



# The Influence of Digitalization of MSMEs as an Effort to Develop the Local Economy in Kanigoro District, Blitar Regency

Adisty Riska Hardianti<sup>1\*</sup>, Anisah Nabilah<sup>2</sup>, Nuril Hikmah<sup>3</sup>, Ahmad Yahya Hamiduddin<sup>4</sup>, Muhammad Bagus Ramadhan<sup>5</sup>

<sup>1,3,4</sup> Faculty of Economic and Business, PGRI Jombang University, East Java, Indonesia

<sup>2</sup> Technology Information Faculty, PGRI Jombang University, East Java, Indonesia

<sup>5</sup> Art and Design Faculty, PGRI Jombang University, East Java, Indonesia

Correspondence: E-mail: [adistyris11@gmail.com](mailto:adistyris11@gmail.com)

## ABSTRACT

This study aims to evaluate whether the digitalization of MSMEs affects local economic development in Kanigoro District, Blitar Regency. Research data were obtained directly through interviews with relevant sources and analyzed qualitatively descriptively to evaluate the effect of digitalization of MSMEs on local economic development. The research findings show that digitalization has made the market more flexible, facilitated access to local products for a wider public, and encouraged innovation in creating new products according to local needs. Digitalization also has an impact on economic growth in Kanigoro District, Blitar Regency, where MSMEs focus on online and offline sales. This contributes significantly to local economic development by enabling MSMEs to sell products online. Although important, the role of the government in supporting digitalization in Kanigoro District, Blitar Regency has not been fully realized, especially in the provision of training and internet access in Kanigoro District, Blitar Regency.

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## 1. INTRODUCTION

The large market demand that is also followed by the emergence of various sellers with the same type of product makes trade competition also inevitable (Hardianti et al., n.d.). Trade competition ultimately requires traders to provide their best quality and abilities in order to have a special place in the eyes of customers so that their business can grow and survive (Hikmah & Hardianti, 2023). At this time, a term is known that broadly has the meaning of business transactions carried out online or online which is called electronic commerce (e-commerce) (Wahyuni et al., 2020).

E-commerce can be interpreted as a comprehensive picture that includes all forms of business transactions and information transfers that use information and communication technology as a platform (Ausat & Peirisal, 2021). One sign that a trader has good performance is their ability to market their merchandise through other media such as e-commerce platforms (H. Respatiningsih, 2021). The emergence of digital technology has indirectly changed human life and added a new dimension to our consumption behavior (R. R. Respatiningsih & Anastuti, 2022). This condition forces traders to consider developing their businesses and designing mature marketing strategies, which may not have been previously thought of.

Marketing has reached a point where adapting to digital trends has become a necessity (Chaffey et al., 2020). To cope with this constant change in socio-cultural dynamics, it is important to define and understand digital consumer culture and how it supports digital acculturation. The current era of marketing, such as the convenience and connectivity offered by social media, mobile technology, and various other digital applications, encourages assimilation, integration, or acculturation outside the user community itself (Rust, 2020).

Digitalization in the economic context is not limited to online marketing, but also to the evolution of payments to digital. This step allows MSMEs to handle various types of obstacles in payments that often occurred before (Puthussery, 2020). Finding this solution will then accelerate the development of the quality of MSMEs in Indonesia. This not only makes MSMEs more digital-based, but also increases their ability to survive (Abd Rasyid et al., 2023). However, solutions to restore conditions also still need to be done, one of which is by encouraging digital platforms to collaborate with business owners through partnerships.

Digital innovation in local economic development refers to the use of digital technology as part of local economic activities (Hund et al., 2021). This use refers to the use of marketplace applications, e-commerce, electronic payments, and others that help facilitate production, marketing, and reaching customers (Telukdarie et al., 2023). In other local economic contexts, this can also be a solution to the problem of narrow markets, lack of skilled human resources, and business management issues.

