Co-Creation of Creative Economy Digitalization Policy between the Kediri City Government and MSMEs

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ABSTRACT

This study aims to examine the co-creation process in digitalization policies for the creative economy between the Kediri City Government and MSME actors in order to enhance business competitiveness in the digital era. The research focuses on MSMEs in creative economy subsectors, such as culinary, fashion, and local processed products. The method used is a descriptive qualitative approach, with data collection techniques including interviews, observation, and documentation. The results show that the development of MSME digitalization in Kediri City is relatively good, especially in the culinary sector, as indicated by the utilization of social media, marketplaces, and support from various government programs such as training, workshops, seminars, mentoring, and the SiBadu application. However, several challenges remain, including low levels of digital literacy, limited access to capital, unequal internet access, and suboptimal participation of MSME actors in the policy formulation process. The co-creation approach is considered important as it encourages the active involvement of MSME actors in program design, resulting in policies that are more targeted, adaptive, and aligned with local needs. Based on the analysis using the MSN Approach, the success of digitalization is influenced by the mental readiness of business actors, a well-organized policy system, and networks of collaboration between the government and various stakeholders. In addition, synergy among the government, private sector, business communities, and society further strengthens the sustainability of the digital ecosystem. Thus, sustainable collaboration between the government and MSME actors is a key factor in strengthening the creative economy sector while enhancing the competitiveness of Kediri City.

Keywords: *co-creation, MSME digitalization, creative economy, collaborative governance, Kediri City.*

INTRODUCTION

Digital transformation has evolved into a global phenomenon that affects nearly all aspects of human life, including economic activities. Governments at both national and local levels have sought to design policies to accelerate digital transformation in order to enhance competitiveness and improve the efficiency of local economies (Bangsawan, 2023). In Indonesia, digitalization is viewed as a strategic instrument to drive the growth of the creative economy while strengthening the position of MSMEs in the global value chain (Indonesia.go, 2022). As a sector that relies on creativity, innovation, and partnerships, the creative economy requires policies that are adaptive and responsive to the needs of local actors (My, 2023).

However, in practice, there remains a gap between policies formulated at the central or provincial levels and the actual conditions faced by MSME actors. Several studies indicate that MSME digitalization policies in Indonesia are often not aligned with on-the-ground challenges, such as low levels of digital literacy, unequal technological infrastructure, and inflexible

regulations (Hapiz et al., 2025). In addition, external factors such as limited support from relevant stakeholders and insufficient operational technological readiness also pose major obstacles in the digital transformation process of MSMEs (INDEF, 2024). In the context of the creative economy, digitalization strategies should not only focus on technological aspects but also consider local regulations, the capacity of creative human resources, and patterns of collaboration between the government and creative industry actors (Elsap et al., 2024). Effective models for developing the creative sector emphasize the importance of collaboration through co-creation, co-financing, and co-management approaches, where the government acts as a regulatory facilitator, while creative actors contribute ideas, resources, and networks (Rahmawati et al., 2025).

Kediri City has implemented a creative economy development policy based on the Mataraman concept, with the theme "Strengthening Synergy and Digitalization: Weaving Sustainable Economy and Culture." The Kediri City Government, in collaboration with Bank Indonesia, provides support to MSME actors through various programs, such as digital training, flagship product exhibitions, and initiatives encouraging MSMEs to scale up and enter global markets through the use of technology and sustainable innovation. These programs also highlight the importance of cross-sector collaboration to strengthen the creative economy ecosystem in Kediri as a regional growth center. In this context, MSMEs play a strategic role as the main drivers of the creative economy, particularly in subsectors such as culinary, fashion, crafts, and local processed products that rely on creativity, innovation, and digital marketing to increase added value and competitiveness.

Nevertheless, the implementation of these policies still faces several challenges, including limited digital economic infrastructure, low levels of literacy and human resource quality, and suboptimal communication between the government and MSME actors. Therefore, efforts to develop a digital creative economy must begin with strengthening collaboration between the government and various stakeholders, including MSMEs, the private sector, and investors. Through a co-creation approach, the formulation of digitalization policies for the creative economy is expected to be not only top-down but also reflective of the real needs of actors in the field. Based on this background, this study focuses on analyzing the role of the government in implementing digitalization policies for the creative economy. The selection of this topic is based on the still limited collaboration between the government and MSME actors, as well as the suboptimal implementation of existing policies.

LITERATURE REVIEW

1. Previous Studies

The study conducted by (Maulana et al., 2025) aims to demonstrate that digitalization has become a crucial necessity for MSMEs in Kediri. The utilization of digital marketplaces and social media platforms has been proven to increase revenue, while product innovation contributes to strengthening business competitiveness. The findings of this study confirm that the use of digital technology has a positive impact on the development of MSMEs.

