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The Jakarta Government's Endeavors to Promote The Advancement of Micro, Small, And Medium Firms through an Economic Liberalization Strategy

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Abstract

This study investigates the evolution, obstacles, and empowerment strategies of Micro, Small, and Medium Enterprises (UMKM) in Jakarta, Indonesia. Micro, small, and medium enterprises (UMKMs) are essential to Indonesia's economy, employing a substantial segment of the workforce and making considerable contributions to the gross domestic product. Despite their significance, UMKMs in Jakarta encounter various structural obstacles, such as restricted access to finance, inadequate managerial competencies, minimal technical integration, and insufficient market penetration. The research utilizes a qualitative methodology, integrating interviews, field observations, and the examination of secondary data from governmental publications and economic statistics. The findings indicate that although UMKMs demonstrate resilience and adaptability to economic fluctuations, they frequently function informally, without sufficient financial documentation, and possess a poor comprehension of digital platforms that could enhance their market reach. Government initiatives designed to empower UMKMs have had notable success, especially in delivering training and restricted financial support. However, bureaucratic inefficiencies, inconsistent policy execution, and inadequate coordination among pertinent authorities frequently compromise the efficacy of these programs. Moreover, most UMKM participants are oblivious to these programs or lack the capability to utilize them. This research advocates for a multi-stakeholder approach that includes the government, commercial sector, academic institutions, and community organizations to tackle these concerns. Improved collaboration can promote

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capacity development, digital transformation, and enhanced financial inclusion. The study underscores the significance of customized company development services and localized policy frameworks that align with the socio-economic dynamics of Jakarta's varied UMKM sector. The research concludes that the sustainable growth of UMKMs in Jakarta necessitates a comprehensive and inclusive approach. Enhancing institutional support, advancing digital literacy, facilitating access to financing, and promoting innovation are essential for empowering UMKMs to enhance their competitiveness and resilience amidst globalization and technological transformation. Future research should concentrate on the long-term effects of existing empowerment programs and the influence of digital ecosystems on the growth of UMKM.

Keywords: UMKM (Micro, Small, and Medium Enterprises), Jakarta, Empowerment Strategies, Economic Liberalization, Financial Access.

INTRODUCTION

In Indonesia, small and medium-sized firms (SMEs) are crucial and significantly contribute to the national economy, accounting for 53.3% of the overall Gross Domestic Product (GDP). Indonesia has around 56.2 million SMEs, which may employ 97.2% of the workforce. Data from the Central Statistics Agency (BPS) indicates that internet trading enterprises have had significant growth over the previous decade, hitting 26 million, representing a 17% increase, while the overall number of SMEs has surpassed 55 million units.

Nonetheless, other obstacles impede SMEs in maneuvering through the MEA and the digital era, notably the prevailing consumer-oriented mindset of Indonesian culture. Small and medium enterprises (SMEs) in DKI Jakarta encompass all fields of economic activity, whereas other cities or provinces in Indonesia offer significant commercial prospects for small industrial sectors (Sutandi et al, 2020). In DKI Jakarta, the impact of small business owners on economic growth is relatively inferior to that of large industries.

The history of economic development in Indonesia, from the colonial period to the present, can be categorized into three segments: state-owned firms, major national private enterprises, and foreign private enterprises. According to the research of Prasetyo and Harjanti (2013), the Gross Regional Domestic Product (GRDP) of East Java increased by 7.27% in 2012. In 2011, the Gross Regional Domestic Product (GRDP) of East Java was significantly bolstered by the MSME sector, which accounted for 54.34%

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of the total GRDP, amounting to Rp.480.2 trillion. This percentage represented an increase from 2010, when the contribution was 53.82%, or Rp.418.99 trillion.

In 2011, the contribution of MSME GDP was 0.52% greater than in 2010 (East Java Central Statistics Agency, 2010). Under these circumstances, it suggests that MSMEs serve as the foundational sector in enhancing the living standards of the lower-middle class, in contrast to the contribution of major businesses to the industrial sector's role in economic development in Indonesia, particularly in DKI Jakarta. In this context, it is clear that MSMEs form the essential sector in improving the living standards of the lower middle class, unlike the impact of large enterprises within the industrial sector on economic development in Indonesia, especially in DKI Jakarta.

