

## Strengthening the Inclusive Village Economy in Aceh Besar: Downstream Processing of Local Products as a Strategy for Sustainable Economic Growth

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**Abstract.** *An inclusive economy aims to provide equal opportunities for all members of society, including vulnerable groups, to actively participate in and benefit from economic growth. Support for the downstreaming of local products in Aceh Besar strengthens this strategy by increasing product added value, empowering communities, and strengthening village economic resilience. This study used a qualitative descriptive approach with data collection through surveys, observations, documentation, and Focus Group Discussions (FGDs). Data triangulation is also applied to ensure the credibility of the information. The results are expected to provide insights into the implementation of an inclusive economy integrated with the downstreaming of local products in Aceh Besar to encourage sustainable and equitable village economic growth*

**Keywords:** *Inclusive Economy, Downstreaming of Local Products, Sustainable Village Economic Growth*

### 1. Introduction

Improving village economic resilience is a key challenge in rural development, as villages often face limited access to capital, technology, markets, and adequate human resources (kemendes, 2023). By addressing risk factors and implementing appropriate solutions, villages can become more economically resilient, able to withstand changing market conditions, disasters, and social crises, thereby improving the community's quality of life (Ref). An inclusive economy aims to create equal opportunities for all members of society, including women, marginalized groups, and ethnic minorities, so that they can actively participate in and benefit from economic growth (kemenko pmk, 2023). An inclusive economic approach emphasizes a balance between economic growth, social justice, and environmental sustainability. By addressing risk factors and implementing appropriate solutions, villages can become more economically resilient, able to withstand changing market conditions, disasters, and social crises, thereby improving the community's quality of life (Sufitrayati Sufitrayati, 2017). This effort also emphasizes the importance of close collaboration between communities, the government, and other stakeholders. other related matters, because inclusive village development cannot be carried out partially or singly.

Downstreaming is the process of processing raw products or local resources into value-added goods that are ready for sale and to compete in the market. This strategy enables villages to optimize the potential of their resources, increase community incomes, and expand market access, both locally and nationally (kemenko pmk, 2023). Downstreaming of local products also plays a role in empowering village communities, as they are directly involved in the production, processing, and marketing processes, thereby increasing their contribution to the village economy.

In the context of Aceh Besar, natural resource potential is vast and diverse, encompassing agriculture, fisheries, agro-industry, and unique handicrafts. However, most local products are still sold in their raw form, resulting in low economic value and insufficient potential for improving community welfare. Therefore, developing downstream local product processing is a crucial strategy for increasing product added value, competitiveness, and income for village communities (Ref). This approach also enables villages to create a more independent and inclusive economic ecosystem, while maintaining social and environmental sustainability. Furthermore, according to Sufitrayati (2023) emphasizes that human resource competency and accountable village fund management significantly influence village government performance. Good village performance is a crucial foundation for implementing economic empowerment programs, including the downstreaming of local products. Effective and transparent management ensures that village resources are optimally utilized to create inclusive and sustainable economic growth (syauqi beyk, 2022).

An inclusive economy emphasizes the participation of all members of society, including vulnerable groups, in benefiting from economic growth (Halkos, 2021). According to added that the inclusive circular economy concept encourages producers to be responsible for the entire product cycle, thus creating a sustainable and participatory economic ecosystem (Tong & Wang, 2024). Implementing this principle at the village level can strengthen the role of communities in maximizing local resources while maintaining ecological sustainability. Downstreaming local products is a crucial strategy for increasing the added value of village resources according to (bapedda aceh, 2020) shows that processing local commodities into marketable products can increase village economic competitiveness and drive sustainable economic growth in Aceh (Hasbullah., 2023), emphasized that downstreaming local commodities in villages not only increases income but also stimulates community creativity in developing superior products, thereby making the village economy more resilient.

Optimizing Village Funds for downstreaming can also form the foundation of a village-based economy, empowering communities, and supporting local economic independence. According to (Ayu et al., 2023) highlighted the role of corporate social responsibility (CSR) in strengthening sustainable village economies. CSR focused on community empowerment can strengthen local capacity and support inclusive economic development. (Seta et al., 2024) demonstrated in a field study of the Tegalwangi "Kampung Gurami" Program that community empowerment through downstreaming of local production can accelerate local economic growth, strengthen village independence, and increase community participation in economic activities. According to (Asnuryati, Kementarian et al., 2023) added that community empowerment strategies integrated with the local economy encourage village independence, strengthen social structures, and create sustainable economic opportunities.