Furthermore, the research by (Latisia, 2020) focuses on the role of the city government, particularly through the Department of Cooperatives and MSMEs, in providing training, access to capital, and promoting the digitalization process. This study emphasizes the importance of a

participatory approach in policy formulation to ensure alignment with the needs of MSME actors, which is in line with the concept of co-creation. The findings indicate that government support plays a significant role in the development of small businesses.

Meanwhile, the study by (Salsabila et al., 2025) aims to examine the effectiveness of digital marketing training and the creation of online catalogs in strengthening local businesses. The results show that digitalization offers great opportunities for MSMEs to grow, but still requires policy support to ensure sustainability. These findings highlight that the success of digitalization is strongly influenced by the synergy between the government and MSME actors.

2. MSME Digitalization

MSME digitalization refers to the utilization of digital technologies to improve operational efficiency, expand market reach, and enhance the competitiveness of micro, small, and medium enterprises (Purnomo et al., 2024). MSME digitalization refers to the utilization of digital technologies to improve operational efficiency, expand market reach, and enhance the competitiveness of micro, small, and medium enterprises (Setiawati et al., 2024). The success of this digital transformation is influenced by several key factors, including the availability of adequate digital infrastructure, the level of digital literacy and skills among business actors, the readiness of human resources and entrepreneurial culture, as well as government support through digital ecosystems, financial services, and data protection regulations (Julianto & Waskito, 2025). Digitalization has been proven to improve business efficiency, expand market access, increase revenue, and strengthen business resilience, especially in times of crisis.

However, this process also faces various challenges, such as limited capital, low technological capability, unequal internet access, data security risks, and resistance to change (Setiawati et al., 2024). To address these obstacles, several efforts are required, including improving digital literacy, providing financial incentives for technology adoption, expanding internet access, strengthening data protection regulations, and developing digital ecosystems at the local level (Julianto & Waskito, 2025). In addition, the development of a phased digitalization roadmap starting from digital marketing before progressing to operational automation can increase the likelihood of successful implementation for MSMEs (Purnomo et al., 2024). Thus, digitalization holds great potential as a key driver in enhancing the competitiveness and sustainability of MSMEs in the digital economy era, while also opening broader market access at both national and interregional levels.

3. *Co-Creation*

Co-creation is a form of collaboration between producers and consumers in jointly creating value. In this concept, consumers no longer act merely as recipients of products or services but are actively involved in the innovation process. Such involvement has proven effective in driving innovation while increasing the added value of products or services (Aqshal & Mistriani, 2024). One of the frameworks used in co-creation is the DART model (Dialogue, Access, Risk Assessment, Transparency), which plays an important role in building constructive

relationships between producers and consumers (Rahayuningsih et al., 2025). In addition, co-creation is capable of generating both emotional and functional value through shared experiences, particularly in community-based services and tourism sectors (Aqshal & Mistriani, 2024). The implementation of co-creation has been shown to increase customer satisfaction and loyalty. However, in practice, several challenges remain, especially for MSMEs that utilize social media as a marketing tool. These challenges include low levels of digital literacy, limited access to technology, and a lack of transparency in data management (Indriyani et al., 2024). Thus, co-creation serves as a strategic approach to fostering innovation, strengthening relationships between producers and consumers, and enhancing competitiveness in the digital era. This approach also enables business actors to better understand consumer needs directly through active involvement in the value creation process.

4. *MSN Approach*

Yulianto Kadji developed the MSN Approach model as a framework for public policy implementation. This model consists of three main approaches, the Mentality Approach, the System Approach, and the Networking Approach. The Mentality Approach focuses on shaping attitudes, behavior, work ethic, and the integrity of civil servants so that they align with moral values and public service ethics. The System Approach emphasizes the importance of structured mechanisms, ranging from input, process, output, to outcome, to ensure that policy implementation follows procedures, indicators, and objectives. Meanwhile, the Networking Approach highlights the strengthening of collaborative networks among actors. This model is based on the understanding that public policy involves three main dimensions, government, the private sector, and civil society. The purpose of the MSN Approach is to achieve more effective, accountable, and responsive policy implementation through synergy among stakeholders not merely through a technocratic, top-down approach, but through the integration of behavioral, systemic, and networking aspects (Kadji, n.d.).