Law Number 20 of 2008 characterizes microenterprises as productive enterprises operated by individuals or sole proprietorships that fulfill the standards set forth in this legislation. Law Number 20 of 2008 characterizes microenterprises as productive ventures held by individuals or sole proprietorships that meet the established standards. Small businesses are autonomous, efficient economic units managed by individuals or organizations that are not subsidiaries or branches of larger corporations and adhere to established requirements for small firms (Legowo et al, 2021). Medium firms are autonomous economic entities managed by individuals or organizations that are not subsidiaries or divisions of larger corporations, complying with the net worth or yearly sales standards set forth in this legislation.

(Tambunan, 2009) defines the MSME sector as encompassing many economic categories, including agriculture, mining, manufacturing, utilities (electricity, gas, and water), construction, trade, hotels, transportation, telecommunications, finance, rental services, and other services. The industrial sector is subdivided into categories including food, beverages, and tobacco; textiles; apparel, leather, and footwear; wood and wood products; printing and publishing; and chemicals. According to the Governor's Regulation Number 10 of 2015 regarding the Organization and Empowerment of Street Vendors in the Special Capital Region of Jakarta Province, a standardized reporting format for the activities of Cooperatives, SMEs, and the Trade Office has been in place since 2016. Currently, only retribution data from each administrative city for the year 2016 has been obtained, while the data for 2017 is still being prepared for publication on the online portals of each local administration.

The revenue statistics from each city government differ. The mismatch occurs due to the South Jakarta and Central Jakarta City Governments implementing the governor's directive in February 2016, while the East Jakarta Administrative City Government

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compiled its retribution revenue report in March 2016. Income inequality in Indonesia has shown an increasing trend since the end of the 1997–98 economic crisis. Compared to the previous decade, the increase in income disparity in Indonesia is the most rapid among Southeast Asian countries (Mustafa et al, 2024). The wealthiest quintile of Indonesian families accounted for 38.9% of all national spending in 1990. This inequality escalated by 2014, when the wealthiest 20 percent accounted for nearly half of the entire national expenditure (47.4 percent).

In contrast, the consumption share of the lowest 20 percent of the economic class decreased from 9.4 percent in 1990 to 7.2 percent in 2014. As per Todaro's (2006) definition of inequality, Indonesia's income disparity has persisted at a moderate level since 2005. Inequality is especially evident in metropolitan areas, where the Gini index regularly surpassed 0.4 from 2012 to 2017. Income inequality can lead to societal problems, such as increased crime rates and the disintegration of community organizations. A multitude of empirical studies has examined the relationship between income disparity and the possibility for violence in Indonesia. The World Bank (2016) indicated that the probability of conflict in regions characterized by high inequality is 1.6 times higher than in areas with low inequality.

The 1997/1998 economic crisis caused the downfall of the Indonesian economy, chiefly because of the rapid devaluation of the rupiah. The difficulties in acquiring imported raw materials significantly affected the processing industry (Jubaedah et al, 2023). The global economy began its comeback in the 2000s, paralleling the swift expansion of two Asian countries, China and India. As a result, the rapid economic expansion of various nations led to increased demand for raw materials, causing a rise in commodity prices in the global market (commodity boom).

Between 2001 and 2012, Indonesia witnessed a significant increase in commodity prices. Throughout this period, the nation's export composition was mostly defined by natural resources, such as crude oil, coal, natural gas, rubber, and palm oil.

Indonesia effectively leveraged these exports to successfully manage the crisis, achieving an average annual economic growth rate of 5.24 percent. However, a new concern has surfaced: these commodity transactions account for the majority of national income.

Wihardja (2016) asserted that a major factor contributing to the marked economic inequality in Indonesia after 2000 is early deindustrialization, caused by a mini Dutch Disease resulting from the spike in commodity prices. The rupiah's appreciation, due to

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increased commodity exports, reduced the competitiveness of sectors outside natural resource exports, especially the industrial sector, in the global market.

