



Analysis Of The Role Of MSMEs In Improving The Economy Of Poor Families In Bendungan Village

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ABSTRACT

Poverty remains a critical socio-economic challenge in rural Indonesia, prompting vulnerable households to seek alternative survival strategies. This study analyzes the role and contribution of home-based Micro, Small, and Medium Enterprises (MSMEs) in improving the economy of poor families in Bendungan Village, Karangmojo District, Gunungkidul Regency, while identifying the structural obstacles hindering their development. Employing a qualitative case study design with a purposive sampling technique, data were gathered through field observations, documentation, and in-depth interviews with informal food and beverage MSME actors. The findings are analyzed through James C. Scott's theory of Rational-Subsistent Economic Action. The results demonstrate that while the average net income is modest (ranging from IDR 500,000 to 1.5 million per month), it plays a profound qualitative role as a socio-economic safety net, directly financing basic daily necessities (*sembako*) and stabilizing the domestic economy. Furthermore, these micro-enterprises leverage unpaid family labor to minimize risks, stimulate local money circulation, and foster community independence. However, their potential remains limited to a passive survival mechanism due to critical bottlenecks, including restricted capital access, low managerial and digital literacy, and narrow, localized marketing networks. The study concludes that multi-stakeholder interventions, particularly in targeted micro-credit and digital marketing training, are urgently required to transition these survivalist enterprises into dynamic vehicles for upward social mobility

Keywords: MSMEs, Rural Poverty, Rational-Subsistent, Household Economy, Structural Obstacles.

1. INTRODUCTION

Poverty remains one of the socio-economic issues widely prevalent, particularly in Indonesia's rural areas. Low family income leaves communities struggling to meet their daily necessities, especially fundamental needs such as food, education, and healthcare. Based on data from the Central Bureau of Statistics (BPS) as of September 2025, the percentage of the poor population in rural areas reached 10.72%, which is higher than the urban poverty rate at 6.60%. This indicates that rural communities still face various economic constraints, highlighting the urgent need for efforts to improve family welfare (Badan Pusat Statistik, 2026). One widely implemented measure is running Micro, Small, and Medium Enterprises (MSMEs). MSMEs are productive businesses managed by individuals, households, or small business Means to help meet their families' economic needs, yielding an average income of IDR 500,000 to 1.5 million per month. Although this amount is relatively small, interview results with one of the MSME owners revealed that this income significantly assists the family in purchasing basic necessities, such as staple

entities that serve as a primary pillar of the national economy (Evi Sirait et al., 2024). In Indonesia, especially within rural areas, MSMEs play a major role in reducing poverty and generating employment. Amidst a continuously growing population, MSMEs offer a strategic solution to enhance the quality of life for both individuals and groups through expanding job opportunities and community-based economic empowerment (Rahman et al., 2024). Bendungan Village, located in Karangmojo District, Gunungkidul Regency, Special Region of Yogyakarta Province, is one of the villages with substantial economic potential driven by various small-scale business activities, including trade, culinary, and other household enterprises. Based on the observations conducted, MSMEs in this village predominantly operate in the food and beverage sales sector. These businesses are run by locals as a

foods (*sembako*) and other household supplies. This demonstrates that MSMEs play an essential role in helping sustain the economic conditions of poor families in Bendungan Village. However, the interview findings also indicate that several bottlenecks and obstacles persist in the development of MSMEs in

Bendungan Village. Consequently, this study is crucial to analyze the role of MSMEs in improving the economy of poor families in Bendungan Village, assess the contribution of MSME income toward meeting family living needs, and identify the various hurdles faced by these business owners. Accordingly, the objectives of this study are twofold: first, to determine the role and contribution of MSME income toward the economy of poor families in Bendungan Village; and second, to identify the challenges encountered in developing MSMEs within Bendungan Village.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Theory of Rational-Subsistence Economic Action

development of Micro, Small, and Medium Enterprises (MSMEs) in rural areas is inherently tied to the socioeconomic strategies of marginalized communities confronting persistent poverty. According to James C. Scott's theory of Rational-Subsistent Economic Action, smallholder and rural actors prioritize a "safety-first" principle over profit maximization. In environments characterized by economic vulnerability and low household incomes, such as rural Indonesia where poverty rates remain high at 10.72%, individuals engage in economic activities primarily to secure basic survival needs rather than to accumulate capital. Rural MSMEs, particularly in the food and beverage sectors, serve as crucial institutional mechanisms that embody this subsistent rationality. These informal household enterprises act as alternative livelihood strategies designed to cushion vulnerable families against systemic economic shocks and seasonal income deficits.