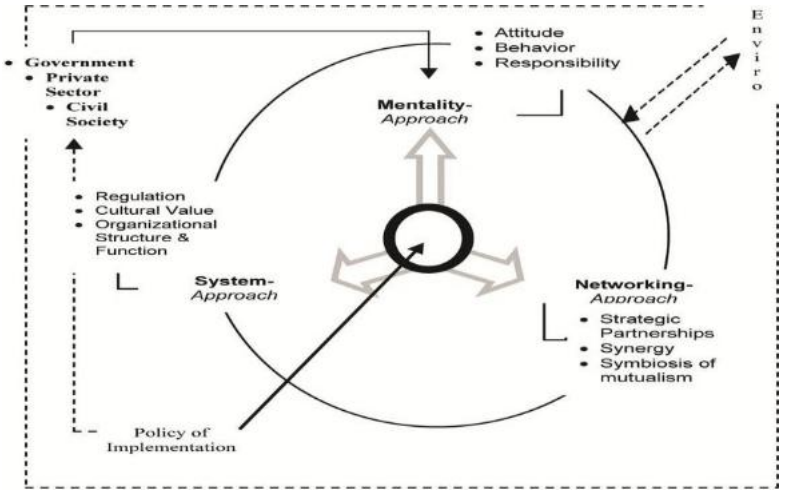

Figure 1. MSN Approach (Source: Enang et al., 2021)

a. *Mentality Approach*

This approach emphasizes the importance of shaping attitudes, behavior, work ethic, and integrity among policy implementers. According to Kadji, the mindset of stakeholders, leaders, and government officials greatly determines the success of policy implementation. Ethical values, moral principles, and a public service orientation form the foundation for creating governance that is clean, accountable, and responsive to community needs. Therefore, this approach plays a crucial role in building service-oriented public officials.

b. *System Approach*

The system approach highlights the importance of structured and comprehensive policy governance. Each stage of policy implementation should be understood as an integrated process that includes input, process, output, outcome, and impact. With a clear system, performance indicators and implementation procedures can be measured and monitored objectively. This enables continuous policy evaluation to ensure alignment between implementation and the intended objectives.

c. *Networking Approach*

This approach focuses on building and strengthening cooperation among the government, the private sector, and civil society. In the context of democratization, Kadji emphasizes that the success of policy implementation no longer depends solely on the government but on collaboration among multiple actors. Strong networks can encourage participation, coordination, and synergy, making policies more acceptable and sustainable. In addition, this approach accelerates the exchange of information among involved stakeholders.

5. *E-Government*

E-government refers to the use of information and communication technology (ICT) by government institutions to provide information, deliver public services, and facilitate interaction with citizens, businesses, and other government agencies. Its main objectives are to improve efficiency, accountability, transparency, and the quality of public services. In its study, e-government does not only focus on technical aspects such as digital systems or platforms, but also includes organizational and environmental dimensions that influence the adoption process. For example, the study *Modeling E-Government Maturity Determinants at the Local Level in Indonesia* uses the Technology-Organization-Environment (TOE) framework to identify factors affecting the level of e-government maturity at the local level. These factors include the availability of technological infrastructure, the capacity of human and financial resources, and the socio-economic conditions of society (Yeremias et al., 2024).

In addition, studies in Indonesia show that the indicators in the Indonesian E-Government Ranking (PeGI) place policy, institutional aspects, infrastructure, planning, and applications as key components in evaluating e-government implementation (Rahmadany, 2021). To measure the level of e-government implementation in local governments, various theoretical frameworks are used, such as the TOE Framework and maturity models (Layne & Lee, Hiller & Belanger, and the SPBE model). These approaches assess the extent of digital interaction, inter-agency integration, and the quality of online services, including electronic transactions. The

implementation of e-government also provides tangible benefits, one of which is facilitating services for MSMEs through digital systems that are faster, more transparent, and more efficient.

6. *Collaborative Governance*

Collaborative governance is a governance approach that emphasizes the involvement of various actors such as government, the private sector, society, and other stakeholders in joint decision-making processes to address public issues. According to Chris Ansell and Alison Gash, collaborative governance is an arrangement in which public institutions directly engage non-governmental actors in formal, consensus-oriented decision-making processes carried out through deliberation to formulate and implement public policies (Ansell & Gash, 2008). This concept highlights several key elements, including the importance of face-to-face dialogue, trust-building among stakeholders, commitment to a shared process, a common vision or goals, and the achievement of mutually beneficial outcomes. Through effective collaboration, a synergistic relationship between government and society can be established, resulting in policies that are more participatory, responsive, and capable of optimally addressing public needs (Emerson et al., 2012).

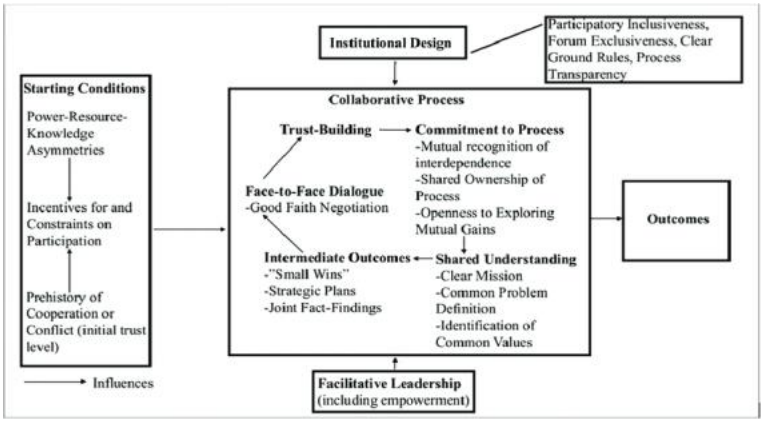

Figure 2. Collaborative Governance (Source: Ansell & Gash, 2008)