As a result, the industrial sector's proportion declined, resulting in an economic shift from agriculture to the informal service sector. The policy designed to reduce income disparity is fundamentally connected to the increase of incomes among lower socioeconomic class individuals. These workers, primarily engaged in the agriculture sector, generally encounter low incomes owing to the sector's restricted production (Jubaedah et al, 2023). As a result, the industrial and service sectors often represent the favored pathways for agricultural workers aiming to improve their economic conditions.

Although sectoral migration may potentially increase the pay of farmworkers, doubts over the effectiveness of structural alterations in reducing income disparity have emerged (Mariam and Yuliani, 2022). This doubt stems from the fall in productivity within the industrial sector, the expected destination for these people, after the 1997/1998 economic crisis. Simultaneously, the service industry that generally employs farm laborers primarily consists of low-wage, informal personal services. Multiple empirical studies have aimed to illustrate the effect of structural transformation on income inequality in Indonesia, including research by (Dartanto et al, 2017), which analyzed structural change through the output share of GDP.

(Kuncoro and Murbarani, 2016) employed a different model, focusing on trade openness as the main variable for evaluating income inequality while excluding the structural transformation variable. Development spending has a substantial and favorable impact on local revenue (PAD) and economic growth refer to (Adi, 2006) and (Ariani and Utomo, 2017). Therefore, to enhance local revenue, the DKI Jakarta Provincial Government should increase regional expenditure, particularly in the MSME sector, emphasizing street sellers.

Given the rising number of governmental bodies in DKI Jakarta, at both province and regency/city levels, state funds ought to be designated for infrastructure development to address the demands of the community, particularly for MSME operators (RatihAndaningsih, 2022). Such development includes the establishment of business venues, provision of equipment and supporting facilities for street vendors, facilitation of access to finance and business information, and assurance of safety and comfort in dealing, among other essentials. Should these facilities be completely accessible, the knowledge and duty of business entities to remit fees will inherently rise, both at temporary and designated sites.

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This scenario is predicated on Law Number 28 of 2009 regarding Regional Taxes and Regional Levies, which stipulates that business service levies are fees for services rendered by the local government in accordance with commercial principles. These include regional services utilizing or not utilizing regional assets that remain unexploited, as well as services provided by the local government when such services are insufficiently offered by the private sector. This category of levies encompasses service business levies for regional wealth utilization, wholesale/retail market levies, auction place levies, terminal levies, special parking place levies, lodging/guesthouse/villa levies, slaughterhouse levies, port service levies, recreation and sports place levies, waterway crossing levies, and regional business production sales levies (Sailendra et al, 2020).

West Jakarta, a significant business center in Indonesia, accommodates various MSMEs essential to the local economy. Nevertheless, numerous MSMEs have not completely capitalized on digital marketing to enhance product awareness and sales. In the context of the current Fourth Industrial Revolution, digitalization has become imperative across multiple industries, especially in business (Sasono and Herlina, 2021). This industrial sector is undergoing significant changes in marketing strategy and product development. Marketing procedures that were once manual have transitioned to a fully digitalized methodology, illustrating technological advancement (Musnaini et al., 2020).

The competitive advantage of a product determines the offerings that MSME actors should pursue to improve their competitiveness. This analysis examines the impact of market rivalry on product decisions and formulates a framework to assist organizations in creating incentive structures that promote the innovation essential for product development (Mariam, 2022). The rapid advancement of technology necessitates that micro, small, and medium companies (MSMEs) play a role in propelling Indonesia's digital economic expansion. This effort seeks to guarantee the relevance of MSME participants in the face of swift technical progress and escalating digital business competitiveness.

The modern digital environment is characterized by consumer tendencies that increasingly prefer online shopping and the use of social media for product information and transaction methods (Nielsen in Himawan, 2019). The inability of SMEs to execute successful digital marketing strategies is a considerable challenge in addressing escalating market competitiveness. Thus, interventions focused on training and mentoring are essential to provide MSME stakeholders with the necessary knowledge and abilities to utilize modern digital marketing strategies. In this setting, community service projects seek to provide concrete solutions by offering training and mentoring for MSMEs in West Jakarta. These activities are expected to empower MSMEs to improve

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their digital marketing management skills, increase competitiveness, and support local economic growth.

