boutiques, employing over 50 people and attracting an average of 100 visitors daily.

Thamrin City, renowned as the Batik Center of the Archipelago, serves as a gathering point for batik artisans and traders from regions like Jogjakarta, Solo, Pekalongan, Cirebon, Madura, West Java, and Papua. Additionally, it is a hub for diverse communities to converge. Indonesia is home to one of the largest populations of MSME operators globally, with continuous growth since 2014. MSMEs contribute 58.92% to the national GDP and account for 97.30% of employment opportunities (Ali, 2021; Shah, 2022; Amirudin et al., 2024).

Previous research has highlighted various aspects of MSME contributions to economic empowerment. Muryanto (2022) examined the empowerment of the creative economy through home-based MSMEs in the food sector, with a focus on intellectual property. Jureid et al. (2023) investigated financial strengthening within the Kayulaut village community through the MSME Bika Bakar Kayulaut cake group. Fatine (2022) analyzed urban economic empowerment via Ladu Arai Pinang MSMEs in Lubuk Buaya, Padang City. Similarly, Nurjaman (2022) explored the role of e-commerce in supporting Indonesian MSMEs, while Abduh and Fansury (2023) emphasized the role of MSMEs in urban economic development in Makassar. Collectively, these studies illustrate how MSMEs contribute to community workforce empowerment and enhance local economic resilience (Shifa & Harto, 2024).

This research focuses specifically on the role of MSMEs in empowering local workers and promoting regional economic independence. By engaging local professionals, MSMEs act as catalysts for economic growth while highlighting the need for stronger support to maximize their impact on regional development. The study emphasizes the importance of strategic initiatives aimed at empowering MSMEs and enhancing their contributions to sustainable economic progress.

2. Methods

This study highlights the role of MSMEs in job creation, increasing family income, and contributing to local household economies. Using a descriptive and qualitative approach, the research thoroughly examines MSME activities and their impact on workforce development and the regional economy. The focus of the study is the MSME owned by Dewi Yuniarti, a fashion industry booth operator in Thamrin City. Data collection is conducted through surveys, which explore MSME characteristics in the area, including their financial contributions, workforce development initiatives, and the challenges they encounter (Moleong, 2017). Surveys serve as the primary data collection method (Roulston & Halpin, 2022), complemented by interviews and documentation analysis. The research categorizes interview data based on themes and cross-references them with existing records and numerical data to ensure accuracy. Additional validation is obtained from credible sources, particularly those knowledgeable about MSME development and progress. The findings are analyzed to provide deeper insights into the role of MSMEs in fostering economic growth and workforce empowerment, ultimately guiding the study's conclusions.

3. Results

Dewi Yuniarti, popularly known as Noni, transitioned from her role as an employee at a private company in Jakarta to becoming a thriving entrepreneur in the fashion industry. She established Noni Boutique in Thamrin City, branding her kiosks with her name. Starting with a single kiosk on Floor D of TM Thamrin City, Noni has successfully expanded her business to four boutiques, with plans for further growth. Her operations now employ 15 staff members and cater to approximately 100 customers daily, primarily aged 25 to 40. Offering a wide variety of products in 12 colors and designs, the boutique's prices range from IDR 200,000 to IDR 750,000.

TM Thamrin City has provided a supportive business environment, featuring flexible rental arrangements and long-term payment plans that have facilitated Noni's expansion. Her clientele extends beyond Jakarta to other cities in Indonesia, including Makassar, Kendari, Medan, Pekanbaru, and Lampung, and even internationally to countries such as Malaysia, India, and Saudi Arabia. Noni's success is a testament to her disciplined work ethic, proactive mindset, and ability to seize opportunities. Initially a small family-run business, Noni Boutique has grown by collaborating with local partners and diversifying its offerings to meet evolving market demands. While the boutique initially focused on brocade fashion, it has expanded to include various textile-based products, appealing to a broader customer base.

Noni's perseverance and adaptability are evident in her ability to overcome challenges, such as dealing with dishonest practices by long-term customers, while maintaining a commitment to product quality and building selective, strong partnerships. Her collaborative efforts, particularly with partners in Jakarta, have been instrumental in scaling her business and accessing both domestic and international markets. This case study highlights key strategies that enable MSMEs to succeed in competitive markets. It emphasizes the importance of innovation, resourcefulness, and community engagement in achieving sustainable growth. The success of Noni Boutique demonstrates how MSMEs can contribute to regional economic development by creating employment opportunities and fostering local collaboration. This example illustrates the transformative role of small businesses in building resilience and adaptability in dynamic economic environments.

Table 1. Labor Development

Labor	2019	2020	2021	2022	2023
Full Time	22	17	10	33	45
Contract	17	10	10	24	17
Part time	10	13	19	22	25
Amount	49	40	39	79	87

Between 2019 and 2020, employment trends within MSMEs in Jakarta underwent significant changes. Permanent staff numbers dropped by 22.7%, decreasing from 22 to 17 employees, while contract workers faced an even steeper decline of 41.2%, falling from 17 to 10. In contrast, part-time employment rose by 30%, increasing from 10 to 13 workers. Overall, the total workforce in MSMEs reduced by 18.4%, from 49 to 40 employees. These shifts likely reflect financial pressures or strategic adaptations by MSMEs in response to the challenges of the COVID-19 pandemic (2019–2021). They may also signify a move toward more flexible workforce management practices, prioritizing adaptability to navigate economic uncertainty and operational difficulties during the crisis.

