

Implementation of Social Innovation to Increase the Resilience of Micro Enterprises in Rural Areas

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Abstract

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Micro enterprises in rural Indonesia have a strategic role in strengthening the local economy, but often face various challenges such as limited market access, technology, and human resources. This study aims to examine the application of social innovation in increasing the resilience of micro enterprises through a literature study method on 19 scientific articles. The results show that social innovation contributes significantly to increasing the resilience of micro businesses, both from economic, social, operational, and psychological aspects. Forms of innovation include business digitalization, community-based institutional strengthening, and multi-stakeholder collaboration through the Penta Helix and Tetrapreneur models. The success of innovation is greatly influenced by the involvement of local actors, continuous mentoring, and support for village regulations. This study recommends the integration of social innovation into village development planning as well as strengthening the capacity of MSME actors through digital literacy and strengthening social capital as a long-term resilience strategy.

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1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in the Indonesian economy, especially in rural areas. Based on data from the Ministry of Cooperatives and MSMEs, more than 60% of business actors in Indonesia are included in the micro category. MSMEs not only contribute to the national Gross Domestic Product (GDP), but also provide jobs and become the foundation of the local economy. However, MSMEs in rural areas face complex challenges such as limited access to capital, low digital literacy, inadequate infrastructure, and low adaptive ability to market dynamics and crises such as pandemics or climate change (Fuadi et al., 2021). In the face of these challenges, social innovation has emerged as a promising approach.

Social innovation refers to the creation and implementation of new solutions, be it in the form of products, services, models, or processes that simultaneously meet social needs and create social value (Ibrahim, 2022; Mundayat et al., 2022). This approach involves collaboration between the government, community, private sector, and academia to address local issues with participatory and sustainable strategies. In the rural context, social innovation can be in the form of digitizing the marketing of local products, utilizing appropriate technology, strengthening community social capital, and creating a community-based entrepreneurial ecosystem. Various studies confirm that the success of social innovation is highly dependent on the ability of local actors to identify problems, design creative solutions, and carry out coordinated collective action (Yunas, 2019; Sihombing,

2022). In this case, the village community is not only positioned as a beneficiary, but as a key actor in socio-economic transformation.

Community involvement, technology support, and adaptive policies are key elements in increasing the resilience and sustainability of micro-enterprises in rural areas. Micro business resilience is defined as the ability of a business to face pressure, adapt to change, and survive in the long term without losing its basic value or business goals. This resilience includes the financial, operational, social, and psychological resilience of business actors. In the rural context, efforts to increase the resilience of MSMEs also touch on cultural and relational aspects that are typical of village communities, such as the value of mutual cooperation, social solidarity, and trust between residents.

A study by Fatimah (2018) through the Tetrapreneur model shows that the development of community-based businesses in villages is able to increase economic value while maintaining socio-cultural sustainability. On the other hand, digital technology-based approaches such as marketing through social media or e-commerce platforms, as developed in Subang and Aras Villages, have also been proven to be able to increase market reach and strengthen business resilience (Suka et al., 2022). This proves that social innovation is not just a discourse, but a real solution that is adaptive to local needs. However, the implementation of social innovation does not always run smoothly.

There are challenges in terms of digital literacy, resistance to change, and limited funding and training. Therefore, a systemic approach is needed that integrates various actors and resources to create a conducive innovation ecosystem

in rural areas. Based on this background, this study aims to examine in depth the application of social innovation in the context of micro business resilience in rural areas. The research focus is directed at the forms of social innovation applied, the actors involved, and the impacts and challenges that arise in practice. By using the literature study method, this research is expected to provide conceptual contributions as well as practical implications in the formulation of policies and strategies for empowering rural MSMEs based on social innovation.

2. Literature Review

2.1. The Concept of Social Innovation

Social innovation is a creative approach that is used to address various social challenges in a participatory, sustainable, and positive way in a long-term positive way to society. According to Logue (2019), social innovation includes processes, products, or models designed to meet unmet social needs, by utilizing community participation and collaboration between sectors. In the context of micro-enterprises in rural areas, social innovations often appear in the form of microfinance systems, community-based training, local digital marketing, and collaborative platforms between MSME actors. The implementation of social innovation aims to create social transformation that not only impacts economic growth, but also strengthens social cohesion, increases literacy, and encourages the independence of rural communities.

Ibrahim (2022) stated that social innovation has three main characteristics: active community participation, use of local resources, and social value creation. This

approach is very suitable to be applied in rural areas because of the close social relations and the spirit of mutual cooperation that can be used as social capital in building innovative solutions. In practice, social innovation requires policy support, inclusive infrastructure, and institutional capacity. Yunas and Nailufar (2021) show that village innovation spaces developed by youth through multi-actor support can produce various solutions based on local needs. In fact, according to Mundayat et al. (2022), the implementation of the *gotong-royong* economic model through BUMDes is one of the tangible forms of social innovation that is relevant to the culture of Indonesian society. Therefore, social innovation is not only a technical strategy, but a cultural and structural approach in building community resilience.

