



Strategy to Increase the Competitiveness of MSME Businesses in the Era of Digitalization for Rural Communities in the Medan Region of North Sumatra

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Abstract: The era of digitalization presents opportunities and challenges for Micro, Small and Medium Enterprises (MSMEs) in rural areas. To increase competitiveness in this era, an appropriate and comprehensive strategy is needed. This abstract discusses strategies that can be implemented to increase the competitiveness of MSMEs in rural areas, with a focus on aspects of using digital technology to reach wider markets, increase operational efficiency, and build brand image. This can be done through the use of social media, e-commerce and other digital platforms to market products and services. Use of online accounting and bookkeeping applications to manage finances more effectively. The research method used is a qualitative method by collecting interviews, observing challenges and opportunities in the era of digitalization in the North Sumatra region. By using digital technology, increasing human resource capacity, strengthening networks and collaboration, and getting conducive infrastructure and policy support, MSMEs in rural areas can develop and contribute to the national economy.

Keywords: MSMEs, Rural Areas, Digitalization, Strategy, Digital Technology

Introduction

When the economic crisis hit and the challenges in industrial development became greater, the impact of the increasingly strong era of globalization made the situation more difficult to deal with. In conditions like this, government policy no longer relies on excessive exports and imports as the main solution. Instead, the focus shifts to the MSME (Micro, Small and Medium Enterprises) sector which has labor-intensive characteristics (Astari, 2021).

The role of the MSME sector becomes very strategic when faced with major problems that have been difficult for the government to overcome, namely unemployment and poverty. This sector is able to absorb a lot of labor because it is labor intensive, so it can help reduce unemployment and poverty levels in society (Udovita, 2020).

MSMEs are not only developing in urban areas, but also in rural areas. Currently, the government is actively developing the MSME sector in rural areas to expand the economic base and create jobs in these areas (Susanti A, 2021). This step is important to ensure that

economic development is not only concentrated in big cities, but also spreads evenly to rural areas (Pardiman et al., 2022).

Micro, Small and Medium Enterprises (MSMEs) have a very strategic role in the Indonesian economy, including in the North Sumatra region (Erhan et al., 2022).

North Sumatra, one of the large provinces in Indonesia, has enormous economic potential, especially from the Micro, Small and Medium Enterprises (MSME) sector. MSMEs in rural areas of North Sumatra play an important role in driving local economic growth and creating jobs. In the current era of digitalization, there is a great opportunity for rural MSMEs to increase their competitiveness through the use of digital technology (Luo, 2022).

North Sumatra has a variety of unique and high-value local products, such as Mandailing coffee, Batak ulos, and various handicraft products. These products have great potential to be marketed more widely via digital platforms. Rural areas in North Sumatra are rich in natural resources that can be processed into value-added products (Damanik, 2022). For example, coffee farming, oil palm plantations and fisheries produce superior products. The diversity of culture and tourist destinations in North Sumatra can be utilized by MSMEs to develop tourism and cultural products, such as cultural and culinary tour packages, which are promoted digitally (Tagscherer & Carbon, 2023).

MSMEs not only contribute to job creation, but also play an important role in improving the welfare of local communities. However, in the era of increasingly rapid globalization and digitalization, MSMEs face big challenges to remain competitive in an increasingly dynamic and complex market (Knudsen et al., 2021).

The digital era offers various opportunities for MSMEs to increase competitiveness, such as access to wider markets through e-commerce, operational efficiency through information technology, as well as the ability to innovate and improve the quality of products and services. However, many MSMEs in rural communities still face various obstacles in adopting digital technology, including limited skilled human resources, lack of access to technological infrastructure, and minimal support from various related parties (Riduwan, 2022).

MSMEs in rural areas often face several main challenges. First, limited market access is a significant obstacle. Many rural MSMEs only rely on limited local markets, so their business growth becomes stagnant. Second, limited access to technology is also an obstacle.

Many rural MSMEs do not have adequate access or knowledge about digital technology, and face a lack of technological infrastructure such as fast and stable internet. Third, human resources with skills and knowledge in the field of digital technology are still minimal. Lack of relevant training and education means that the workforce in rural MSMEs

is less prepared to adopt new technologies. Finally, capital and financing are challenges in digitalization efforts, considering that many rural MSMEs face difficulties in obtaining capital for technology investment (Perifanis & Kitsios, 2023).

With the right support from the government, including providing access to financing, entrepreneurship training, infrastructure development, and marketing facilities, MSMEs can develop and contribute significantly to the national economy. This support is also important to ensure that MSMEs can survive and adapt to market changes, especially amidst global uncertainty (Shpak et al., 2020).

