

Small Micro and Medium Business Development Strategy (SMMBDS) in East Kolaka, Southeast Sulawesi Province, Indonesia



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ABSTRACT: The economic growth and development of a region are inseparable from the potential of Small, Micro, and Medium Enterprises (SMMEs), because SMMEs have a significant contribution to the development of the regional Gross Regional Domestic Product (GRDP) as well as the national GRDP. Therefore, the study of research and development of SMEs is one of the basic prerequisites that must be carried out in building the business and economy of the community and the regional economy. This study aims to analyze the factors that support and promote SMME development and analyze SMME development in East Kolaka Regency, Southeast Sulawesi Province. The method used in this study was SWOT analysis. The results of the study found that the internal (strengths and weaknesses) and external (opportunities and threats) matrix analysis, the competitive position of the SMME sector in the Regency is in quadrant 1. In this position, the best strategic choices that can be made are growth strategies, market, and product development, as well as market penetration. The results of the SWOT analysis stated several recommendations for SMME development, namely: The need for support for MSME development because the right strategy can encourage SMMEs to continue to grow.

KEYWORDS: Strategy, Development, SMMBDS

INTRODUCTION

The economic growth and development of a region are inseparable from the research and development potential of micro, small and medium enterprises (MSMEs). The development of capital MSME activities is one of the main pillars of economic growth in a region (Li and Maskin, 2021). Studies and research to compile a Road Map Plan for MSME Development are one of the basic prerequisites in building a business and the community's economy as well as the regional economy (IFC, 2018). The goals and objectives of the development of micro, small and medium enterprises are directed to be carried out in a comprehensive, optimal, and sustainable manner through the development of a conducive climate, providing business opportunities, support, protection, and business development as wide as possible, to be able to increase the position, role and role of MSMEs in realizing economic growth, equity and increasing people's income, job creation, and poverty alleviation (Annisa and Nawawi. 2021)

MSMEs have a significant role in contributing to regional and national GRDP. However, the condition of MSMEs still faces challenges. This is due to various reasons, including low bank support, free markets that are starting to open, and limited policies that support the micro, small and medium enterprise sector. Meanwhile, big businessmen get various facilities and policies that are very supportive (LPPI-BI, 2015).

Tohar. 2000, some of the results of studies show that most of the problems faced by MSMEs include: (a) Internal factors which include: lack of capital, limited human resources, weak business networks, and market penetration capabilities; and (b) External Factors which include: the business climate that is not yet fully conducive, limited business facilities and infrastructure, implications for Regional Autonomy, implications for free trade, the nature of products with short lifetimes and limited market access. Various approaches have been taken to overcome all the problems faced by MSMEs, but have not been fully successful. This is due to the frequent implementation of programs and activities that are not based on the local economy and competence, even though we know that most of the developing MSMEs in Indonesia are businesses based on local competence.

Small Micro and Medium Business Development Strategy (SMMBDS) in East Kolaka, Southeast Sulawesi Province, Indonesia

Kolaka Timur Regency, which is one of the regencies in Southeast Sulawesi Province which has quite a large natural resource potential, also faces problems regarding MSME development as described above. The various steps that have been taken by the East Kolaka Regency government in overcoming this are by implementing SMME development programs where the development implementation process is carried out jointly between the local government and the community.

RESEARCH METHODS

Time and Place of the Research

This research was conducted in East Kolaka Regency, by choosing 5 sample locations from 12 sub-districts including Tirawuta sub-district, Mowewe sub-district, Ladongi sub-district, Poli-polia sub-district, and Lambandia sub-district. The research was conducted from November - December 2022.

Data collection technique

Data collection techniques by conducting surveys. Library data collection was obtained from various data related to the things studied, in the form of books and literature related to this study.

