

Micro, Small, and Medium Enterprises (MSMEs) as a Pillar for Fulfilling the Needs of the Purwokerto Regional Community

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Abstract: *Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in meeting the daily needs of the Purwokerto community. This study aims to determine how MSMEs provide needed products and services and their role in driving the local economy. The research question is how significant MSMEs contribute to meeting community needs and what factors influence their performance. The study employed a descriptive qualitative approach through direct interviews with MSME actors, field observations, and documentation studies. Data were analyzed by comparing various sources of information to ensure accurate and reliable results. The results show that MSMEs in Purwokerto are capable of presenting a variety of local products, including culinary delights, while simultaneously increasing the community's economic independence. The main obstacles encountered are limited capital, digital marketing capabilities, and a lower level of interest from local residents compared to students, the majority of whom are not local residents. Permasalahan dan tujuan, serta kegunaan penelitian ditulis secara naratif dalam Therefore, this study recommends strengthening MSMEs by expanding the reach of buyers, not only relying on students but also the community around the campus. This can be achieved by increasing promotions on local social media or establishing online ordering services.*

Keywords : *MSMEs, local economic, Purwokerto.*

Abstrak: Usaha Mikro, Kecil, dan Menengah (UMKM) memainkan peran penting dalam memenuhi kebutuhan sehari-hari masyarakat Purwokerto. Studi ini bertujuan untuk mengetahui bagaimana UMKM menyediakan produk dan jasa yang dibutuhkan serta peran mereka dalam mendorong perekonomian lokal. Pertanyaan penelitiannya adalah seberapa signifikan kontribusi UMKM dalam memenuhi kebutuhan masyarakat dan faktor apa saja yang memengaruhi kinerja mereka. Studi ini menggunakan pendekatan kualitatif deskriptif melalui wawancara langsung dengan pelaku UMKM, observasi lapangan, dan studi dokumentasi. Data dianalisis dengan membandingkan berbagai sumber informasi untuk memastikan hasil yang akurat dan dapat diandalkan. Hasil penelitian menunjukkan bahwa UMKM di Purwokerto mampu menghadirkan berbagai produk lokal, termasuk makanan lezat, sekaligus meningkatkan kemandirian ekonomi masyarakat. Kendala utama yang

dihadapi adalah keterbatasan modal, kemampuan pemasaran digital, dan tingkat minat yang lebih rendah dari penduduk lokal dibandingkan dengan mahasiswa, yang sebagian besar bukan penduduk lokal. Oleh karena itu, studi ini merekomendasikan penguatan UMKM dengan memperluas jangkauan pembeli, tidak hanya mengandalkan mahasiswa tetapi juga masyarakat di sekitar kampus. Hal ini dapat dicapai dengan meningkatkan promosi di media sosial lokal atau membangun layanan pemesanan online.

Kata kunci: UMKM, ekonomi lokal, Purwokerto.

Introduction

MSMEs play a crucial role in the Indonesian economy. We understand their importance. Approximately 97 percent of the workforce is involved in this sector, and MSMEs also contribute approximately 60 percent to national GDP (Ministry of Cooperatives and SMEs, 2023: 7–9). These figures demonstrate that the growth of MSMEs is not merely an economic activity or a statistic, but primarily a means of empowering communities to become more independent. An example can be seen in the daily lives of the people of Purwokerto, where the majority of the population relies on small businesses such as street vendors, food stalls, and local services.

However, despite their significant potential, the journey of MSMEs is not always easy. Many entrepreneurs struggle to obtain funding, digital literacy remains low, and their ability to manage and market their businesses is limited (Rahmawati, 2021: 44–46). These challenges hinder MSMEs from remaining competitive, especially in the era of rapid digital technology development. These conditions not only threaten the sustainability of individual businesses but also limit their contribution to the local economy and community well-being.

Furthermore, only a small number of MSMEs truly utilize digital technology to develop their businesses. This demonstrates the urgent need for adaptive strategies that remain rooted in local wisdom. Research that can identify key issues and provide solutions relevant to the local context will be crucial.

Therefore, this study aims to understand how MSMEs in Purwokerto can become pillars of local economic development through community empowerment based on local wisdom and digital transformation. The goal is to contribute both theoretically by enriching the literature on people-centered economics, and practically by assisting local governments and MSMEs in formulating more specific empowerment strategies.

It is hoped that the results of this study can provide alternative solutions to various existing problems, including access to capital, digital literacy training, and management and marketing strategies. The results are also expected to serve as indicators for government policies and strategic interventions by MSMEs to ensure their businesses are sustainable and remain competitive in today's world.

