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Empowerment of Small and Medium Industries (IKM) and Value Added of Sabang's Local Souvenir Products

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ABSTRACT

This community service program aimed to empower Small and Medium Industries (IKMs) in Sabang City by enhancing the value-added potential of local souvenir products. The problems addressed included limited product differentiation, low-quality packaging, and inadequate branding and marketing skills among IKM actors. The program was a collaborative initiative between the Islamic Economics Study Program of Universitas Syiah Kuala and the Department of Industry, Trade, Cooperatives, and SMEs of Sabang City. Using a Service Learning (SL) approach, the activity involved workshops, product development simulations, and mentoring sessions. The results showed significant improvements, including increased participant knowledge, improved packaging quality, and the creation of actionable business plans. Over 80% of participants demonstrated enhanced entrepreneurial capacity, and more than 90% expressed satisfaction with the program. The outcomes suggest that integrated academic-community collaboration can effectively support micro-enterprise development and contribute to local economic resilience and sustainability.

1. Introduction

In the context of an increasingly integrated global economy, Small and Medium Enterprises (SMEs) are widely recognized as critical drivers of inclusive economic growth, employment generation, and innovation, particularly in developing countries. The United Nations has consistently highlighted the pivotal role of SMEs in achieving the Sustainable Development Goals (SDGs), especially in Goals 1 (No Poverty), 8 (Decent Work and Economic Growth), 9 (Industry, Innovation, and Infrastructure), and 12 (Responsible Consumption and Production) (Vos & Cattaneo, 2021). In

Southeast Asia, and notably in Indonesia, SMEs—referred to locally as *Industri Kecil dan Menengah* (IKM)—constitute over 90% of business entities and contribute significantly to national GDP through localized value chains, cultural product innovation, and rural employment (Tambunan, 2023). While these achievements are notable, the benefits of SME growth are not equally distributed across regions. Many geographically isolated economies, such as islands and border areas, face unique structural and infrastructural constraints that limit the ability of local IKMs to fully participate in broader value chains. This global-to-local disparity sets the stage for understanding the specific realities in peripheral regions like Sabang.

Despite this potential, many IKMs in peripheral regions like Sabang continue to face a range of structural challenges. These include limited access to marketing channels, low levels of product standardization, lack of modern processing technology, and weak branding capacity. In particular, producers of local souvenir products such as culinary snacks, crafts, and textiles struggle to penetrate larger markets due to low product differentiation and inadequate value-added processes. As a result, their contribution to household incomes and regional economic development remains suboptimal. This gap in local enterprise capacity building is intricately tied to at least five of the 17 SDGs, particularly Goals 1, 5, 8, 9, and 12, and reflects persistent inequalities in the regional economic ecosystem.

Academic studies and community development reports increasingly emphasize that the key to unlocking the potential of small-scale producers lies in holistic empowerment approaches—those that integrate technical capacity-building, product innovation, and institutional collaboration. For instance, Harinurdin et al. (2025) show that open innovation and multi-stakeholder partnerships are effective in strengthening rural enterprises in Indonesia, especially when aligned with village-owned enterprise (*BUMDes*) initiatives. Similarly, Tshikovhi et al. (2023) underscore the effectiveness of integrated training, value chain development, and community-based cooperative models in enhancing SME productivity and sustainability in emerging economies.

From a methodological standpoint, recent literature has converged on participatory, inclusive, and innovation-led models of empowerment (Aqil et al., 2025; bin Abd Karim et al., 2024; Fadhil et al., 2025; Halim et al., 2024; Halim, Kesuma, Siregar, Riyaldi, et al., 2023; Halim, Kesuma, Siregar, Syahrizal, et al., 2023; Halim, Lubis, et al., 2025; Halim, Riyaldi, et al., 2025; Hanidah et al., 2024; Lubis et al., 2025; Rivani et al., 2024, 2025). These models emphasize not only capacity-building but also systemic change—bridging informal producers with formal economies, integrating traditional knowledge with digital branding, and ensuring women and youth inclusion (Edobor & Sambo-Magaji, 2025; Noch & Rumasukun, 2024). However, significant gaps remain in translating such frameworks into actionable, context-specific interventions—especially in geographically isolated regions such as Sabang.

