



Model for Developing MSMEs Based on Creative Economy in Blitar Regency

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Abstract: The role of micro, small, and medium enterprises (MSMEs) is very significant for the growth of Indonesia's economy, accounting for 99% of all business units. The development of MSMEs in Blitar Regency has experienced significant growth in terms of both the number of entrepreneurs and revenue. The objectives of this research are (1) to identify and analyze the potential of the creative economy in the development of MSMEs in Blitar Regency, (2) to formulate appropriate strategies to enhance the competitiveness and growth of MSMEs in the creative economy sector in Blitar Regency. The approach used in this research is a phenomenological qualitative approach. Data collection techniques were carried out through observation and structured interviews conducted with key informants of this study, such as MSMEs actors, local government officials from the Department of Industry and Trade, and the Cooperative Office. The data analysis technique was conducted using data triangulation with the following steps: data collection, data analysis, conclusion, and data validation. The research results show that the creative economy model used by the local government in developing MSMEs in Blitar Regency includes the utilization of ideas and creativity, strengthening MSMEs through digitalization, business mentoring, development of superior products, and connection with the people's economy. The challenges in the development of MSMEs include increasingly tight market competition both online and offline; limited access to capital; limited access to digital technology; lack of understanding of business management; limited product innovation; ineffective marketing; and business legality. The strategies implemented include enhancing digital marketing, improving product and service quality, strengthening business capital, increasing capacity and skills, utilizing technology, promoting and marketing products, and strengthening institutions and governance.

Keywords: model, development, MSMEs, creative economy

1. Introduction

The role of micro, small, and medium enterprises (MSMEs) is very significant for the growth of Indonesia's economy, accounting for 99% of all business units. The Indonesian government has high hopes for the MSMEs sector as the driving force of the national economy by 2025, with an economic growth target of 5.2% this year and 8% in the next five years, and the government is optimistic that MSMEs can become the main pillar in achieving these targets (Tri & Darwanto, 2013). The success of MSMEs will not only impact the business sector itself but will also drive economic growth across various lines.

The development of technology and e-commerce has opened up great opportunities for MSMEs to expand their markets and marketing efforts. By leveraging technology, MSMEs can optimize their marketing strategies to reach a wider market, even at the international level. Talking about MSMEs is of course inseparable from the term creative economy, which is interrelated (Niode & Rahman, 2022). Creative economy is a concept in the new economic era that prioritizes information and creativity by relying on ideas and knowledge from human resources as factors of production (Wiagustini, Mustanda, Meydianawati, & Abundanti, 2017). Creative economy plays a role in a nation's economy, especially in terms of income, creating

Received: June 14, 2025

Revised: June 28, 2025

Accepted: July 13, 2025

Published: July 15, 2025

Curr. Ver.: July 15, 2025



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jobs, increasing export results, and adding intellectual wealth (Tri & Darwanto, 2013). Therefore, with just the capital of creativity and knowledge, it can be used to create business opportunities. Indonesian society realizes that the creative economy, which focuses on the creation of goods and services by relying on expertise, talent, and creativity as intellectual wealth, is the hope for Indonesia's economy to rise, compete, and achieve excellence in the global economy (Made Kembar Sri, Ni Putu Nina E. L., Suasih, & Wijaya, 2020).

Blitar Regency is one of the regencies under the administration of East Java Province. Economic growth in the Blitar Regency area is still dominated by micro, small, and medium enterprises (MSMEs), with their numbers reaching tens of thousands. The development of MSMEs in Blitar Regency is very rapid, as indicated by BPS data in 2024, which shows that the number of MSMEs in Blitar Regency is 34,694 units, divided into culinary, handicraft, agribusiness, and fashion sectors. Many MSMEs actors in Blitar choose to open businesses in the food and beverage sector, including traditional foods such as opak gambir and sambel pecel. Additionally, there are also businesses in the handicraft sector such as batik, wood crafts, and other creative industries. If we look at the contribution to GDP during the period from 2021 to 2024, it is known that the agriculture, livestock, and fisheries sectors have the highest domestic product. Number two is occupied by the processing industry and number three is occupied by the trade industry. That is understandable considering that the land in Blitar Regency is still largely used for plantations and rice fields. In addition, Blitar Regency is also known for its chicken farming, both for egg-laying and meat-producing chickens. In fact, that sector has contributed 30 percent to the GDP. Here is the table of the number of MSMEs in Blitar Regency based on business sectors from 2020 to 2024.

