



THE TRANSFORMATION OF ECONOMICS AND INNOVATION IN THE DIGITAL VILLAGE IN THE DEVELOPMENT OF MSMEs ADVANCED CLASSES

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Abstract

This research explores the impact of digital transformation through the Digital Village initiative on the development of Micro, Small, and Medium Enterprises (MSMEs) in Bekasi City. Digital transformation is vital to overcoming the challenges MSMEs face, including limited market access, technology, and financial resources. Kampung Digital is a technology-based community model that provides digital infrastructure, training, and technical support to increase technology adoption and MSMEs' competitiveness. This study collects data from MSME actors and stakeholders through a qualitative approach that includes in-depth interviews, participant observation, and documentation studies. The findings show that adopting digital technology increases MSMEs' operational efficiency and market access. Technological innovation, collaboration in the innovation ecosystem, community empowerment, and digital literacy have proven to be important in the success of the Digital Village. This research provides insight into how economic transformation and innovation can support the growth of MSMEs and suggest policies to advance the Digital Village initiative as a strategy for sustainable economic growth.

Keywords: Digital Transformation, Digital Village, MSMEs, Technological Innovation, Digital Literacy.

INTRODUCTION

The increasingly digitalized global economy has significantly impacted various sectors, including Micro, Small, and Medium Enterprises (MSMEs). In Indonesia, MSMEs play an important role in economic development, contributing significantly to Gross Domestic Product (GDP) and employment. However, MSMEs still face various challenges, such as limited access to markets, technology, and financial resources. In this context, digital transformation is the key to helping MSMEs overcome these obstacles and increase their competitiveness.

One of the initiatives that has emerged to support the digital transformation of MSMEs is the "Digital Village" concept. Digital Village is a technology-based community model designed to accelerate the adoption of digital technology among MSMEs and rural communities. Kampung Digital aims to improve MSMEs' ability to adopt new technologies, expand markets, and increase operational efficiency by providing access to digital infrastructure, training, and technical support.

Innovation is a critical element of digital transformation and MSME development. Technological innovation can cover various aspects, from the use of e-commerce and digital marketing to application-based business management. This innovation not only helps MSMEs increase

productivity and efficiency but also allows them to compete in a wider market. Recent research shows that the adoption of digital technology by MSMEs significantly increases market access and operational efficiency, which ultimately positively impacts business growth and sustainability (Sari, 2023).

However, implementing Digital Villages also faces its challenges. One of the main challenges is the low level of digital literacy among MSMEs and rural communities. Low digital literacy hinders MSMEs' ability to adopt and utilize technology effectively. Therefore, training and education programs are integral to the Digital Village initiative. Intensive digital training and education are needed to increase MSMEs' digital literacy and technical capabilities so that they can optimize the benefits of digital technology (Nugroho, 2022).

Adequate digital infrastructure is also a critical factor in the success of Digital Villages. The availability of a fast and stable internet network is a prerequisite for supporting various digital activities. The government and private sector need to work together to ensure that digital infrastructure in rural areas can meet the needs of MSMEs. Investment in digital infrastructure is crucial to ensure accessibility and connectivity for MSMEs in Digital Villages (Haryanto, 2023).

Economic transformation through Digital Villages also includes social and cultural aspects. The use of digital technology not only changes the way MSMEs do business but also influences people's social and cultural interactions. Digital technologies open up new opportunities for collaboration and social innovation, which can strengthen community cohesion and improve society's overall well-being. The Digital Village Initiative does not only focus on economic aspects but also social and cultural empowerment of rural communities (Wulandari, 2023).

In facing the digital era, MSMEs in the Digital Village must be able to adapt and continue to innovate. Collaboration between government, the private sector, and local communities is essential in supporting this transformation. Multi-stakeholder collaboration is the key to creating an inclusive and sustainable digital ecosystem for MSMEs (Santoso, 2023).