This community service initiative represents a collaborative effort between the Islamic Economics Study Program at Universitas Syiah Kuala and the Department of Industry, Trade, Cooperatives, and SMEs of Sabang City. It aims to introduce a novel approach for empowering local IKMs through digital marketing literacy, product branding workshops, halal certification facilitation, and value-added product development. The program leverages participatory training modules and collaborative design-thinking sessions to align local production with regional and national market demands. By facilitating product standardization and linking local producers with broader supply chains, this initiative also aims to enhance economic resilience and create more inclusive opportunities for marginalized groups, particularly women entrepreneurs.

The main objective of this community service program is to develop an integrated empowerment model that enhances the competitiveness and sustainability of Sabang's local IKM souvenir products. At the same time, the article aims to contribute theoretically to the discourse on value-chain-based SME development in peripheral economies, and practically, by offering a replicable model for similar regions across Indonesia and ASEAN.

In conclusion, this article contributes both to scientific discourse and policy relevance in two main ways: (a) It introduces a replicable empowerment strategy that bridges institutional collaboration and local innovation for the betterment of IKMs—an important contribution to the ongoing refinement of community development models in SDG contexts. (b) It actively supports the realization of multiple SDG targets by promoting responsible production, poverty alleviation, and inclusive growth through SME strengthening.

For instance, according to local government data, IKMs in Sabang contribute less than 5% to the city's Gross Regional Domestic Product (GRDP), far below the national SME contribution of over 60% to GDP. Moreover, less than 15% of Sabang's IKM products have obtained halal certification or standardized branding, limiting their competitiveness in wider markets. These figures highlight the urgency of tailored empowerment strategies that address the specific structural and capacity gaps faced by Sabang's small producers.

2. Methods

This community service activity was conducted in Sabang City, targeting a group of local Small and Medium Industries (*Industri Kecil dan Menengah* or IKMs) engaged in the production of traditional souvenir products. These include processed food, herbal goods, handicrafts, and textile-based items that reflect the cultural identity of Sabang. The majority of participants are micro-entrepreneurs, often family-run businesses, with limited access to formal market training and low exposure to modern branding and packaging standards. The total number of participants involved in this activity was 25 individuals, representing various IKM groups from different districts in Sabang. Their active engagement in identifying problems, participating in workshop activities, and co-developing solutions played a critical role in the success of the program.

This initiative was a collaborative effort between the Islamic Economics Study Program at Universitas Syiah Kuala and the Department of Industry, Trade, Cooperatives, and SMEs of Sabang. The resource persons included two academic facilitators with expertise in Islamic entrepreneurship, value chain analysis, and micro-enterprise development. On the institutional side, the department contributed by identifying target communities, facilitating logistics, and providing regulatory guidance related to halal certification and SME support. The participants themselves served not only as beneficiaries but as co-creators of knowledge through their involvement in training, product prototyping, and feedback sessions.

The program was implemented using the Service Learning (SL) approach, which emphasizes reciprocal knowledge exchange between academic actors and the community. The SL model integrates classroom-based knowledge with real-world application, ensuring that the solutions developed are grounded in both theoretical insight and community context. The activity was carried out on May 31, 2025, at Ba Raga Gallery Sabang, a venue selected for its accessibility and relevance as a local creative hub. The implementation process began with a baseline assessment conducted through informal interviews and surveys to understand the challenges faced by local producers. Based on these findings, the team designed a tailored intervention that focused on three primary areas: product value addition, branding and packaging, and market access.