Improving digital marketing competencies among MSMEs is essential, as it advantages the operators and promotes the comprehensive development of the business ecosystem in West Jakarta. This research seeks to substantially enhance the creation of outstanding digital marketing techniques for MSMEs in this dynamic metropolitan environment.

The increase in internet penetration and smartphone usage in West Jakarta City is a vital factor in evaluating the prospects of digital marketing. Nonetheless, a gap in knowledge and access remains for MSMEs regarding effective digital marketing strategies.

Certain SMEs may not entirely grasp the benefits of utilizing social media, websites, and other digital technologies for the marketing of their products or services. Pires and Aisbett (2003) argue that traditional beliefs support the idea that organizations should adopt information and communication technology (ICT) to achieve their commercial goals. Engaging in business-to-business e-commerce may require the adoption of innovative business methods.

As consumer behavior progressively transitions to digital platforms, SMEs that have not adopted digital marketing may face difficulties in engaging their target audience and improving their competitiveness.

Therefore, a holistic strategy is important, integrating training and mentorship, to empower SMEs to adjust to these changes and optimize their digital marketing potential. Consumer behavior is essential in the business domain and involves analyzing how individuals and groups choose, acquire, use, and discard items, services, and concepts to satisfy their needs and wants (Siti Mariam, 2023). It assists firms in understanding client wants and preferences; hence, it enables the creation of more effective marketing campaigns.

It is expected that SMEs would overcome technology constraints and knowledge gaps in the development and implementation of successful digital marketing strategies through training and mentorship (Sulistyowati, 2022). Mastery of these competencies is anticipated to create new opportunities, enhance market access, and so promote local economic development. This project seeks to develop sustainable solutions customized to the unique needs and business environments of SMEs in West Jakarta by employing a participatory method that involves SMEs as active collaborators in the training and mentorship process. Moreover, the results of this research may provide critical insights

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for local governments, economic development agencies, and other stakeholders in developing policies that enhance the growth of MSMEs through the implementation of advanced digital marketing strategies.

The evolving business environment in West Jakarta has led to a scenario where certain MSMEs remain inadequate in implementing effective digital marketing strategies. Data reveals that many micro, small, and medium firms have not yet grasped the potential and advantageous impacts of digital marketing on their business growth (Hasan et al, 2021). In this context, Suwandi, an MSME owner managing a culinary enterprise in West Jakarta, articulated his experience: "As a small business proprietor, I acknowledge the market's evolution. Our clientele increasingly seeks information online. However, I am uncertain about how to effectively utilize this data to market our products. I feel a pressing need for practical assistance and guidance to navigate the realm of digital marketing".

RESEARCH METHODOLOGY

This study employs a qualitative research approach to explore the development, challenges, and empowerment strategies of Micro, Small, and Medium Enterprises (UMKM) in Jakarta. The qualitative method is selected to gain a deeper understanding of the experiences, perceptions, and contextual factors affecting UMKM actors in the region (Starr, 2014). This approach allows the researcher to capture the complex socio-economic dynamics that cannot be adequately understood through quantitative data alone.

This study employs a qualitative methodology with a descriptive analytical framework to examine the phenomenon of MSME growth in Jakarta. Qualitative research is a methodological approach aimed at comprehending human or social phenomena by constructing an intricate and nuanced representation articulated in words, documenting detailed perspectives gathered from informants, and executing in a natural environment (Walidin et al, 2015).

The subject of analysis is the Jakarta government's initiatives to promote and accelerate the development of micro, small, and medium firms via economic liberalization. This strategy aims to clarify the conditions, initiatives, and incremental measures implemented by the Jakarta government, ensuring that both academics and the general populace have a comprehensive understanding of Jakarta's economic dynamics. (Basrowi and Suwandi, 2008) assert that qualitative research enables researchers to identify participants and comprehend their daily experiences.

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Qualitative research engages the researcher, enabling comprehension of the context, circumstances, and environment of the natural event under investigation (Coast, 1999). Each occurrence is distinct, varying from others due to its particular context. The objective of qualitative research is to comprehend the circumstances of a context by emphasizing comprehensive and nuanced descriptions of the situations within a natural environment, reflecting the actual occurrences as observed in the subject of study.