Table 1. Number of MSMEs in Blitar Regency Based on Business Sector 2020 -2024

Indicator	Unit	2020	2021	2022	2023	2024
Number of Micro Enterprise	Business unit	20.242	32.733	11.709	30.910	30.910
Agribusiness sector	Business	0	2.056	2.063	2.063	2.063
Service sector (laundry, salon, motorcycle taxi)	Business	2.226	3.332	558	3.248	3.248
Field of handicrafts	Business	1.215	1.923	1.511	1.559	1.559
Field of clothing / fashion	Business unit	487	1.243	500	837	837
Other fields	Business unit	12.330	16.472	1.925	16.069	16.069
Food and beverage sector	Business unit	3.984	7.707	6.652	7.134	7.134
Automotive field	Business unit	0	379	19.758	123	123
Field of education / training	Business unit	0	0	8	0	0

Source: BPS Kabupaten Blitar data, 2024

Based on the data above, it is known that MSMEs have a contribution in absorbing the workforce, although there are also business sectors that are no longer operational, such as the education/training sector. The growth of MSMEs in Blitar Regency shows a positive trend year by year. The development of MSMEs in Blitar Regency has experienced significant growth in terms of both the number of entrepreneurs and revenue. The local government is also continuously striving to promote the growth of MSMEs through various training and mentoring programs. The results of the observations conducted by the researchers found that the number of MSMEs in Blitar Regency has experienced rapid growth, as can be seen in Table 1, which shows the number of MSMEs based on the type of business sector. In several sub-districts such as Talun, Kanigoro, Wlingi, and Srengat, the growth of MSMEs is becoming more noticeable. Even every village is starting to be encouraged to have its own leading business sector.

Several previous studies that have been conducted have indeed contributed to the development of the creative economy. However, the previous studies still focused on the roles and strategic aspects to be developed and have not yet considered inclusive and sustainable aspects. Like previous research conducted on the model of creative economy development, it still yields varied findings. The research conducted by (Maulana et al., 2022) on the development model of creative economy for MSMEs in Musi Rawas Regency through character education, knowledge management, and innovation. Another study conducted by (Bagas & Dian, 2023) on the design of the 5.0 creative economy model based on digital social innovation. The research conducted by (Gema Bangsawan, 2023) on the policy of accelerating digital transformation in Indonesia: opportunities and challenges for the development of the creative economy. In this study, the researcher examines the model of developing MSMEs based on creative economy in Blitar Regency

The objectives of this research are (1) to identify and analyze the potential of the creative economy in the development of MSMEs in Blitar Regency, (2) to formulate appropriate strategies to enhance the competitiveness and growth of MSMEs in the creative economy sector in Blitar Regency.

2. Literature Review

Creative economy is an activity of production and distribution of goods and services driven by entrepreneurs, utilizing intellectual abilities, creativity, and innovation. The creative economy system is an alternative in addressing the current economic challenges (Yetmi & Adhiyatuningsih, 2020). Creative economy is a concept in the new economic era that prioritizes information and creativity by relying on ideas and knowledge from human resources as factors of production. In economic studies, there are four factors of production known, namely natural resources, human resources, and orientation or management (Wiagustini, Mustanda, Meydianawati, & Abundanti, 2017).

