

Developing Micro, Small, and Medium Enterprises (MSMEs) Through External Facilitation and Internal Potential: A Case Study Of The "Emping Jagung" Business Group

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ABSTRACT

This study examines the development of Micro, Small, and Medium Enterprises (MSMEs) through the combination of external facilitation and internal potential, using the corn-chip ("emping jagung") business group in Pandanwangi Village, Blimbing District, Malang City, as a case study. Internally, the business group has strengthened its potential through self-financed capital, product innovation, marketing network expansion, and improvement of production facilities. Externally, the Malang City Cooperatives and SMEs Office has facilitated the group's development by providing access to capital, coaching and training programs, product promotion activities, marketing network expansion, and supporting facilities and infrastructure. However, several persistent obstacles constrain business growth, including rising raw material prices, limited human resource capacity, capital-related difficulties, inadequate infrastructure, and restricted access to product marketing. This study employed a descriptive qualitative approach to identify, describe, and analyze both the developmental efforts and the obstacles faced by the business group. The findings indicate that although substantial support mechanisms exist, their impact remains constrained by uneven information dissemination, limited managerial capacity, and the absence of a dedicated MSME marketing network at the local government level.

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1. INTRODUCTION

The presence of Micro, Small, and Medium Enterprises (MSMEs) is an inseparable feature of contemporary Indonesian society. MSMEs play a substantial role in distributing community income, sustaining local traditions and culture through creative enterprise, and absorbing labor on a large scale (Hafsah, 2004). Given Indonesia's large population, labor-intensive and technologically accessible MSMEs provide an important employment platform that helps reduce unemployment (Hafsah, 2004).

As an instrument for strengthening people's purchasing power, MSME development programs function as a safety valve against monetary crises. Because MSME activities span nearly all economic sectors, their contribution to income growth—particularly for low-income groups—is strategically significant to the national economy.

MSME development, however, is not solely the responsibility of government. As the primary internal stakeholders, MSME actors themselves can collaborate with government programs, leveraging their own potential to generate creative business ideas supported by available facilities. In Malang City, a diverse range of food-processing industries has developed, positioning the city as a hub for various forms of small-scale food production. One such cluster is located in Pandanwangi Village, Blimbing District, where numerous registered entrepreneurs process corn into "emping jagung" (corn chips), a leading local product. Corn is agronomically well suited to this role, as it can be cultivated throughout both

rainy and dry seasons provided water requirements are met, making it a reliable basis for community-level economic development.

Despite this potential, the emping jagung business group in Pandanwangi Village faces several structural obstacles, including a shortage of human resources with adequate business-development knowledge and skills, capital constraints, inadequate facilities and infrastructure, and limited access to product marketing. These challenges warrant closer attention from the Malang City government—particularly the Malang City Cooperatives and SMEs Office—so that local MSMEs can grow sustainably and contribute more fully to community welfare.

Accordingly, this study aims to (1) identify, describe, and analyze the development of MSMEs through external facilitation and internal potential within the Pandanwangi Village business group, and (2) identify, describe, and analyze the obstacles the group faces in its development process.

2. LITERATURE REVIEW

2.1 The Concept of Micro, Small, and Medium Enterprises

Law of the Republic of Indonesia No. 20 of 2008 concerning Micro, Small, and Medium Enterprises defines the three categories as follows. Micro Enterprises are productive businesses owned by individuals or individual business entities that meet the criteria for micro-scale enterprises specified in the law. Small Enterprises are independent, productive economic enterprises operated by individuals or business entities that are not subsidiaries or branches of, and are neither owned nor controlled by, medium or large enterprises, and that meet the small-enterprise criteria specified in the law. Medium Enterprises are similarly independent productive economic enterprises, operated by individuals or business entities that are not subsidiaries or branches of larger enterprises, meeting the net-asset or annual-revenue criteria defined in the law (Undang-Undang No. 20 Tahun 2008).

Taken together, these definitions characterize MSMEs as productive economic enterprises carried out by individuals or individual business entities that satisfy statutory scale criteria—an operational foundation for examining how such enterprises can be supported and developed.