Table 1. Strategy Matrix SWOT

	<u>Strength (S)</u>	<u>Weakness (W)</u>
SW	Decide the strength of internal factors	Decide the weakness of internal factors
OT		
<u>Opportunity (O)</u>	SO, Strategy	WO Strategy
Despite the external opportunity factors	Create a strategy that uses the strength to utilize the opportunity	Create a strategy that minimizes the weakness to utilize the opportunity
<u>Threat (T)</u>	ST Strategy	WT Strategy
Decide the external threat factors	Create a strategy that uses the strength to overcome the threat	Create a strategy that minimizes the weakness and avoids the threat

Source: Secondary data (Kumala Sari, 2022)

RESULTS AND DISCUSSION

Matrix Analysis Internal Factor Analysis System (IFAS) and External Factor Analysis System (EFAS)

The IFAS and EFAS matrices allow an organization or company to visualize strengths, weaknesses, opportunities, and threats that can be used to compare their company with competitors (Cassidy et al., 2013). Based on the results of information and questionnaires from respondents, it was found that there were seven internal factors and six external factors that had been identified. Then the next step is to determine the weighting and ranking of each factor, then multiply the weights and ratings to obtain the results as shown in Table 2

Table 2. The Counting of IFAS Matrix

	Internal Strategy Factor	Score (0,01-1,00)	Rating (1 – 4)	Total Score x Rating)
Strengths	UMKM Business has become the leading sector in increasing the economy collectively	0,096	3	0,288
	Widely open market access, both among the lower class and the upper middle class	0,124	4	0,496
	The availability of labor is sufficient in various MSME sectors	0,157	3	0,471
	The need for raw materials is easy to obtain in carrying out production activities	0,132	4	0,528*
	Total (S)			14
Weak	The use of technology both from the production side to market penetration has not been optimized	0,167	2	0,334

Small Micro and Medium Business Development Strategy (SMMBDS) in East Kolaka, Southeast Sulawesi Province, Indonesia

HR capabilities in general are still relatively weak in terms of both management and financial reporting.	0,157	2	0,314
Access to information and relations related to investment and capital is still limited	0,167	3	0,501*
The lack of creative and innovative ideas in creating and marketing products produced by SMEs.	0,165	2	0,333
Total (W)	1,00	9	1,482
Total (S + W)			3,265

*The Highest Score

Source: Primary data was processed, in 2022

Based on Table 2, shows that the existence IFAS calculation matrix on the MSME strength factor obtained the highest score of 0.528. This condition is supported by the availability of natural resources which have the potential to be managed by MSME actors according to market needs in East Kolaka Regency. Then from the side of weakness, the highest score of 0.501 was obtained which was on the information factor and sources of capital were still limited. This factor was based on the results of in-depth interviews with several MSMEs that most MSME actors in East Kolaka still had limitations in accessing information so sources of capital were hard to come by. This situation is also supported because there are concerns in the loan repayment process so that SMME actors prefer to use their capital, without any more financial burdens on financial institutions. In terms of value, the total score generated by the strength factor is greater than the weaknesses in SMMEs in general. This shows that this position is still a favorable situation, where the strength of SMMEs in theory can still develop and grow even though there are some existing weaknesses.

Table 3. The Counting of EFAS Matrix

	External Strategy Factor	Score(0,01-1,00)	Rating (1 - 4)	Total (Score x Rating)
Opportunity	Population growth from year to year continues to increase	0,101	2	0,202
	Government support and attention are always positive	0,123	3	0,369
	One part of the foundation of the community's economy	0,141	4	0,554*
	The need and demand for products are getting higher	0,132	3	0,396
	Total (O)		12	1,521
Threats	Product quality is not optimal	0,130	2	0,260*
	Product competitors from other regions are increasingly dynamic	0,127	2	0,254
	Inflation continues to increase	0,143	2	0,286
	The business climate is not fully conducive	0,103	2	0,206
Total (T)	1,00	8	1,006	
Total (O + T)			2,527	