Through these challenges and opportunities, we believe this research will enrich our understanding of the contribution of MSMEs to the local economy in

Purwokerto and to meeting the community's daily needs. This research also aims to uncover factors influencing MSME performance, both internal factors such as management capabilities and innovation, and external factors such as government policy support and local market forces. Ultimately, we believe the lessons learned from this research will strengthen academic thinking on community-based economic empowerment and serve as a foundation for policy formulation aimed at strengthening MSMEs at the regional level.

Research Method

The research method used in this study is a qualitative method using an interview approach. The data collected is qualitative data obtained through in-depth interviews with informants related to and relevant to the research topic. The data collection procedure includes: first, preparing an interview guide, second, determining a team of informants, third, conducting face-to-face or network interviews, and fourth, recording and documenting the interview results. This method was chosen because it allows for critical and detailed information regarding the informants' perspectives, experiences, and opinions on the research issues.

Results and Discussion

The MSMEs in the Purwokerto region, which were the subject of this study, are dominated by the culinary, service, and small trade sectors (Azhari, 2020). The main characteristic of these MSMEs is that they are independently managed, with businesses located close to campuses and densely populated areas. This situation results in the largest number of customers being students and immigrants, indicating that the business's sustainability still relies on non-local groups (Widyadana, Farisi, & Safitri, 2025). The contribution of MSMEs to meeting the community's daily needs is quite significant, particularly in the provision of food, consumer goods, and services. Furthermore, MSMEs are able to create job opportunities for people not absorbed by the formal sector, thus helping to boost the local economy (Nazah et al., 2024).

However, MSMEs still face several internal and external challenges. Internal challenges include limited capital, poor digital marketing capabilities, and minimal innovation in product development (Widyadana et al., 2025). Meanwhile, from an external perspective, the low interest of local residents in purchasing MSME products around the campus is a challenge that can hinder market expansion (Azhari, 2020). The findings of this study also indicate a significant dependence on student consumers. If student activity decreases, MSME revenue will experience a significant decline (Nazah et al., 2024). Therefore, business adaptation by expanding the target market to the local community is necessary.

The scope of this research is still limited to MSMEs located around campuses, thus not representing the overall characteristics of MSMEs in Purwokerto. This contrasts with the lifestyle services sector. Barbershop customers tend to

choose adaptive hairstyles like the "Taper Fade" or "Korean Style" and view haircuts as a means of enhancing charisma and grooming. This demonstrates a shift from functional needs to symbolic consumption. Referring to Belk's (1988) concept, consumers aren't just buying haircuts, but also purchasing extended self-identity and social trust. This difference confirms that the student market is highly price-sensitive for basic necessities, but willing to invest in aesthetic value for self-actualization.

Operational Adaptation and Location Dynamics: The operating time strategies of both businesses also demonstrate adaptation to the target market's activity rhythms. The culinary business focuses its services from 5:00 PM to 10:00 PM WIB, capturing market opportunities when students finish their activities and need dinner. Meanwhile, the barbershop implements longer operating hours (11:00 AM–9:00 PM WIB) to accommodate consumers' flexible leisure time. However, dependence on educational locations (catchment areas) brings different socioeconomic impacts. Culinary business owners acknowledged business vulnerability because revenue is highly dependent on the presence of university students, while local residents' interest is considered low. This aligns with Location Theory, where business success is largely determined by the demographics of the surrounding population (threshold population). On the other hand, Barbershops view their businesses as part of a broader lifestyle, seeking to build loyalty through customer experiences.

Future Orientation: Human Capital and Customer Retention: In looking to the future, both speakers emphasized different aspects of sustainability. The culinary sector highlighted the importance of Human Capital, with the expectation that young vendors "consistently learn and grow" amidst increasingly fierce competition. This reflects an awareness that the resilience of informal businesses requires continuous improvement of individual competencies. Meanwhile, Barbershops' service sector focuses more on Relationship Marketing, with a primary focus on retaining customers to "keep seats full." This retention strategy is crucial in service businesses, where customer loyalty is a key asset for ensuring long-term revenue stability.

The research findings show that MSMEs play a significant role in strengthening the economic resilience of the Purwokerto community, primarily due to their flexibility and ability to adapt to changing market conditions. MSMEs not only provide daily necessities such as food, consumer goods, and basic services, but also create social impacts by creating job opportunities for those not absorbed by the formal sector. The presence of MSMEs around campus also encourages social interaction between students and local residents, transforming culinary stalls and barbershops into dynamic spaces for economic activity and social interaction. A limitation of the research that needs to be addressed in future studies with broader and more comprehensive coverage (Widyadana et al., 2025). Based on these findings, strategies are needed to strengthen MSMEs through:

1. Increasing digital marketing capacity.
2. Innovating more diverse products tailored to local needs.
3. Diversifying markets to reduce dependence on student consumers.
4. Continuous mentoring from the government, educational institutions, and the business community.

