

Identification of Potential and Challenges of MSMEs in Bintan Regency: A Case Study of Pengudang Village, Bintan Regency, Kepulauan Riau

Febri Ardiana Zingga¹, Dea Dwi Agustin², Raja Nuzul Fazly³, Nikodemus Niko⁴

^{1,2,3,4} Department of Sociology, Faculty of Social and Political Sciences, Universitas Maritim Raja Ali Haji, Indonesia

corresponding author: nikodemusn@umrah.ac.id

Received: August 2024; Accepted: October 2024; Published: November 2024

Abstract

This study uses a SWOT analysis approach to identify the conditions of Micro, Small, and Medium Enterprises (MSMEs) in Pengudang Village. MSMEs play a vital role in supporting the local economy and creating employment opportunities for the village community; however, various internal and external factors often challenge their sustainability. Data were collected from MSME owners and relevant stakeholders using a qualitative method and in-depth interview techniques. SWOT analysis was used to identify the strengths, weaknesses, opportunities, and threats affecting the development of MSMEs in this area. The findings reveal that MSMEs in Pengudang Village benefit from strengths such as access to local resources, including raw materials and labour, and support from the local community. However, weaknesses in access to capital, technology, and managerial skills remain significant obstacles. Opportunities arise from regional tourism growth and demand for local products, yet threats emerge from intense competition with products outside the region and limited infrastructure. Based on these findings, the study recommends efforts to enhance capacity and provide sustained support from the government and related institutions to strengthen the competitiveness of MSMEs in Pengudang Village.

Keywords: Local Products, MSME, SWOT Analysis

INTRODUCTION

Development is a deliberate effort undertaken by the state, regional governments, and national authorities to achieve national objectives through planned growth and transformation toward a modern society (Prasetyo, 2020). However, according to Article 25 of Law No. 20 of 2008 on Micro, Small, and Medium Enterprises (MSMEs), the government and regional administrations promote cooperative activities through various partnership models, including partnerships among MSMEs and between MSMEs and large enterprises. Thus, MSMEs are productive economic ventures free from the interference of numerous institutions, established by individuals or business entities that operate independently and are not subsidiaries but integral components of small to large-scale enterprises (Arifin et al., n.d.).

Playing a deliberate and strategic role in development leads to more effective outcomes. Government policies targeting micro, small, and medium enterprises significantly impact the people-centred economy and contribute substantially to the national economic and social landscape (Sianturi, 2020). This strategic positioning enables MSMEs to dominate Indonesia's economy (Trie et al., 2022). In the current era of globalization, the development of the economic sector serves as a benchmark for governmental success, with MSMEs playing a critical role in mitigating Indonesia's economic crises by boosting community income within the economic framework (Niko & Yulasteriyani, 2020).

The growth and development of MSMEs in Pengudang Village have become a vital government priority within the national economic framework, positioning MSMEs as the backbone of the local economic system. MSME members adopt strategies to capitalize on opportunities for market expansion and economic development by leveraging internal strengths while minimizing weaknesses (Widowati, n.d.). Externally, MSMEs turn environmental conditions into profitable opportunities or address them as potential threats (Nurhayati et al., 2023).

The development of MSMEs in Pengudang Village spans various sectors, including cracker production, shell crafts, newspaper crafts, and coconut-based crafts. However, some MSMEs in Pengudang have shifted their focus to function as savings and loan cooperatives for MSME members and the surrounding community. Despite these developments, MSME growth in Pengudang Village faces challenges within the local community, particularly weaknesses in accessing information and networking opportunities, which limit expansion to the immediate area. Nevertheless, a few MSME groups in Pengudang have successfully expanded their operations beyond the village, even exporting their products internationally.

The government's overarching goal is to enhance national income and reduce unemployment, so Pengudang Village has been designated as a hub for developing small and medium enterprises (MSMEs) and a tourist village. Additionally, community members participating in MSME activities have received government subsidies ranging from IDR 5 million to IDR 20 million.

SWOT analysis is a tool for identifying conditions categorized as strengths, weaknesses, opportunities, and threats. In this study (Winarto, 2021), SWOT analysis is employed to examine the planning processes and future outlook of MSMEs, focusing on factors that influence the achievement of development goals (Candraningrat et al., 2021). The SWOT analysis also evaluates internal and external conditions from business and consumer

perspectives (Anggreni Br Tarigan & Perwira Ompusungu, 2023). The positioning of MSMEs within the SWOT framework aims to identify strategic approaches that align with their internal and external environments (Masruroh et al., n.d.).

METHODS

This study employs a qualitative and descriptive approach. It aims to provide an overview of the development of MSMEs in Pengudang Village through various government-provided facilities. Additionally, the SWOT approach is used to maximize strengths and opportunities while minimizing weaknesses and threats. Data collection methods include field observations and interviews. The informants in this study consist of community leaders in Pengudang Village and women involved in MSMEs within the village.

