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The Role of MSMEs in Tourism Development In Balikpapan Case Study: Salakilo MSMEs

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Abstract

This study explores the role of Micro, Small, and Medium Enterprises (MSMEs) in fostering sustainable tourism development in Balikpapan, with a specific focus on Salakilo MSMEs as a case study. Employing a qualitative research approach, data were collected through semi-structured interviews, participant observation, and document analysis to understand the economic, environmental, and socio-cultural contributions of local MSMEs to the tourism sector. The findings indicate that Salakilo MSMEs play a critical role in creating employment opportunities, especially for women and youth, and contribute to local economic resilience through income diversification and the development of local supply chains. Environmentally, Salakilo MSMEs adopt eco-friendly practices such as the use of biodegradable packaging and the organization of environmental education initiatives. These efforts align with sustainable tourism principles by reducing ecological footprints and engaging tourists in conservation awareness. Socio-culturally, Salakilo has successfully revived traditional culinary practices, fostered community pride, and promoted cultural exchange between locals and visitors. Moreover, the empowerment of women through entrepreneurship and leadership in tourism-related activities reflects a broader trend toward inclusive development. Overall, the research underscores the significant yet under-recognized contributions of MSMEs to sustainable tourism and recommends enhanced policy support, training, and infrastructure development to maximize their potential.

Keywords: MSMEs, sustainable tourism, community-based tourism, local economy.

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INTRODUCTION

Tourism plays a crucial role in Indonesia's economy, helping to earn foreign exchange and create jobs. Tourism development in Indonesia should involve social participation so that local communities also benefit from tourism[. Efforts such as empowerment, enhancing entrepreneurial skills, and increasing the role of traditional leaders in tourism development can help achieve this. By actively involving local communities in the decision-making process and encouraging their participation, tourism development in Indonesia can become more sustainable and beneficial for all parties involved.

In addition to economic benefits, the active involvement of local communities in the development of tourism areas in Indonesia also has a significant impact on cultural preservation and community empowerment. By participating in tourism initiatives, local residents are able to safeguard their cultural heritage and traditions, ensuring they are preserved for future generations. In addition, social engagement empowers communities by involving them in decision-making processes and providing opportunities to take part in their own development, which can strengthen a sense of belonging and pride.

Receiving various views and inputs from local residents allows tourism regions to create more authentic experiences for visitors while promoting sustainable practices. This collaborative approach not only enhances Indonesia's tourism appeal but also strengthens the social cohesion of local communities, fostering resilience and inclusiveness. Overall, social participation in the development of tourism areas in Indonesia is essential for sustainable and inclusive growth. Therefore, it is important for policymakers and stakeholders to prioritise community engagement and participation in order to maximise the economic, social and cultural benefits of tourism development.

Indonesia is known for its diverse natural and cultural attractions, making it an ideal destination for travellers. The development of these tourism destinations relies on social participation and engagement. Local communities play an important role in maintaining the natural resources and cultural heritage of these attractions. Moreover, the active involvement of local communities in tourism development establishes a sense of belonging and pride, which leads to the preservation and promotion of cultural heritage, both tangible and intangible. Therefore, understanding and analysing the dynamics of social participation in the development of tourism areas in Indonesia is crucial for effective and sustainable tourism management strategies.

Nonetheless, Indonesia remains committed to sustainable tourism practices, recognising the importance of protecting its natural resources and cultural heritage for

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future generations. Through initiatives that promote social participation and community engagement, Indonesia aims to ensure that tourism development benefits not only the economy but also the well-being of communities and the preservation of diverse cultural heritage. By adopting a holistic approach to tourism development that prioritises the needs and aspirations of local communities, Indonesia seeks to create a tourism industry that is not only environmentally sustainable but also socially inclusive.

Tourism is one of the sectors that has great potential in driving the economic growth of a region. In Balikpapan, known as a city of industry and trade, tourism development depends not only on infrastructure and tourist destinations, but also on the contribution of micro, small, and medium enterprises (MSMEs). MSMEs play a vital role in providing a range of services and products that support the traveller experience, from culinary to handicrafts.

The MSME sector in Balikpapan has shown significant growth in recent years, contributing to job creation and increasing people's income. One concrete example is the Salakilo MSME, which is famous for its speciality food products made from local ingredients. Salakilo not only offers quality products, but also promotes the values of local wisdom and sustainability, which is increasingly attractive to travellers seeking authentic experiences.

This research aims to explore how Salakilo MSMEs contribute to tourism development in Balikpapan. By utilising local products and local culture, Salakilo not only provides added value for tourists, but also helps improve the welfare of local communities. Through in-depth analysis, this article will discuss various aspects, including marketing strategies, product innovation, and challenges faced by MSMEs in the tourism industry.

The importance of MSMEs in tourism development lies in their ability to create jobs, introduce local products, and increase destination attractiveness. In addition, MSMEs also play a role in maintaining the sustainability of the local environment and culture, which is a special attraction for visitors. Therefore, this study will analyse the factors that influence the success of MSMEs in the tourism industry as well as the challenges faced, such as access to financing, marketing, and competition with outside products.