Methodology

The research method used by researchers is qualitative research. A qualitative approach is used to understand in depth the social and cultural phenomena that influence MSMEs in rural areas. This approach allows researchers to gain deeper insight into the experiences, perceptions and practices that exist among MSME actors and rural communities in general (Rachmad, 2021).

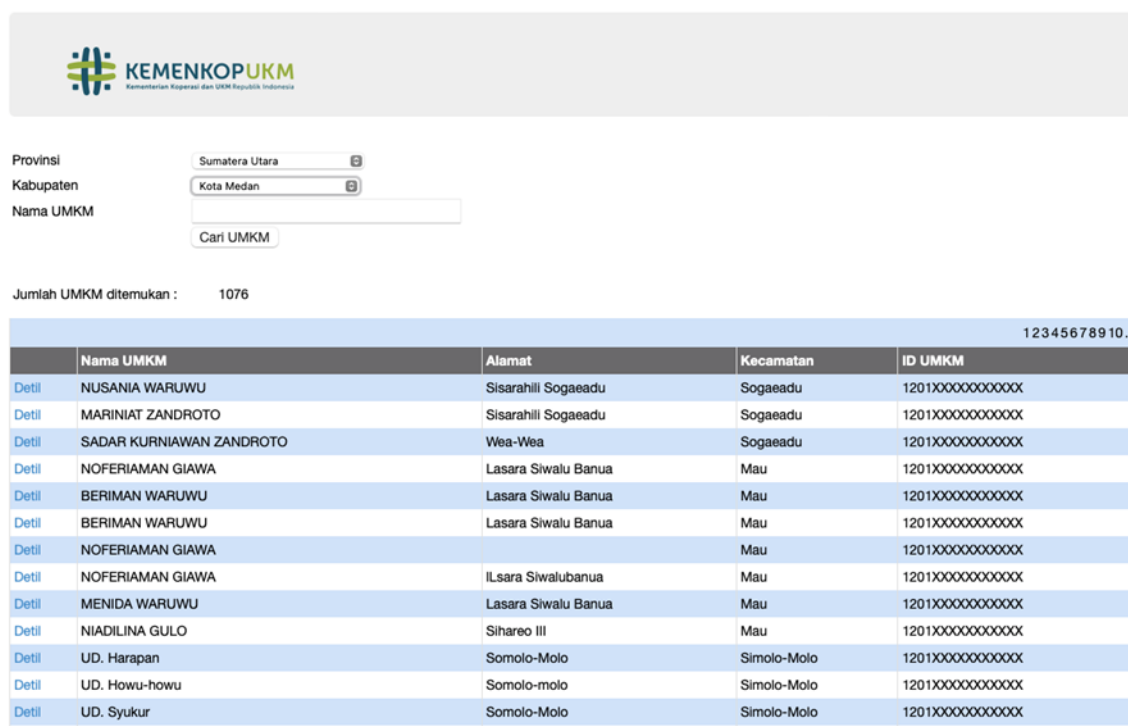
The case study approach was used by researchers to conduct an in-depth exploration of MSMEs in several selected villages in the Medan region, North Sumatra. This will provide a comprehensive picture of different situations and contexts. As well as participatory observation, researchers can be directly involved in the daily activities of MSMEs to observe business practices, social interactions and use of technology (Olsson & Bernhard, 2021).

Result and Discussion

MSMEs (Micro, Small and Medium Enterprises) play an important role in the Indonesian economy, including in Medan, North Sumatra. However, MSMEs in rural areas often face various challenges, ranging from limited access to technology to a lack of knowledge about digital marketing. The digitalization era offers great opportunities for MSMEs to increase their competitiveness through the use of technology and the internet. Therefore, the right strategy is needed to help MSMEs in rural North Sumatra take advantage of this opportunity (Mezghani & Aloulou, 2019).

Data from the Ministry of Cooperatives and SMEs shows that there are 1,076 MSMEs in the Medan area. MSMEs (Micro, Small and Medium Enterprises) play an important role in the local economy, creating jobs and encouraging economic growth in the region. The existence of these MSMEs covers various sectors, ranging from trade, services, manufacturing, to agribusiness. The government, through the Ministry of Cooperatives and SMEs, continues to strive to provide support in the form of training, access to capital and

marketing facilitation to ensure sustainability and increase the competitiveness of MSMEs in Medan.