In this study, the concept of collaborative governance is closely related to the title *"Co-Creation of Creative Economy Digitalization Policy between the Kediri City Government and MSME Actors."* This is because the digitalization process of the creative economy cannot be carried out unilaterally by the local government; it requires the active involvement of MSME actors as the main stakeholders in the field. The Kediri City Government functions as a facilitator through policy formulation, provision of training, mentoring, and digital infrastructure support. Meanwhile, MSME actors play a role in expressing aspirations, conveying real needs, and introducing digital-based innovations in their business activities. Through a collaborative governance approach, the relationship between the government and MSMEs can produce more targeted digitalization policies, encourage greater participation from business actors, expand access to digital markets, and strengthen the competitiveness of the creative economy at the local level. Therefore, this theory serves as an important foundation for analyzing patterns of cooperation between the government and MSMEs in promoting the

transformation of the creative economy in Kediri City. In addition, the sustainability of collaboration also contributes to building trust between the government and local business actors.

METHOD

This study employs a descriptive qualitative approach to examine the implementation of co-creation in digitalization policies for the creative economy between the Kediri City Government and MSME actors. This approach is chosen because it allows for an in-depth exploration of collaboration processes, interactions, and the roles of each party in supporting digital transformation. Through this approach, the researcher seeks to understand how the government formulates digital policies and programs, as well as how MSME actors respond to and engage with them. The focus of the study includes forms of collaboration such as discussion forums, workshops, seminars, training programs, and the use of the SiBadu application as a digitalization tool. In addition, this study also considers MSME participation, policy effectiveness, product innovation, and the development of digital marketing. The research subjects include staff from the Department of Cooperatives and MSMEs of Kediri City, as well as MSME actors, particularly in the culinary sector. This sector is selected due to its rapid development and strong connection to the use of digital technology. Informants are determined purposively, meaning they are selected based on their direct involvement in digitalization programs, ensuring that the data obtained is relevant to the research focus.

Data collection is conducted through in-depth interviews, observation, and documentation. Interviews are carried out with MSME actors in the culinary sector and relevant government officials to understand their experiences, perspectives, and the challenges they face in the digitalization process. Observations are conducted by directly examining field conditions, particularly MSME activities and the implementation of ongoing programs. Meanwhile, documentation is obtained from archives, activity reports, MSME data, and other documents related to creative economy digitalization policies in Kediri City. These three techniques are used to ensure that the data collected is comprehensive and robust. Data analysis is conducted qualitatively using the Miles and Huberman model, which includes data reduction, data display, and conclusion drawing. The collected data is selected and focused on aspects relevant to the research, particularly the patterns of collaboration between the government and MSMEs. The data is then presented in a narrative form to facilitate understanding, followed by drawing conclusions based on the findings, such as forms of collaboration, challenges encountered, and efforts made to improve the success of digitalization policies. Through this approach, the study is expected to provide a clear overview of the importance of co-creation between the government and MSMEs in enhancing the competitiveness of the creative economy in Kediri City.

EXPLANATION

1. Research Findings

The findings of this study indicate that MSME digitalization in Kediri City remains both a challenge and a significant opportunity for regional economic development. MSMEs have

considerable potential to grow, particularly in the culinary sector, which is one of the region's leading sectors. The use of digital technology can help business actors expand market reach, improve operational efficiency, strengthen promotion, and enhance competitiveness amid increasingly intense competition. However, this potential has not been fully optimized by all MSME actors due to limitations in capital, low levels of digital literacy, and uneven supporting infrastructure. In addition, some business actors still face difficulties transitioning from conventional marketing systems to digital platforms, especially home-based and small-scale enterprises that previously relied on direct sales.

Although the Kediri City Government has provided various programs such as training, seminars, workshops, mentoring, and the SiBadu application, the success of these programs is highly dependent on the level of active participation from MSME actors. Based on interview results, some business actors perceive digital training as helpful in understanding the use of social media, marketplaces, and product packaging strategies. However, others stated that they still require continuous assistance to consistently apply this knowledge in their daily business activities. Without active involvement from MSME actors, digitalization policies risk being ineffective and misaligned with actual needs in the field. Therefore, the co-creation approach becomes essential, as it allows MSME actors to be directly involved in the formulation, implementation, and evaluation of policies, resulting in more relevant and adaptive outcomes. This also enables the government to design more realistic strategies by considering the real experiences and needs of business actors.