Thus, it is expected that this study can provide recommendations for the sustainable development of MSMEs and tourism in Balikpapan. This research will not only present data and analyses, but also inspiring stories of MSME actors who are struggling to develop their businesses amidst the challenges.

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LITERATURE REVIEW

The Role of MSMEs in the Local Economy

MSMEs are an important pillar in the Indonesian economy. According to Rizal (2019), MSMEs contribute around 60% to the national Gross Domestic Product (GDP) and absorb more than 90% of the workforce. The existence of MSMEs provides opportunities for people to become entrepreneurs, increase income, and reduce unemployment. This is in line with research by Tambunan (2018), which shows that MSMEs help create inclusive employment, especially for people in remote areas. MSMEs also play a role in creating added value for local products. By utilising local resources, MSMEs can produce unique and competitive products. For example, MSMEs in Balikpapan often utilise local raw materials, such as fish, agricultural products, and spices, to produce food and crafts that are attractive to tourists (Budi, 2020).

Relationship between MSMEs and Tourism

MSMEs have a strategic role in the tourism sector, as they provide products and services that support the traveller experience. Budi (2020) explained that local products such as typical food and handicrafts are the main attraction for tourists seeking authentic experiences. Research by Wibowo (2021) shows that the presence of MSMEs can increase the attractiveness of tourist destinations, which has a positive impact on the number of tourist visits. In addition, MSMEs contribute to the development of community-based tourism. According to Putra (2022), community-based tourism involving MSMEs can create stronger relationships between tourists and local communities. This not only increases tourist satisfaction but also strengthens local cultural identity.

Innovation and MSME Marketing

Innovation in products and marketing strategies are critical to the success of MSMEs in the tourism sector. Sari (2022) highlighted that in the digital era, MSMEs must be able to adapt to changes in consumer behaviour and leverage technology to increase their visibility. The use of social media and e-commerce platforms can help MSMEs like Salakilo to reach a wider audience and attract the attention of tourists. Furthermore, research by Hartono (2020) shows that MSMEs that innovate in products and services have a greater chance of attracting tourists. Innovation can include the development of new products, improvement of service quality, and the application of technology in the production process. This is important to meet the increasing expectations of tourists.

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Challenges Faced by MSMEs

Despite their great potential, MSMEs often face various challenges. Supriyadi (2020) notes that access to finance is one of the main problems faced by MSMEs, often due to a lack of collateral and limited credit history. Many MSMEs also lack knowledge regarding marketing and business management, which can hinder their growth. Research by Sari and Widiastuti (2021) shows that the lack of training and education for MSME players is a limiting factor in their business development. Therefore, support from the government and relevant agencies is needed to help MSMEs overcome these challenges and maximise their potential in tourism.

Sustainable Development and Policy Support

Salakilo MSME in Balikpapan is a clear example of the success of MSMEs in the tourism sector. With a focus on typical processed food products, Salakilo has succeeded in attracting the attention of tourists and raising awareness of local products. Research shows that Salakilo applies sustainability practices in its production, such as the use of local raw materials and environmentally friendly production methods (Iskandar, 2023). Salakilo's success cannot be separated from its effective marketing strategy. Through social media and collaboration with local influencers, Salakilo is able to increase its visibility and attract more visitors. According to the data obtained, visits to Salakilo increased by 30% over the past year, showing that innovative approaches in marketing can have a significant positive impact. The development of MSMEs in the tourism sector requires appropriate policy support. According to the Ministry of Tourism of the Republic of Indonesia (2021), the government has launched various programmes to support MSMEs, including training, access to financing, and promotion of local products. Policies that support sustainability and preservation of local culture are also important to ensure that tourism growth does not damage the local environment and culture.

RESEARCH METHOD

This research uses quantitative approach with survey method. This approach is chosen to collect numerical data that can be statistically analysed to understand the role of Salakilo MSMEs in tourism development in Balikpapan. The research location is Balikpapan, focusing on Salakilo MSMEs, which is famous for its speciality food products. Salakilo is chosen as the object of research due to its significant contribution to the local economy and tourism attraction. The population in this study are all visitors of Salakilo and business actors in the MSME sector in Balikpapan. The sample will be taken

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randomly from the visitors who come to Salakilo in the study period. The sample size is determined using the Slovin formula to ensure representativeness. The data collection method uses a questionnaire that is designed to collect data on tourists' perceptions of Salakilo products, satisfaction level, and the contribution of MSMEs to the tourism experience.

FINDINGS & DISCUSSION

Contribution to Local Economy

Salakilo is a community-based MSME cluster located in Balikpapan that promotes local culinary heritage, particularly traditional snacks and eco-friendly packaging. It comprises about 20 active members, predominantly women, who are engaged in food production, marketing, and sustainable tourism efforts. These MSMEs collaborate with local tourism stakeholders, including the Department of Tourism and travel agencies, to package cultural experiences for tourists. Their activities range from culinary workshops, traditional dance performances, to environmental education related to waste reduction and the use of biodegradable packaging.