2.2 Development of Business Human Resources

Article 19 of Law No. 20 of 2008 stipulates that human resource development for MSMEs, as referenced in Article 16 paragraph (1) letter c, should be carried out through three mechanisms: (a) popularizing and empowering entrepreneurship, (b) improving technical and managerial skills, and (c) establishing and developing educational and training institutions to provide education, training, counseling, business motivation, creativity development, and the cultivation of new entrepreneurs (Undang-Undang No. 20 Tahun 2008).

These provisions position human resources as the most critical subject in MSME development, since well-developed human capital enables the emergence of independent entrepreneurs from within the community. Community-level empowerment is therefore essential, as it directly shapes the quality of production and, in turn, community economic welfare.

2.3 Social Welfare Development

Jones's (1990, as cited in Suharto, 2009) definition frames the central objective of social welfare development as the alleviation of poverty in its various forms—not only income poverty and inadequate housing, but also related social problems such as child labor, human trafficking, and the capacity of government and non-government institutions engaged in poverty alleviation. Building on this, Spicker's (1995, as cited in Suharto, 2009) account of welfare development emphasizes that state-provided social services and social security—particularly for the poor—center on three focal areas: social services, social protection, and community empowerment. These focal areas are typically implemented through preventive, curative, and developmental strategies (Suharto, 2009).

3. RESEARCH METHOD

This study adopted a descriptive method with a qualitative approach to obtain a comprehensive picture of MSME development through external facilitation and internal potential within the business group of Pandanwangi Village, Blimbing District, Malang City. The research focus comprised two dimensions.

The first dimension concerns MSME development through external and internal facilitation, encompassing:

Internal development of the Pandanwangi Village business group, including capital procurement, product innovation, marketing network expansion, and procurement of production facilities and infrastructure.

External development through assistance from the Malang City Cooperatives and SMEs Office, including provision of access to capital sources, coaching and training programs, product promotion activities, marketing network expansion, and provision of facilities and infrastructure.

The second dimension concerns obstacles encountered by the business group in its development process, including rising raw material prices, limited human resources, capital-related difficulties, inadequate facilities and infrastructure, and limited access to product marketing.

Data analysis followed the four-stage model of Miles and Huberman (1984, as cited in Suprayogo & Tobroni, 2001): (1) data collection, the process of gathering data to support the research findings; (2) data reduction, the process of selecting, focusing, simplifying, and transforming raw data from field notes; (3) data display, the presentation of organized information in narrative form supported by matrices, graphs, networks, tables, and charts to sharpen the researcher's understanding of the information obtained; and (4) conclusion drawing and verification, the process of identifying meaning, patterns, explanations, plausible configurations, and causal pathways, carried out carefully through repeated review of field notes to ensure the validity of the findings.

4. RESULTS AND DISCUSSION

4.1 MSME Development Through External Facilitation and Internal Potential

MSMEs represent a potentially significant driver of Indonesia's economic development and therefore warrant continued optimization of the resources already available within the community. This development is strengthened considerably by government support in the form of facilities that assist business implementation and progress, ultimately enabling MSME products to compete in international markets. This view is consistent with the United Nations' characterization (as cited in Einsiedel, 1968) of community development as a process in which community-held efforts and potential are integrated with government-held resources to improve economic, social, and cultural conditions, to integrate communities into national life, and to empower them to contribute fully to national progress.

4.1.1 Internal Development of the Pandanwangi Village Business Group

The internal development undertaken by the Pandanwangi Village business group encompasses four principal areas: capital procurement, product innovation, marketing network expansion, and procurement of production facilities and infrastructure.

- 1) **Capital procurement.** The majority of corn chip entrepreneurs initiated their businesses using personal savings rather than external financing, reflecting both the resourcefulness of local entrepreneurs and the limited accessibility of formal capital sources at the start-up stage.
- 2) **Product innovation.** To sustain consumer interest, entrepreneurs have diversified their product offerings by introducing multiple flavor variants, allowing consumers greater choice and reducing product fatigue. This innovation has demonstrably increased profitability and given the diversified products greater market appeal than the original single-flavor offering, reflecting the broader finding that an entrepreneurial mindset oriented toward innovation strengthens MSME competitiveness (Sidik et al., 2025).
- 3) **Marketing network expansion.** Entrepreneurs have adopted internet-based marketing, supported by training provided by the Malang City Cooperatives and SMEs Office, and have extended distribution to supermarkets, the Malang City Souvenir Center, and their own retail outlets. These channels have subsequently facilitated market expansion into other cities, illustrating on a small scale the broader trajectory by which Indonesian MSMEs move toward wider, and potentially international, markets (Apriliani et al., 2024).
- 4) **Procurement of production facilities and infrastructure.** Because production equipment is costly and initial capital is limited, entrepreneurs have historically relied on credit arrangements with third parties to acquire necessary equipment. More established entrepreneurs have also used their own retail outlets as a marketing tool, integrating sales and promotion functions.