These findings are consistent with the concept of collaborative governance, which emphasizes the importance of collaboration between the government and non-government actors in addressing public issues. Through effective cooperation, the relationship between the local government and MSME actors can produce policies that are more participatory, responsive, and sustainable. Trust, communication, and mutual commitment are key factors in ensuring the effectiveness of such collaboration. This synergy also accelerates and equalizes the digitalization of the creative economy in Kediri City.

Furthermore, the findings are reinforced by the use of the MSN Approach model. The mentality approach emphasizes the readiness of mindset, work ethic, and the quality of human resources from both the government and MSME actors in adapting to digital changes. The system approach ensures that policies are designed in a structured manner, have clear targets, and can be monitored and evaluated periodically. Meanwhile, the networking approach encourages collaboration among the government, MSMEs, business communities, educational institutions, and other relevant stakeholders in building a strong digital ecosystem. Through these networks, MSME actors can more easily access training, promotion opportunities, product innovation, and digital marketing support. In conclusion, the success of digitalization policies for the creative economy in Kediri City depends not only on government programs but also on the active involvement of MSME actors and the synergy among various stakeholders. If this collaboration continues to be strengthened, MSME digitalization has the potential to drive regional economic growth, create new job opportunities, and enhance the competitiveness of Kediri City in the digital economy era.

2. Discussion

This discussion highlights how MSMEs in Kediri City are developing while also facing challenges in the digitalization process of the creative economy, as well as how a co-creation strategy with the MSN approach can be used to strengthen the role of MSMEs. The development of MSMEs in Kediri City in recent years shows relatively fluctuating dynamics. Although MSMEs play an important role in creating employment opportunities and improving community welfare, their number has actually declined over the past two years. This is influenced by weak competitiveness, low digital adaptability, and decreasing interest in business development. These conditions indicate that MSMEs remain vulnerable to market changes, technological advancements, and regional economic dynamics. The Kediri City Government has, in fact, launched various digitalization programs, such as the SiBadu application, training sessions, and workshops. However, their utilization is still uneven, particularly among business actors who are not yet familiar with technology. Data from the Department of Cooperatives and MSMEs shows that the number of MSMEs increased from 334 units in 2020 to 6,005 units in 2022, but then experienced a significant decline to 2,476 units in 2023 and only 482 units in 2024. This indicates that the growth that once occurred has not been sustained over time.

NO	TAHUN	JENIS KELAMIN		JUMLAH	OMSET
		LAKI-LAKI	PEREMPUAN		
1	2020	108	226	334	Rp 1.213.250.000.00
2	2021	265	473	738	Rp 2.948.250.000.00
3	2022	2352	3653	6005	Rp 24.160.950.000.00
4	2023	802	1674	2476	Rp 13.910.900.000.00
5	2024	**214**	**268**	482	Rp 5.617.750.000.00
TOTAL		**3741**	**6294**	**10035**	**Rp 47.851.100.000.00**

Figure 3. MSME Development Data 2020–2024 in Kediri City

(Source: Department of Cooperatives and MSMEs, 2024)

The previous increase was driven by the use of marketplaces, social media, and delivery services, particularly in the culinary sector. As part of the creative economy, the culinary sector has significant potential as it relies on creativity in product innovation, packaging design, digital promotion strategies, and brand identity development. Digitalization opens opportunities for business actors to expand their markets, increase sales, and conduct promotions more efficiently. In addition, digital technology also encourages value creation through creative content, interactive marketing, and product differentiation.

However, on the other hand, increasingly intense competition, low business resilience, limited capital, and low digital literacy have caused many businesses to struggle to survive. This indicates that the use of technology alone is not sufficient without being supported by proper

business management and well-developed marketing strategies. Government programs such as digital literacy initiatives, workshops, and the SiBadu application are also considered not yet fully capable of addressing the real needs of business actors in the field. Moreover, the co-creation approach has not been optimally implemented, as MSME actors are not fully involved as equal partners in the policy formulation process but are more often positioned as program beneficiaries.

To address these challenges, the implementation of the MSN (National System Model) Approach is necessary. The mentality approach emphasizes changes in mindset among both the government and MSME actors to become more open to digital innovation. The system approach highlights the importance of well-planned, measurable, and sustainable policies to ensure that digitalization programs are not temporary. Meanwhile, the networking approach encourages stronger collaboration among the government, business communities, universities, financial institutions, and the private sector in building a solid digital ecosystem.

The results of this study indicate that the success of MSME digitalization is influenced by the readiness of business actors, access to technology, government policy support, and the sustainability of the digital ecosystem. Therefore, the co-creation strategy needs to be strengthened so that policies become more participatory, adaptive, and aligned with local needs. Through more intensive collaboration, the government and MSME actors can jointly design creative economy development programs based on regional potential, such as local culinary products, fashion, and innovative processed goods.