By implementing their efforts in digital innovation, business owners can more easily increase their business competitiveness, make their business activities more efficient, and be

able to attract more interest in their products (Westerlund, 2020). Digital market platforms or e-commerce provide opportunities for business owners to be able to put their merchandise on display so that it can be seen by more people with a wider market, while social media provides an opportunity to build brand awareness of the products being sold (Ozturk et al., 2024). That way not only will MSME businesses or businesses experience development, but local economic capabilities will also grow and become strong. Entrepreneurship in the region will ultimately attract investment from various other regions, thereby helping to grow the economy as a whole.

## 2. METHODS

The approach used in the study, the type and source of data collection in the following study, namely analyzed in depth through primary data or direct data and supporting data obtained from sources. Data obtained directly in the field is useful for determining how the influence of MSME digitalization in the Kanigoro District area of Blitar Regency as an effort to develop the local economy in the form of secondary data and primary data.

Qualitative and descriptive research contains the results of the analysis presented in writing written with the subject's perspective (Tisdell et al., 2025). The focus of the research is adjusted to the findings found in the field by utilizing the theoretical basis that has been prepared. In this type of research, data is obtained through interviews and natural observations. This method is carried out by visiting 25 locations directly that will be used as the data collection process. The results obtained will be analyzed by the author according to the data in the field.

Questions and observations were conducted to the main informants, namely the Makmur Jaya Farmers Group, Kanigoro District, Blitar Regency, totaling 7 informants. With the criteria of knowing about the object that is the subject of the related questions being studied, and knowing about the object that is the subject of the related questions being studied. The data needed as analysis material was obtained through several methods, namely interviews, documentation results, and observations.

## 3. RESULTS AND DISCUSSION

The southern part of Blitar Regency, namely south of the Brantas River which divides Blitar Regency into two parts. The northern part of Blitar Regency has a fertile soil structure compared to the southern part of Blitar Regency. The area is a lowland and a highland. Some of the area is mountainous, making the soil structure fertile when compared to the southern part of Blitar.

Digitalization of MSMEs has proven to be a driver of local economic growth through increased sales and operational efficiency. The use of digital technology by MSMEs has been found to be able to expand their markets and increase competitiveness. Digitalization in MSMEs aims to achieve several strategic goals for MSME entrepreneurs.

MSMEs play an important role in the country's economy. The existence of MSMEs is considered crucial not only because they are able to become a place for employers, but also contribute to GDP growth for several countries. MSMEs are even able to become the backbone of the national economy, as evidenced by their ability to survive better than large businesses during crisis conditions such as in 1998 or 2009 in Indonesia.

### **The Influence of Digitalization on MSMEs in Kanigoro District, Blitar Regency**

Through interviews conducted with informants accompanied by direct observation in the field, that with the existence of digital platforms such as e-commerce, it is able to make MSMEs reach a wider market share. Digitalization of marketing is important for MSMEs because it expands market reach, reduces costs, and allows direct interaction with consumers. In addition, MSMEs can use data to improve strategies, increase brand awareness, and adjust business scale more flexibly and efficiently. Digitalization makes MSMEs more competitive and responsive to market changes. This allows local products to be known by more people, digitalization also encourages MSMEs to create innovative products (Fauzi & Sheng, 2022). With digitalization, MSMEs can use a more efficient management system, digital technology also makes it easier for MSMEs to collaborate with other parties such as suppliers, distributors, and even customers, this also opens up opportunities for networking and cooperation that can benefit both parties (Rosyidiana & Narsa, 2024). As expressed by Yati, a founder of a farmer group with various types of agribusinesses, said that:

*"For this, my shop only uses digital platforms such as Whatsapp or commonly called resellers because it is also busier, many of the enthusiasts are from outside Solo such as areas outside Java, so I prefer selling online rather than offline which does not necessarily have many buyers."*

Based on the results of research on several business actors, most of the business owners choose to sell online, this is also caused by the shift in public interest to shop online. Consumers from outside the city can also buy MSME products in the Kanigoro District, Blitar Regency without having to contact traders directly. With that, digitalization has an influence on MSME actors so that their products can be known to many people not only in Blitar Regency and shopping online is also time efficient without having to come directly to the store. In addition, there are also traders who use traditional and online sales systems.

