

---

## The Transformation of MSMEs in Nganjuk into Independent Exporters through Innovation and Access to Global Trade Information

---

<sup>1\*</sup>Anindhyta Buarti, <sup>2</sup>Kurnia, <sup>3</sup>Anang Subardjo, <sup>4</sup>Yesa Cahyaning Ramadhani

Sekolah Tinggi Ilmu Ekonomi Indonesia, STIESIA Surabaya, Indonesia

\*e-mail: [anindytabudiarti@stiesia.ac.id](mailto:anindytabudiarti@stiesia.ac.id)

### Abstract

The transformation of Micro, Small, and Medium Enterprises (MSMEs) in Nganjuk into independent exporters represents a significant shift towards enhancing local economic growth through innovation and global market access. As the global trade landscape continues to evolve, MSMEs play a crucial role in driving economic development, particularly in rural and regional areas. By leveraging innovative practices, MSMEs in Nganjuk have been able to diversify their products and services, making them more competitive in the international market. This transformation is supported by improved access to global trade information, which enables businesses to understand market trends, customer demands, and regulatory requirements in various countries. Through various training programs, digital tools, and partnerships with government agencies and international trade organizations, MSMEs in Nganjuk have developed the necessary skills and resources to expand beyond domestic markets. This process not only increases the export potential of these businesses but also contributes to the overall economic resilience of the region. The focus on innovation and information access has allowed Nganjuk's MSMEs to adapt to the challenges of a rapidly changing global economy. The success of these businesses as independent exporters is a testament to the potential of small and medium enterprises to compete in the global market, driving sustainable economic growth, job creation, and poverty reduction. This case study highlights the importance of continuous support, capacity building, and fostering global connections to enable MSMEs to thrive in an increasingly interconnected world.

**Keywords:** Innovation, Export, Information Access

### INTRODUCTION

The role of Micro, Small, and Medium Enterprises (MSMEs) in economic development is increasingly recognized worldwide, especially in emerging economies. MSMEs are vital for creating jobs, reducing poverty, and contributing to both local and national economies. In Indonesia, MSMEs have been central to economic growth, particularly in regions like Nganjuk, where their transformation into independent exporters has gained momentum. This shift is largely attributed to innovation and improved access to global trade information, enabling MSMEs to compete on a broader international scale.

In recent years, the integration of MSMEs into the global market has become a focal point of many development policies (Ayyagari et al., 2011). In the past, MSMEs were predominantly confined to local or national markets, but rapid globalization has created opportunities for these enterprises to expand beyond their traditional boundaries. Exporting is a key strategy for MSMEs looking to diversify their market base and enhance growth potential. However, accessing global markets requires overcoming significant barriers, including limited knowledge of international

s

trade regulations, lack of technological infrastructure, and insufficient access to finance. In this context, innovation and information access are critical enablers.

Innovation is often considered the driving force behind the success of MSMEs, especially in the global marketplace. According to Schumpeter (1934), innovation is the primary mechanism for economic progress, which involves the introduction of new products, processes, or business models that disrupt existing market conditions. For MSMEs, innovation is not just about creating new products but also about improving operational efficiency, adopting new technologies, and finding novel ways to reach customers (OECD, 2018). In the case of MSMEs in Nganjuk, innovation has taken various forms, including the adaptation of local products to meet international demand, as well as improvements in production processes that reduce costs and enhance quality.

The ability to innovate is closely linked to the level of knowledge and skills within an enterprise, which, in turn, influences its ability to access new markets. Many MSMEs in Indonesia have leveraged digital technologies to modernize their operations, such as e-commerce platforms, digital payment systems, and supply chain management software. These innovations have not only helped MSMEs increase their efficiency but have also made it easier for them to reach international customers (World Bank, 2020). As the global marketplace continues to evolve, the adoption of innovation has become a necessity for MSMEs aiming to remain competitive and sustainable in the long run.

In the past, MSMEs often struggled with navigating the complexities of global trade, such as identifying potential markets, understanding international trade regulations, and managing logistics. However, the advent of digital platforms and international trade information systems has significantly reduced these barriers. Access to global trade information has become a key factor in enabling MSMEs to expand their reach. According to World Trade Organization (WTO) reports, access to trade-related information allows MSMEs to better understand market trends, demand patterns, and consumer preferences, which are essential for formulating export strategies (WTO, 2017).

In Nganjuk, access to global trade information has been facilitated through various channels, such as government-supported training programs, industry associations, and trade promotion agencies. For example, MSMEs have been able to participate in online trade exhibitions, connect with international buyers, and receive up-to-date information on international standards and regulations. As the digital divide narrows, MSMEs in Nganjuk have increasingly taken advantage of these opportunities to market their products internationally, especially in regions such as Southeast Asia, Europe, and North America (Bofondi et al., 2019).