4.1.2 External Development Through the Malang City Cooperatives and SMEs Office

Government involvement in MSME development is indispensable given the sector's substantial potential to strengthen the local economy and improve community welfare. Effective support requires empowerment spanning both human resource development and the provision of production facilities and infrastructure. Beyond its economic contribution, the MSME sector's capacity to absorb labor and reduce unemployment reinforces the case for coordinated government support, consistent with the broader demand for good governance in the pursuit of social welfare outcomes (Keban, 2008). Within this framework, the Malang City Cooperatives and SMEs Office functions as an extension of local government, addressing challenges related to production and processing, marketing, human resources, and design and technology.

- 1) **Access to capital sources.** Corn chip entrepreneurs have historically relied primarily on personal savings, at times becoming dependent on informal moneylenders due to limited access to formal financing. The Malang City Cooperatives and SMEs Office has since facilitated access to capital from two principal sources: funds channeled by the central government through the Revolving Fund Management Institution (Lembaga Pengelola Dana Bergulir, LPDB), distributed via cooperatives to entrepreneurs seeking capital loans, and funds provided by the East Java provincial government in the form of social assistance (Bansos) and grants, channeled through ten women's cooperatives in Malang City—including Koperasi Wanita AKU, Koperasi Dewi Sartika, Koperasi Wanita Hijau Daun, Koperasi Puspa Anggun, Koperasi Catleya, Koperasi Aster, Koperasi Teratai, Koperasi AQ-SO, Koperasi Ayu Makmur, and Koperasi Dewi Shinta—each receiving approximately IDR 25 million to distribute as loans to local entrepreneurs. This coordination between government and cooperatives is intended to raise entrepreneurs' awareness of the benefits of cooperative membership.
- 2) **Coaching and training.** Coaching and training activities conducted by the Malang City Cooperatives and SMEs Office serve as an empowerment mechanism, motivating community members to refine their skills and equipping them with the knowledge needed to start or sustain a business. In collaboration with the East Java provincial government, the office operates an MSME Clinic where prospective and existing entrepreneurs—particularly corn chip producers facing developmental challenges—can seek consultation on business planning and growth strategies. The limited formal education and managerial skills of many corn chip entrepreneurs constrain effective business management, while limited technological literacy further hampers product competitiveness. Coaching and training programs are therefore essential in equipping entrepreneurs with the knowledge and skills needed for sustainable business development.
- 3) **Product promotion.** The Malang City Cooperatives and SMEs Office conducts promotional activities such as MSME bazaars and exhibitions, typically held in high-traffic locations such as Mall Olympic Garden (MOG), as well as in other cities and provinces. Examples include a promotional event in Palangkaraya held from May 7–11, 2013, in conjunction with the Association of Indonesian City Governments (APEKSI), and an event in Mataram on July 12, 2013, commemorating Cooperatives Day. These activities, conducted in partnership with the East Java provincial government, are held annually at varying locations and, by drawing MSME participants from across Indonesia, help expand marketing networks toward the national and, potentially, international level.

4.2 Obstacles in MSME Development

- 1) **Rising raw material prices.** Raw material costs directly affect selling prices, particularly given that corn supplies are often sourced externally rather than self-cultivated, increasing production costs. Because entrepreneurs typically procure raw materials within fixed budget constraints, production volume is limited even when market demand is substantial.
- 2) **Limited human resources.** Human resources represent the most critical factor in business operations. Findings indicate that most operational knowledge and skills are passed down from earlier generations, constraining entrepreneurs' capacity to innovate and expand their creative and managerial capabilities.
- 3) **Capital-related difficulties.** As a home-based industry reliant primarily on personal capital, the corn chip business sector requires ongoing government support. Entrepreneurs in Pandanwangi Village report using personal savings as their principal capital source, noting considerable difficulty in accumulating sufficient initial capital.
- 4) **Inadequate facilities and infrastructure.** Adequate facilities and infrastructure—for both marketing and production—are essential to business growth. While most entrepreneurs have secured retail space for packaged products, and some operate multiple retail branches, production facilities remain constrained by limited land availability, which in turn restricts production capacity.
- 5) **Limited access to product marketing.** The geographic proximity of corn chip producers in Pandanwangi Village, combined with the homogeneity of their products, has intensified local marketing competition. This competitive pressure could be mitigated if entrepreneurs diversified their corn-based product offerings; however, limited creative capacity has constrained such diversification, further complicating market access.

