

Digitalization of Coconut Sugar MSME as an Effort to Local Economic Development

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Abstract

The rapid development of technology requires business actors to adapt quickly to survive, including MSME actors. Through a descriptive qualitative approach, the research aims to explain, present, and analyze the role of digitalization in coconut sugar MSME to develop the local economy. This type of research data is in the form of primary data obtained from observation, interviews, and documentation, as well as secondary data obtained from previous literature on related topics. Sampling using purposive sampling, with informants from coconut sugar MSME owners, local communities, and local governments. The results of this study found that the strategy in the use of technology and the use of government empowerment programs had a significant influence on the development of MSME in coconut sugar in Dayu Village, especially in terms of digitalization strategies. However, the reality is that in the field, only one MSME coconut sugar in Dayu Village has digitalized technology, so the role of the government in empowerment still needs to be improved.

1. INTRODUCTION

The development of the world of technology is currently bringing people towards a new lifestyle that is all digital. With technology everything can be done easily. Digital technology can be reached by everyone without being limited by place, time or geography. The public can obtain and know all things and information from the internet, even in determining their consumption decisions. Delloite Access Economics research (2015) explains that consumers make decisions in purchasing goods based on digital content and most of it is done online. The rapid development of digital technology and the internet has had an impact on various fields, including business and MSMEs. Awareness of using digital technology is needed by the MSME sector to face business competition. Proficiency in mastering the internet and this technology is something that MSMEs must master in order to survive in the competition in today's era (Purwana, Rahmi, & Aditya, 2017). For MSMEs, changes in business patterns that lead to digitalization need to require a lot of preparation. In contrast to large companies, with this change, large companies do not

encounter too significant problems because well-known companies certainly have human resources that are quite competent in dealing with this change in business patterns. So that changes in business patterns can be opportunities or challenges to become business opportunities that are quite prospective for MSME actors.

MSMEs or it can be said that Micro, Small and Medium Enterprises are a sector that has a major role in driving the wheels of the economy for Indonesia and creating jobs. Before the pandemic, the Ministry of Cooperatives and MSMEs in 2019 recorded that Indonesia's GDP score reached up to 15.8 trillion rupiahs with the contribution of MSMEs of 9.5 trillion rupiahs or equivalent to 60% of Indonesia's total GDP. This means that the contribution of MSMEs to GDP increased by 1% from the previous year, which was IDR 9 trillion. The contribution of MSMEs to Indonesia's GDP has always increased significantly every year. But the Covid 19 pandemic changed things very quickly. The MSME sector has experienced the biggest impact due to the pandemic. The number of poverty has increased sharply where some of

the total poverty is people who depend on MSMEs. Data from the World Bank states that 6 to 8 million Indonesians will be included in poverty in 2020 due to the Covid-19 pandemic. In addition, it also caused 2 to 3 million Indonesians to lose their jobs in the informal sector or MSMEs. It is hoped that the existence of MSMEs can spur the wheels of the economy amid the slow economy that occurred during the pandemic at that time. The use of digital technology provides hope for MSMEs to rise and strengthen the economy.

The importance of the role of MSMEs in the Indonesian economy as well as employment has prompted the government to aggressively implement improvements in the MSME sector as the main focus for accelerating the process of recovering the Indonesian economy due to the pandemic. There are several actions taken by the government to improve the MSME sector. Such as subsidizing and facilitating the payment of interest on bank loans amounting to 34.15 trillion rupiah. Second, the provision of working capital loan facilities for MSMEs. In this case the government has allocated funds of 6 trillion rupiah to support MSME loans so that MSMEs can progress again soon after the Covid 19 pandemic. Third, the provision of tax relief for MSMEs including final income tax, import income tax and VAT.

Data from the Central Bureau of Statistics (BPS) for Blitar Regency shows the GRDP value for Blitar Regency is 31.4 million rupiah in 2019. However, the biggest contribution is still not from MSMEs but from LNPR consumption expenditure, while the number of MSMEs in Blitar Regency is quite a lot. This is because the level of application of digital technology in the development of MSMEs is still relatively low (Siti Alifah, 2020). Even though the use of digital technology is the key in dealing with today's increasingly developing era. Based on data from the Office of Cooperatives and Micro, Small and Medium Enterprises (MSMEs), Blitar Regency has 255,622 MSMEs and only 40 thousand business actors are utilizing digital technology. So this shows that Blitar Regency

SMEs have the potential to further develop and contribute more to Blitar Regency's GRDP.

