

Development Strategy Of Micro, Small And Medium Enterprises Based On Creative Economy In Semolowaru Neighbourhood

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ABSTRACT

The purpose of this study is to establish a plan for the growth of MSMEs in Semolowaru Village that is centered on the creative economy. This strategy is crucial for leveraging the expanding creative economy's potential to increase the competitiveness of regional MSMEs. Descriptive qualitative research methodology was employed, and data was gathered via document analysis, observation, and interviews. SWOT analysis was used to determine MSMEs' opportunities, threats, vulnerabilities, and strengths. The findings demonstrated that enhancing product quality, leveraging digital technology for marketing, growing networks of collaboration, and offering training to MSME participants are all ways to foster the growth of creative economy-based MSMEs in Semolowaru. This research recommends collaboration between the government, business actors, and the community in building an ecosystem that supports the growth of creative economy-based MSMEs.

Keywords: MSMEs, Creative Economy, Development Strategy, SWOT, Semolowaru Village

INTRODUCTION

MSMEs, or micro, small, and medium-sized businesses, are crucial to the Indonesian economy. MSMEs have the capacity to drive the economy in many areas, including locally, and absorb a sizable amount of labor in addition to contributing to GDP (Suryana, 2019). The creative economy has gained attention recently as a possible area to help MSMEs expand. The arts, crafts, culinary, and digital industries are all included in the creative economy, which is defined as economic activity that depends on people's creativity, abilities, and talents to produce added value (Hesmondhalgh, 2018).

MSMEs have a great opportunity to produce more inventive, distinctive, and highly valued goods and services thanks to the creative economy. The creative economy, which is founded on creativity, skills, and abilities, can be a strategic solution to raise MSMEs' competitiveness both domestically and internationally. The growth of the creative economy within MSMEs can support industries with large markets and strong demand, like digital, fashion, handicrafts, and food.



One of the Surabaya City neighborhoods with significant potential for the growth of MSMEs centered on the creative economy is Semolowaru Village. Handicrafts, food items, and internet-based services are a few of the companies growing in this sector. Many MSMEs in Kelurahan Semolowaru still struggle with a number of issues, including a lack of funding, management expertise, and access to larger markets (Sugiharto, 2020). An effective development plan that can empower MSMEs and boost their competitiveness in a market that is becoming more and more competitive is required to meet these issues.

The growth of MSMEs based in the creative economy has been the subject of numerous studies, but the most of them only address specific issues, including increasing product quality or marketing digitalization (Wibowo, 2021). The goal of this study is to create development strategies for Semolowaru Village that are pertinent and useful by integrating several factors in a holistic manner. This study uses SWOT analysis to determine the possibilities, threats, vulnerabilities, and strengths that local MSMEs confront. The findings of the study should help the government, MSME participants, and other relevant parties make the most of the creative economy's potential to boost the competitiveness and sustainability of MSMEs in Semolowaru Village.

By utilizing SWOT analysis, this study identifies key internal and external factors that influence the sustainability and competitiveness of MSMEs in Semolowaru Village. The strengths of these MSMEs include their strong local identity, creativity, and adaptability to market trends. Additionally, the presence of a community-driven entrepreneurial spirit further supports the development of creative economy-based MSMEs. These findings align with previous research by Florida (2019), which emphasizes that local identity and creativity serve as the backbone of creative economy development. On the other hand, weaknesses such as limited financial literacy, insufficient access to business networks, and inadequate marketing strategies hinder their growth potential, as also highlighted by Schumpeter's theory of economic development (1934), which stresses the importance of entrepreneurial capabilities in driving business growth.

External opportunities include the increasing demand for unique and locally made products, the rise of digital marketplaces, and government support through policies and funding programs aimed at strengthening MSMEs. The ongoing development of digitalization and e-commerce platforms provides MSMEs with an opportunity to reach broader markets beyond their local area. These opportunities align with the concept of the digital economy proposed by Tapscott (2016), where connectivity and digital platforms play a vital role in business expansion. However, these opportunities come with significant challenges, including intense competition from larger businesses, rapid changes in consumer preferences, and barriers to technological adoption. Scholars such as Brynjolfsson and McAfee (2014) argue that while digital transformation offers many advantages, smaller businesses often struggle to keep up due to resource limitations and lack of technical expertise.

