

Strategy for Improving Micro, Small and Medium Enterprises (MSMEs) Through Innovation in Medan, North Sumatra

Gracesiela Yosephine Simanjuntak¹, Mitha C. Ginting², Farida Sagala³, Lamria Sagala⁴, Duma Megaria Elisabeth⁵, Ivo Maelina Silitonga⁶, Kristanty M.N. Nadapdap⁷, Thomas Sumarsan Goh⁸, Faido M. P. Simanjuntak⁹, Yosephine N. Sembiring¹⁰

Fakultas Ekonomi, Universitas Methodist Indonesia

Corresponding Author: Gracesiela Y gracesielasimanjuntak@gmail.com

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ABSTRACT

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This research aims to determine MSME product innovation and highlight the obstacles they face. The obstacles faced by small and medium businesses are usually not focusing on development, product innovation still relying on old products and lack of capital, and product development strategies are still lacking. Product innovation within a company is very important for company sustainability. Service activities will be carried out using descriptive research methods using a qualitative approach. Data sources were obtained through field observations and interviews with informants. The participation and enthusiasm of MSME players in this activity was very good and they actively participated in implementing the training. Economic actors must be wise in looking for new innovations so that consumers are more satisfied when buying these products. The community's economy is supported by the presence of MSMEs, so that most of the community's income comes from MSMEs. However, because there are still many MSMEs that do not have access to financial institutions, loan capital is currently limited.

INTRODUCTION

Driven by Indonesia's economic potential, this large economic power has the opportunity to become one of the largest countries in the world. Indonesia's economic potential is: First, natural resources. Indonesia has enormous natural resource potential, especially in the fields of agriculture/marine, forestry and mining (Permana, 2017). In the agricultural sector, Indonesia is one of three rubber producing countries in the world, the third largest coffee producing country, and one of the largest producers of coconut, tobacco, cocoa and spices in the world. Considering that two-thirds of Indonesia's territory consists of oceans, Indonesia currently has very rich fish reserves.

Indonesia has abundant forests because it is the third largest forest in the world. In the mining sector, Indonesia is rich in mineral reserves such as tin, copper, gold, bauxite and nickel. Indonesia is also considered the largest exporter of liquefied natural gas. Second is human resources. Indonesia is one of the countries with the largest population in the world (Permana, 2017). In 2020 to 2030, Indonesia will enjoy a demographic bonus, with the number of working population (15 to 64 years) reaching 70%, while the number of unproductive people (under 14 years and over 65 years) is 30%. Third, macroeconomic stability. In general, Indonesia's macroeconomic situation has been relatively stable for many years, even though the global economic situation is currently in decline (Permana, 2017). Indonesia's economic growth continues to increase from year to year, surpassing global economic growth.

Micro, Small and Medium Enterprises (MSME) activities in Indonesia, especially in Medan, North Sumatra, are currently expected to become a pillar in increasing economic growth in Medan, North Sumatra. MSMEs have a very important role in improving the Indonesian economy, especially in Medan, North Sumatra. The existence of MSMEs can reduce the unemployment rate and MSMEs are now not only looked down upon by high-class entrepreneurs but are appreciated by small business actors today. Currently, MSMEs are not only pillars but also a necessity for people who need work. MSMEs can overcome several of the country's economic problems by producing goods/services for local communities, overcoming the problem of unemployment and creating jobs (Ariani & Utomo, 2017). In the development of MSMEs, the obstacles and obstacles faced by MSME actors include a lack of capital in both quantity and source, lack of managerial ability, operational skills, low productivity (Alfrian & Pitaloka, 2020). This creates a very wide gap between business actors, weak organization, and limited marketing (Hadi & Zakiah, 2021). Therefore, this activity is to be able to look more closely at the extent of the role of MSMEs in improving the welfare of this community with one of the efforts, namely the MSME development strategy.

Based on the description of the problems above, the aim of this activity is to determine the development of Micro, Small and Medium Enterprises (MSMEs) in Medan, North Sumatra, to understand the role and constraints of Micro, Small and Medium Enterprises (MSMEs), and to develop a strategy for Micro, Small and Medium Enterprises (MSMEs) in Medan, North Sumatra.



Figure 1: Explanation of How to Overcome Barriers and Obstacles Faced by MSMEs



Figure 2: Photo of Lecturers and MSME Actors

IMPLEMENTATION AND METHODS

The data analysis method used by the author is qualitative descriptive data analysis. The qualitative descriptive research method is a method used to discover knowledge or theories at a certain time (Simanjuntak et al., 2022) and (Simanjuntak, Situmorang, et al., 2023). The qualitative descriptive method was used to determine the description and condition of MSMEs in Medan, North Sumatra. This research emphasizes aspects of in-depth understanding of problems and uses analysis that prioritizes process and meaning. The data sources used are primary data sources obtained through direct observation or observations in the field as well as in-depth interviews with MSME actors (Simanjuntak, Erlina, et al., 2023).