2.2. Resilience of Micro Enterprises in Rural Areas

The resilience of micro enterprises is an important indicator in assessing the adaptability and sustainability of businesses, especially in the context of villages that are vulnerable to economic, climate, and social changes. This resilience includes the ability of micro businesses to face external (economic crisis, pandemic, natural disaster) and internal (capital, human resources, technology) pressures, as well as to survive and develop sustainably (Fuadi et al., 2021). Resilience of micro businesses is also closely related to the social capacity of business actors such as social networks, family support, and access to knowledge. The resilience of MSMEs in rural areas is often tested by limited infrastructure, geographical isolation, and minimal access to information.

However, many studies show that micro-enterprises in rural areas have an advantage in the form of strong social capital. Handani and Supriatna (2022)

emphasized that with social values such as mutual cooperation, trust, and collective participation, MSME actors in villages can survive longer and recover faster from shocks. Strategies to strengthen the resilience of micro enterprises often involve developing entrepreneurial capacity, access to technology, and diversifying businesses. Suka et al. (2022) show that strengthening digital marketing capabilities for MSMEs in rural areas can increase competitiveness and open up a wider market. Importance of the adoption of information technology, training, and mentoring as part of a business resilience support system. All of this shows that the resilience of MSMEs does not only depend on individual business actors, but also on the social structure and ecosystem around them.

2.3. Collaboration and Innovation Ecosystem in Rural Areas

The effective implementation of social innovation is highly dependent on the existence of a collaborative innovation ecosystem. This ecosystem includes village governments, BUMDes, community groups, educational institutions, business actors, and non-governmental organizations. Ibrahim (2022) and Sihombing (2022) argued that the role of multistakeholders is very important in creating synergy and distributing resources fairly and productively. Collaboration models such as “Penta Helix” are an effective framework in creating sustainable social innovation in villages (Yunas, 2019). Fatimah (2018) shows that collaboration between academics, business actors, and local communities through a Tetrapreneur-based village entrepreneurship system is able to produce solutions based on local wisdom.

Meanwhile, digital approaches and the adoption of information technology, such as e-commerce and the digitization of BUMDes, are further expanding the

collaborative impact of innovation. Digitalization also accelerates the dissemination of information, shortens the distribution chain, and increases transparency and accountability in micro business management. In the rural context, collaboration also functions as a means of knowledge transfer, trust building, and community capacity building. This collaboration is not only limited to formal cooperation, but also forms new social mechanisms such as village forums, local business communities, or community-based social incubators (Ulfah et al., 2023). Through a collaborative approach, social innovation can grow organically and be rooted in local realities.

3. Methods

This study uses the literature review method as the main approach to understand and analyze the application of social innovation in increasing the resilience of micro enterprises in rural areas. Literature studies are chosen because they allow researchers to examine a variety of relevant, up-to-date, and academically accountable scientific sources. This method is also very effective in identifying trends, best practices, and challenges that have been discussed in previous research, especially in the Indonesian context. Data collection was carried out by accessing scientific journal articles indexed on Google Scholar, using keywords such as “social innovation”, “rural MSMEs”, “micro business resilience”, “digitalization of rural MSMEs”, and “strengthening the community-based local economy”.

Inclusion criteria in the literature search include: (1) articles published in the last five years; (2) focus on the context of Indonesia or developing countries with similar characteristics; (3) have direct relevance to the theme of social innovation

and MSME resilience; and (4) published in reputable journals, both national and international. A total of 19 articles were selected and analyzed systematically to build a conceptual framework and compile a thematic synthesis. The data analysis technique used is qualitative thematic analysis, namely by grouping literature findings into main themes such as: forms of social innovation, collaborative actors, MSME empowerment strategies, the influence of digitalization on the resilience of micro businesses, and the challenges of implementing innovation in villages.

This process is done iteratively by rereading the text, marking important quotes, and comparing findings from various sources. To strengthen the validity of the data, source triangulation and interpretation techniques were used. Furthermore, the articles analyzed are arranged in a matrix that contains important information from each source, such as the author's name, year of publication, study location, methods, main findings, and implications for the resilience of MSMEs. This matrix is a tool to see patterns of relationships between concepts, inconsistencies, and synthesis opportunities between study results. Using a systematic literature review approach, this study not only provides a comprehensive conceptual overview, but also presents empirical evidence that can be used as a basis for relevant policy formulation and intervention models.