FINDING AND DISCUSSION

DKI Jakarta is a province primarily engaged in trade, and in Indonesia, small and medium-sized firms (SMEs) are crucial, contributing significantly to the national economy, accounting for 53.3% of the overall Gross Domestic Product (GDP). Indonesia has around 56.2 million SMEs, which employ 97.2% of the total workforce. Data from the Central Statistics Agency (BPS) indicates that the growth of internet trading enterprises has escalated over the previous decade, exceeding 26 million, which represents a 17% increase, while the overall number of SMEs has surpassed 55 million units.

Nonetheless, certain obstacles impede SMEs in maneuvering through the MEA and the digital era, including: The dominant mentality of Indonesian culture continues to be mostly consumer-focused. Small and medium enterprises (SMEs) in DKI Jakarta span several economic sectors, whereas other cities or provinces in Indonesia offer significant commercial prospects for small industrial sectors. In DKI Jakarta, the impact of small business owners on economic growth is relatively inferior to that of large industries (Prasetyo et al, 2020).

The history of economic development in Indonesia, from the colonial period to the present, can be categorized into three distinct types: state-owned firms, major national private enterprises, and foreign private enterprises. According to the study of Prasetyo and Harjanti (2013), the Gross Regional Domestic Product (GRDP) of East Java increased by 7.27% in 2012.

In 2011, the Gross Regional Domestic Product (GRDP) of East Java experienced a substantial contribution from the MSME sector, accounting for 54.34% of the total GRDP, amounting to Rp.480.2 trillion. This marked an increase from 2010, when the contribution was 53.82%, or Rp.418.99 trillion. In 2011, the contribution of MSME GDP was 0.52% greater than in 2010 (East Java Central Statistics Agency, 2010). Under these circumstances, it suggests that MSMEs serve as the foundational sector in enhancing the living standards of the lower-middle class, in contrast to the contribution of major

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businesses to the industrial sector's role in economic development in Indonesia, particularly in DKI Jakarta.

In this context, it is clear that MSMEs serve as the fundamental sector in improving the living standards of the lower middle class, unlike the contribution of large enterprises to the industrial sector's role in economic development in Indonesia, especially in DKI Jakarta. Law Number 20 of 2008 characterizes microenterprises as productive ventures held by individuals or sole proprietorships that fulfill the standards set forth in this statute.

Law Number 20 of 2008 characterizes microenterprises as productive enterprises operated by individuals or sole proprietorships that meet the established standards. Small firms are autonomous, efficient economic units managed by persons or organizations that are not subsidiaries or branches of medium or big corporations, conforming to established standards (Darwis and Utama, 2020). Medium firms are autonomous economic entities managed by individuals or organizations that are not subsidiaries or divisions of larger corporations, defined by certain net worth or yearly sales criteria established by this legislation.

Tambunan (2009:51) defines the MSME sector as encompassing many economic sectors, including agriculture, mining, manufacturing, utilities (electricity, gas, and clean water), construction, trade, hotels, transportation, telecommunications, finance, rental services, and other services. The industrial sector is subdivided into segments including food, beverages, and tobacco; textiles; apparel, leather, and footwear; wood and wood products; printing and publishing; and chemicals.

Per the Governor's Regulation of the Special Capital Region of Jakarta Province Number 10 of 2015 about the Organization and Empowerment of Street Vendors, the standardized reporting format for the activities of the Cooperatives, SMEs, and Trade Office has been in place since 2016. Currently, only retribution data from each administrative city for the year 2016 has been obtained, while the data for 2017 is still being prepared for publication on the online portals of each local administration.

The revenue statistics from each city government for retaliation differ. The disparity originates from the fact that the South Jakarta City Government and the Central Jakarta City Government implemented the governor's directive in February 2016, while the East Jakarta Administrative City Government compiled its retribution revenue report in March 2016.

Income inequality in Indonesia has shown an increasing trend after the end of the 1997–98 economic crisis. Compared to the previous decade, the increase in income disparity in Indonesia is the most rapid among Southeast Asian countries.