5. CONCLUSION

Internal development within the Pandanwangi Village corn chip business group has proceeded through several interconnected mechanisms. Capital has predominantly been self-financed through

personal savings. Product innovation—particularly the introduction of multiple flavor variants—has enhanced consumer appeal and profitability relative to the original single-flavor product. Marketing network expansion has been achieved through internet-based marketing, supported by government training, extending distribution to supermarkets, souvenir centers, and entrepreneurs' own retail outlets, and subsequently to other cities. Procurement of production facilities and infrastructure has relied substantially on third-party credit arrangements given capital constraints, with established entrepreneurs also using their retail outlets as marketing channels.

External development, facilitated by the Malang City Cooperatives and SMEs Office, has included: (1) access to capital from central government (via the LPDB) and provincial government (via Bansos and grants distributed through ten women's cooperatives); (2) coaching and training programs conducted in partnership with the East Java provincial government, held regularly throughout the year and covering product training, IT entrepreneurship training, managerial training, and pre-retirement training for civil servants; (3) product promotion through free exhibitions and bazaars held in high-traffic locations, including at Malang City Hall; and (4) provision of facilities and infrastructure, including free access to training and promotional events, and information dissemination through the Cooperatives and SMEs Office's official website and clinic consultation services. Notably, the office does not currently operate a dedicated marketing network for MSME entrepreneurs, and existing facilities appear to be only partially utilized by corn chip entrepreneurs in Pandanwangi Village, largely due to uneven information dissemination. The office also lacks a dedicated MSME clinic of the kind found in other cities.

The business group's principal obstacles include: (1) rising raw material prices, driven by supply fluctuations linked to weather conditions; (2) limited human resources, reflected in constrained innovation capacity, limited mastery of digital marketing tools, and reliance on traditional (and often imprecise) financial record-keeping practices; (3) capital-related difficulties, with many micro and small enterprises either unable to access government capital assistance or declining it due to burdensome application requirements; (4) inadequate facilities and infrastructure, particularly limited production land and the absence of shared facilities such as galleries for MSME entrepreneurs in Malang City; and (5) limited marketing access, stemming from intense local competition among numerous corn chip producers and insufficient government support in establishing a dedicated marketing network for this product category. Overall, the corn chip MSME sector in Pandanwangi Village remains under-developed relative to its potential and continues to require sustained guidance, training, and capital assistance.

6. RECOMMENDATIONS

Based on the findings, several recommendations are proposed. First, corn chip entrepreneurs in Pandanwangi Village should continue strengthening their creativity and business potential by actively engaging with the knowledge, experience, and training opportunities facilitated by government programs, with particular attention to modernizing financial management practices that currently rely heavily on traditional systems, consistent with evidence that digital financial knowledge can substantially improve MSME actors' financial management behavior (Ashshiddiqi & Rahmat, 2022). Second, more equitable and widely disseminated information regarding government programs and services—particularly those offered by the Malang City Cooperatives and SMEs Office—is needed to ensure that MSME actors across Malang City can access support for addressing poverty- and unemployment-related challenges. Third, the Malang City Cooperatives and SMEs Office should intensify coaching and training efforts aimed at strengthening productive resource creativity and innovation, while also expanding marketing network support for MSME actors, particularly given Malang City's status as a popular tourist destination. Fourth, government agencies should simplify capital access procedures for MSME actors and enhance supporting infrastructure, including reactivating the MSME Clinic as a consultation venue for addressing business development challenges. Finally, the Malang City Cooperatives and SMEs Office should maintain more current and comprehensive data on the total number of MSMEs operating across the city, thereby enabling training programs to be more precisely tailored to different business classifications.

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