In addition, this method also provides space to integrate various theoretical approaches and local practices that have proven to be effective in the village context. The results of this method are then outlined in the “Results” section (Chapter IV), which summarizes the synthesis of various articles thematically, and “Discussion” (Chapter V) to reflect the findings in a practical and academic context. Thus, the

overall structure of this method is designed to critically answer how social innovation can strengthen the resilience of micro-enterprises in rural areas.

4. Results

The results of this literature review show that social innovation has played an important role in increasing the resilience of micro-enterprises in rural areas, especially in the Indonesian context. From a review of twenty scientific articles, it was found that the forms, impacts, and challenges in the implementation of social innovation are very diverse, depending on the socio-economic context, the capacity of local actors, and the institutional support in each region. Social innovation in this context is defined as a collaborative and community-based approach to create solutions to social challenges faced by micro business actors, such as limited market access, lack of digital literacy, low competitiveness, and vulnerability to economic and environmental crises.

One of the most widely found forms of social innovation in the literature is the digitization of micro-businesses through training in the use of e-commerce, social media, and digital payment systems. In Aras Village, Batubara Regency, for example, digital marketing training programs using WhatsApp Business and Shopee have been proven to increase the market reach of local MSMEs by doubling within six months. This innovation not only increases income, but also expands the socio-economic network of business actors. Where training on the use of digital platforms for MSME actors was able to accelerate technology adoption and increase women's involvement in productive economic activities.

In addition to the form of digitalization, institutional innovation also plays an important role. One example is the “Tetrapreneur” model developed in Bleberan Village, Gunung Kidul. This model integrates four pillars, namely economic, social, spiritual, and environmental in the management of BUMDes based on community participation. Fatimah (2018) shows that this approach encourages citizen participation in every stage of business, from planning to management, resulting in a high sense of belonging and strong sustainability. On the other hand, the concept of “Village Economic Barn” developed by Yunas (2019) through the Pentahelix approach involves various actors, namely village governments, academics, communities, the private sector, and the media in a collaborative social innovation process. As a result, there has been an increase in the managerial capacity of BUMDes and the diversification of local products that are able to penetrate the regional market.

The impact of the implementation of social innovation on the resilience of micro enterprises is also identified multidimensionally. From an economic point of view, digitalization and market expansion through online platforms allow businesses to increase turnover, expand customer networks, and reduce dependence on the local market. MSME actors in Mendoyo Village who participated in the digitalization program experienced a 60% increase in daily sales in three months. This positive impact is also supported by the existence of a digital mentor community formed from village youth as agents of change. From the social aspect, social innovation has strengthened relationships between business actors and formed a solid work network. Community-based business groups such as women's cooperatives, women

farmer groups (KWT), and creative youth communities have been proven to increase social cohesion and the spirit of mutual cooperation in facing economic pressure.

Operational resilience is also one of the significant results of the implementation of social innovation. Through the use of appropriate technology, MSME actors are able to increase production and distribution efficiency. Ulfah et al. (2023) noted the successful implementation of solar energy systems (solar cells) in supporting road infrastructure and village lighting, which has an impact on the efficiency of local product transportation. In the field of agriculture, hydroponic innovations and vertical farming systems introduced in 'Teluk Tiram Village also show great potential in increasing the productivity and food security of farmers' households (Zeki et al., 2022).

From a psychological perspective, social innovation increases the confidence and fighting power of business actors. Active participation in training, business communities, and social incubation programs provides them with learning experiences that strengthen their adaptive capacity in the face of risk and uncertainty. MSME actors involved in the SME Center development program by state-owned companies show a resilient attitude and are more open to technology and new business opportunities. The success of this social innovation cannot be separated from the contribution of the actors involved. Village governments play an important role in providing supporting policies, budgets, and basic infrastructure. Universities and academics play a strategic role as strategic partners in research, training, and mentoring.

Local communities, including women's and youth groups, act as the driving force on the ground. This collaboration forms a mutually supportive innovation ecosystem. Yunas and Nailufar (2021) emphasized that multi-sector collaboration based on equality and mutual trust is the key to the success of sustainable social innovation. Another study by Sihombing (2022) also emphasized the importance of inter-village networks in transferring good practices and resources. Nevertheless, the study also found a number of serious challenges in the implementation of social innovation. The first challenge is the low digital literacy and technical capacity of MSME actors. Many business actors in the village are not used to the use of digital platforms, so they need intensive assistance. Second, cultural resistance to change is also an obstacle, where some people still view innovation as something foreign and not in accordance with local values. Many citizens are reluctant to adopt technology due to fear of failure or the belief that traditional systems are safer.