To address these challenges and maximize the opportunities available, a comprehensive strategy is needed. One potential approach is capacity-building programs that focus on financial management, digital marketing, and product innovation. Training sessions and mentorship programs with successful entrepreneurs and industry experts can provide MSME owners with valuable insights and practical knowledge to enhance their business operations. This aligns with the human capital theory proposed by Becker (1993), which states that investment in education and skills development enhances productivity and economic growth. Additionally, fostering collaborations between MSMEs, local government agencies, academic institutions, and private sector partners can create a more supportive ecosystem for business growth, a strategy supported by

Porter's cluster theory (1990), which highlights the role of strategic business networks in enhancing competitiveness.

Furthermore, infrastructure development, such as the establishment of shared creative spaces and business incubators, can facilitate innovation and collaboration among MSMEs. These spaces can serve as hubs for networking, skill-sharing, and showcasing local products to attract a wider customer base. Encouraging the use of digital technology, such as e-commerce platforms and social media marketing, can also help MSMEs expand their reach and remain competitive in the evolving market. This is consistent with Castells' (2010) network society theory, which underscores the transformative power of digital networks in shaping economic activities.

Policy interventions play a crucial role in supporting the development of MSMEs in Semolowaru Village. Government initiatives that provide financial incentives, simplified regulatory procedures, and access to low-interest loans can significantly enhance the sustainability of these businesses. Moreover, implementing policies that promote fair competition and protect local businesses from predatory pricing strategies by larger corporations is essential in maintaining a balanced business environment. This is in line with institutional economic theories, such as those of North (1990), which emphasize the importance of regulations and policies in shaping market structures and ensuring business sustainability.

In conclusion, leveraging the creative economy as a growth driver for MSMEs in Semolowaru Village requires a multi-faceted approach that integrates capacity building, digital transformation, infrastructure development, and supportive policies. By addressing existing challenges and capitalizing on emerging opportunities, MSMEs in this area can enhance their competitiveness, contribute to local economic growth, and establish a strong presence in both domestic and international markets. These findings contribute to the broader academic discourse on MSME development and the creative economy, reinforcing the necessity of an integrated approach combining economic, digital, and institutional strategies for sustainable growth.

METHODS

This study examines the development strategy of MSMEs in Semolowaru Village, focusing on the creative economy using a descriptive qualitative approach (Creswell, 2016). This method provides an in-depth understanding of local MSMEs and helps formulate strategies to address existing opportunities and challenges. Semolowaru Village, Surabaya, was chosen as the research site due to its strong creative economic potential and diverse MSME sector.

Data collection was conducted through direct observation, in-depth interviews, and document analysis. Interviews involved village officials, MSME actors, and relevant stakeholders to gain insights into MSME development (Yin, 2018). Field observations were carried out to understand production and distribution processes, while secondary data were obtained from MSME records, village reports, and related regulations.

The SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) was used to develop an effective MSME growth strategy. This approach identifies internal and external factors that influence sustainability (David, 2017). Data validation was ensured through triangulation by comparing observations, interviews, and documentation.

Based on the SWOT analysis, this study proposes strategies centered on product innovation, strengthening marketing networks, utilizing digital technology, and enhancing human resource capacity in the creative economy.

RESULTS AND DISCUSSION

According to the study's findings, Semolowaru Village's creative economy-based MSMEs have a lot of promise but also confront some obstacles. This study's SWOT analysis revealed a number of important details on the possibilities, threats, weaknesses, and strengths of regional MSMEs. These findings serve as the foundation for developing development plans.

1. Strengths

MSMEs in Semolowaru display a diversity of products that are not only innovative, but also have high market potential. Some of the featured products include mushroom cultivation, mushroom abacus, mushroom satay, shredded catfish, and mushroom bread. According to research conducted by Sarjono et al (2025), mushroom-based products have promising market prospects due to increasing public awareness of healthy diets and vegetable protein consumption. This is in line with the global trend towards plant-based food, which according to research from Azis et al (2024), has a lower environmental impact compared to animal-based food production. Thus, diversification of mushroom-based products is not only economically beneficial, but also relevant in the context of sustainability. In addition, shredded catfish products show adaptation to local wisdom by utilizing catfish resources that are easy to cultivate and have high nutritional value (Nurhidayati et al., 2023).

Community support for MSMEs in Semolowaru is a major factor driving local economic growth. The active participation of the community in community-based economic activities is in accordance with the concept of social capital proposed by Putnam (1993) in Subangkit et al (2020), where the success of an economic community is highly dependent on the level of trust, social networks, and norms that lead to cooperation. Studies by the Indonesian Ministry of Cooperatives and SMEs (2022) also show that MSMEs with strong community support tend to be more resilient in the face of economic pressures, including during the pandemic crisis. Collaboration between businesses in Semolowaru reflects the practice of cooptition (cooperative competition), a strategy where MSMEs continue to compete, but also work together to achieve production and marketing efficiency.