The pandemic significantly impacted MSME turnover, with several factors contributing to the downturn, including limited operational flexibility, the closure of commercial spaces, and changes in consumer behavior that reduced spending. Additionally, supply chain disruptions further exacerbated the decline in revenue. MSMEs reliant on physical retail or direct transactions were particularly affected, especially those unable to transition to online business models, resulting in reduced market visibility. To mitigate these challenges and drive recovery, MSMEs have adopted innovative strategies, enhanced their digital presence, and strengthened relationships with suppliers and clients.

Table 2. Employment Management

Labor Status	Local Community Workers			Field of Work
	Production House	Employee Home	Amount	
Full Time	30	15	45	Production, Quality Control, Marketing
Contract	13	4	17	Finishing and packing
Part Time	25	0	25	Raw materil processing

From 2021 to 2023, there was a significant rise in the number of professionals employed by MSMEs as the economy recovered from the pandemic. At Noni Boutique, for instance, the workforce grew to 87 employees, with 30 of them holding permanent positions. These permanent employees are distributed across various departments, with 30 working in the Generation House and 15 in the Specialist House, focusing on production, quality control, and development. Additionally, the Agent House employs four workers in packaging and shipping, while 13 contract workers are part of the Era House. The Era House also employs 25 part-time workers, primarily engaged in raw material planning.

Remote work (WFH) has recently proven to be successful in many ways. Abduh & Fansury (2023) suggest that WFH provides professionals with greater flexibility in managing their work hours, enabling them to balance personal and professional duties more effectively. Furthermore, WFH reduces commuting time and costs, leading to lower operational expenses for Noni Boutique employees. According to Nurjaman (2022), remote work can also improve employees' quality of life by offering

a more comfortable work environment tailored to personal preferences, in contrast to the rigid structure of traditional handicraft industry settings.

The growth in the number of professionals employed by MSMEs signals an economic rebound after the pandemic, with Noni Boutique playing a key role in expanding its operations and contributing to financial growth. This workforce expansion reflects the confidence MSMEs have in rebuilding their businesses post-pandemic, indicating a positive outlook for future development.

Table 3. Development of Turnover and Marketing areas

MSME performance	Year		
	2010 – 2014	2015 – 2019	2020 – 2024
Turnover	75.075.000	497.736.000	1.065.312.000
Marketing Area	Indonesia	Indonesia	Indonesia
	Malaysia	Malaysia	Asia

Since its establishment in 2010, Noni Boutique has made significant strides in expanding its market presence and boosting sales. The business has consistently met growing demand, including fulfilling international orders. For instance, a British customer based in Bali since 2010 regularly purchases products and manages all shipping logistics. This success is closely tied to the company’s continuous product development and the increasing number of international clients, which have helped raise the brand's profile globally. Over time, Noni Boutique has adapted by identifying new consumer trends and diversifying its product range. The owners and managers serve as a prime example of how local MSMEs can succeed through dedication, hard work, and innovation, ultimately taking Noni Boutique products to international markets.

In terms of human resource management, Fatine (2022) and Friska et al. (2023) highlighted that enhancing MSME performance is driven by improving recruitment strategies and investing in employee development to meet market demands. Workforce changes in cities like Jakarta reflect not only responses to economic shifts but also the critical role that HR management plays in supporting business transformation and growth during uncertain times. The growth of MSMEs, like Noni Boutique in Thamrin City, is further supported by organizations such as the Jakarta City Cooperatives and MSME Development Agency and Bank Rakyat Indonesia (BRI), which offer training and mentoring—essential elements for MSME success. The Jakarta City Cooperatives and MSME Development Agency provide a range of services, including business registration, training, and market expansion. As Viddy & Herlina (2023) pointed out, both the government and financial institutions act as facilitators, connecting MSMEs to resources and opportunities that improve their competitiveness. BRI plays a crucial role by offering business education and assistance through programs such as the BRI MSME School and Mentoring programs, in addition to providing financial products tailored to MSMEs, like business loans and digital banking services (Pamela & Indrawati, 2022; Jureid et al., 2023; Tahawali et al., 2023).

Moreover, Noni Boutique's commitment to supporting local communities is integral to its success. Yasin et al. (2022) noted that MSMEs serve not only as engines of local economies but also as catalysts for social change, improving the well-being of surrounding communities. By providing jobs and business opportunities, MSMEs encourage community involvement. Husaeni & Dewi (2019) explain that by hiring locally, MSMEs not only generate employment but also contribute to skill development and professional networking within the community. Noni Boutique integrates the local community into its supply chain by offering opportunities for local participation in raw material handling, which improves product quality and promotes sustainable business practices. Furthermore, Noni Boutique provides

training and support to the local community in areas such as skills development and business management, often collaborating with organizations like the Cooperative Benefit and BRI Thamrin City, as well as the government.