In the context of Bendungan Village, Karangmojo, the income generated from these MSMEs—ranging from IDR 500,000 to IDR 1.5 million per month—critically stabilizes the domestic economy of poor households. Although the financial return is quantitatively modest, its qualitative contribution is profound; it is directly funneled into fulfilling primary subsistence requirements, such as purchasing staple foods (*sembako*) and covering daily household operational costs. This economic behavior perfectly reflects Scott's conceptualization of the moral economy, where economic actions are deeply embedded in the moral imperative of family survival and food security. When rural households are able to secure regular, albeit small, cash flows from micro-enterprises, their reliance on volatile agricultural wages decreases, thereby strengthening their overall socioeconomic resilience. Therefore, it is hypothesized that:

- **H1:** *MSME income significantly and positively contributes to the fulfillment of basic living needs and the stabilization of the household economy among poor families in rural areas.*

2.2. Empowering Rural MSMEs: From Survival to Dynamic Growth

Despite their vital safety-net function, rural MSMEs face structural and infrastructural bottlenecks that severely restrict

their growth potential and entrap them within a cycle of low-equilibrium productivity. The homogeneity of the local market, limited access to formal credit facilities, and a deficiency in digital literacy prevent these micro-businesses from expanding beyond localized, survivalist boundaries. From a sosiological perspective, these hurdles exacerbate market saturation within the village ecosystem, as multiple actors compete using identical product offerings. Without strategic interventions—such as financial inclusion, product innovation, and digital marketing adoption—the rational-subsistent nature of these enterprises will remain a static mechanism for survival rather than becoming a dynamic vehicle for upward social mobility.

Furthermore, the operational survival of rural MSMEs heavily relies on the mobilization of social capital embedded within the village community. In sosiological terms, social capital—manifested through kinship ties, neighborhood trust, and word-of-mouth marketing (*getok tular*)—substitutes for the lack of formal commercial infrastructure. Poor households leverage these local social networks to secure a stable, loyal customer base within the village ecosystem. Additionally, because a significant portion of home-based food and beverage MSMEs are managed by women, this economic engagement triggers a shift in domestic dynamics. By contributing directly to the household income, rural women experience a form of economic empowerment that enhances their bargaining power and decision-making roles within the family structure. Consequently, it is hypothesized that:

- **H2:** *Social capital and community-based networks significantly facilitate the operational viability and market maintenance of rural MSMEs.*
- **H3:** *The management of household-level MSMEs significantly contributes to the economic empowerment and increased decision-making agency of women in poor rural families.*

3. RESEARCH METHODOLOGY

3.1 Research Design

This study employs a qualitative research design with a case study approach. A qualitative method is chosen to gain a deep, nuanced, and holistic understanding of how MSME owners experience and

3.2 Population and Sample

The population of this study consists of all poor households operating Micro, Small, and Medium Enterprises (MSMEs) in Bendungan Village, Karangmojo District, Gunungkidul Regency, specializing in the food and beverage sector. Given the qualitative nature of the research, a purposive sampling technique is utilized. The informants are deliberately selected based on specific criteria:

- Registered as a poor or vulnerable household based on local village or BPS indicators.
- Actively managing a micro-enterprise (specifically food and beverage sales) for at least six months.
- Willing to share detailed financial and operational insights.

The sample size is determined by data saturation—the point at which no new themes or insights emerge during consecutive interviews—with an estimated target of 10 to 15 key informants,

3.4 Data Sources

This study relies on two distinct sources of data:

- **Primary Data:** First-hand empirical evidence obtained directly from the field through transcripts of in-depth interviews with the chosen MSME actors and field notes compiled during observations.
- **Secondary Data:** Contextual and statistical data acquired from external publications, including poverty rate statistics from the Central Bureau of Statistics (BPS), academic journals, and regional reports concerning economic development in Gunungkidul

3.5 Data Analysis

The collected qualitative data will be analyzed using the thematic analysis approach by Miles and Huberman, which consists of three concurrent flows of activity:

interpret their economic roles, contributions, and structural obstacles. Rather than focusing on statistical generalization, this design prioritizes capturing the contextual reality of poor households in Bendungan Village through their own narratives and daily lived experiences.

alongside village officials as triangulating sources.