In addition to product diversity and community support, the utilization of local resources is the main strategy that increases the efficiency and uniqueness of MSME products in Semolowaru. According to Mardikaningsih (2023), the use of local resources can be a competitive advantage that strengthens the market position of MSMEs, especially in creating products with a distinctive identity. A study by Suryahanjaya et al (2024) also revealed that the use of local raw materials not only reduces production costs but also increases product appeal to consumers who are increasingly conscious of sustainability.

Overall, the success of MSMEs in Semolowaru can be explained through a multidisciplinary approach, which includes sustainability economic theory, social capital and community-based business strategies. The diversity of products demonstrates a response to changing market preferences and trends towards healthier and more environmentally friendly consumption. Community support is the foundation for the

growth of MSMEs by strengthening social networks and cooperation between business actors. Meanwhile, the utilization of local resources ensures production efficiency while strengthening product competitiveness in the market. With this combination of strategies, MSMEs in Semolowaru not only contribute to local economic growth, but also align with globally recognized sustainable development principles.

2. Weaknesses

One of the main challenges faced by Micro, Small and Medium Enterprises (MSMEs) is limited capital and access to finance. Many MSMEs struggle to obtain loans from financial institutions due to lack of collateral, poorly documented financial track records, and low financial literacy, which makes it difficult for them to meet administrative requirements. A study by Supriyadi et al (2024) states that MSMEs in many developing countries face greater barriers to accessing finance than large enterprises due to high credit risk and higher transaction costs. Alternative financing such as venture capital and crowdfunding are still underutilized, while loans from non-bank institutions often burden them with high interest rates. As a result, many MSMEs find it difficult to expand their business, increase production capacity or invest in technology. Overcoming these challenges requires financial education, increasing access to low-interest credit, and strengthening the role of cooperatives and fintech lending as more inclusive financing solutions.

In addition to financial constraints, a low understanding of technology is also an obstacle for MSMEs in improving competitiveness and expanding market reach. Many MSME players still rely on conventional methods of doing business, such as word-of-mouth marketing and manual record keeping, without realizing the potential of digital technology in increasing efficiency and profits. According to research conducted by Indriyani et al (2024), the adoption of digital technology can improve the competitiveness of small and medium businesses through supply chain optimization, digital marketing, and operational efficiency. However, limited internet access and digital infrastructure, especially in remote areas, further exacerbate this situation. In addition, the lack of skills in managing e-commerce, digital marketing, and data analytics makes it difficult for many MSMEs to adapt to changes in an increasingly digitized market. Doubts about the security of online transactions are also another factor that makes MSMEs reluctant to switch to digital platforms. Therefore, efforts are needed to improve digital literacy through massive training, expansion of technological infrastructure, and incentives for MSMEs that begin to switch to digitalization.

On the other hand, limited human resource capacity is an equally significant obstacle in the growth of MSMEs. Lack of managerial and business skills, lack of access to training and human resource development, and diverse education levels make it difficult for many MSMEs to create innovative and competitive products. Research conducted by Supriandi (2022) shows that entrepreneurship training and managerial skills development have a positive impact on MSME business performance, especially in improving operational efficiency and product competitiveness. However, high labor turnover due to low wages and lack of career development opportunities leads to instability in business operations. As a result, many MSMEs are stagnant and find it difficult to compete with larger companies. To address these challenges, training and certification programs for MSME workers, cooperation with educational institutions to provide skilled workers, and incentives for MSMEs that invest in HR development are needed.

These three challenges are interrelated and contribute to the low competitiveness of MSMEs. Limited access to capital hinders innovation and expansion, lack of technology utilization hampers efficiency and marketing, while limited human resources impact product quality and competitiveness. According to Lubis & Sinaga (2024), innovation and productivity improvement are key factors in economic growth, where MSMEs have great potential as agents of change in creating innovation if supported with adequate capital, technology and human resources. Therefore, synergy between the government, private sector, and educational institutions is needed to create an ecosystem that supports the sustainable growth of MSMEs. With the right approach, MSMEs can grow more rapidly and contribute more to the national economy.

3. Opportunities

Government policy support for MSMEs and the creative economy has proven to play a crucial role in improving the competitiveness of small businesses. According to research conducted by Marlinah (2021), fiscal policies such as credit interest subsidies and tax incentives have had a positive impact on the growth of MSMEs in Indonesia. The study shows that easier access to financing allows MSMEs to increase their production capacity and product innovation. In addition, research by Dewi (2024) revealed that regulatory simplification through the Online Single Submission (OSS) system has accelerated business legality, thus encouraging more businesses to operate formally and benefit from various government programs.