Research Gap: This research has explored the role of digitalization in the development of MSMEs; there are several gaps that need to be filled to comprehensively understand how economic transformation and innovation in Digital Villages can help MSMEs move up in class. More in-depth research is needed to understand how Digital Villages can be implemented effectively in rural areas and their impact on local MSMEs. Apart from that, there is a need for more analysis of the specific factors that influence the success of Digital Village in improving the class of MSMEs, and there is also a gap that needs to be filled. Many studies provide a general overview of the benefits of digitalization without identifying the key factors that support or hinder this transformation. For example, digital literacy, government support, community engagement, and program sustainability must be researched further to provide a more holistic picture.

Research on technological innovation in the context of Digital Villages still needs to be completed. Although several studies discuss the use of digital technology by MSMEs, more research is

needed to explore how specific technological innovations, such as e-commerce, digital marketing, and business management applications, can be integrated into the Digital Village model to support MSME growth. More in-depth research on various forms of technological innovation and their impact on the productivity and competitiveness of MSMEs is needed. Challenges in digital literacy and technology education are also areas that have received less attention in previous research. Many MSMEs may need more capabilities to utilize digital technology optimally. Therefore, research on practical digital training, education programs, and strategies to increase digital literacy among rural MSMEs must ensure they can adopt technology successfully.

With this description, this research aims to explore how economic transformation and innovation in Kampung Digital can help MSMEs move up in class. This research will analyze the factors that influence the successful implementation of Digital Villages, as well as their impact on the growth and development of MSMEs. Thus, the results of this research can provide practical recommendations for policymakers and MSME actors in optimizing the benefits of digital transformation.

LITERATURE REVIEW

Digital Transformation

Digital transformation is integrating digital technology into all aspects of a business, changing how it operates, and adding value for customers. In MSMEs, this transformation includes adopting technology such as e-commerce, cloud-based management systems, and digital marketing. Implementing digital technology is crucial to increase operational efficiency, expand market reach, and open new business opportunities. Hartono (2023) underlines that digital transformation is critical in helping MSMEs develop. Thus, Digital Village plays a vital role in encouraging MSMEs to move up a class through digital technology, increasing the competitiveness and sustainability of their businesses.

Technological Innovation

Technological innovation emphasizes the importance of innovation as a critical driver of change and growth in business. In the context of MSMEs in Digital Villages, innovation can include developing new products, implementing more efficient production processes, or more effective marketing strategies. Technological innovation plays a vital role in increasing the competitiveness and performance of MSMEs, especially in this digital era (Susanto, 2023). Technological innovation explains how implementing innovation in the Digital Village can accelerate the growth of MSMEs and improve their class. Technological innovation, such as marketing applications and cloud-based management systems, facilitates MSMEs in optimizing operations and expanding markets. By adopting practical innovation, MSMEs can strengthen their competitiveness and progress significantly.

Innovation Ecosystem

An innovation ecosystem refers to a collaborative network between various actors, including government, the private sector, and communities, that work together to drive innovation. In Digital Villages, collaboration between the government providing infrastructure, technology companies providing digital solutions, and local MSMEs adopting the technology is very important. A strong and coordinated innovation ecosystem can support technology adoption and increase innovation capabilities among MSMEs (Wijaya, 2023). The innovation ecosystem underscores the importance of collaboration between various stakeholders in developing an effective Digital Village. This collaboration involves the government, the private sector, and local communities, each of which contributes to providing infrastructure, technology, and training support. The collaboration between these parties enables a more prosperous and sustainable implementation of the Digital Village, accelerating technology adoption and supporting the development of MSMEs more holistically and inclusively.

Community Empowerment

Community empowerment focuses on efforts to improve the ability of individuals and groups in society to make decisions that affect their lives. In the context of Digital Villages, community empowerment includes increasing digital literacy, access to technology, and active participation in digital initiatives. Community empowerment through digital education and training is critical to ensuring that MSMEs in rural areas can adopt and utilize technology effectively (Nugroho, 2022). This theory is relevant to understanding how the Digital Village initiative can improve MSMEs' skills and capacity to use technology to develop.