	Nama UMKM	Alamat	Kecamatan	ID UMKM
Detail	NUSANIA WARUWU	Sisarahili Sogaeadu	Sogaeadu	1201XXXXXXXXXX
Detail	MARINIAT ZANDROTO	Sisarahili Sogaeadu	Sogaeadu	1201XXXXXXXXXX
Detail	SADAR KURNIAWAN ZANDROTO	Wea-Wea	Sogaeadu	1201XXXXXXXXXX
Detail	NOFERIAMAN GIAWA	Lasara Siwalu Banua	Mau	1201XXXXXXXXXX
Detail	BERIMAN WARUWU	Lasara Siwalu Banua	Mau	1201XXXXXXXXXX
Detail	BERIMAN WARUWU	Lasara Siwalu Banua	Mau	1201XXXXXXXXXX
Detail	NOFERIAMAN GIAWA		Mau	1201XXXXXXXXXX
Detail	NOFERIAMAN GIAWA	ILsara Siwalubanua	Mau	1201XXXXXXXXXX
Detail	MENIDA WARUWU	Lasara Siwalu Banua	Mau	1201XXXXXXXXXX
Detail	NIADILINA GULO	Sihareo III	Mau	1201XXXXXXXXXX
Detail	UD. Harapan	Somolo-Molo	Simolo-Molo	1201XXXXXXXXXX
Detail	UD. Howu-howu	Somolo-molo	Simolo-Molo	1201XXXXXXXXXX
Detail	UD. Syukur	Somolo-Molo	Simolo-Molo	1201XXXXXXXXXX

Figure 1. MSMEs in the Medan Area
Source: Image from <https://umkm.depkop.go.id>

MSMEs in rural North Sumatra have unique characteristics that are influenced by local geographic, social and cultural conditions. Many MSMEs still rely on traditional business methods and have limited access to information technology. Apart from that, low digital literacy and limited technological infrastructure are the main obstacles. However, the large market potential, both local and international, as well as support from the government and various institutions, provide opportunities for MSMEs to develop through digitalization.

However, MSMEs in rural areas often face various challenges, ranging from limited access to technology to a lack of knowledge about digital marketing (Anaqi, 2023). The digitalization era offers great opportunities for MSMEs to increase their competitiveness through the use of technology and the internet. Therefore, the right strategy is needed to help MSMEs in rural North Sumatra take advantage of this opportunity (Rozak et al., 2021).

Rural MSMEs in the Medan region face various challenges in running their businesses. These challenges can be categorized into several aspects, namely that rural MSMEs often have difficulty getting easy and cheap access to capital. This can hinder them from developing their business. Rural MSMEs generally have limited markets, both at home and abroad. This makes it difficult for them to increase sales and profits.

Many rural MSME owners do not have adequate management skills. This can make it difficult for them to manage finances, inventory, and human resources effectively. Rural MSMEs often have difficulty getting access to information about markets, technology and business opportunities. This can make them lag behind the competition (Aliyah, AH (2022).

In the midst of an era of increasingly advanced digitalization, Micro, Small and Medium Enterprises (MSMEs) in rural areas such as Medan, North Sumatra, need to strengthen their skills in using digital technology, e-commerce and online marketing strategies. Regular training and workshops are the main key in supporting MSMEs to face these changes better (Niemand et al., 2021).

1. Regular training and workshops are an important investment to increase MSMEs' understanding and skills in adopting digital technology. Here are some reasons why this is so important:
2. Increasing Understanding of Digital Technology. The training provides an opportunity for MSMEs to understand in depth about various digital technologies that they can utilize to optimize their business operations, such as the use of business applications, digital inventory management, and online financial management.
3. Introducing E-commerce and Online Marketing Strategies. The workshop provides a platform to learn hands-on practice in using e-commerce platforms. MSMEs can learn how to create and manage their own online stores, as well as utilize effective digital marketing strategies to increase the visibility and sales of their products.
4. Practical Applications that Can Be Applied Immediately. Training materials must be adapted to the needs and level of understanding of participants. This ensures that MSMEs can immediately apply new skills and knowledge in their daily operations, increasing business efficiency and productivity.

In the Medan region, North Sumatra, training and workshops can be specifically designed to cover the local context and challenges faced by MSMEs there. Teaching MSMEs how to create and manage online stores using user-friendly and trusted local e-commerce platforms. Introducing effective digital marketing techniques, such as the use of social media to build brand awareness, SEO (Search Engine Optimization) to increase online visibility, and the use of measurable digital advertising (Zeng et al., 2022).