## 2. Method

This study used a qualitative descriptive approach to map the economic potential of villages in Aceh Besar and analyze the implementation of an inclusive economy through the downstreaming of local products. This approach allows researchers to gain a deep understanding of field conditions, the obstacles faced by communities, and the involvement of marginalized groups in village economic activities. The study was conducted in six sub-districts in Aceh Besar: Baitussalam, Leupung, Lhoknga, Ingin Jaya, Blang Bintang, and Indrapuri. These locations were chosen because of their rich natural

resource diversity, ranging from agriculture and fisheries to forestry, handicrafts and the tourism sector. Based on initial surveys, most local products are still sold in their raw form, thus suboptimal added value and competitiveness.

### 3. Results and Discussions

Based on discussions with the sub-district heads, it can be concluded that Aceh Besar has abundant natural resource potential, encompassing agriculture, plantations, fisheries, and tourism. However, this potential has not yet fully generated added value for the village community. The majority of local products are still sold in their raw form, resulting in low sales value and limited competitiveness. To address this situation, a downstreaming strategy for village products is needed, encompassing more modern processing, packaging, and marketing. An inclusive economic approach is also crucial to ensure that village economic growth is not solely enjoyed by smallholders, large businesses, but can also be felt by vulnerable groups, such as small farmers, women, and MSMEs.

**Table 1.** Field Survey Results from 6 Districts of Aceh Besar

| Subdistrict   | Amount Village | Main Potential                                                  | Field Survey Result                                                                               | Constraints                                             |
|---------------|----------------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Baitussalam   | 13             | Salt, Pond Shrimp, Oysters, Brick Printing, Mangrove Processing | Salt & seafood supplied to RM/stalls; Brick & processed print mangroves managed by mothers        | Limited modern tools, low digital marketing             |
| Leupung       | 6              | Salted fisheries, TPI, Fish Crackers                            | Salted fish production & fish crackers; Cooperatives KOP-SMS manages inadequate results sea       | Limited capital, road                                   |
| Lhoknga       | 28             | Beach, Seafood, Gift Cake, Nusa Bread, Rattan Weaving           | Production of hand-made cakes, rattan weaving (Gerai Dua Brother), Roti Nusamanaged by 15 workers | Limited marketing, competitiveness needs to be improved |
| Ingin Jaya    | 50             | Main Market, Cake Aceh, Souvenir, Knife                         | Products need each other                                                                          | Field data is incomplete                                |
| Blang Bintang | 26             | Airport, Egg, Oil Processing SDA                                | Eggs supplied to RM; Naturi Niaga Cooperative produces eucalyptus oil                             | Need processing machines & management assistance        |
| Indrapuri     | 52             | Janeng, Woven Billy                                             | Janeng as a staple food; Bili weaving into baskets, bags, etc.                                    | Disadvantages of the Bili grinding machine              |

Source: Processed data, 2025



**Figure 1.** The Diversity of Local Resources with Great Potential

The identification results indicate that Aceh Besar possesses a diverse range of local resources with significant potential for development through downstream processing. The identified superior products include agricultural commodities, fishery products, and traditional crafts (woven rattan, bili, and Acehnese souvenirs such as *kupiah* (traditional Javanese caps), bags, ornaments, etc.).



**Figure 2.** Featured products (A. Agricultural Commodities, B. Fishery Products)

#### 4. Conclusions

Aceh Besar possesses abundant and diverse local resource potential, encompassing agriculture, fisheries, agro-industry, handicrafts, and tourism. Several superior products have been identified, including agricultural commodities, fisheries products, rattan weaving, *Bili* weaving, and various Acehnese souvenirs such as *kupiah*, bags, and ornaments. This diversity provides a strong foundation for the development of village-based economic activities and value-added production.

Downstreaming of local products has proven to be an effective strategy for strengthening the village economy by increasing added value, competitiveness, and community income. Through more modern processing, improved packaging, and expanded marketing, villages can optimize the utilization of local resources and broaden market access at both local and national levels. Furthermore, the implementation of an inclusive economic approach enables all community groups, including women and marginalized populations, to actively participate in economic activities, thereby promoting equitable distribution of economic benefits, community empowerment, and the strengthening of social structures to support sustainable growth.

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