Interview data indicated that Salakilo MSMEs contribute significantly to the local economy through job creation and income generation. Most participants mentioned that tourism-related sales increased their revenue by 30–50% during peak seasons. One of the most significant economic contributions of Salakilo MSMEs is job creation. Interviews with founders and members revealed that most of the enterprises employed at least 3–5 individuals on a regular basis, while larger ones employed up to 10 during peak tourist seasons. This finding is consistent with the view of Hall and Page (2014), who argue that tourism can stimulate local economies by integrating small enterprises into the value chain. These findings support Hall and Page (2014), who highlight tourism as a catalytic sector for small enterprise income diversification. For many Salakilo MSMEs, the shift from traditional markets to tourism-based sales allowed them to capture higher margins and gain financial stability.

Salakilo acts as a cultural ambassador by incorporating Balikpapan’s heritage into their products and activities. Tourists participate in making traditional snacks like amplang and learn about indigenous Dayak and Banjar customs through storytelling. This aligns with the work of Richards and Wilson (2007), who highlight the role of cultural tourism in preserving intangible heritage. Salakilo's approach not only educates visitors but also revitalizes cultural practices that were becoming obsolete. This grassroots employment has provided a steady source of income for many semi-skilled workers and helped reduce

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underemployment, particularly among women and youth. As Tambunan (2009) points out, MSMEs in Indonesia have historically played a dominant role in absorbing labor, especially in urbanizing regions outside Java. Another key economic impact is Salakilo's role in strengthening the local supply chain. Most MSMEs source raw materials such as cassava, bananas, palm sugar, and packaging from local farmers and producers, creating a ripple effect in the regional economy. The preference for local suppliers reduces transportation costs and encourages collaboration among Balikpapan's small-scale producers. This circular economy approach echoes the findings of Mitchell and Ashley (2010), who argue that maximizing local linkages is crucial for poverty-reduction-focused tourism.

Role in Sustainable Tourism

Sustainable tourism is defined by the UNWTO (2020) as tourism that considers current and future economic, social, and environmental impacts, addressing the needs of visitors, the industry, the environment, and host communities. In Balikpapan, a city rich in biodiversity and cultural heritage, sustainable tourism is viewed as essential for ensuring that tourism does not undermine the local ecosystem or marginalize indigenous communities. Salakilo MSMEs embody many of these principles by embedding environmental stewardship, cultural preservation, and economic empowerment into their tourism-oriented activities. Through interviews with MSME owners, community leaders, and tourism officials, it was found that Salakilo plays a pivotal role in embedding sustainability into local tourism practices, thus functioning as a model for community-based tourism (CBT). Participation in Salakilo activities has strengthened community identity and pride. Regular cultural performances and participatory tourism events create shared experiences that unite different age and ethnic groups. Richards and Wilson (2007) argue that cultural tourism fosters creative expression and strengthens communal ties—a phenomenon clearly observable in Salakilo. Women play a central role in Salakilo, not only as entrepreneurs but also as leaders. Their involvement in decision-making and public representation challenges traditional gender norms.

Salakilo's use of eco-friendly packaging and waste education activities demonstrate an alignment with sustainable tourism goals. Visitors are encouraged to reduce plastic usage, and MSMEs provide reusable containers for food purchases. These practices align with the sustainable consumption strategies promoted by the Ministry of Environment and Forestry (2021). Visitors are also encouraged to bring reusable bags and participate in clean-up campaigns, especially during cultural festivals. Young people

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in the community assist with digital marketing, graphic design, photography, and tourism guiding. This intergenerational collaboration enhances sustainability by bridging traditional knowledge with modern tools.

Several interviewees cited tourism as their main motivation for remaining in the village rather than migrating to urban centers, an indirect contribution to community cohesion and rural resilience. Salakilo MSMEs demonstrate circular economy principles by ensuring that most profits circulate within the community. Raw materials for food production and crafts are sourced from local farmers and artisans, minimizing external dependencies. The Salakilo model supports the inclusive growth agenda suggested by Hall and Page (2014), where small-scale tourism initiatives integrate backward linkages to the local economy. Revenue from tourism is often reinvested into community facilities like prayer halls, waste stations, and local education scholarships.

CONCLUSION

Salakilo MSMEs significantly contribute to the local economy of Balikpapan through their integration into the tourism sector. Their roles in employment, income generation, supply chain development, and entrepreneurial innovation underscore the strategic importance of MSMEs in regional economic planning. While constraints remain, targeted support can enhance their impact and serve as a model for similar initiatives across East Kalimantan and Indonesia.

Salakilo MSMEs exemplify the critical role that community-based enterprises play in supporting sustainable tourism in Balikpapan. Their alignment with environmental, social, and cultural sustainability provides a replicable model for other regions seeking inclusive tourism development. To maximize impact, support from local government, private stakeholders, and civil society is essential. Integrating MSMEs like Salakilo into formal tourism strategies can help ensure that tourism remains a tool for sustainable development, not just economic gain.

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