The government's scheme in improving the national economy, especially in the regions, is using regional autonomy. In Law Number 22 of 1999 concerning Regional Government and in Law Number 25 of 1999 regarding Financial Considerations. Where the central government gives full rights to regional governments to carry out regional autonomy. Through this regional autonomy, it is hoped that each region can manage its local resources and develop every local potential it has in order to improve people's welfare and be able to survive in regional and global competition. This local potential development orientation is what makes researchers interested in discussing this matter to be used as a concept in developing the local economy. In developing the local economy this is a step towards creating better economic development by the local government, the private sector and the community working together. In developing the local economy, direction is needed for local economic sectors that have the potential to provide employment in order to maximize the level of welfare of the people in that region. Based on this idea, the researcher determines MSME or Micro, Small and Medium Enterprises to be a sector with great potential for Local Economic Development (LED).

It is necessary to understand the limitations that SMEs have for sectors that have superior competitiveness. These limitations, for example, when developing capital capacity or in measuring business units, technology in production and in marketing products. The problems that are usually discussed are about the limited physical capital, infrastructure and finances as well as about limitations in marketing. Issues related to knowledge digitization of production and marketing technology have not been discussed in a significant way. Research by Hamid and Susilo (2011) explains that the government's efforts in developing MSMEs are mostly carried out with the help of training, capital, and study policies. As a result, efforts to develop SMEs



often fail due to the lack of an external development strategy. Problems when expanding new markets as well as threats from competitors or others are problems experienced by local product entrepreneurs.

Changes in the 4.0 revolution have been intensively discussed in recent years, which have had an impact on changing the way things work in various fields, including the business sector. Business people are starting to use technology to support their business activities. Like it or not, business people have to adapt to changing business patterns towards digitalization. It is impossible to avoid the existence of this ever growing digital era. According to Yuswohadi, if the MSME implementers want to survive, they must be able to maximize technological progress (Maulana, 2017). Researchers are interested in examining the extent to which the use of digital technology has been carried out by coconut sugar MSME actors in Dayu Village, Nglegok District, Blitar Regency. In making products, coconut sugar MSMEs optimize the utilization of the potential of the surrounding natural resources. Dayu Village has abundant natural resources, for example, coconut sap which is the raw material for making coconut sugar. This orientation of optimizing local potential is the background for the author to take the title Digitizing the Coconut Sugar Industry as an Effort for Local Economic Development.

2. LITERATURE REVIEW

2.1 Digitization

Digitalization is a term to describe a process of change or transfer of media. The changes in question can be in the form of changes in terms of production, for example changes from manual production to utilizing existing technology. Apart from that, it can also be in the form of changes in terms of marketing by utilizing existing digital media. Digitization of technology is considered to be able to provide many benefits, including increasing production effectiveness and ease of access to one party's relationship with another party with the existence of the internet. The ability to

master business patterns that lead to digitalization can make it easier for business people to face competition in the era of the industrial revolution 4.0 as it is today. Signs of the 4.0 industrial revolution include workflows, combining human resources and machines, as well as an intelligent net system in the production process.

In the era of the industrial revolution 4.0, it requires workers to be able to increase their skills and abilities in the field of digitalization and make optimal use of digital technology in the industry in order to increase competitiveness and productivity. It cannot be denied that technological advances really need to be mastered. This is because with the convenience of today's technology, it can change something that was previously considered difficult, then with the digitalization of technology, it becomes easy to work on and complete. Therefore, technological advances need to be utilized as best as possible to support productivity and competitiveness between existing MSMEs or businesses.

2.2 Micro, Small, and Medium Enterprises (MSMEs)

UMKM is a productive business that is owned by individuals and stands alone. The definition of MSMEs is in RI Law Number 21 Article 1 of 2008 regarding MSMEs, that micro-enterprises are businesses owned by individuals or individual business entities whose criteria are regulated in the law. Small business is a business that stands alone from an individual or business entity that does not belong to a branch or subsidiary of a company that is owned, controlled, or that is not part of a large or medium-sized business and fulfills the requirements as stipulated in the law. Micro-enterprises are self-owned businesses from individuals or as business entities that do not include subsidiaries or branches of companies that are owned or entered from micro, small or large businesses whose criteria are regulated in the law. RI Law Number 20 of 2018 concerning MSMEs states that the criteria used to describe MSMEs are total assets not



including land and buildings for business premises.