The government needs to provide broader participation spaces through discussion forums, continuous mentoring, and joint evaluations with MSME actors. On the other hand, MSME actors are also required to improve their digital capabilities, product innovation, and business competitiveness to survive in the digital economy era. In this way, MSMEs can continue to be strengthened as the main pillar of the creative economy in Kediri City. If collaboration between the government and business actors is carried out optimally, digitalization will not only increase revenue but also create new job opportunities, strengthen the local economy, and enhance the competitiveness of Kediri City at both regional and national levels.

a. Implementation of MSME Digitalization

In Kediri City, the implementation of digitalization among MSMEs has shown considerable progress, particularly in the culinary sector, which is one of the region's leading sectors. Most business actors have begun utilizing various digital platforms such as Instagram, TikTok, Facebook, WhatsApp Business, delivery services, and marketplaces for product promotion and sales. This indicates an increasing awareness among MSME actors of the importance of digital technology in facing increasingly modern market competition. The use of digital media not only simplifies transaction processes but also opens opportunities to reach a wider range of consumers, even beyond Kediri City. This development is supported by various programs from the Department of Cooperatives and MSMEs of Kediri City, such as digital marketing training, business development workshops, entrepreneurship seminars, and mentoring for business actors. These programs aim to enhance the capacity of MSME actors to utilize technology optimally and sustainably. The government's role as a facilitator is crucial, considering that

many business actors still require guidance, motivation, and technical support in the digital adaptation process.

Digitalization has also been proven to encourage creativity among business actors, expand market networks, and increase sales. Previously, many MSMEs relied solely on conventional sales within their local environment. However, with digital platforms, business actors can now receive online orders, reach new consumers, utilize delivery services, and build branding through social media content. This demonstrates that digitalization has a positive impact on the development of micro and small enterprises. In this context, the co-creation strategy becomes highly important, as the success of digitalization largely depends on the active involvement of MSME actors. Through this approach, business actors are not only program beneficiaries but are also involved in providing input, expressing their needs, and evaluating implemented policies. Such involvement ensures that policies are more aligned with real conditions in the field. Additionally, co-creation fosters a sense of ownership toward government programs, thereby encouraging higher participation.

Nevertheless, the implementation of MSME digitalization in Kediri City still faces several challenges, such as low digital literacy, limited human resources, lack of capital, and unequal internet access. These challenges are commonly experienced by small-scale and home-based businesses that are not yet fully accustomed to using digital technology. Moreover, some MSME actors still use social media in a basic manner without clear marketing strategies. On the other hand, although the SiBadu application is not a transaction platform, it plays an important role as a database for MSMEs in Kediri City. The data available in this application helps the government map business types, training needs, and the development potential of MSMEs in each area. Through this system, the government can conduct data collection, monitor business development, and design more targeted policies. The existence of an integrated data system is a key factor in supporting the effectiveness of digitalization programs.

These findings are consistent with the MSN (Mentality, System, Networking) approach. The mentality approach emphasizes the importance of changing the mindset of MSME actors to be more open to digital innovation. The system approach highlights the need for structured, consistent, and sustainable policies. Meanwhile, the networking approach underscores the importance of collaboration among the government, business actors, communities, educational institutions, and the private sector in building a strong digital ecosystem. Overall, the implementation of MSME digitalization supported by a co-creation strategy can increase the participation of business actors, strengthen digital adaptability, and optimize government programs. If this collaboration continues to be strengthened, MSMEs in Kediri City have great potential to grow sustainably and enhance their competitiveness in the digital economy era.

b. Challenges in MSME Digitalization

Although the implementation of MSME digitalization in Kediri City has shown considerable progress, several key challenges still affect its success, including low digital literacy, limited capital, and unequal internet access. These three factors represent fundamental barriers, as they directly influence the ability of business actors to utilize digital technology in developing their businesses. Despite the wide availability of digital market opportunities, not all MSME actors

are able to adapt quickly. Many business actors, particularly housewives and small-scale home-based enterprises, are not yet accustomed to using technology optimally. Most of them still use mobile phones only for basic communication, which makes it difficult to manage business social media accounts, create promotional content, use marketplaces, or adopt digital payment systems. This indicates that digitalization is not solely about the availability of devices, but also requires knowledge and skills to ensure technology is used productively.

On the other hand, limited capital is also a significant challenge. Many business actors struggle to allocate funds for digitalization needs, such as adequate smartphones, cameras for product photography, attractive packaging, digital promotion costs, and improvements in production quality. In fact, to compete in the digital market, appealing product presentation, consistent promotion, and fast service are essential. Without sufficient financial support, MSMEs will find it difficult to grow, even if they have the willingness to transition toward digitalization. Additionally, another challenge is the quality of internet networks, which remains unstable and uneven in some areas. Poor connectivity can hinder promotion, communication with customers, online transactions, and order management, ultimately reducing business efficiency and discouraging MSME actors from consistently utilizing technology.