Moreover, trade agreements and partnerships with foreign countries have played a crucial role in providing MSMEs with the necessary knowledge and infrastructure to export. Indonesia's participation in regional trade agreements, such as the ASEAN Free Trade Area (AFTA), has opened up new avenues for MSMEs to expand their export potential (ASEAN Secretariat, 2020). These agreements have not only reduced trade barriers but have also provided a framework for MSMEs to understand the regulations and standards necessary for exporting goods.

Despite the opportunities created by innovation and improved access to global trade information, MSMEs still face numerous challenges in their journey toward becoming independent exporters. One of the main obstacles is the lack of financial resources, which limits their ability to invest in production scaling, technological advancements, and marketing efforts (Ayyagari et al., 2011). Additionally, many MSMEs struggle with a lack of expertise in navigating international logistics and supply chain management. These challenges are particularly pronounced for MSMEs in rural areas, such as those in Nganjuk, where access to infrastructure and financing options may be limited.

Moreover, the need for adequate training in international business practices cannot be overstated. While information access has improved, many MSME owners and employees still require guidance on how to leverage this information effectively. Training programs that focus on

export procedures, product packaging standards, and cultural differences in international business are essential to ensuring MSMEs can navigate the complexities of global trade (Hwang et al., 2018). It is through such capacity-building programs that MSMEs can gain the confidence and knowledge needed to succeed in international markets.

The experience of MSMEs in Nganjuk is an exemplary case of how innovation and access to global trade information can transform small businesses into successful exporters. Nganjuk, a district located in East Java, Indonesia, has seen a growing number of MSMEs venturing into international markets, especially in the agricultural and handicraft sectors. These businesses have been able to tap into the potential of online platforms, such as Alibaba and Tokopedia, to connect with global buyers. Additionally, government initiatives, such as the "Program Inkubasi Bisnis" (Business Incubation Program), have provided MSMEs with the necessary support to overcome barriers related to export procedures and regulations (Ministry of Cooperatives and SMEs of Indonesia, 2020).

One notable success story is that of a local producer of organic handicrafts, which, after undergoing a series of training sessions on international market requirements and product innovations, managed to secure export contracts with buyers in the United States and Europe. Through improved access to global trade information and the adoption of new technologies, the business expanded its market share and became more resilient to domestic market fluctuations.

The transformation of MSMEs in Nganjuk into independent exporters is a powerful illustration of how innovation and access to global trade information can create new opportunities for growth and development. As MSMEs increasingly engage in international trade, it is essential that they are equipped with the necessary tools and knowledge to navigate the complexities of the global marketplace. Through innovation, training, and enhanced access to global trade information, MSMEs in Indonesia and other emerging economies can overcome barriers to internationalization and unlock their full potential as exporters. Policymakers and stakeholders must continue to invest in these areas to foster an environment in which MSMEs can thrive and contribute to sustainable economic development.

## METHODS

The research employs a qualitative approach to explore the transformation of MSMEs in Nganjuk into independent exporters through innovation and access to global trade information. The study primarily focuses on case studies, interviews, and secondary data analysis to understand the challenges and successes experienced by MSMEs in the region.

In the first stage, the study collects primary data through in-depth interviews with key stakeholders, including MSME owners, local government officials, trade experts, and representatives from trade promotion organizations. These interviews are designed to gather insights into the role of innovation and information access in facilitating MSMEs' entry into global markets. Respondents are selected based on their involvement in supporting MSMEs, either through direct business operations or through training and capacity-building initiatives.

Secondary data is obtained from government reports, academic studies, and relevant publications that document the progress and outcomes of MSMEs in Nganjuk. These sources provide valuable context regarding local economic conditions, government policies, and the broader trade environment in Indonesia. Additionally, data from trade organizations and international business networks is analyzed to assess the broader trends influencing MSMEs' export activities.

The case study method is central to this research, as it allows for an in-depth examination of the experiences of specific MSMEs in Nganjuk that have successfully entered the export market. These cases are selected based on their demonstrated use of innovative practices and access to global trade information. By comparing these cases, the research aims to identify common factors that contribute to success and the challenges faced by MSMEs when expanding internationally.

5

This multi-method approach provides a comprehensive understanding of the mechanisms driving the transformation of MSMEs in Nganjuk and offers practical insights for other regions seeking to enhance their export potential.

## RESULTS

The research aimed to examine the transformation of MSMEs in Nganjuk into independent exporters, with a particular focus on the role of innovation and access to global trade information. The findings reveal significant progress in the region, with many MSMEs successfully leveraging innovation and enhanced trade knowledge to access international markets. This section presents the results of the study, which are categorized into three main themes: the role of innovation, access to global trade information, and the challenges faced by MSMEs.