3.3 Data Collection

Data will be gathered directly from the field using three primary qualitative methods:

- **In-Depth Interviews:** Semi-structured interviews will be conducted face-to-face with MSME owners to explore their household income, spending patterns on subsistence needs (*sembako*, education, health), and specific business constraints.
- **Field Observation:** Direct observation will be carried out within the village to assess the market environment, the homogeneity of products, customer interaction, and the everyday operational setup of the micro-businesses.
- **Documentation:** Gathering existing village demographic records, poverty maps, and local MSME profiles to complement the primary data.
- **Data Reduction:** Sorting, focusing, and abstracting the raw interview transcripts and field notes into meaningful codes. Irrelevant information will be discarded, while data reflecting "rational-subsistent actions," "subsistence contributions," and "developmental hurdles" will be grouped together.
- **Data Display:** Organizing the reduced data into accessible formats such as thematic matrices, network diagrams, or structured text to clearly map out the relationship between MSME income and household survival.
- **Conclusion Drawing and Verification:** Interpreting the displayed data to extract meaning, identifying recurring patterns, and verifying the findings through source triangulation before finalizing the conclusions to answer the research questions.

4. RESULTS AND DISCUSSION

4.1 Results

Being based on the results of observations and interviews in Bendungan Village, there are 4 informal and home-based MSME units operating in the food and beverage sector. These businesses are located at the Community Activity Center (PKM) of Bendungan Sub-district, generally consisting of simple stalls or small booths, with local residents and occasional passing visitors serving as the primary consumers. The average net income per business is estimated to be around IDR 500,000 to 1.5 million per month, with fluctuating revenue patterns depending on days and seasons. On average,

the MSME owners come from lower-middle-class families with low educational backgrounds and no formal entrepreneurial experience. The workforce is drawn from internal family members, making these businesses not only a source of income but also a collaborative space for husbands, wives, children, and even extended relatives. The business capital is sourced from personal savings and small funds provided by family members, resulting in a relatively small scale of business and very simple product offerings.

In an informal interview, one of the MSME owners stated that "by selling these products, it helps us purchase basic food supplies (*sembako*)," a statement indicating that MSME income is positioned more as a supplementary mean to meet

daily subsistence needs. Apart from helping fulfill basic needs, MSMEs also play a role in reducing household burdens. Under volatile economic conditions and limited rural employment opportunities, small-scale enterprises like food and beverage sales become an alternative for communities to secure an income without relying entirely on primary occupations or external assistance. With this additional income from MSMEs, families can slightly alleviate the economic pressures they face (Sariah & Indra, 2024).

Furthermore, MSMEs in Bendungan Village also contribute to generating economic independence and reducing unemployment rates among rural communities. Through these MSMEs, locals can leverage their skills and potentials to run businesses independently. Even though the scale of business remains small, at the very least, the community exhibits the initiative to work and earn their own living. This demonstrates that MSMEs serve as a form of rural community economic empowerment by encouraging people to be more active in economic activities. Moreover, the existence of MSMEs helps stimulate economic activities within the village environment. The buying and selling process of food and beverages creates a circulation of money within the community, thereby keeping the village's economic activities running. Although the contribution is not yet substantial, the existence of these small businesses continues to bring positive impacts to the socio-economic life of the surrounding community. MSMEs also strengthen social ties among residents through the everyday economic interactions between sellers and buyers (Rahman et al., 2024).

However, based on the interviews with the business owners, the role of MSMEs in Bendungan Village has not yet run optimally due to several constraints faced by the entrepreneurs in developing their businesses, which are detailed as follows:

- **Limited Access to Capital:** The business owners operate with minimal capital, which limits their production capacity and business development. This condition makes it difficult for the businesses to grow, and the income generated has not experienced any significant increase.
- **Deficiency in Managerial and Marketing Skills:** Some of the business owners are not yet capable of managing business finances properly and still rely on a simple word-of-mouth marketing approach. Additionally, the utilization of digital media for product promotion remains low, leaving the products unrecognized outside the village environment. This restricts the opportunities for sales growth.
- **Narrow Marketing Networks:** MSMEs in Bendungan Village are mostly marketed only within the surrounding village environment, making it difficult to reach a wider market. Consequently, business development progresses slowly and business income remains low.

Therefore, support from the government, the community, and related institutions is urgently required in the form of capital assistance, skills training, and marketing development so that MSMEs can grow more optimally and successfully enhance

the economy of poor families in Bendungan Village.