Currently, the development of the creative economy according to the Creative Economy Agency (BEKRAF) includes 16 subsectors of the creative economy, namely: (1) application and game developer, (2) architecture, (3) interior design, (4) visual communication design, (5) product design, (6) fashion, (7) animation and video film, (8) photography, (9) crafts, (10) culinary, (11) music, (12) publishing, (13) advertising, (14) performing arts, (15) fine arts, (16) television and radio (Bimantara, Hidayat, & Soelistyo, 2020). Creative economy and MSMEs have a close relationship. The creative economy, which emphasizes innovation and creativity, serves as the foundation for the development of MSMEs. Meanwhile, MSMEs, as the backbone of the economy, can leverage the creative economy to create unique products and services, expand markets, and enhance competitiveness (Pratama & Wijayanti, 2023). In other words, the creative economy acts as a driving force for the growth and sustainability of MSMEs.

3. Research Method

The approach used in this research is a qualitative approach. This is because the qualitative research methodology is a scientific study aimed at understanding a phenomenon in a natural social context by emphasizing a deep communication interaction process between the researcher and the phenomenon being studied. The researcher uses the phenomenological model in the qualitative approach, where this model seeks to understand the meaning of an event that occurs due to the interaction of the involved parties, each having their own understanding or interpretation (intersubjective) of each event that will determine their actions. Data collection techniques were carried out through observation and structured interviews conducted with key informants of this research, such as MSMEs actors, local government officials from the Department of Trade and Industry, and the Cooperative Office. The data analysis technique was carried out using data triangulation with the following

steps: data collection, data analysis, conclusion, and data validation (Bimantara, Hidayat, & Soelistyo, 2020).

4. Results and Discussion

Results

The Role of the Creative Economy in the Development of MSMEs in Blitar Regency

To develop a micro, small, and medium enterprise (MSMEs) in the creative industry sector, the role of the creative economy is crucial in enhancing the capacity of MSMEs. This role can take the form of policy relaxation, creating policy support innovations, thereby generating benefits for economic growth in Blitar Regency. With the role of the creative economy at present, business actors must be able to create opportunities or innovations so that economic growth in terms of knowledge and creativity can generate benefits both on a micro and macro scale. Creative economy-based MSMEs must always maintain quality and enhance their creativity and innovation in producing new works. The improvement of creativity for MSMEs actors can be achieved through a series of training processes from the government, such as business management, marketing management, finance, and so on.

The following are the factors that directly influence the development of MSMEs in Blitar Regency.

- a. Creative economic activities prioritize intellectual property that can renew economic resources through advancements in science and technology
- b. Creative economy can address issues such as unemployment and family economy
- c. The creative economy is more easily accepted by society today, especially by consumers, because it contains elements of ideas and creativity that rely on technology

Creative Economy Model in the Development of MSMEs in Blitar Regency

The creative economy model developed for MSMEs in Blitar Regency is as follows.

1. Utilization of ideas and creativity.

This is carried out by the local government of Blitar Regency on MSMEs with the following objectives: (1) creating added value to products and services through creative ideas from MSMEs actors; (2) developing superior regional products with great potential; (3) innovating in packaging, marketing, and service to attract consumer interest.

2. Strengthening MSMEs through digitalization.

Things that have been done by the local government of Blitar Regency include digital marketing training to help MSMEs market their products online, enhancing the capabilities of MSMEs actors in utilizing information technology, and providing internet access and digital platforms for promotion and sales.

3. Business mentoring.

The local government of Blitar Regency has undertaken several activities, such as launching the "Niki Mase" program from the Department of Industry and Trade (Disperindag), aimed at providing easy access to business mentoring for MSMEs and IKM. Additionally, the local government also provides mentors and facilitators to assist MSMEs in developing their businesses. The most important thing is to simplify business licensing, funding, and marketing.

4. Development of flagship products.

Regarding the development of flagship products, the local government of Blitar Regency encourages MSMEs to focus on developing Blitar's signature souvenirs as flagship products, as well as developing other creative products based on local potential.