With this theoretical foundation, research on economic transformation and innovation in Digital Villages can be built on a solid conceptual framework, allowing in-depth analysis of how this initiative can help MSMEs move up the class.

METHOD

Types of research

This research uses a qualitative approach to explore and understand how economic transformation and innovation in Kampung Digital affect the development of MSMEs. This approach allows researchers to explore the experiences, views, and perceptions of MSME actors and other stakeholders in Bekasi City. Qualitative research is considered appropriate because it provides deeper insight into social phenomena and transformation processes in Digital Villages (Creswell, 2023).

Time and Place of Research

This research will be carried out for six months, from January to June 2024. The research location will focus on several Digital Villages in Bekasi City. Bekasi City was chosen as the research location because it is one of the areas actively implementing the Digital Village initiative and has a reasonably large MSME population. Research will be carried out in several villages involved in the Digital Village program in the region to provide a representative picture (Rachman, 2023).

Method of collecting data

Data will be collected through in-depth interview techniques, participant observation, and documentation studies. In-depth interviews will be conducted with MSME players, Digital Village managers, and other stakeholders to obtain information about their experiences with digital transformation and innovation. Participatory observation will be used to observe directly how Kampung Digital operates and influences MSMEs. The documentation study will analyze reports, policies, and other relevant materials for the Digital Village initiative (Suprpto, 2024).

Data analysis

The data collected will be analyzed using a thematic analysis approach. Data from interviews and observations will be transcribed and coded to identify main themes related to economic transformation and innovation in the Digital Village. Thematic analysis will help identify patterns and relationships in the data relating to how Digital Villages affect MSMEs. This research will also use data triangulation to ensure the validity and reliability of the findings. The thematic analysis allows researchers to identify themes and patterns from qualitative data, thereby providing a deep understanding of the phenomenon under study (Braun & Clarke, 2023).

With this method, research can provide in-depth and comprehensive insight into the impact of economic transformation and innovation in Digital Village on developing MSMEs in Bekasi City.

RESEARCH RESULTS AND DISCUSSION

This research explores the impact of economic transformation and innovation in Digital Village on developing MSMEs in Bekasi City. In-depth interviews, participant observation, and documentation studies revealed several significant findings.

The Impact of Digital Transformation on MSMEs

One of the main findings from this research is that digital transformation through Digital Villages has had a significant positive impact on the development of MSMEs. MSMEs participating in Digital Village experience substantial improvements in operational efficiency, market access, and product innovation capabilities. The application of technology such as e-commerce platforms and cloud-based management systems makes it easier for MSMEs to manage their business more

effectively and expand their market reach to more expansive areas. As stated by Hartono (2023), digital transformation functions as the primary key to increasing operational efficiency, expanding market reach, and creating new business opportunities that were previously unavailable. These findings emphasize the importance of adopting digital technology to help MSMEs adapt to market changes and increase their competitiveness in an increasingly competitive business environment.

Technological Innovation in Digital Villages

The technological innovation implemented in the Digital Village is crucial in encouraging MSMEs to advance and develop. This innovation covers various aspects, such as implementing digital marketing applications, integrated inventory systems, and online payment platforms. This technology allows MSMEs to efficiently manage their business operations, expand market reach, and improve inventory management. This innovation makes it easier for MSMEs to increase the visibility and accessibility of their products, which is essential for competitiveness in the modern market.

This finding aligns with Susanto's (2023) statement, which emphasizes that technological innovation is critical to increasing the competitiveness and performance of MSMEs. By adopting digital technology, MSMEs have increased productivity and significantly reduced operational costs. Reduced costs and increased operational efficiency provide a competitive advantage, enabling MSMEs to compete better in an increasingly competitive and demanding market.