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In 1990, the highest quintile of households in Indonesia represented 38.9 percent of total national expenditure. This inequality escalated by 2014, when the wealthiest 20 percent accounted for over half of the entire national expenditure (47.4 percent). In contrast, the consumption share of the lowest 20 percent of the economic class decreased from 9.4 percent in 1990 to 7.2 percent in 2014. Per Todaro's (2006) classification of inequality, Indonesia has undergone moderate income disparity since 2005. This disparity is more evident in metropolitan regions, where the Gini coefficient exceeded 0.4 from 2012 to 2017. Income inequality can lead to societal problems, such as increased crime rates and the disintegration of community organizations. A multitude of empirical studies have examined the relationship between income disparity and the possibility for violence in Indonesia.

The World Bank (2016) indicated that the probability of conflict in areas with significant inequality is 1.6 times higher than in regions with minimal inequality.

The 1997/1998 economic crisis triggered a collapse of the Indonesian economy, chiefly owing to the significant depreciation of the rupiah. The difficulties in obtaining imported raw materials substantially affected the processing sector. The global economy began its recovery in the 2000s, coinciding with the rapid expansion of two Asian countries, China and India. As a result, the swift advancement of many nations intensified the demand for raw materials, leading to a substantial rise in commodity prices in the global market (commodity boom).

Between 2001 and 2012, Indonesia witnessed a significant increase in commodity prices. Throughout this period, the nation's export profile was predominantly defined by natural resources, such as crude oil, coal, natural gas, rubber, and palm oil. By leveraging these exports, Indonesia effectively maneuvered through the crisis and achieved an average yearly economic growth rate of 5.24 percent. However, a new concern has emerged: the predominant portion of national income is derived from these commodity transactions.

Wihardja (2016) asserted that a major factor leading to increased income disparity in Indonesia after 2000 is early deindustrialization, caused by a mini Dutch Disease stemming from the commodity price boom. The rupiah's appreciation, fueled by heightened commodity exports, reduced the competitiveness of sectors outside natural resource exports, especially the industrial sector, in the global market. As a result, the industrial sector's proportion diminished, prompting an economic shift from agriculture to the informal service sector.

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The strategy designed to reduce income disparity is fundamentally connected to the improvement of incomes for individuals in the lowest economic class. Primarily engaged in the agriculture industry, these workers generally encounter poor salaries owing to the sector's restricted output (Ratnaningtyas, 2019). Thus, the industrial and service sectors often represent the favored pathways for agricultural workers aiming to improve their economic conditions. Despite the potential for farmworkers to increase their earnings by transitioning to various sectors, skepticism persists over the ability of economic improvements to mitigate income disparity, as the industrial sector, which these workers aspire to join, has exhibited diminished productivity since the 1997/1998 economic crisis.

This pessimism is ascribed to the industrial sector, the anticipated destination for these people, which has experienced a drop in productivity since the 1997/1998 economic crisis. Simultaneously, the service sector that may accommodate farm laborers primarily consists of low-wage, informal personal services. Multiple empirical studies have aimed to illustrate the effect of structural transformation on income disparity in Indonesia. Dartanto et al. (2017) investigated this link by assessing the impact of output on GDP as the variable of structural transformation. Kuncoro and Murbarani (2016) employed a different model, prioritizing trade openness as the main variable for evaluating income inequality while entirely disregarding the structural transformation variable.

Development expenditure considerably impacts local revenue (PAD) and economic growth (see Adi (2006) and Ariani and Utomo (2017)). Therefore, to enhance PAD, the DKI Jakarta Provincial Government should amplify regional expenditures, especially in the MSME sector, prioritizing street vendors. The DKI Jakarta government, including both provincial and regency/city administrations, must allocate state funding for community infrastructure in a manner that addresses the requirements of all citizens, including those operating MSMEs.

This encompasses offering business spaces, equipment, and auxiliary facilities for street sellers; enabling access to finance and business intelligence; and guaranteeing a secure and conducive trading environment, among other essentials (Nugraha et al, 2022). Should these facilities be fully accessible, the obligation among business actors to remit payments, both at temporary and designated sites, will consequently elevate. This is predicated on Law Number 28 of 2009 regarding Regional Taxes and Regional Levies, which stipulates that business service levies are fees for services rendered by the local government in accordance with commercial principles.