This strategy is expected to increase the competitiveness and sustainability of MSMEs in Purwokerto as a vital part of the local economy. Evolution of Governance and Business Maturity Based on data exploration of two micro-businesses in the Purwokerto area, significant differences were found in managerial patterns correlated with the age of the business. In the culinary business "Nasi Goreng," which has been operating for five years, management is still centralized by the owner (Mr. Bambang). This indicates that the business is in the Survival phase of the Business Life Cycle Theory (Churchill & Lewis, 1983), where operational continuity is highly dependent on the physical presence of the owner (owner-centric). Conversely, in the business "Barbershop," which has been operating for a longer period (since 2018, or approximately seven years), managerial transformation was observed. The resource person (Kak Dika) revealed that daily operations are now run entirely by employees.

This delegation phenomenon reflects the implementation of Agency Theory, where the business structure has separated the functions of ownership and management, enabling more efficient business scalability compared to a single management model. Economic Rationality Versus Symbolic Consumption An analysis of product preferences and purchasing reasons reveals a dualism in consumer behavior in this educational setting. In the culinary sector, findings indicate that the signature menu item "Jumbo Fried Rice" is sought after not only for its taste but also for its large portion size. The interviewee explained that consumers often leave the food for later consumption at breakfast. This behavior validates Gary Becker's Rational Choice Theory, where student consumers—who face budget constraints—optimize utility through a food cost efficiency strategy (one purchase for two meals).

Economically, MSMEs have proven to be a vital pillar of people's daily lives, but simultaneously they still face significant internal challenges. Low digital literacy among MSMEs is a major obstacle to increasing competitiveness. However, the ability to use social media, create marketing content, and offer delivery services has been proven to increase customer base, particularly among students. Unfortunately, most MSMEs have not yet optimally utilized digital technology—either due to a lack of skills or limited support from the government or educational institutions. This situation reinforces Rahmawati's (2021) findings that digitalization is a crucial requirement for MSME sustainability in the modern era.

Research also reveals a significant dependence on students as primary consumers. Business activity tends to increase during active lectures, but declines

drastically during long holidays. This dependence poses economic risks because MSMEs lose income stability when student numbers decline. To mitigate this risk, MSMEs need to expand their market reach by reaching local communities through product adjustments, service innovations, and customer loyalty programs. Market diversification is a crucial step for MSMEs to survive in uncertain times. In terms of innovation, culinary MSMEs tend to offer relatively standard products with little innovation, thus facing intense competition around campuses. Conversely, service sector MSMEs, such as barbershops, demonstrate more progressive innovation by following modern hairstyle trends and creating added value for customers through more personalized service. This difference indicates that innovation is a determining factor in MSME competitive advantage. More consistent innovation, both in terms of products and services, will help MSMEs increase customer loyalty and expand their market.

The research findings were further enriched by relevant theoretical perspectives. Using the Business Life Cycle Theory, culinary businesses that are still heavily dependent on the owner are in the survival stage, in contrast to barbershops that have delegated tasks to employees and are in the growth stage. Student consumption patterns in culinary also support Rational Choice Theory, where consumers choose products that provide the benefit of two meals with one purchase. Meanwhile, the choice of haircut services reflects more symbolic consumption, as students purchase identity and self-confidence, rather than simply a haircut. Furthermore, business success is strongly influenced by strategic business location, in accordance with the Economic Location Theory, where proximity to the campus environment is a dominant factor supporting turnover.

Overall, this discussion reinforces the understanding that MSMEs in Purwokerto function not only as providers of economic needs but also as social and cultural pillars of the community. However, to maintain business sustainability in the future, capacity building of MSMEs is necessary through digital training, product innovation, market diversification, and more modern management strategies. Mentoring from local governments, academics, and the business community is also necessary to ensure MSMEs can increase their competitiveness and remain a driving force of the local economy.

In addition to the key findings described previously, this study also uncovered several important dynamics related to management patterns, consumer behavior, and socioeconomic conditions that influence the sustainability of MSMEs in Purwokerto. One particularly striking finding is the gap in managerial capacity among business actors, particularly between newly established businesses and those that have been operating for a longer period. In the culinary MSME sector, business management remains entirely dependent on the owner, requiring the owner to directly oversee all operational activities on a daily basis. This dependency limits the potential for business development because the owner lacks sufficient space to develop innovations or establish strategic partnerships. In contrast, barbershop

businesses are able to delegate tasks to employees, indicating that the business has entered a higher stage of business maturity. This difference demonstrates that business age, experience, and the quality of human resources play a crucial role in determining an MSME's capacity to grow.