The expanding market opportunities for MSMEs are also supported by changing consumer preferences and the growth of the digital economy. According to a report by Bank Indonesia (2023), the contribution of the creative economy sector to Indonesia's Gross Domestic Product (GDP) continues to increase, especially in the culinary, fashion, and craft subsectors. In addition, digitalization has become a major factor in expanding MSME market access. A study by Alamin et al (2022) stated that 60% of MSMEs active in e-commerce experienced a significant increase in revenue, indicating that digital transformation has a real impact in increasing business scale.

The development of digital technology not only expands market access, but also improves the operational efficiency of MSMEs. According to research conducted by Sifwah et al (2024), the use of social media and data-driven digital marketing strategies has been shown to increase customer interaction and sales conversion. In addition, a study conducted by Oktaviani et al (2024) showed that the adoption of artificial intelligence (AI) in small and medium-sized businesses can increase operational efficiency by up to 30% by automating customer service and market trend analysis.

4. Threats

The threats faced by MSME actors are quite complex and can significantly affect business sustainability. One of the main challenges is the increasingly fierce competition, especially among fellow MSME players in the same sector and region. This condition makes consumers have many choices, thus requiring businesses to continue to improve quality and build uniqueness to remain competitive. According to Tambunan (2019), the intensity of competition in the MSME sector is often high due to the low level of innovation and minimal product differentiation, so many businesses compete only on price. In addition, the instability of economic conditions is also a serious threat. When there is inflation, rising raw material prices, or changes in economic policy, people's purchasing power can be affected, which will directly affect the level of sales of MSME products. This is in line with the opinion of Ningsih and Hidayat (2020), which states that

fluctuations in the national economy have a strong correlation with changes in people's consumption behavior, including preferences for local products. Equally important, changes in consumer tastes that take place quickly also add pressure to business actors. To remain relevant, MSMEs must be able to read market trends and adapt quickly to these changing preferences. Research by Kotler and Keller (2016) shows that in a highly dynamic market, business success depends on the ability to adapt products to changing consumer tastes and expectations. Otherwise, they risk losing market share and being left behind in the increasingly dynamic competition.

5. Development Strategy

The results of the analysis led to the formulation of a number of strategic measures to support the growth of creative economy-based MSMEs in Semolowaru. First, product innovation is the main focus, where MSMEs are encouraged to incorporate innovative elements to improve product quality and diversification in order to attract the domestic market. This is in line with Schumpeter's (1934) opinion that innovation is at the core of entrepreneurship and economic growth, where businesses are required to continuously adapt to market dynamics. Second, optimizing digital marketing needs to be done by utilizing social media and e-commerce platforms as a means of reaching a wider audience while strengthening brand awareness. According to Sifwah et al (2024), digital marketing allows companies to create more personalized relationships with consumers and expand market reach at a more efficient cost.

Third, training and human resource development are key in improving the capabilities of MSME actors, with an emphasis on digital marketing skills, business management, and other technical capabilities. This is supported by Becker's (1993) Human Capital theory, which states that investment in education and training will increase individual productivity and performance in the workforce, including in the MSME sector. Finally, it is important for MSMEs to collaborate with external parties such as the government, financial institutions and the creative economy community to obtain funding support and expand more effective marketing networks. All of these steps are integrated and geared towards creating an innovative, resilient and highly competitive micro-enterprise ecosystem in the face of modern economic challenges. Some of the products owned by Semolowaru MSMEs include catfish, cricket and mushroom farming, shown in the following figure:



Image 2 Sate Jamur



Image 1 Abon Lele



Image 3 Roti Jamur



Image 5 Sempol Jamur



Image 6 Rumah Jamur

CONCLUSIONS

The development of MSMEs in Semolowaru Village's creative economy can be achieved through strategies focused on product quality improvement, digital marketing, collaboration, and continuous training. The SWOT analysis highlights key strengths, such as diverse innovative products and government support, while also identifying challenges like limited financial resources, low digital literacy, and increasing market competition. Opportunities lie in the digital economy and strong consumer interest in locally made creative products, allowing Semolowaru's MSMEs to become more competitive in broader markets with the right approach. Therefore, collaboration between the government, businesses, and the community is essential to fostering a supportive environment for MSME growth. This strategy prioritizes capacity building and technological adaptation, aiming to enhance MSME expansion, improve community welfare, and strengthen the local economy. To ensure long-term sustainability, this study

recommends greater efforts in training, financial access, and digital infrastructure support.

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