2.3 Local Economic Development (LED)

Local Economic Development is a collaborative step between the local government and local community groups in providing encouragement, stimulation, maintenance of an effort to generate jobs and encourage the economy of certain areas by optimizing the use of local resources. Local economic development emphasizes local control and optimizing regional potential. In developing the local economy, the level of success can be assessed based on existing indicators, such as:

1. Expanding the scope of employment and business opportunities for small communities in certain areas.
2. Increased local community income.
3. Empowerment of partnerships between government, private sector and local communities.

HR has an important role in a development, especially in mastering technology. The current era of revolution is increasingly proving that the ability to master well-developed technology will have an impact on the results of the development itself. Its relation to the production process, ability and skills in mastering good technological developments can encourage technological innovation. These technological innovations will ultimately encourage new product innovations and innovations in more efficient production methods.

3. RESEARCH METHODS

This research aims to provide an explanation, explanation and analysis of the role of digitization in Javanese sugar SMEs in order to develop the local economy. So this research is included in qualitative research using a descriptive approach. Based on I Made Winarta's statement (2006) states that the descriptive qualitative method is a way of making an analysis, description, or summary of all situations and conditions based on the data

obtained resulting from observations or interviews about the problems found. In qualitative research, determining the formulation of the problem is the main point in research that has a temporary nature and continues to develop along with research. This research concentrated itself intensively on a particular object that was used as a case study, namely the coconut sugar UMKM in Dayu Village. So the conclusion that can be drawn is that this research has the aim of obtaining information or a complete explanation about the application of digitization to coconut sugar SMEs in Dayu Village as a manifestation of Local Economic Development (PEL).

In this study, researchers need a number of data and a series of data sources so that analysis can be carried out, namely using primary and secondary data. Primary data in this study were obtained, collected and processed by researchers based on observations, interviews, and also documentation on informants or parties related to the problem. Secondary data in this study were obtained from scientific publications and literature related to the problem being studied and also from related institutions. The sample used in this study was purposive sampling which was deliberately chosen to select informants who could provide complete information to researchers. The informants here include the supervisors of UKM sugar heads, the community around the UMKM and the local government. The results of the data analysis in this study were obtained during the course of the study. This is so that the data that has been obtained can be easily analyzed when the research ends. At this stage, all sources from primary and secondary data will be compiled, connected and interpreted, and after that conclusions will be made based on all interpretations of data from all sources.

4. RESULTS AND DISCUSSION

4.1 Development Strategy For Improving the Competitiveness of Actors UMKM Coconut Sugar in Dayu Village



A development strategy is a method or approach that is planned and sustainable with the aim of having a process of planned change in a business. These changes are expected to result in the development and expansion of the company in the future. In increasing competitiveness, coconut sugar MSME actors in Dayu Village take advantage of empowerment by the government and the use of technology. Empowerment by the government in question includes empowering physical facilities and empowering capital. Empowerment of physical facilities related to increasing the competitiveness of MSMEs provided by the government is the repair and paving of roads. With the repair and asphaltting of roads, community mobilization will run smoother, including the mobilization of coconut sugar MSMEs, which can send production results smoothly and make it easier for large trucks loaded with coconut sugar to go in and out of the local area. Meanwhile, capital empowerment provided by the government and used by MSMEs in developing their businesses is the National Community Empowerment Program (PNPM) which includes the Women's Savings and Loans program (SPP) and the People's Business Credit Program (KUR). PNPM aims to increase the level of welfare of rural communities, strengthen local community institutions and stimulate maximum government performance to solve poverty problems in Indonesia. The existence of this program has influenced the Dayu Village Coconut Sugar MSMEs in an effort to develop businesses and expand employment opportunities in the local area. The existence of the SPP is utilized by several coconut sugar MSME actors to develop their business. One example of the use of SPP capital is used by one of the coconut sugar MSME actors to repair coconut trees that have been damaged and are not used for extracting coconut sap with the aim that more results can be obtained. Apart from PNPM, capital empowerment provided by the government is the People's Business Credit Program. This program was formed to empower MSME capital and investment and

cooperatives in productive business fields that are feasible but still insufficient to meet the requirements to access financial products provided by banks. This KUR program has a positive impact on Coconut Sugar UMKM in Dayu Village in developing his efforts. So that the existence of the KUR program is able to increase entrepreneurship in all productive business sectors and can encourage economic growth and increase the competitiveness of MSMEs.