From several opinions of UMKM actors in the Kanigoro District, Blitar Regency, some prefer to sell online, and some prefer to sell offline. In business sustainability, this is able to illustrate that UMKM owners can create opportunities to be able to build a long-term business and make a profit.

From these statements, digitalization basically has an important role today, digitalization brings solutions to create opportunities and make the sustainability of MSMEs long-lived. With this digitalization, MSME traders can sell in the long term and expand the

reach of market marketing through e-commerce platforms, also supported by the many consumers who prefer online shopping.

### **The Influence of MSME Digitalization on Local Economic Development in Kanigoro District, Blitar Regency**

In the overall development of the local economy, it can be good if there is a lot of participation from MSME actors who are able to utilize digitalization or from consumers in the Blitar Regency area. Digitalization of MSMEs has an important influence on the development of the local economy in the Kanigoro sub-district of Blitar Regency, digitalization allows MSMEs to market their products online, so that their market share is not limited to local buyers but becomes widespread throughout the country and even internationally.

MSMEs will feel an increase in income from before using the digital platform and after using the digital platform. The increase in MSME income has a direct impact on improving the welfare of the surrounding community, increasing regional income through taxes and levies (Rahayu et al., 2023). The Makmur Jaya Farmer Group as one of the most advanced farmer groups in Kanigoro District which produces many processed agribusiness products, can feel this positive influence with more MSMEs developing and creating a more dynamic and sustainable business ecosystem. This is also reinforced by a statement from Ade, an MSME actor in the agribusiness processing of patin fish chips in Kanigoro District, Blitar Regency, who said that:

*"In my opinion, digitalization can improve welfare, especially for housewives. They also need income so they can sell online from home."*

The role of MSME digitalization can make a community experience rapid local economic development. As the informant above said that there has been an increase in income since using digitalization so that the community's economy has increased. Local economic development can be supported by the concept of collaboration and synergy of various parties involved, namely the government, MSME actors, and the trading community can work together to create an ecosystem that is conducive to the growth of MSMEs (Aminullah et al., 2024). The development of the local economy takes place over a long period of time, sustainably. From the initial process of starting to achieving prosperity.

In order to compete in an increasingly competitive economy, MSMEs need to improve their skills in various fields. One step that MSMEs can take to remain competitive in the current era is to utilize existing information technology. In addition, to increase competitiveness with large business actors, information technology can help MSMEs operate internationally. In the current era of digitalization, MSMEs must utilize technological advances to increase their business productivity, both in terms of production and marketing (Alfarizi et al., 2024). However, many MSMEs still face limitations in the use of technology, which makes it difficult for them to compete. The development of digitalization in MSME marketing needs

to be carried out as part of mentoring activities, so that business actors can improve their economy through the use of digital technology.

### **The Role of Government in UMKM Facing Digitalization in Kanigoro District, Blitar Regency**

The role of the surrounding government towards MSMEs facing digitalization in Kanigoro District, Blitar Regency should indeed be very large. The author found data from interviews in the field that the role of the government in responding to this was completely absent. This includes the role of the government in managing various facilities such as wifi, providing capital, providing training to traders related to product digitalization, and others that were not provided at all by the Blitar Regency government for MSME actors in the Kanigoro District, Blitar Regency area.

This is further strengthened by a statement from Renza, an MSME actor in the processing of moringa leaf powder in Kanigoro District, Blitar Regency, who said that:

*"There was no funding at all, I used to work with other people and then started a business straight away, so there was no training, there was no wifi either."*

Business development is achieved by providing support in the form of cash funds, providing support in the form of training, mentoring and coaching to facilitate bank funding and support in terms of facilities and infrastructure for MSME members. From MSME actors in Kanigoro District, Blitar Regency as explained above, there is no assistance in the form of cash, facilities, training, and others provided by the Blitar Regency government.