*The highest score

Source: Primary data was processed, in 2022

Based on Table 3 shows that the weighting of the EFAS matrix seen from external factors, the opportunity for SMMEs in East Kolaka Regency has the highest score with a total of 1.521, compared to the threat factor which only achieves a score of 1.006. The results above show that the condition of SMMEs in general still has significant opportunities, although there are still threats that can affect the growth and development of SMMEs. the opportunity factor that has more value than other factors is found in the economic sector, people still rely on SMMEs as a source of income with a score of 0.554. This is based on the information obtained that, as a whole, SMME actors still make the trading business and household processing industry the main source of income in surviving and fulfilling the family economy. Then the inflation threat factor also has the highest score compared to the other factors, with a total of 0286. Because this inflation factor has a close relationship with the pace of the economy in general, for example, an increase in fuel in the economic mobility of citizens has a very significant influence on the increase in raw

Small Micro and Medium Business Development Strategy (SMMBDS) in East Kolaka, Southeast Sulawesi Province, Indonesia

materials in producing/producing an item. Calculation of the EFAS matrix as a whole gives hope for East Kolaka SMEs to continue to grow and develop in the future.

Formulation of SMME Development Strategy in East Kolaka Regency

The process of preparing a plan certainly has a strategy, in which strategy has a very important role in achieving goals because the strategy can provide directions and actions that can be taken to achieve the goals. The formulation of the East Kolaka SMME development strategy can be determined by knowing the priorities and interrelationships between internal and external factors, which are then carried out in the stages of integration/analysis (matching stage) into the SWOT matrix to create 4 alternative strategic groups (SO, ST, WO, WT) (Kumalasari et al, 2022). As presented in Table 4. below:

Table 4. Formulation of Business Development Strategy with SWOT Matrix

Internal	<u>Strength (S)</u>	<u>Weakness (W)</u>
	<ol style="list-style-type: none"> 1. MSME businesses have become the Mainstay Sector in Improving the economy collectively 2. Widely open market access, both among the lower class and the upper middle class 3. The availability of adequate labor in various MSME sectors 4. The need for raw materials is easy to obtain in carrying out production activities 	<ol style="list-style-type: none"> 1. The use of technology both from the production side to market penetration has not been optimized 2. HR capabilities in general are still relatively weak in terms of both management and financial reporting 3. Access to information and relationships related to capital is still limited 4. The lack of creative and innovative ideas in creating and marketing products produced by MSMEs.
External	<u>Opportunity (O)</u>	<u>SO Strategy</u>
	<ol style="list-style-type: none"> 1. Population growth from year to year continues to increase 2. Government support and attention Always positive 3. One part of the foundation of the community's economy 4. Product needs and demands are getting higher 	<ol style="list-style-type: none"> 1. Ensuring that the government's role based on the substance of regional regulations related to cooperatives and MSMEs is carried out properly 2. Improving the quality of the existing workforce to increase product volume and quality. 3. Increasing collaboration between MSMEs in meeting production and marketing needs
	<u>Threat (T)</u>	<u>WO Strategy</u>
	<ol style="list-style-type: none"> 1. Product quality is not optimal 2. Product competitors from 	<ol style="list-style-type: none"> 1. Starting to adapt to the development of information and technology 2. Create an Integrated Information system to facilitate MSMEs in obtaining information related to programs run by the government. 3. Creating a business climate to encourage MSMEs to carry out creativity and innovation
		<u>ST Strategy</u>
		<u>WT Strategy</u>
	<ol style="list-style-type: none"> 1. Fostering and facilitating HR in managing MSMEs 	<ol style="list-style-type: none"> 1. Provide guarantees for MSMEs to obtain financing through

Source: Primary data was processed in 2022

The results of Table 4 show that the IFAS – EFAS interaction produces several alternative strategies. The strategy is a combination of strengths and opportunities (SO strategy), weaknesses and opportunities (WO strategy), strengths and threats strategy (ST strategy), and weaknesses and threats strategy (WT strategy). The strategies are as follows:

S-O Strategy (Strength – Opportunity)

The S-O strategy is formulated by using all the strengths of SMMEs to take advantage of existing opportunities. The strategy set is:

a. Ensuring the government's role in cooperatives and SMMES can be implemented well.