The benefits of this training and workshop not only have a short-term impact, but also a long-term one for MSMEs and their communities, such as MSMEs that are skilled in using digital technology tend to be more competitive in facing increasingly fierce market competition. With more MSMEs capable of operating digitally, this can develop a stronger and more sustainable local business ecosystem in Medan, North Sumatra. By increasing sales and market access through digital platforms, it is hoped that MSMEs can contribute more to local economic growth and improve the welfare of the surrounding community.

According to the Mayor of Medan, Bobby Nasution, developing a local e-commerce platform that is user-friendly and easy to access is a crucial step in supporting the growth of Micro, Small and Medium Enterprises (MSMEs) in this city. This platform must be designed taking into account several key features to meet the needs of MSMEs such as the development of a local e-commerce platform. In carrying out this development, attention must be paid to intuitive and easy-to-navigate design to ensure a smooth shopping experience for users from various circles (Hervé et al., 2021b).

Implementation of a strong security system to protect customer personal information and ensure guaranteed security of online transactions. Integration with local logistics service providers to ensure timely and efficient delivery of goods, thereby meeting consumer expectations regarding the online shopping experience. Support for various commonly used local payment methods, such as bank transfer, e-wallet, or other digital payment systems, to increase transaction flexibility (Lichtenthaler, 2021). Enables MSMEs to expand their market reach not only at the local level, but also nationally and internationally, thus opening up new opportunities to increase sales volume (Hervé et al., 2021a).

An integrated digital marketing strategy is also key in supporting MSMEs' online visibility and presence. The strategy used in this case is to actively use social media platforms such as Instagram, Facebook, and Twitter to build online communities, interact with potential customers, and increase engagement through relevant and interesting content (Aditi, 2018). Having an informative and responsive website to provide complete information about MSME products and services to visitors, as well as supporting the online transaction process (Witschel et al., 2019).

Marketing via social media, especially Instagram, has become an effective strategy for MSMEs to increase visibility, reach a wider market and increase sales (Sugiyanti, 2022). In the rural area of Medan, under the leadership of Mayor Bobby Nasution, the use of Instagram can become an important tool in supporting the growth of MSMEs

By using an easy-to-remember business name and an interesting description, explain the type of product or service offered and the unique value of MSMEs. Provide direct links to websites or e-commerce platforms to make it easier for visitors to make purchases (Crittenden et al., 2019).

MSME businesses post high quality product photos that attract attention and explain product features clearly. Short videos showing product use or the manufacturing process can also increase follower engagement. Share customer experience stories or testimonials to build trust and show the value of MSME products. Business actors also respond quickly and kindly to comments, direct messages and questions from followers. These interactions help build closer relationships with customers and increase trust (Urbach et al., 2019).

Marketing via Instagram not only helps MSMEs to increase sales, but also has a positive impact on village communities in the Medan area which can make a greater contribution to local economic growth, create jobs and strengthen social infrastructure. Using Instagram effectively teaches digital skills to MSME owners and village communities, increasing digital literacy and ability to access global markets (Gulin et al., 2019).

Conclusion

Rural MSMEs in the Medan region, although facing various significant challenges, also have great potential for development. The main challenges faced include limited access to capital, limited markets, intense competition, inadequate infrastructure, lack of management skills, and lack of access to information. Apart from that, they also have to face additional challenges such as social conflicts and natural disasters which can hinder the continuity of their business.

Even though the market is limited, MSMEs can take advantage of the existence of local communities to develop a loyal customer base. With the right marketing strategy, they can expand their market reach at the local level. MSMEs often have an advantage in unique local and traditional products. By developing these products creatively and adapting to market demand, they can attract interest from a wider market.

In rural settings, involvement in business groups or cooperatives can help MSMEs support each other and share resources. This allows them to overcome several challenges together and increase their collective strength. While technological infrastructure may be limited, adoption of the right technologies such as local e-commerce platforms and digital marketing can change the way MSMEs operate and sell their products. With the right training, they can improve their ability to use technology to optimize their business processes.

By exploiting these potentials and supporting them with supportive policies from the government and support from the community, rural MSMEs in the Medan region have the opportunity to develop significantly. Collaboration is needed between various parties including the government, private sector, educational institutions and the community to

create a conducive environment for the growth of MSMEs and improve the economic welfare of rural communities as a whole.

Suggestion

To overcome the challenges faced, rural MSMEs in the Medan area need support from various parties, such as:

1. Government, can provide access to capital, coaching and training, infrastructure development, and provision of access to information.
2. Non-governmental organizations, can provide guidance and training, as well as help rural MSMEs market their products.
3. Private sector, can partner with rural MSMEs to provide raw materials, technology and market access.

With support from various parties, rural MSMEs in the Medan area can become a driving force for the economy in rural areas.

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