One of the MSME actors in Dayu Village Coconut Sugar in increasing their business does not depend on capital empowerment alone but utilizes technology as a means of production and promotional media. With the discovery of production technology it really helps business actors in carrying out the production process, by utilizing more modern renewable tools, work will be completed more quickly and obtain more results. However, in reality, there are very few Coconut Sugar MSMEs in Dayu Village that utilize production technology and many still use manual methods. One aspect that influences the success of a product is technology. By utilizing advanced technology, a company can improve or innovate its products. Product differentiation advantages have a major impact on very large business actors, especially in the technology industry (Setiawan, 2012). One of the MSME actors in Dayu Village Coconut Sugar utilizes digitalization of communication technology to increase consumer interest in buying their products, namely through social media Facebook, Instagram, and registering their business on Google maps to make it easier to find the existence of these UMKM. Promotion through this communication technology had a very rapid impact, one of which was when coconut sugar SMEs were covered by local television for the first time and after that more and more consumers arrived. In addition to the use of television media, the use of social media is very influential in increasing market demand from consumers outside the island. One of the coconut sugar MSME actors in Dayu Village said



"...to expand the market, I use social media Facebook, Instagram, and my business is already on Google maps. The same several times covered by local tv. So after that, Miss, my customers are getting more and more, even from outside Java. Thank God it's always crowded until now..."

Uitz (2012) explains that social media is a means of communication that can be used as a very effective marketing medium in increasing consumer interest so as to increase sales. So it can be concluded, by utilizing technology properly, it can increase business income and open job vacancies for the surrounding area. This is supported by Priambada (2015) that the benefits felt by SMEs in using social media are facilitating effective communication between consumers, SMEs and suppliers, with social media being able to improve marketing and expand market share. In accordance with previous studies which explained that the presence of information can increase opportunities for MSME actors to increase their production and strengthen competitiveness (Ghobakhloo et al., 2011).

Basically, the development strategy in increasing competitiveness does not only involve the use of technology, but business actors must be able to create product innovations for business growth. The introduction of new products to a market can provide consumers with a wider variety of choices, which can help businesses move forward more quickly. In addition, product innovation also raises prospects for market expansion and product development, through the introduction of new, original products. In Dayu Village Coconut Sugar MSMEs, the actors are still minimal in product innovation. Most of them only produce pure original sugar. Even so, some MSME actors have indeed carried out product development with vegetable sugar innovations. The lack of business treatment in product innovation can have a negative impact that causes consumer saturation resulting in a decrease in service quality. However, the coconut sugar business actors in Dayu Village

did not innovate because pure original sugar products had their own advantages because they were not mixed with other ingredients. According to coconut sugar business actors, pure sugar is of good quality, in contrast to vegetable sugar, whose quality is classified as pure pure sugar. Considering that product quality is a basic positioning step for marketers, product quality needs to get the main attention in a company. Quality has a direct impact on product and service performance, so quality is closely related to customer satisfaction (Cahyani & Sitohang, 2016).

4.2 The Influence of Digitalization of Technology on the Development of MSMEs in Coconut Sugar in Dayu Village

The process of converting media from traditional forms to digital forms is known as digitization. Based on Siregar's statement (2019), digitization is a change in nature that was originally in a physical or analog form to become virtual or digital. For MSMEs, digitization is an effort to digitize the marketing of business products for MSME actors. Today's increasingly sophisticated technology makes it easier for businesses to market or sell products online. To measure the impact of digitalization of technology on the development of Coconut Sugar MSMEs in Dayu Village, indicators of increasing production, efficiency and markets are used. The increase in production at the UKM Coconut Sugar in Dayu Village is measured by 3 sub-indicators, namely production volume, income and costs. Production volume can increase due to the application of digitalization of technology so as to increase consumer demand and more products (Adha et al., 2020). However, in reality, almost all coconut sugar SMEs in Dayu Village did not digitize technology and only one MSME has digitized technology in its business processes. For business actors who are not literate about digital technology, it will have a negative impact on the development of their business. Basically, the existence of digitalization of technology is able to provide



effective solutions in business productivity which will be well maintained and consistent (Pinem et al., 2022).