The role of the government in the context of developing SMMEs is indeed very necessary. Because SMMEs are one of the potential businesses to improve the economy and improve people's welfare (Nugroho and Listyawan, 2011). So that in its implementation it is necessary to optimize and explore the potential of natural resources and human resources in the region, especially in East Kolaka. The implementation of empowerment policies to develop SMMEs must have participatory principles, where SMME actors must always be involved at every stage of the program up to the implementation of activities held by the local government. The role of local government is very necessary for micro coaching so that it can be formulated according to environmental conditions and business achievements. Seeing the facts on the ground, the role of the government has assisted, but it is lacking.

Small Micro and Medium Business Development Strategy (SMMBDS) in East Kolaka, Southeast Sulawesi Province, Indonesia

b. Improving the quality of the existing workforce to increase the volume and quality of products.

The quality of SMME human resources in several regions is one of the factors that hinder the performance of SMMEs. Based on the analysis of secondary data and also the results of discussions with business actors, it can be concluded that the productivity of MSME workers is still low. Improvements in the level of education and managerial expertise greatly affect the increase in SMME productivity. Therefore this strategy is formulated on how the active role of the government and stakeholders can formulate a program so that the desired workforce quality can be realized properly (Lin, et. al. 2022.)

c. Increasing collaboration between SMMEs in meeting production and marketing needs

The intended collaboration is a partnership that is healthy, mutually beneficial, needy, and mutually reinforcing so that it becomes a sustainable partnership between MSMEs in East Kolaka Regency. UKM activities certainly require a lot from one UKM to another UKM. Therefore this cooperation strategy can be used as a breakthrough to empower business actors in East Kolaka.

W-O (Weakness – Opportunity) Strategy

The W-O strategy is structured by taking advantage of opportunities to overcome Cooperative weaknesses. The resulting alternative strategy formulation is: a. Starting to adapt to the development of information and technology The empirical facts that occur in the field are that the majority of actors have not been able to adapt to technological developments (Apulu et al 2011). So this formulated strategy can be a step to overcome SMME actors to continue to exist and grow according to their local potential. The ability to manage the development of information is a determining factor for an SMME in improving the performance and sustainability of the business being carried out. b. Create an Integrated Information system to facilitate SMMEs in obtaining information related to programs run by the government. Producing integrated information that can make it easier for the public and the business world to get in touch with local government officials related to permits and information on regional economic development plans at the East Kolaka cooperative and UKM service. The use and management of information systems in the current era of globalization are very important to improve environmentally friendly small, Micro, and Medium Enterprises (SMMEs). Increasing the potential competitiveness of existing SMMEs can be realized by using information systems in the business world. This integrated information serves as a forum for MSME actors to obtain information on programs run by the government (Apulu et al 2011). This strategy can be implemented in the form of creating websites and WhatsApp groups so that training programs, mentoring, and so on can be accessed by all SMMEs in East Kolaka Regency.

b. Creating a business climate to encourage SMMEs to carry out creativity and innovation