The findings of this study indicate that the success of digitalization is not determined solely by the availability of technology, but also by the readiness of human resources, government support, and the presence of a supportive business ecosystem. The government plays an important role in providing training, mentoring, access to capital, and adequate digital infrastructure. Meanwhile, business actors are also required to have the willingness to learn, adapt, and remain open to digital-based business models. Motivation and consistency among business actors are crucial factors in the success of this transformation. There are still MSME actors who participate in training merely as a formality without applying the knowledge in their business activities, resulting in suboptimal outcomes of digitalization programs. Therefore, a strong commitment from business actors is needed to continuously learn, experiment, and consistently utilize technology.

These findings highlight the importance of the co-creation approach in developing digitalization programs. By actively involving MSME actors in the design and implementation of policies, the government can better understand real needs and challenges in the field, leading to more targeted and applicable solutions. Collaboratively designed programs tend to be more realistic and capable of increasing business actor participation. Concrete efforts such as improving digital literacy, expanding internet access, providing financial assistance, and ensuring continuous mentoring need to be further strengthened. If these challenges can be addressed through effective collaboration between the government and MSME actors, digitalization has the potential to become a key driver in promoting the growth of the creative economy in Kediri City.

c. Analysis of Co-Creation Strategy within the MSN Approach Framework

Through co-creation strategies with the government, MSME actors in Kediri City have begun to actively participate in various digitalization programs, such as discussion forums, workshops, seminars, training sessions, and business mentoring activities. This involvement indicates that

MSMEs are no longer merely policy recipients but are increasingly taking part in the planning and implementation processes of these programs. With such participatory spaces, the government can obtain direct input regarding the needs, challenges, and expectations of business actors, resulting in more targeted and relevant policies. Many MSME actors have the aspiration to develop their home-based businesses into more professional and competitive enterprises. Digitalization provides opportunities to improve marketing quality, expand customer networks, enhance business management, and build stronger brand identities. This demonstrates that co-creation can drive the transformation from traditional business practices toward more modern and adaptive business models, while also increasing the confidence of business actors in facing market competition.

Table 1. MSN Approach Strategy

MSN Aspect	Research Findings	Conclusion
Mentality	MSME actors are becoming more adaptive to digitalization.	The mindset of business actors is shifting from conventional to digital, forming the foundation for successful digitalization.
System	Digitalization policies are available (training, SiBadu application), but require continuous mentoring.	Government systems are already in place, but ongoing assistance is needed to ensure that training and applications are utilized optimally.
Networking	Discussion forums and workshops build networks between the government and MSMEs.	MSMEs are beginning to be directly involved in policymaking, making collaboration more targeted and effective.

Source: Author's Analysis, 2025

Based on the MSN Approach analysis in Table 1, it can be seen that most MSME actors have begun to adapt to digital developments, although the level of readiness varies among them. Some have actively utilized social media, marketplaces, and delivery services, while others are still in the early stages of adaptation. Therefore, continuous support from the government remains necessary to ensure that the digital transformation process runs evenly and sustainably. From the perspective of the Mentality Approach, the success of digitalization is highly influenced by the mindset of both MSME actors and government officials. Business actors need to have the willingness to learn, innovate, and remain open to digital-based changes. Meanwhile, the government is required to adopt a service-oriented approach that is responsive, innovative, and capable of understanding the needs of business actors. Alignment in mindset between both parties will strengthen the effectiveness of collaboration.

From the perspective of the System Approach, digitalization policies need to be implemented consistently, in a structured manner, and sustainably. Programs such as training, mentoring, and the utilization of the SiBadu application must have clear targets, evaluation mechanisms, and concrete follow-up actions. A well-organized system will help the government monitor MSME development and ensure that the programs provided have a real impact. Without a clear system,

digitalization programs risk becoming unsustainable. Meanwhile, the Networking Approach emphasizes the importance of building strong collaborative networks among the government, MSME actors, business communities, universities, financial institutions, and the private sector. A broad network provides various benefits, such as access to training, financial support, promotional opportunities, product innovation, and market expansion. Cross-sector collaboration also plays a role in strengthening a sustainable creative economy ecosystem in Kediri City.