In terms of consumer behavior, interviews revealed that college students have unique consumption patterns that influence the business strategies of MSMEs. In the culinary sector, students choose products that provide maximum benefits at minimal cost, resulting in menus with large portions, affordable prices, and economical concepts being highly sought after. This situation encourages business owners to Culinary businesses need to maintain taste standards while adjusting prices and portion sizes to remain relevant to their core consumers. Meanwhile, in the service sector, such as barbershops, students prioritize style, appearance, and service quality over price. This indicates that MSMEs in the service sector need to maintain quality, follow trends, and create engaging customer experiences to remain competitive. These differences in consumption orientations emphasize that not all MSMEs can implement the same strategy; instead, they require a more specific approach based on the needs of their respective market segments.

Field observations also indicate that location plays a significant role in determining the success of MSMEs. Businesses located near campuses benefit from being located in areas with high economic activity and a large consumer base. However, this reliance on location also makes businesses vulnerable to change. When campus activities decrease, such as during the school holidays, many MSMEs experience a significant decrease in revenue. This reinforces the importance of market diversification and marketing strategies aimed not only at students but also at the local community. Several business owners stated that local residents tend to have lower interest due to different choices or preferences, so MSMEs need to adapt their products or add variety to make them more appealing to the surrounding community.

From a social perspective, MSMEs also play a vital role in supporting the well-being of local communities. Many MSMEs collaborate with the surrounding community in their production processes, employing local residents or purchasing raw materials from local suppliers. This relationship strengthens social and economic ties within the community and creates a mutually supportive ecosystem. However, some MSMEs still face challenges related to capital and access to training. They believe that local governments and higher education institutions need to be more active in providing business management training, digital marketing training, and product development assistance so that local MSMEs can develop sustainably.

Furthermore, digital transformation presents both a challenge and an opportunity for MSMEs. Although some MSMEs have begun utilizing social media platforms like Instagram and WhatsApp for promotions, most business owners still lack the skills to master more effective digital marketing strategies. This lack of

skills puts MSMEs at a competitive disadvantage against more modern, technology-based businesses. Consumer behavior, especially among students, is significantly influenced by digital activities. MSMEs that can present their products attractively and professionally on social media tend to have a greater chance of attracting new customers. Therefore, the ability to manage digital media is an urgent need for MSMEs to stay ahead of the competition.

Overall, these additional findings indicate that MSMEs in Purwokerto are at a crucial point requiring adaptation to changing times. Internal challenges such as capital, digital literacy, innovation, and management contribute to business strength, while external challenges such as market dependence, changing consumer behavior, and campus environment dynamics also impact business sustainability. If MSMEs are able to adapt and take advantage of existing opportunities, they can develop into economic units that are not only sustainable but also contribute significantly to regional economic development.

Conclusion

MSMEs in the Purwokerto region are dominated by the culinary, service, and small-scale trade sectors, most of which operate around campuses and densely populated areas (Azhari, 2020). These MSMEs play a crucial role in meeting the community's daily needs, providing employment for local residents, and driving local economic growth (Ministry of Cooperatives and SMEs, 2023). However, most businesses still rely heavily on student consumers, resulting in fluctuating revenues when student activity declines (Nazah et al., 2024). This situation suggests that dependence on non-local groups is a factor hampering business stability in campus-areas. Furthermore, the study revealed differences in business development characteristics, with some MSMEs still in the survival stage and heavily dependent on their owners, while others have entered the growth stage with more structured management systems.

Student consumption behavior also reveals important dynamics, ranging from an orientation toward economic efficiency in the culinary sector to symbolic consumption in service sectors such as barbershops. These findings indicate that the success of MSMEs is determined not only by economic factors, but also by social, psychological factors, and consumption patterns of the local community. In general, MSMEs in Purwokerto still have significant potential for growth if they are able to adapt to technological changes, understand the characteristics of the local market, and improve the quality of products and services. Therefore, a strengthening strategy is needed that includes digital marketing training, product innovation development, improving service quality, and market diversification so that MSMEs are not overly dependent on students. Support from the local government, universities, and the business community is a crucial factor in strengthening the competitiveness and sustainability of MSMEs as pillars of the regional economy. With targeted and sustainable efforts, Purwokerto MSMEs are expected to continue

to grow and become a solid foundation in meeting community needs and improving local economic welfare.

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