### Role of Innovation in MSMEs' Transformation

The research indicates that innovation has played a central role in enabling MSMEs in Nganjuk to transition from local producers to international exporters. Several businesses have demonstrated how new technologies and creative approaches have improved their production processes, product offerings, and market outreach.

One key finding is the adaptation of traditional products to meet international standards and preferences. For instance, MSMEs in Nganjuk, particularly those in the agriculture and handicraft sectors, have started integrating digital technologies into their production processes. A local handicraft business, for example, introduced automated production techniques that reduced labor costs while improving the precision and quality of their products. This allowed the business to compete with international suppliers, who typically have access to more advanced technologies. In addition to the introduction of technology, some businesses have also innovated by rebranding their products to cater to international tastes. A local agricultural enterprise shifted from producing generic local crops to specializing in organic produce, which is increasingly in demand in international markets.

The integration of digital platforms is another key innovation observed in Nganjuk. Many MSMEs have adopted e-commerce platforms to sell their products internationally, breaking geographical barriers that once limited their market access. Businesses reported using platforms such as Alibaba and Tokopedia to connect with overseas buyers, which also helped them gain insight into global market trends and demand patterns.

**Table 1: Innovation Adoption in MSMEs in Nganjuk**

| Innovation Type        | Examples in MSMEs                                 | Impact on Export Potential                                   |
|------------------------|---------------------------------------------------|--------------------------------------------------------------|
| Technology Integration | Automated machinery for production in handicrafts | Reduced production costs, improved quality                   |
| Digital Platforms      | E-commerce platforms like Alibaba and Tokopedia   | Expanded market reach, increased sales                       |
| Product Rebranding     | Organic agricultural products                     | Attracted international buyers seeking eco-friendly products |

These innovations have had a direct impact on the export potential of MSMEs. By adopting new production technologies and utilizing digital platforms, many businesses have reported increases in both production capacity and revenue. Furthermore, these innovations have allowed MSMEs to improve the quality of their products, making them more competitive in the global market.

### Access to Global Trade Information

Access to global trade information emerged as another crucial factor driving the export success of MSMEs in Nganjuk. Many MSMEs reported that the availability of trade-related information enabled them to understand international market trends, consumer preferences, and regulatory

requirements. In particular, MSMEs were able to overcome the complexities of international logistics, product certification, and trade compliance.

The role of government and non-governmental organizations (NGOs) was pivotal in improving access to such information. Training programs organized by local government agencies, such as the Ministry of Cooperatives and Small and Medium Enterprises (KUKM), have empowered MSME owners and employees with essential knowledge about export procedures, international marketing strategies, and supply chain management. For example, several MSMEs in Nganjuk benefited from a series of workshops on navigating the complexities of international trade agreements, such as the ASEAN Free Trade Area (AFTA). These workshops provided valuable insights into how MSMEs could take advantage of reduced trade barriers and duty exemptions when exporting to ASEAN countries.

Furthermore, MSMEs utilized online resources to access up-to-date information on global market conditions. Some businesses subscribed to international trade information systems that offer data on market demand, consumer behavior, and emerging trends in various sectors. For instance, a local furniture maker reported using global market intelligence tools to identify new markets in the Middle East, resulting in a successful expansion of their export base.

**Table 2: Access to Global Trade Information**

| Information Type                | Source and Method of Access                                     | Impact on Export Potential                         |
|---------------------------------|-----------------------------------------------------------------|----------------------------------------------------|
| Trade Regulations & Compliance  | Government workshops, international trade agreements            | Enabled businesses to meet international standards |
| Market Trends & Demand Patterns | Online trade information systems, international trade databases | Helped identify profitable export markets          |
| Logistics and Supply Chain Info | Online platforms, local trade promotion agencies                | Streamlined international shipping processes       |

The availability of trade-related information was particularly valuable for MSMEs looking to enter niche markets abroad. For example, MSMEs dealing with agricultural products found the information on international certifications (e.g., organic certification) crucial for meeting the standards of specific markets, particularly in Europe and North America. This access to trade information significantly reduced the uncertainty and risks involved in exporting.

### **Challenges Faced by MSMEs**

Despite the successes observed, MSMEs in Nganjuk continue to face several challenges in their pursuit of export growth. The research identified that many MSMEs still lack the necessary financial resources to scale their operations, invest in technology, and expand their marketing efforts internationally. Limited access to capital remains one of the most significant barriers, as many small businesses rely on personal savings or informal loans to fund their operations. This financial limitation hinders their ability to invest in infrastructure, production upgrades, and international marketing campaigns, which are crucial for competing in the global market.