A participatory digitalization strategy can be realized through the integration of co-creation and the MSN Approach. Co-creation provides space for MSME actors to be actively involved in policy formulation, while the MSN Approach serves as an implementation framework to ensure policies run effectively through the aspects of mentality, system, and networking. With this combination, MSME actors are not only program beneficiaries but also strategic partners of the government in regional economic development. In the culinary sector, digitalization has shown significant progress, supported by digital platforms and programs from the Department of Cooperatives and MSMEs. Business actors are able to utilize social media, marketplaces, and delivery services to increase sales. This demonstrates that, with the right strategy, MSMEs have great potential to grow through digitalization. Thus, changes in the mindset of business actors, consistency in policy systems, and strengthened collaboration between the government and MSMEs are key factors for the success of digitalization. The three aspects of the MSN Approach do not operate independently but complement each other in creating policies that are effective, participatory, and sustainable. The implementation of this strategy is expected to expand market access, enhance MSME competitiveness, create new job opportunities, and sustainably strengthen the creative economy of Kediri City.

d. Strategies to Enhance Competitiveness and Branding of Digital MSMEs

Strategies that emphasize the use of technology, strengthening branding, and continuous government support are essential to improve the competitiveness and visibility of MSMEs in Kediri City in the digital era. Increasingly open competition requires business actors not only to produce high-quality products but also to build a strong and recognizable brand image. In this context, collaboration between the government and MSME actors through a co-creation approach becomes key to ensuring that the strategies implemented truly align with on-the-ground needs. Several strategies that can be applied include:

1) Collaboration in Digital Content Development

The government can encourage MSMEs to produce engaging digital content, such as professional product photos, promotional videos, customer testimonials, and storytelling about the uniqueness of Kediri's local products. Creative content can increase consumer appeal while strengthening brand identity. Through mentoring, business actors can also better understand digital marketing trends, making branding more consistent and modern.

2) Regular Training and Mentoring

The government needs to provide regular training on digital marketing, social media management, product photography, promotional content writing, and the use of marketplaces. Training should not be conducted only once but must be followed by continuous mentoring to ensure that MSME actors can apply the knowledge in practice. Active involvement from business actors in expressing their needs and challenges is also important to make programs more effective.

3) Strengthening Local Brands through Joint Campaigns

The government and MSMEs can collaborate in organizing campaigns to strengthen the image of Kediri's local products, such as through digital MSME festivals, promotions on official social media platforms, online bazaars, or the use of regional slogans. This strategy not only increases sales but also fosters community pride in local products and reinforces Kediri's identity as a creative MSME hub.

4) Market Mapping and Consumer Segmentation

Utilizing data from the SiBadu application and other sources can help the government map consumer characteristics, market trends, and potential target segments. This information is crucial for MSMEs in determining appropriate marketing strategies, such as targeting younger audiences through specific social media platforms or selecting suitable marketplaces. In addition, business actors should be equipped with basic data analysis skills to better understand market needs.

5) Encouraging Product and Digital Service Innovation

The government can encourage MSME actors to continuously innovate, whether in product development, improving packaging quality, delivery services, the use of digital payments, or new business models such as subscription packages or collaboration among business actors. Through a co-creation approach, innovative ideas can emerge from both consumers and fellow entrepreneurs, resulting in higher added value for products.

6) Optimizing Social Media and Local Marketplaces

The government and MSMEs can collaborate in developing integrated promotional strategies, such as content calendars, seasonal campaigns, and the use of digital advertising across various platforms. This collaboration can be carried out through workshops, mentoring, and MSME digital communities. With well-structured strategies, MSMEs can not only increase sales but also build a professional digital identity. Additionally, the presence of local marketplaces or regional digital showcases can be utilized as a joint promotional platform for Kediri's flagship products.

B. CONCLUSION

MSMEs in Kediri City make a significant contribution to regional economic growth, particularly in the creative economy sectors such as culinary, fashion, and local processed products, with the culinary sector being the most prominent. Most business actors have utilized digital platforms such as Instagram, TikTok, WhatsApp, and marketplaces as both promotional and sales media. This indicates that digitalization has become a primary necessity in enhancing business competitiveness in the modern economic era. The Kediri City Government, through the Department of Cooperatives and MSMEs, has also supported this process through various programs, including training, seminars, workshops, mentoring, and the use of the SiBadu application as an MSME database. However, the effectiveness of these programs is highly dependent on the readiness, willingness, and active participation of MSME actors in adopting digital technology within their business activities.

The implementation of a co-creation approach between the government and MSME actors shows that collaboration through discussion forums, training, and joint strategy formulation can produce policies that are more participatory and aligned with real needs in the field. In addition, this approach encourages MSMEs to develop more professionally and reach broader markets. The success of digitalization is also influenced by the mental readiness of business actors, the consistency of policy systems, and strong collaborative networks among stakeholders, in line with the MSN Approach. Nevertheless, several challenges remain, such as low digital literacy, limited capital, and fluctuations in the number of business actors. Therefore, the government needs to strengthen continuous training and mentoring, optimize the use of the SiBadu application, and provide broader participation opportunities for MSME actors. On the other hand, business actors also need to enhance their digital capabilities, product innovation, and consistency in promotion to remain competitive in wider market.

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