The benefits of digitizing technology apart from making it easier for businesses to market their businesses, are also able to increase the effectiveness and efficiency of business processes and business operations. Digitalization of technology can make MSME actors change a business process from conventional (manual) to modern (production technology) practices. One of the UMKM actors in coconut sugar in Dayu village has utilized technology in part of its production process, namely in the process of condensing sugar to make it ready for printing. With the influence of the application of digitalization of technology in coconut sugar SMEs in Dayu Village, such as production technology, it has a very good impact on increasing the income of business actors. In addition, the use of production technology is able to save costs for the MSME actors in Dayu Village Coconut Sugar. The results of the interview are supported by Indrajit's research (2000) which states that technology has a role that has proven to be effective in achieving the right targets because digital technology in business can save production costs. With minimal production costs incurred, but through production technology that can produce more production, the income earned by business actors will increase. In addition, digitalization of technology can increase MSEs' income which can contribute well to PRDB. The income factor for each capita is part of the Human Development Index which can have a good effect on economic growth rates (Feriyanto, 2019).

4.3 The Effect of Digitalizing Coconut Sugar MSMEs in Dayu Village as Local Economic Development (PEL) Efforts

Local Economic Development is a collaboration between the central and regional governments and the community concerned to increase, stimulate, maintain, all business activities in order to generate employment. On

the other hand, the use of LED is a step in compiling various development institutions in an area, increasing human resources in order to obtain better products, and fostering industries or businesses in the region. So in developing an area it is a way for local governments and communities to improve the economy in proportion to existing human resources, and to make the most of natural resources (Munir, 2017). The indicators used in measuring local economic development efforts that are influenced by the Digitalization of Sugar SMEs for Dayu Village Heads are job opportunities. MSMEs that are able to implement digitization properly will have a positive impact on national socio-economic conditions because these MSMEs are able to absorb labor, which in turn has an effect on reducing the unemployment rate in Indonesia (Feriyanto, 2018). So that with digital development, MSMEs are able to maximize GRDP throughout Indonesia which can help the government to deal with economic problems, namely the unemployment rate. This statement is in accordance with the results of interviews with the coconut sugar SMEs in Dayu Village, that by making good use of digitalization of SMEs, the actors are able to open up many jobs. Initially, they only had 1 or 2 employees, as time went on, MSME actors had more than 10 employees. Even though these MSMEs have digitized technology related to production, this does not affect the reduction of employees, instead it requires more employees. Because with digitalization, these MSMEs are growing and consumer demand is increasing. This, provides support for economic development that is inclusive and continuously utilizes employment absorption. MSMEs that can recruit a large number of workers means that these MSMEs can also help reduce poverty rates. Reducing or increasing employment opportunities really helps the government to reduce poverty as a burden in national development (Feriyanto, 2019).



5. CLOSING

5.1 Conclusion

Based on this research, it was concluded that the strategy that greatly influenced the development of UMKM Coconut Sugar in Dayu Village was the use of technology and the use of empowerment programs related to capital by the government. Digitalization of technology has a positive effect on the development of Coconut Sugar MSMEs in Dayu Village for those who use it. Technology has a role that is proven to be effective in achieving the right target because with digital technology in business it is able to save on production costs and increase revenue. By utilizing digitalization of technology, these MSMEs can develop and have increased consumer demand so that additional workers are needed. So that in the end it will have an impact on reducing the unemployment rate in the local area. However, in reality only one Coconut Sugar MSME in Dayu Village has digitized technology and the rest do not use digital technology in the coconut sugar business process. For business actors who are not literate about digital technology, it will have a negative impact on their business development due to lack of promotion and smaller market share. Therefore, appropriate strategies and plans are needed to maximize local economic development. One of them is the need for synergy between the government, private sector and academia to provide insight and assistance related to good management and business management, especially in the use of technology.

5.2 Suggestion

- a. The government can carry out empowerment or guidance related to digitization for MSMEs that have not digitized technology, especially communication technology and for MSME actors who can keep up with technological developments, at least be able to operate social media, then immediately switch to digital through social media in marketing or promotion to optimize facilities current development.
- b. The government can provide a forum or place in the form of an association that focuses on marketing coconut sugar products through digitalization, which is aimed at MSMEs who are aged and cannot keep up with technological developments.

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