Government support in the form of funding, wifi access, entrepreneurship training should greatly assist UMKM traders to advance their businesses, accelerate their production, and the output that will be produced as a commercial product for competitive UMKM members. In facing the increasingly developing sales mechanism accompanied by competitive competition, the ability to compete and have knowledge related to production becomes a prerequisite for UMKM actors (Atmojo et al., 2024). This can be done by providing easy access to information for UMKM actors, such as holding training related to their business.

An important strategy for strengthening MSMEs is knowledge of the production market, this is useful so that MSMEs can expand their product marketing networks. That is why the role of the government is needed to provide access for MSMEs to expand their market networks and encourage the success of MSME businesses. With this encouragement, it will help business actors to be able to market their products to local and international consumers who will then help develop their businesses (Arifin et al., 2025).

The Blitar Regency Government as the holder must play a more optimal role in these efforts, especially in the Kanigoro District, Blitar Regency. The role of the government here is expected to be more intense in going directly to UMKM actors or often holding reviews, audiences and others so that future programs can be right on target, efficient and effective.

Things that need to be studied by the Blitar Regency government regarding digital marketing, the city government needs to be more innovative in utilizing technological developments in an effort to help market products from UMKM traders because traders complain about the absence of the Blitar Regency government's role in helping traders.

#### **4. CONCLUSION**

The conclusion drawn by the author is based on the results of research through interviews and observations. Through the presentation of the discussion which also answers the questions that the researcher previously set, it can be concluded that digitalization has produced a more flexible market, allowing local products to be more easily accepted and utilized by the public and allowing MSMEs to innovate to produce new types of products for market needs.

The digital system also allows MSMEs to collaborate with other stakeholders, such as suppliers and distributors, build networks and collaborations, and be able to market products so that they can be recognized by many people. Digitalization also affects the development of MSME actors in the Kanigoro District, Blitar Regency.

Some MSMEs focus on online sales, while others focus on offline sales. Digitalization allows sales time to be more efficient and allows consumers to buy MSME products without having to physically visit the store. The sustainability of MSMEs is very important, because digitalization in the business world is often influenced by its implementation. However, some MSMEs may not always adopt digital practices when interacting with consumers. Some MSMEs may still use offline sales but are more likely to adopt online sales.

Digitalization in Kanigoro District, Blitar Regency can make a very important contribution to local economic development by enabling business actors to sell their products online, thereby reducing their dependence on local and international markets. Digitalization can also help create new opportunities, increase income, and drive local economic growth. It can also improve the skills of business actors in various fields, such as the use of information technology to increase productivity in both the product and service sectors. Marketing digitalization can be used as a marketing strategy to encourage businesses to increase their economic growth through digitalization. This approach can lead to a more dynamic and sustainable local economy.

The role of the government in promoting digitalization in the Kanigoro District, Blitar Regency should be very important. The government should provide various facilities such as wifi, modems, and training for MSMEs related to product digitalization. However, government support for MSMEs such as training and internet access is still lacking. The government must also provide resources such as training, internet access, and training opportunities for new MSMEs. The role of the government in encouraging digitalization must be focused on providing information on product prices and promoting their use as competitive products. The strategy of providing product price information is very important

for MSMEs to increase their product marketing efforts. The government must also be more intensive in training traders and ensuring that their programs are effective and efficient. The government must also be more innovative in utilizing technology to promote MSME products, considering the lack of government support for MSMEs.

The conclusion obtained through the discussion explained previously, there are implications that need to be observed regarding the influence of MSME digitalization as an effort to develop the local economy. The increasingly rapid development of digitalization makes MSME actors who still have a traditional concept vulnerable to being displaced by developments in the digital era. Traders should also be aware of the benefits of digitalization in their sales. It is hoped that in the future for governments to pay attention to the ability of human resources effectively which will later help the process of developing the local economy for MSME actors. Where the role of these parties greatly determines the sustainability of MSME actors.

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