Another challenge is the lack of institutional coordination and program sustainability. Some innovations only take place during mentoring projects, with no preservation mechanism after the project is completed. The lack of supportive regulations at the village level and the lack of financial resources have also exacerbated this situation. Fuadi et al. (2021) emphasized the importance of strengthening local institutions and the role of village leaders in bridging various actors to support the sustainability of innovation. However, this study also succeeded in identifying a number of best practices that can be used as a reference for replication in other regions. Practices in Aras Village with a digitalization strategy based on WhatsApp and Shopee training have produced MSME actors who are

technologically literate. Combination of social, spiritual, and environmental values in the Tetrapreneur model has succeeded in building a solid and adaptive business ecosystem.

These practices show that the success of social innovation is highly dependent on the synergy between community participation, policy support, and the existence of a sustainable mentoring system. To conclude this part of the results, it can be concluded that social innovation has made a real contribution to strengthening the resilience of micro-enterprises in villages. Through an inclusive, adaptive, and community-based approach, social innovation enables village communities to not only survive in the face of challenges, but also to thrive sustainably. The findings of this literature study are a strong basis for developing a more structured and collaborative intervention model in efforts to empower MSMEs in rural areas.

5. Discussion

The results of the literature review indicate that social innovation has a significant contribution to increasing the resilience of micro enterprises in rural areas. This innovation is not only technical, such as the use of digital media or e-commerce, but also touches social, institutional, and psychological aspects. Social innovation is basically born from local needs that are not answered by conventional development approaches, and instead succeeds in utilizing the potential of communities, social relations, and multi-stakeholder collaboration as the main resources. These findings reinforce the idea that MSME empowerment in rural areas

cannot rely solely on formal economic approaches, but requires values, culture, and social participation-based approaches.

The phenomenon of successful digital innovation such as what occurred in Aras Village and Mendoyo Village proves that rural MSME actors actually have great potential to develop, as long as they are given appropriate access, training, and assistance. However, the success of digitalization cannot be separated from its social context. In rural communities that still rely heavily on interpersonal relationships, the presence of digital communities or local companions is a determinant of the success of technology transfer. This is in line with the theory of “embeddedness” by Granovetter (1985), which emphasizes that economic practices are strongly influenced by the social networks in which they belong.

Institutional innovations such as the Penta Helix and Tetrapreneur models show that synergy between sectors (government, communities, academics, business actors, and the media) can create a productive innovation ecosystem. However, the implementation of this model requires visionary village leadership, adequate managerial capacity, and a flexible and participatory local organizational structure. In many cases, institutional innovation fails to continue due to dependence on external assistance, or due to the absence of preservation mechanisms after the project ends. This indicates the need to integrate social innovation into village development planning documents such as RPJMDes in order to have legitimacy and policy sustainability.

From the perspective of business resilience, social innovation has been proven to strengthen the economic, social, and psychological dimensions of business

actors. Increasing product marketability, market access, and operational efficiency are the most visible economic indicators. But what is more interesting is the social impact such as the formation of community solidarity, increased women's participation, and the growth of business actors' confidence. These factors are the foundation of long-term resilience that is difficult to measure with financial indicators alone. Therefore, strengthening social capacity and community development is an important investment in MSME empowerment programs.

However, the challenges of implementing social innovation are still quite large. Low digital literacy, cultural resistance to change, weak local institutions, and inadequate infrastructure are fundamental problems that have been repeated in various studies. This serves as a reminder that social innovation is not an instant solution, but rather a gradual transformation process that requires a systemic and collaborative approach. There is also a need for a strategy to involve village youth as agents of innovation and policy support that strengthens social incubation and local entrepreneurship. Thus, this discussion emphasized that social innovation is not just an alternative in empowering micro-enterprises in rural areas, but can be the main strategy if implemented seriously, participatory, and sustainable.

6. Conclusion

This literature study concludes that the implementation of social innovation contributes significantly to increasing the resilience of micro-enterprises in rural areas. Social innovation has been proven to drive transformation not only in economic aspects, but also social, operational, and psychological aspects of business

actors. The most effective forms of innovation are those that are community-based, adaptive to local contexts, and supported by collaboration between stakeholders through models such as Penta Helix and Tetrapreneur. Even so, the success of implementation is highly dependent on the capacity of local human resources, the availability of infrastructure, and the sustainability of the program. Digital innovation, strengthening social capital, and developing local institutions are the three main components in building the resilience of MSMEs in a sustainable manner. Village governments, academics, and local communities must work together to create an inclusive and long-term oriented innovation ecosystem. Therefore, an important recommendation from this study is the need to integrate social innovation into village development policies, strengthen the capacity of digital literacy, and replicate good practices that have proven to be successful.

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