4.2 Discussion

The empirical findings from the four household-level MSMEs operating at the Community Activity Center (PKM) of Bendungan Village perfectly exemplify James C. Scott's concept of the "safety-first" principle within rural economies. With a modest net income ranging from IDR 500,000 to IDR 1.5 million per month, these food and beverage stalls are explicitly not driven by a capitalistic ethos of profit maximization or business accumulation. Instead, as evidenced by the qualitative statement of the informant who uses the revenue to buy basic food supplies (*sembako*), these enterprises operate under a subsistent rationality. For lower-middle-class rural families facing volatile economic environments and sparse employment fields, the primary motivation is risk aversion and securing immediate, daily domestic survival.

This subsistent nature is further reflected in the resource mobilization and labor structures of the Bendungan village enterprises. Scott argues that under a moral economy framework, rural actors utilize internal household resources to buffer against external market risks. The fact that these four MSMEs rely entirely on unpaid family labor—acting as a collaborative space for husbands, wives, children, and extended relatives—demonstrates a non-capitalist mode of production. Rather than calculating labor costs to maximize efficiency, these families pool their household human capital to minimize overhead expenses and avoid external debts. The reliance on personal savings and small familial funds as startup capital further solidifies their structural position as risk-averse, survival-oriented institutions.

Furthermore, the fluctuating and seasonal income pattern inherent to these rural stalls highlights the delicate margins of the "subsistence niche." When macroeconomic pressures stabilize or village economic circulation increases through local transactions, these MSMEs successfully reduce the household burden and prevent vulnerable families from relying on external dependencies. However, because their economic agency is heavily bounded by the immediate geographical environment and local consumers, their capacity to cross the threshold from baseline survival to wealth generation is highly restricted. In Scott's terms, they are perpetually hovering just above the subsistence line, where a minor drop in seasonal demand or an unmitigated operational shock can immediately disrupt the family's food security.

Ultimately, the structural bottlenecks identified by the entrepreneurs—namely limited capital access, a deficiency in financial and digital marketing skills, and narrow localized networks—are both the causes and consequences of this rational-subsistent trap. Because the actors possess low educational backgrounds and no formal business training, they utilize a simple word-of-mouth approach that keeps the money circulating strictly within the village ecosystem. While this social interaction strengthens horizontal communal ties and fosters local economic independence, it creates a stagnant

market equilibrium. To transition these micro-enterprises from a passive mechanism of poor family survival into an active vehicle for upward socioeconomic mobility, external

institutional interventions in the form of capital injections and structural digital literacy training are fundamentally required

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study concludes that Micro, Small, and Medium Enterprises (MSMEs) in Bendungan Village play a vital role as a socio-economic safety net for poor and lower-middle-class rural families. Operating under a rational-subsistent framework, these home-based food and beverage stalls prioritize household survival and risk aversion over capital accumulation or profit maximization. Although the net monthly income of IDR 500,000 to 1.5 million is quantitatively modest, its qualitative contribution is profound, as it directly finances daily subsistence needs such as basic food supplies (*sembako*). Furthermore, these enterprises foster community economic independence, reduce local unemployment pressures, stimulate village cash flow, and strengthen horizontal social cohesion through everyday interactions. However, due to severe structural constraints—including limited capital access, a lack of managerial and digital marketing skills, and narrow, localized marketing networks—the role of these MSMEs remains locked in a static survival mechanism rather than serving as a dynamic vehicle for upward social mobility.

5.1 Recommendations

Based on the identified bottlenecks and the rational-subsistent nature of the enterprises, the following multi-stakeholder recommendations are proposed to optimize the potential of MSMEs in Bendungan Village:

- **For the Local Government and Relevant Institutions:** There is an urgent need to facilitate targeted financial inclusion by providing accessible, low-interest micro-credit schemes specifically tailored for informal, home-based businesses, thereby mitigating capital constraints without entrapping owners in predatory informal debt.
- **For Academic Institutions and Community Organizers:** Collaborations should be established to conduct structured community empowerment programs focusing on basic financial literacy, simple bookkeeping, and product packaging innovation to enhance the competitiveness of the local culinary products.
- **For MSME Actors:** Entrepreneurs are encouraged to gradually adopt digital technology, starting with simple digital marketing tools (such as WhatsApp Business or social media platforms) to expand their consumer base beyond the immediate village borders and overcome the limitation of narrow marketing networks.

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