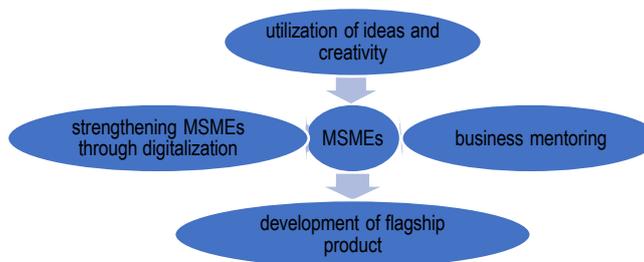


Figure 1. Creative Economy Model for the Development of MSMEs by the researcher, 2025

Challenges in Developing Creative-Based MSMEs in Blitar Regency

Although MSMEs in Blitar Regency are experiencing positive growth, there are still challenges faced by MSMEs actors, including:

1. The increasingly fierce market competition both online and offline. Traditional markets and shopping centers are becoming increasingly crowded with various products, both local and from outside the region, so MSMEs need to strive to attract consumer attention. In addition, with the development of e-commerce and social media, MSMEs must compete with other business actors who are more skilled in digital marketing and have a wider market reach.
2. Limitations in access to capital. There are still many MSMEs actors in Blitar Regency who have difficulty obtaining business capital for business development, whether for working capital or investment. In addition, the process of applying for capital loans is still complicated and requires conditions that are difficult for MSMEs actors to meet.
3. Limitations in access to digital technology. Some MSMEs actors in Blitar Regency still do not have a good understanding and skills in utilizing digital technology for marketing, sales, and business management. Limited internet access and the cost of technology equipment also pose obstacles for MSMEs actors in Blitar Regency.
4. Lack of understanding about business management. Many MSMEs actors in Blitar Regency do not yet have adequate knowledge about financial management, marketing, and business operations. This can certainly lead to mistakes in decision-making, poor financial management, and difficulties in business development.
5. Limited product innovation. It is known that some MSMEs in Blitar Regency still rely on the same products without making innovations, which makes them less appealing to consumers. The lack of market research and understanding of consumer trends also contributes to the lack of product innovation.
6. Ineffective marketing. MSMEs in Blitar Regency often face difficulties in effectively marketing their products both offline and online. The limited knowledge about digital marketing strategies and the use of social media has become the main obstacle
7. Business legality. There are still MSMEs in Blitar Regency that have complete business permits such as the Business Identification Number (NIB). This can certainly make it difficult for MSMEs to access various facilities and assistance from the government.

Strategy for Developing Creative Economy for MSMEs in Blitar Regency

To develop MSMEs in Blitar Regency, strategies that can be used include enhancing digital marketing, improving product and service quality, strengthening business capital, increasing capacity and skills, utilizing technology, promoting and marketing products, and strengthening institutions and governance.

1. Improvement in digital marketing.

The local government of Blitar Regency, particularly the Cooperatives, MSMEs, and Labor Office, actively conducts digital marketing training to equip MSMEs with online marketing skills. MSMEs actors can utilize social media, marketplaces, websites, and e-commerce as online marketing media to develop marketing through online platforms with the aim of expanding market reach.

2. Improvement in product and service quality.

The local government of Blitar Regency can provide product development training to MSMEs, helping them create innovative and high-quality products. The local government of Blitar Regency can also offer training and mentoring in good financial management to MSMEs, assisting them in optimizing their business operations.

3. Strengthening business capital.

The local government of Blitar Regency can facilitate access to business capital financing for MSMEs through various programs and financial institutions. Meanwhile, MSMEs themselves can build partnerships with other parties, including large enterprises, to obtain capital support and other resources.

4. Capacity and skill enhancement.

The local government of Blitar Regency can provide technical training related to production, marketing, management, and technology to enhance the competencies of MSMEs. Additionally, it can also offer continuous mentoring to MSMEs in running their business operations.

5. Utilization of technology.

MSMEs can utilize technology in the production process to improve the quality and productivity of their businesses. The local government of Blitar Regency and MSMEs can also implement an integrated information system to enhance the efficiency of business operations.

6. Promotion and marketing of products.

MSMEs can participate in both local and national exhibitions and festivals to introduce their products and network with other MSMEs. MSMEs can develop creative and unique promotional strategies to attract consumer attention to the marketed products.