Table 4. Local Community Empowerment

Empowerment	MSME efforts
Training	In collaboration with the government and BRI, they actively develop programs for the people in their communities that focus on administrative and specialized employment skills, counting generation, and demonstrating administration.
Providing Job Opportunities	Hiring local residents as full-time or part-time workers, primarily from low-income families.
Microeconomic Empowerment	Providing financial assistance to individuals seeking to start their own small businesses, typically through business capital loan programs.
Participation in Community Development Programs	Actively participating in initiatives that focus on improving the quality of life within local communities.
Providing Social Support and Welfare	Providing social support to employees and their families through welfare programs, including crisis assistance, representative welfare initiatives, and health protection measures.

For MSMEs to achieve long-term success, empowering local communities is crucial. These businesses not only contribute to the economic well-being of their communities but also act as catalysts for social transformation. By offering local businesses the chance to participate in production or raw material supply, MSMEs strengthen their connection with the community. Wibowo (2023) highlighted that this approach fosters community inclusion and creates long-term partnerships. As Anwar et al. (2023) pointed out, enhancing the capabilities of local communities provides a solid foundation for sustainable and inclusive growth, benefiting both MSMEs and their surroundings.

Noni Boutique's continued success is closely linked to its innovative approaches and operational development. The business has adopted cutting-edge technologies that have significantly boosted its efficiency. One of the key innovations is the use of digital tools for business and human resource management, enabling better inventory tracking, time optimization, and quality control. Noni Boutique has also expanded its marketing efforts by utilizing social media and digital platforms, which has increased its reach and improved its brand image. Through websites, online stores, and social media, MSMEs can connect with potential customers locally and internationally. Product development remains a core focus, with leaders in the industry continually testing and designing new products to better meet consumer preferences. Furthermore, the growth of MSMEs is also supported by financial backing from local communities, especially in terms of capital, business regulations, and competitive challenges.

In the Thamrin City area, resistance to change is a major barrier, particularly due to the middle-income status of much of the population. Addressing these challenges requires a localized approach that encourages community participation, highlights the benefits of change, and minimizes the associated risks.

Moreover, Noni Boutique's ability to effectively manage its human resources is vital in overcoming these hurdles. According to Anwar et al. (2023), MSMEs need skilled employees and efficient human resource management to succeed. Marketing also plays a critical role in overcoming market access challenges. Wahid & Sarfiah

(2021) and Nurjaman (2022) explained that MSMEs must adopt effective marketing strategies to increase their reach, boost brand visibility, and attract customers. As Suyanto (2007) noted, this includes using digital marketing strategies, enhancing online presence, and collaborating with business partners or larger marketing networks. By strengthening both human resource management and marketing capabilities, Noni Boutique MSMEs are well-positioned to overcome development challenges and achieve sustainable growth despite economic hurdles.

Regarding human resource management, Suyanto (2007) emphasized that human resources are vital assets and competitive advantages for MSMEs. MSMEs can adopt an HR strategy focused on skills development, planning, and employee motivation (Husaeni & Dewi, 2019). Noni Boutique has successfully built a talented workforce, enhancing operational efficiency, product development, and service quality, which helps the business navigate resource constraints. In terms of marketing, Noni Boutique has adapted well to market trends, identified customer needs, and developed effective promotional campaigns. By using advanced marketing techniques, strong branding, and partnerships, MSMEs can expand their reach and increase competitiveness. Support from government and financial institutions, such as BRI, is crucial in broadening market access and enhancing the competitiveness of MSMEs.

MSMEs face challenges such as the need for financial support from local communities, resource integration, skill development within the community, and resistance to change. To overcome these barriers, each MSME must have strong human resource management and sound marketing strategies. By integrating HR management focused on employee development and motivation with advanced marketing techniques and strategic partnerships, MSMEs can overcome obstacles and achieve sustainable growth. Government and financial institutions like Bank Rakyat Indonesia (BRI) play a vital role in supporting MSMEs, helping them tackle challenges and seize opportunities while contributing to the local economy's growth.

4. Conclusion

This research, based on the Noni Boutique MSMEs case, explores the challenges small and medium-sized enterprises (SMEs) face in promoting local economic growth. The COVID-19 pandemic had a significant impact on MSMEs, causing a decline in employee turnover and widening workforce disparities. However, through effective human resource management and strategic marketing, these businesses have managed to overcome many obstacles, particularly during periods of financial and administrative recovery. The increasing contribution of MSMEs to the post-pandemic economic recovery of local communities highlights their considerable potential in creating jobs and driving regional economic development. With increased support and stronger collaboration between government, non-governmental organizations, and the private sector, MSMEs are better positioned for economic success, benefiting both local communities and the broader economy. To further assist MSMEs, it is recommended that the government take proactive measures, such as setting up necessary offices, improving access to trade financing, and supporting skills development. Additionally, Noni Boutique should focus on expanding the promotion of its products both domestically and internationally. Most importantly, fostering cooperation between MSMEs, government agencies, NGOs, and the private sector is essential to developing the local workforce and enhancing the autonomy of the local economy.

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