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These include regional services utilizing or not utilizing regional assets that remain unexploited and services provided by the local government when such services are insufficiently offered by the private sector (Kholisoh et al, 2024). This category of levies encompasses service business levies for regional wealth utilization, wholesale/retail market levies, auction place levies, terminal levies, special parking place levies, lodging/guesthouse/villa levies, slaughterhouse levies, port service levies, recreation and sports place levies, waterway crossing levies, and regional business production sales levies.

West Jakarta, a significant economic center in Indonesia, accommodates various MSMEs that are essential to the local economy. Nevertheless, numerous MSMEs have not completely used digital marketing to enhance product visibility and sales. In the backdrop of the continuing Fourth Industrial Revolution, digitalization has become imperative across multiple industries, especially in business. The revolution in this industrial sector involves significant changes in marketing tactics and product development. Marketing processes that were previously manual have transitioned to a fully digitalized methodology, indicative of technology advancement (Musnaini, Suherman, et al., 2020).

The competitive advantage of a product determines the offerings that MSME actors should implement to improve their competitiveness. This paper examines the impact of market rivalry on product decisions and offers a framework to assist corporations in formulating incentive schemes that promote the innovation essential for product development (Mariam, 2022). The rapid advancement of technology necessitates that micro, small, and medium companies (MSMEs) participate in the digital acceleration of Indonesia's economic development. This effort seeks to guarantee the continued relevance of MSME participants in the face of swift technical progress and escalating digital market rivalry. The contemporary digital environment is characterized by consumer tendencies that increasingly prefer online shopping and the use of social media as a principal source for product information and transaction methods (Nielsen in Himawan, 2019).

The inability of SMEs to execute effective digital marketing strategies is a considerable challenge in addressing increasing market competitiveness. Therefore, interventions focused on training and mentoring are essential to provide MSME stakeholders with the knowledge and skills necessary to utilize modern digital marketing tactics. In this setting, community service projects seek to provide concrete solutions by offering training and mentorship for MSMEs in West Jakarta. These activities are

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expected to empower MSMEs to improve their digital marketing management, increase competitiveness, and foster local economic development.

Improving digital marketing competencies among MSMEs is essential, as it advantages the operators and promotes the development of the business environment in West Jakarta. This research seeks to substantially enhance the efficacy of digital marketing strategies for MSMEs in this dynamic urban environment (Wulandari, 2019). The increase in internet penetration and smartphone usage in West Jakarta City is a vital factor in evaluating the potential of digital marketing. Nevertheless, a gap in knowledge and access remains for MSMEs about effective digital marketing strategies.

Certain SMEs may not entirely grasp the benefits of utilizing social media, websites, and other digital instruments for the marketing of their products or services. Pires and Aisbett (2003) contend that traditional beliefs advocate for organizations to adopt information and communication technology (ICT) to fulfill their commercial goals. Engaging in business-to-business e-commerce may require the adoption of innovative business methods (Nurwaesari, 2022). As consumer behavior progressively transitions to digital platforms, SMEs that have not adopted digital marketing may face difficulties in engaging their target audience and improving their competitiveness. Therefore, a holistic strategy is important, integrating training and mentorship, to empower SMEs to adjust to these transformations and optimize their digital marketing potential.

Consumer behavior, which examines how individuals and groups choose, acquire, consume, and discard items, services, and ideas to satisfy their needs and aspirations (Siti Mariam, 2023), is essential in the business sector. It assists firms in understanding their customers' requirements and preferences, hence enabling the formulation of more effective marketing plans. It is expected that SMEs can overcome technology constraints and knowledge gaps in the creation and implementation of effective digital marketing strategies through training and mentorship. Mastery of these competencies is anticipated to reveal new prospects, enhance market access, and so strengthen local economic development.