7. Strengthening institutional and governance.

The local government of Blitar Regency can provide guidance and support for cooperatives that serve as platforms for MSMEs. Additionally, the local government can facilitate the business licensing process for MSMEs to operate.

Discussion

This study aimed to identify and analyze the potential of the creative economy in the development of MSMEs in Blitar Regency and to formulate strategies that enhance competitiveness and growth. Using a phenomenological qualitative approach, the research explored how MSMEs actors, government officials, and cooperative institutions perceive and implement creative economy principles in practice.

The findings

The findings reveal that the creative economy model in Blitar Regency emphasizes:

1. Utilization of ideas and creativity to add value to products and services.
2. Strengthening MSMEs through digitalization, including training in online marketing and access to digital platforms.
3. Business mentoring programs such as “Niki Mase” that simplify licensing, funding, and marketing.
4. Development of flagship products rooted in local identity, such as culinary and handicraft items.

Challenges identified include limited access to capital, insufficient digital literacy, lack of product innovation, ineffective marketing, and incomplete business legality.

Interpretation of Findings

These findings highlight the dual role of the creative economy: as a driver of innovation and as a structural support for MSMEs resilience. The emphasis on digitalization aligns with Bangsawan (2023), who noted that digital transformation policies are central to creative economy growth in Indonesia. Similarly, the mentoring and institutional support observed in Blitar resonate with Maulana et al. (2022), who emphasized character education and knowledge management as foundations for MSMEs development.

The reliance on creativity and innovation echoes Wiagustini et al. (2017), who identified investment potential in creative sectors as a key driver of regional economic growth. However, the Blitar case adds nuance by showing how local governments operationalize these principles through concrete programs and flagship product development.

Practical Implications

For policymakers, the findings suggest that MSMEs development strategies should integrate:

1. Digital literacy training to close the technology gap.
2. Simplified access to capital and legality processes to reduce barriers for entrepreneurs.
3. Flagship product branding to strengthen regional identity and competitiveness.
4. For MSMEs actors, adopting creative economy principles means continuously innovating products, leveraging digital platforms, and engaging in collaborative networks.

Theoretical Contributions

This study contributes to the literature by demonstrating how creative economy models are localized in practice. While prior studies (Pratama & Wijayanti, 2023; Niode & Rahman, 2022) emphasized broad frameworks, the Blitar case illustrates how creativity, digitalization, and mentoring converge into a practical model that sustains MSMEs growth.

Reflexivity and Limitations

As a qualitative study, findings are context-specific to Blitar Regency. Researcher interpretation may be influenced by local dynamics and the perspectives of selected informants. Broader generalization should be approached cautiously, though the themes identified may be transferable to similar regions.

Future Research Directions

Further studies could adopt mixed-methods approaches to quantify the impact of creative economy interventions on MSMEs performance. Comparative studies across

regencies would also enrich understanding of how local contexts shape creative economy models.

5. Conclusions

Based on the research results obtained from observations and structured interviews in the field, it can be concluded that Blitar Regency has a strong economic foundation due to the large number of MSMEs and a significant capacity to absorb labor. MSMEs have also proven resilient in overcoming economic crises and have great potential to achieve maximum profits using domestic production closely related to the primary needs of the community. The research results also indicate that the creative economy model implemented in Blitar Regency to advance MSMEs focuses on utilizing ideas and creativity to create added value to products and services while maintaining the values of people's economy. The local government, through the relevant departments, actively encourages MSMEs actors to be open to using technology, especially digital marketing, and provides business mentoring.

Creative economy cannot be separated from MSMEs because currently, MSMEs actors are required to be more creative and innovative in developing their businesses. The development of the creative economy today should certainly leverage technological innovations to more quickly penetrate broader markets and encourage society to embrace the use of technology. The challenges of developing MSMEs include increasingly tight market competition both online and offline; limited access to capital; limited access to digital technology; lack of understanding of business management; limited product innovation; ineffective marketing; and business legality.

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