Another challenge reported by MSMEs is the lack of specialized skills required for international trade. While many MSME owners have the entrepreneurial spirit to succeed, they often lack the necessary expertise in areas such as international law, export financing, and logistics management. Several MSMEs highlighted the need for more in-depth training and support to help them navigate the complexities of global trade. While workshops and seminars provided by government and trade organizations have been helpful, many respondents felt that the training offered was not comprehensive enough to cover all aspects of international trade.

In addition, MSMEs in Nganjuk reported difficulties in establishing reliable international supply chains. Problems related to shipping logistics, customs clearance, and managing international contracts were common among businesses attempting to export products. These

s

challenges are especially pronounced for smaller enterprises without the resources to hire dedicated export managers or logistics experts.

Moreover, competition from established international brands remains a persistent issue. Many MSMEs struggle to differentiate themselves from larger, more established companies in international markets. For example, local handicraft businesses faced intense competition from manufacturers in China, whose low-cost production and economies of scale made it difficult for small-scale producers to compete on price.

Despite these challenges, many MSMEs in Nganjuk have managed to overcome these obstacles by focusing on innovation, networking with trade organizations, and taking advantage of governmental support programs. However, the persistence of these challenges suggests that ongoing support from both public and private sectors will be necessary to enable MSMEs to scale up their operations and expand their international presence.

### **Conclusion**

The findings from this research indicate that innovation and access to global trade information have been key drivers of the transformation of MSMEs in Nganjuk into independent exporters. The adoption of new technologies and digital platforms has allowed MSMEs to increase production capacity, improve product quality, and reach international markets. Moreover, the availability of trade-related information, especially through government programs and online platforms, has enabled MSMEs to navigate the complexities of international trade. However, the study also highlights the financial and logistical challenges that continue to hinder the growth of MSMEs in the global market. Overcoming these challenges will require continued investment in capacity building, financial support, and infrastructure development.

### **CONCLUSION**

The transformation of Micro, Small, and Medium Enterprises (MSMEs) in Nganjuk into independent exporters represents a significant shift towards enhancing local economic growth through innovation and access to global trade information. MSMEs play an essential role in Indonesia's economy, especially in rural and non-urban areas. In Nganjuk, MSMEs have successfully diversified their products and services, making them more competitive in international markets. This achievement is facilitated by better access to global trade information, which allows businesses to understand market trends, consumer demands, and regulatory requirements in target export countries.

This process is supported by various training programs, digital tools, and partnerships with government agencies and international trade organizations. By adopting innovation and utilizing global trade information, MSMEs in Nganjuk have not only increased their export potential but also contributed to the economic resilience of the region. The innovations implemented are not limited to creating new products but also improving production processes that reduce costs and enhance quality. Additionally, the use of digital technologies has enabled these businesses to expand their market reach through e-commerce platforms.

However, despite the increased access to global trade information, challenges remain, particularly regarding limited financial resources, which hinder MSMEs' ability to invest in production capacity and international marketing. The lack of expertise in international logistics management is another barrier, which necessitates further training to ensure MSMEs can operate efficiently in the global market.

The success of MSMEs in Nganjuk as independent exporters is a concrete example of how innovation and trade information access can unlock new opportunities for economic growth and development. This case highlights the importance of continued support to equip MSMEs with the necessary knowledge and skills to face the complexities of the global market. Ongoing support from the government and relevant stakeholders is essential to enable MSMEs to thrive and contribute significantly to sustainable economic development.

**REFERENCES**

- ASEAN Secretariat. (2020). *ASEAN Integration Report 2020*. Jakarta: ASEAN Secretariat.
- Ayyagari, M., Demirguc-Kunt, A., & Maksimovic, V. (2011). *Small vs. Young Firms across the World: Contribution to Employment, Job Creation, and Growth*. World Bank Policy Research Working Paper No. 5631.
- Bofondi, M., & Gobbi, G. (2019). *The Role of Digital Platforms in Modernizing MSMEs and Expanding Global Reach*. (Karya yang relevan dengan konteks integrasi pasar internasional) .
- Hwang, J. J., & Shin, J. (2018). *Capacity Building and Export Performance of MSMEs: The Role of International Business Training*. Journal of Global Trade and Commerce.
- Kementerian Koperasi dan UKM Republik Indonesia. (2020). *Laporan Program Inkubasi Bisnis untuk UMKM*. Jakarta: Kemenkop UKM.
- OECD. (2018). *SME and Entrepreneurship Outlook 2018*. Paris: OECD Publishing.
- Schumpeter, J. A. (1934). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*. Harvard University Press.
- World Bank. (2020). *World Development Report 2020: Trading for Development in the Age of Global Value Chains*. Washington, DC: World Bank.
- World Trade Organization (WTO). (2017). *World Trade Report 2017: Trade, Technology and Jobs*. Geneva: WTO..