Lin, et. al. 2022. The business climate is a condition that the East Kolaka Regency Government seeks in the form of establishing various regulations and policies in various aspects, so that Cooperatives, Micro, Small, and Medium Enterprises obtain the widest possible side, certainty, opportunity, protection, and business support, so that develop into a strong and independent business. It is hoped that the creation of a good climate for the business world in East Kolaka Regency can be achieved through the provision of training, which is assisted by government programs, in this case, related agencies such as the Micro, Small, and Medium Enterprises Cooperative service, then also the industry and trade agency. S-T Strategy (Strength – Threat) Strategies by utilizing strengths to overcome existing challenges. The resulting alternative strategy formulation is: a. Fostering and facilitating HR in managing MSMEs. Building quality human resources who can contribute optimally can be done by assisting MSMEs, businesses in the home industry, trade, and other businesses. The role of government in the field of assistance. To be independent in continuing and improving their business, MSMEs need assistance in terms of business management. The government can adopt a policy by inviting universities, corporations, or other organizations, both domestic and foreign, to assist in the form of business assistance. b. Utilizing strategic locations and occasionally offering promos for consumers The existence of the East Kolaka region which is on the axis route of Kendari and Kolaka cities is a strategic point that can be utilized by SMMEs in marketing processed products and trading businesses. Some of the existing sub-districts, Tirawuta District, are the center of government and the community's economy so it can be used as a location for SMMEs to offer products to consumers, this strategy will have added value when the SMMEs also often provide promos for consumers. c. Improving institutional capacity in fostering SMMEs Strengthening SMME institutional capacity can be done by arranging SMME business licensing. This is very important because obtaining business licenses will certainly strengthen the opportunities for MSME actors to obtain various assistance schemes from the government. In addition, SMMEs that already have business licenses and product licenses will certainly find it easier to market their products to the modern retail market. As an effort to increase the capacity and institutional role of MSMEs in the East Kolaka economy, this empowerment needs to be carried out by the Regional Government, the Business World, and the community in a comprehensive, synergistic and sustainable manner. In empowering Micro, Small, and Medium Enterprises, all relevant laws and regulations.

W-T Strategy (Weakness – Threat)

The W-T strategy is structured by minimizing weaknesses in MSMEs to try to avoid existing threats. The resulting alternative strategy formulation is:

Small Micro and Medium Business Development Strategy (SMMBDS) in East Kolaka, Southeast Sulawesi Province, Indonesia

a. Provide guarantees for MSMEs to obtain financing through regional credit guarantee institutions.

The factual conditions in the field indicate that there is a need for a regulator's role to control the wheels of the regional economy, so the strategy formulated in this research program is that local governments are obliged to provide convenience for MSMEs in obtaining financing quickly, precisely, cheaply, and not discriminatory. To realize the previously planned development goals of SMEs, the business world must be able to improve the ability to prepare business feasibility studies, increase knowledge about procedures for applying for credit or loans and improve understanding and technical skills and business management.

b. Improving the quality of the business management system so that it is easy to get sources of capital from anywhere.

SMMEs need to have knowledge management so that they have broad insights into business management. Setiarso 2006, argues that there are many factors needed for the successful implementation of a knowledge management strategy. SMMEs as a form of the people's economy that has a large role in the country's economy requires a business management model. This business management model is adopted from company management, which works on aspects of production management, human resource management, financial management, and marketing management. In general, SMMEs that have good business management usually find it easier to get access to capital from institutions' finance.

c. Form a community according to the type of business to exchange information between SMMEs.

The formation of the SMME Community is part of the strategy to form a forum so that information among UKM players can share information to provide support both in terms of sales and the process of obtaining raw materials. increases, so that efforts to avoid losses can be minimized as early as possible for SMME actors (Priyandikha and Nurseta. 2015). Collaborating with various parties will greatly assist the government in monitoring the programs being implemented. The exchange of ideas and program ideas in a community will be more effective and oriented towards the sustainability of the SME economy itself.

CONCLUSION

Based on the results of the research, several conclusions are formulated, namely;

- 1) Internal (strengths and weaknesses) and external (opportunities and threats) matrix analysis, the competitive position of the SMME sector in the Regency is in quadrant I. In this position, the best strategic choices that can be made are growth strategies, market, and product development, and market penetration. Therefore, the formulation of a development strategy that can be carried out by the UMKM sector in East Kolaka Regency to take advantage of the strategic location of UMKM and take advantage of government support to increase production and improve the quality of the workforce and take advantage of technological and information developments, to increase the capacity of UMKM in the future.
- 2) Government support in the form of financial assistance and programs is used to overcome limited business capital. SMMEs can also utilize the media to promote products to the general public, innovate and vary products, and make efficient use of existing production equipment, as well as improve the quality of business management systems.

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Small Micro and Medium Business Development Strategy (SMMBDS) in East Kolaka, Southeast Sulawesi Province, Indonesia

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