The Role of the Innovation Ecosystem

This research reveals that the success of a Digital Village is very dependent on the innovation ecosystem that forms around it. Collaboration between government, the private sector, and local communities is crucial in supporting and facilitating digital transformation. The government acts as an infrastructure provider and policy supporter, while the private sector contributes by providing cutting-edge technology and necessary training. The synergy between these parties creates an environment that supports technology adoption by MSMEs, facilitating their optimal utilization of technology for growth and efficiency.

In line with Wijaya (2023), a coordinated and robust innovation ecosystem has been proven to support technology adoption and increase innovation capabilities among MSMEs. The successful implementation of Digital Villages depends on integration between the various actors in the ecosystem, which allows MSMEs to utilize new technology more effectively. This collaboration not only increases the technical capabilities of MSMEs but also strengthens sustainable innovation, thereby making a significant contribution to their growth and competitiveness in an increasingly competitive market.

Community Empowerment and Digital Literacy

Significant findings from this research indicate that community empowerment and increasing digital literacy are critical factors for the success of Digital Villages. The training program within the Digital Village framework has proven effective in improving MSME skills utilizing digital technology. This training covers various aspects, from e-commerce platforms to business management applications, enabling MSMEs to optimize operations and expand market reach. However, even though training programs are available, some MSMEs still need help accessing the necessary training and support. These challenges are often related to limited infrastructure, lack of accessibility, or cost constraints.

According to Nugroho (2022), community empowerment through digital education and training is essential to ensure that MSMEs, especially those in rural areas, can adopt and utilize technology effectively. Continuous efforts are needed to increase digital literacy among MSMEs. Includes providing expanded training, ongoing technical support, and strategies to overcome access barriers. By increasing digital literacy, MSMEs will be better prepared to take advantage of new technologies, which will support their growth and the success of the Digital Village.

This study's results are consistent with previous research findings but provide additional insight into the specific context of Digital Villages in Bekasi City. Hartono's research (2023) emphasizes the importance of digital transformation in increasing the efficiency of MSMEs, which aligns with our findings. However, this research provides a deeper perspective on how specific technologies in Digital Villages affect MSMEs. Meanwhile, Susanto (2023) highlights the role of technological innovation in increasing the competitiveness of MSMEs, which is also proven in this research. Our findings show how various forms of technological innovation are implemented in Digital Villages and their impact on MSMEs. Wijaya's (2023) research on innovation ecosystems also aligns with our findings that collaboration between various parties is a critical factor in the success of Digital Villages. However, this research provides more details about how the collaboration is implemented in Bekasi City.

The findings regarding community empowerment and digital literacy presented by Nugroho (2022) are also consistent with the results of our research. This research adds insight into MSMEs' challenges in accessing the necessary training and support. This research contributes significantly to understanding how economic transformation and innovation in Kampung Digital affects the development of MSMEs, as well as providing practical recommendations to increase the effectiveness of these initiatives.

CONCLUSION

This research shows that economic transformation and innovation in Digital Village significantly influence the development of MSMEs in Bekasi City. The implementation of Digital Village has succeeded in increasing the operational efficiency of MSMEs through the adoption of digital technology, such as e-commerce and cloud-based management systems. The technological

innovations implemented, including digital marketing applications and integrated inventory systems, have helped MSMEs to compete in the broader market and lower operational costs. The success of Digital Village is challenging. Digital literacy, which is still low among MSME players, is the main obstacle. Therefore, digital training and education programs must be strengthened to ensure that MSMEs can utilize technology optimally. Collaboration between government, the private sector, and local communities has proven critical in creating an innovation ecosystem that supports digital transformation.

This research emphasizes the importance of technology integration and community empowerment in encouraging the development of MSMEs through Digital Villages. These findings show that to advance MSMEs, policies, and strategies need to focus on providing technology and community empowerment. This integration will ensure that MSMEs can use technology the most, supporting sustainable economic growth in rural areas. A strategy involving training, technical support, and infrastructure development will provide a solid foundation for the progress of MSMEs and increase their competitiveness in the global market.

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