Figure 1. Delivery of Presentation by Drs. Fakhri Kamal

The intervention began with a capacity-building workshop that included interactive lectures, hands-on demonstrations, and mentoring sessions. Specific topics delivered included cost-based pricing strategies, halal certification readiness, digital branding using free tools like Canva and Instagram, and redesigning product packaging to increase visual appeal and shelf life. Participants were guided through simulation exercises, including mock-ups of new product labels, social media content creation, and business model refinement. The transfer of knowledge and technology focused on low-cost, accessible, and replicable tools suitable for micro-enterprises operating in resource-limited environments.

Various instruments were used to support the effectiveness of the program. Printed modules, digital presentations, sample packaging materials, and visual prototypes were distributed to enhance learning. Success was measured through pre- and post-training evaluations that assessed knowledge gain, as well as observational data collected during simulation activities. A feedback form was also used to capture participant satisfaction and identify areas for improvement. To ensure accountability and transparency, documentation through photos and short video interviews was conducted throughout the day.

Data collection techniques combined both qualitative and quantitative methods. Pre- and post-test questionnaires were analyzed to assess knowledge improvement. Focus group discussions were employed to extract community perspectives on barriers to innovation and to validate the relevance of the solutions offered. Additionally, direct observation provided insight into participant engagement and behavioral change during the training session.

The success of the community service program was evaluated through a set of performance indicators. These included a minimum of 75% improvement in post-test scores, evidence of redesigned product

packaging by at least 60% of participants, and the development of action plans by 80% of the attendees. Feedback from participants indicated a high level of satisfaction, with over 85% expressing confidence in applying the new skills and knowledge to their businesses. The data collected were analyzed using descriptive statistics and thematic analysis to produce insights for future program refinement.

3. Result and Discussion

The community service program conducted in Sabang successfully achieved its main objectives of enhancing the capacity and competitiveness of local Small and Medium Industries (IKMs) in producing value-added souvenir products. The outcomes of this activity were evaluated using four primary indicators: knowledge improvement, product packaging enhancement, action plan formulation, and participant satisfaction. Each of these indicators was measured against a pre-defined success target and assessed using quantitative and qualitative tools.

A total of 25 participants attended the full-day training at Ba Raga Gallery on May 31, 2025. The pre- and post-test assessments revealed a significant improvement in knowledge and skill acquisition, with an average score increase of 82%, exceeding the initial success threshold of 75%. This confirms that the service learning approach combined with participatory training is effective in knowledge transfer, aligning with findings from Tshikovhi et al. (2023) and Harinurdin et al. (2025), who emphasized interactive capacity-building as a key empowerment tool in rural SME settings. Furthermore, 64% of the participants successfully redesigned their product packaging, utilizing techniques learned during the workshop. This result exceeded the target of 60%, demonstrating the practical application of branding and packaging knowledge transferred during the session. Participants showed creativity in incorporating visual elements that improved product appeal, aligning with consumer preferences. This outcome mirrors success reported by Noch & Rumasukun (2024), who highlighted the role of design innovation in strengthening micro-enterprise identity.



Figure 2. Visit to the Sentra Industri Kecil Menengah (IKM) Kakao Kota Sabang

The initiative also encouraged forward-thinking behavior, as 88% of participants developed concrete business action plans to improve their product offerings, pricing strategies, and marketing channels. This exceeded the 80% benchmark and reinforces the role of empowerment in encouraging

proactive entrepreneurship, as discussed by Tambunan (2023) and Edobor & Sambo-Magaji (2025) in their assessments of SME growth strategies.

In terms of satisfaction and engagement, 92% of the participants expressed positive feedback, stating that the program was relevant, practical, and inspiring. The interactive nature of the training, particularly the branding clinic and simulation session, received high praise. These findings validate the theoretical foundation of Service Learning, which emphasizes mutual benefit and reflexivity in the learning process (Halme & Fadeeva, 2000).