This project seeks to create lasting solutions customized to the individual needs and business settings of SMEs in West Jakarta by employing a participatory method that involves SMEs as active collaborators in the training and mentoring process. Moreover, the results of this research may provide significant insights for local governments, economic development agencies, and other stakeholders to devise policies that promote the advancement of MSMEs through the use of enhanced digital marketing strategies. The evolving business environment in West Jakarta has led to a scenario where certain

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MSMEs lack the implementation of strong digital marketing strategies. Data reveals that many micro, small, and medium firms have not yet grasped the potential and advantageous impacts of digital marketing on their business growth.

In this context, Suwandi, an MSME owner managing a culinary enterprise in West Jakarta, shared his experience: "As a small business proprietor, I acknowledge that the market has transformed. Our clientele is progressively inclined to seek information online. However, I am uncertain about how to effectively capitalize on this trend to market our products. I feel an urgent need for concrete assistance and guidance in navigating the domain of digital marketing".

The findings of this study underscore the multifaceted role of UMKMs in Jakarta's socio-economic landscape (Pracoyo et al, 2022). As the backbone of the local economy, UMKMs are not only a source of income for millions but also serve as a platform for community-based entrepreneurship. Despite their significance, UMKMs continue to face systemic obstacles that limit their growth and sustainability. One of the central issues identified is limited access to capital. Many UMKM owners lack formal financial documentation, making it difficult to secure loans from banks or other financial institutions. Although government microcredit programs exist, bureaucratic procedures and limited outreach often prevent eligible UMKMs from benefiting. In interviews, several business owners expressed frustration over inconsistent policy implementation and a lack of transparency in fund allocation.

Another recurring theme is low digital adoption. While some UMKMs have started using social media for marketing, most remain unfamiliar with digital tools that could help them expand operations, improve productivity, or reach new markets. The digital divide is particularly evident among older entrepreneurs and those with lower educational backgrounds. Government-sponsored training programs have made some progress, but they are often one-time sessions lacking long-term support or follow-up.

The lack of business development services, such as mentoring, market access facilitation, and innovation support, also hinders UMKM progress. Interviewees pointed out that many training sessions are too general and not aligned with their specific business needs. Moreover, there is minimal collaboration between stakeholders—such as universities, private sector actors, and local government agencies—that could otherwise provide more comprehensive and sustainable support (Yuniarti et al, 2022). Despite these challenges, the study also highlights the resilience and adaptability of many UMKMs. Several participants shared how they adjusted their business models during

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economic downturns, particularly during the COVID-19 pandemic. This adaptability signals a strong potential for growth if provided with the right support mechanisms.

These insights suggest that current empowerment strategies, while well-intentioned, require more targeted, coordinated, and inclusive efforts. Addressing UMKM challenges should go beyond financial aid to include digital literacy, innovation capacity building, and network expansion (Wijaya and Handoyo, 2023). A multi-stakeholder approach, involving collaborative efforts among government institutions, academia, the private sector, and NGOs, is essential to create a more enabling environment for UMKMs to thrive.

CONCLUSION

Micro, Small, and Medium Enterprises (UMKM) in Jakarta play a crucial role in supporting the local and national economy by providing employment opportunities and contributing to GDP growth. However, their development is often hindered by various challenges, including limited access to capital, insufficient managerial capacity, low adoption of digital technology, and weak market linkages. This research, through a qualitative approach, has revealed that while UMKMs demonstrate resilience and adaptability, they continue to operate under constraints that limit their potential for sustainable growth.

Government initiatives aimed at empowering UMKMs—such as training programs and financial assistance—have shown positive impacts, but their effectiveness remains inconsistent due to issues such as bureaucratic inefficiencies and lack of awareness among UMKM actors. The findings highlight the need for an integrated and collaborative strategy that involves not only government institutions but also the private sector, academia, and civil society to support the growth of UMKMs.

For UMKMs in Jakarta to become more competitive and resilient in the era of globalization and digital transformation, empowerment strategies must be tailored to their specific needs. Key efforts should include improving access to financing, enhancing digital literacy, simplifying regulatory processes, and strengthening institutional support through more coordinated and transparent programs.

In conclusion, the sustainable development of UMKMs in Jakarta requires a holistic, inclusive, and adaptive approach that aligns with local economic and social contexts. Future research should continue to monitor the long-term effects of empowerment programs and explore the role of digital ecosystems in scaling UMKM innovation and market reach.

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