Secondary data sources were obtained through information on MSME data in Medan, North Sumatra and activity reports originating from MSME actors. The data collection technique uses triangulation, namely collecting different data from the same source, namely MSME actors using direct

observation, interviews and documentation. The research strategy consists of two stages. The first stage is preparation. Activities carried out at this stage include coordinating the team with all stakeholders, site surveys, preparing the necessary tools and materials, determining the work program, and determining the person responsible for the activity. The second stage is implementation. Activities carried out in this phase include rebranding of MSME products by the team, digitalization of MSME products, and financial accounting training for MSMEs.

RESULTS AND DISCUSSION

Data collection that has been carried out using interview techniques and documentation produces information related to the research object, which in this case is MSME actors. MSMEs in Medan City are engaged in the food and organic fertilizer industry. There is an MSME "Organic Fertilizer" which is processed organic waste from the community which is handed over from each household, and after a lot has been collected, the waste is processed and rotted for 3 months. Apart from that, there is the MSME "Kerupuk" which provides various types of homemade crackers, such as jangek crackers, Blek Crackers, and Jengkol Crackers. Both MSMEs are already running and earning enough income to generate capital. However, because these businesses are founded on necessity, MSMEs tend not to have the desire to develop their products.

This trend is also based on the absence of MSME drivers in the surrounding Medan area. So, MSME players prefer to be on a safe path rather than moving without knowledge which risks experiencing losses. MSME "Kerupuk" has been around for a long time and already has quite a large number of customers. The sales location is also quite strategic, on the main road, Jalan Jamin Ginting. However, the packaging used for cracker products has never changed. Plain packaging without MSME identity means that the product does not have identical characteristics. This is different from the "Organic Fertilizer" MSMEs which have only been established for around 2 years. Organic Fertilizer already has its own brand packaging and is complete with product composition that has been laboratory tested. However, because they have not been around for long, these MSMEs also do not have many relationships or customers. Apart from that, because Organic Fertilizer is fertilizer processed from community organic waste, it also has the potential for a digitalization process. In terms of financial recording, the two MSMEs also do not use the method of separating personal finances and business finances. The inflow and outflow of income has not been recorded in a systematic and structured manner.

Based on the description of the information resulting from the data collection, the Community Service team plays a role as a driver for MSMEs to design strategies for developing MSMEs in Medan, North Sumatra. Some of the programs carried out to achieve this goal are as follows:

1. Packaging development and re-branding of MSME products

This program is carried out with the aim of providing an identity for MSME products so that they have characteristics and higher selling value. Buyers can also get to know the product and get information about the product. Apart from that, by re-branding the marketing of MSME products

which is still mouth-to-mouth, it will reach a wider market. After that, to add product identity, stickers are added to the product packaging. Re-branding of the MSME product "Krupuk" was carried out by making stickers on plastic packaging so that customers would remember it better.

2. Digitalization of MSME products "Organic Fertilizer"

This program focuses on "Organic Fertilizer" MSMEs which have the potential to undergo a digitalization process. The program is carried out by registering MSMEs with GoMart. By joining the MSMEs in the digital marketplace, the MSMEs' target market will be expanded. This digitalization process is carried out in stages, starting from providing understanding to MSME players about the importance of participating in this digitalization. Then prepare various registration requirements and requirements. Next, just register with GoMart via the GoBiz application. After the verification and validation process by Gojek is complete, it is necessary to provide MSME players with an understanding of the GoMart profit sharing system. So the calculation of menu prices at GoMart and at offline locations must be adjusted. To ease the burden on MSMEs in digitalization, data packages are also provided to MSME players to use as a means of managing GoMart.

3. MSME financial bookkeeping training

The bookkeeping training program was carried out at both MSMEs, both Crackers MSMEs and Organic Fertilizer MSMEs. This is because all MSMEs are considered obliged to carry out bookkeeping in an orderly manner so that their business can progress. The program is carried out by starting with providing an understanding of the importance of bookkeeping. Then, MSME players intensively receive training on how to do bookkeeping. To support the bookkeeping process, a special cash book for bookkeeping was also given to each MSME along with writing equipment.

CONCLUSIONS AND RECOMMENDATIONS

The conclusions from the community service activities that have been carried out are:

1. The development of MSMEs in Medan, North Sumatra has been going quite well but they are still unable to develop their products so they are not well known by many people.
2. The obstacles faced by Micro, Small and Medium Enterprises (MSMEs) in Medan, North Sumatra are that MSME actors do not yet have the knowledge and skills to develop their products and lack capital which results in limited marketing.
3. The role of developing Micro, Small and Medium Enterprises (MSMEs) has an impact that can improve people's welfare in developing their businesses, building a better economy, overcoming the problem of unemployment, and being able to create jobs.
4. From this activity, it can be seen that there are obstacles being faced, for this reason it is necessary to have a strategy for developing Micro, Small and

Medium Enterprises (MSMEs) through packaging development and re-branding programs for MSME products, digitalization of MSME products "Organic Fertilizer", as well as MSME financial bookkeeping training that can be provide benefits so that their products are better known to the wider community with their unique characteristics and are able to make it easier for MSME players to manage their capital and record wise financial management so that the business they run can develop more advanced.

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