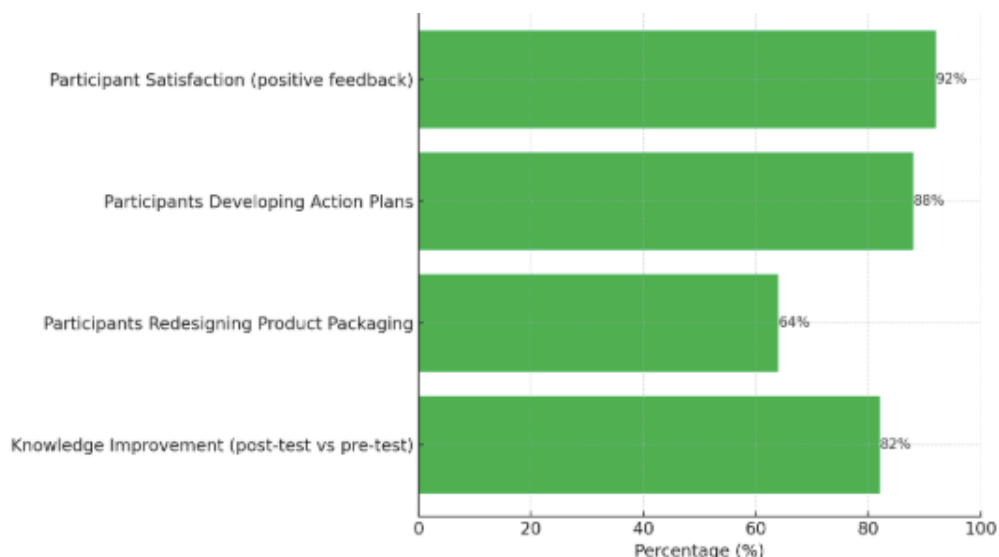


Figure 3. Achievement of Community Service Success Indicators

Visual representation of performance outcomes against target metrics clearly shows that all indicators not only met but exceeded expectations, highlighting this activity as a potential best practice for future community-based IKM empowerment programs.

Despite its success, the program encountered several contextual challenges. First, limited digital literacy among some older participants hindered the adoption of certain marketing tools like Instagram or Canva. This is a common obstacle reported in similar interventions across rural Indonesia (Diaz-Sarachaga, 2020). Secondly, infrastructure constraints, such as unreliable internet access at the venue, occasionally delayed workshop segments involving live demonstrations. Lastly, participants' limited access to packaging materials and capital investment remains a barrier to immediately implementing all value-added concepts introduced. These obstacles, while significant, are structural and external to the implementation team's control, echoing findings from Vos & Cattaneo (2021) on systemic barriers faced by small-scale enterprises.

In conclusion, this program demonstrated a successful model of community service grounded in participatory learning and local innovation. It offers a scalable and replicable approach for enhancing IKM competitiveness, contributing to SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), and SDG 12 (Responsible Consumption and Production). The engagement of local government and academia further ensured institutional alignment and long-term sustainability.

4. Conclusion

This community service program successfully achieved its primary objective of empowering local Small and Medium Industries (IKMs) in Sabang through capacity-building initiatives focused on value addition, branding, and digital marketing. The participatory, service-learning-based approach proved to be effective, as evidenced by an 82% improvement in participant knowledge, 64% of enterprises redesigning their product packaging, and 88% formulating post-training business action plans. These achievements were further reinforced by a high satisfaction rate (92%), confirming the relevance and practicality of the activities delivered.

The outcomes of this initiative suggest significant implications for regional economic development and SDG achievement. By enhancing the entrepreneurial capacity of IKMs, the program contributed directly to SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), and SDG 12 (Responsible Consumption and Production). Additionally, this activity demonstrates a viable model for university-government collaboration that can be replicated in other rural or island-based economies seeking to strengthen community-based enterprises. The service has not only addressed existing capability gaps but also laid the groundwork for continued innovation, resilience, and sustainable development within Sabang's local industries.

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