The data analysis method follows the framework proposed by Miles and Huberman (Miles et al., 2014), emphasizing systematic data collection to ensure sufficient information is gathered to support research findings. The process includes data selection or reduction to simplify and transform raw field data, making it more manageable. Data presentation aims to allow researchers to convey information in any format, enhancing their understanding of the data and deepening insights gained throughout the study. The researcher utilizes SWOT analysis to examine the strengths and weaknesses of MSMEs in Pengudang Village.

RESULTS AND DISCUSSION

An Analysis of MSMEs in Pengudang Village

Several residents shared insights about various MSMEs operating in the area based on interviews conducted in Pengudang Village, Telok Sebong, and Bintan Regency. The findings reveal that a significant portion of the village population actively engages in micro, small, and medium enterprises (MSMEs). These include businesses specializing in crackers, chips, and keychains, many of which are organized under *Kube* groups initiated by the villagers.

The interviews highlighted that the cracker production MSME primarily uses *puput* fish or small sharks as the main ingredient. This production is carried out daily, and the finished crackers are sold to nearby shops in the village. Demand surges during festive seasons, such as Eid, with orders reaching up to 300 kilograms. Women involved in this MSME are often supported by their husbands; one notable example is a former neighbourhood leader who assists his wife in the production process. The cracker MSME operates collectively under a *Kube* structure, holding monthly meetings to plan and manage group activities.

The pricing for the crackers varies depending on the sales channel. Local shops sell a pack for IDR 2,000; during Eid, the price can reach IDR 130,000 per kilogram. This MSME has received funding support since 2016, enabling the production of two types of crackers: *kerupuk atom* and *kerupuk jemur*. The main difference lies in the ingredients and shelf life. *Kerupuk atom* can be stored at room temperature for up to one month, while *kerupuk jemur*, made from black anchovy, has a longer shelf life before frying but a shorter lifespan once cooked. *Kerupuk jemur* is often served during weddings or significant events.

Another notable group is *Kube Merpati Putih*, managed by a resident of Pengudang Village. Initially, this *Kube* produced chips for sale, but the business did not succeed. The group subsequently transitioned into a savings and loan cooperative, starting with an initial capital of IDR 5 million, which grew to nearly IDR 25 million by 2018.

Additionally, a separate *Kube* specialises in crafting keychains, baskets, and other items using materials such as newspapers. This group, originally part of *Kube Merpati Putih*, now operates independently. In the past, their products were exported to Singapore, though this trade has since ceased. Various groups produce crackers, keychains, and other items from diverse materials, often working collaboratively within *Kube* structures. The development of these MSMEs is influenced by numerous factors, including access to resources, market demand, and the organizational support provided through these collaborative groups.



Figure 1 Cracker MSME in Pengudang Village

The MSME sector plays a crucial role in the national economy. Its existence is proven through the SWOT Analysis system, which identifies and evaluates performance by assessing strengths, weaknesses, opportunities, and threats that influence growth. This approach provides a comprehensive strategic overview of the business condition, allowing for systematic

consideration of various factors. Based on the socialization approach conducted with the community, it has proven to be more effective and efficient.

According to data from surveys and interviews conducted by the research team with MSMEs in Desa Pengudang, the data collected was used in the SWOT analysis to identify new strategies for developing MSMEs. Not all MSMEs are successful due to economic pressures that limit business operations, leading to a lack of skilled organization. However, MSMEs in Desa Pengudang have shown development and stability with strong marketing strategies in their internal operations. Several local community sectors in Desa Pengudang have begun implementing marketing strategies, but some MSMEs also serve as informal lending institutions. Despite the growth of MSMEs, their main weakness remains the challenge of expanding businesses without additional capital to compete, even though the government has implemented policies to support MSMEs.

SWOT Analysis of MSMEs

In line with the rapid growth and advancement in various sectors, in the current era of globalization and looking ahead, every company must adapt to the present developments. This is particularly important for production, marketing, and sales businesses, as they must craft effective strategies to overcome future challenges. In the Fourth Industrial Revolution context, society strives to think critically and creatively to generate new ideas. Through creative thinking, individuals can enhance their skills and improve their standard of living. One of the meanings of creative thinking is entrepreneurship. Today, the potential for entrepreneurship and the opportunities for significant profit are substantial. Through entrepreneurship, the government hopes that the entire community can innovate and create, leading to job creation and reduced unemployment in Indonesia.

Technological advancements have influenced individual behaviour. With rapidly advancing technology and easier access to information, consumers are becoming more discerning in choosing products. According to Yaumi and Saettler (2016), technology refers to applied science used to improve various aspects such as goods and services, information, production, distribution, skills, and organization. This is achieved through systematic and practical designs. A thorough SWOT analysis can identify a company's strengths and weaknesses and the opportunities and threats that significantly impact marketing strategies. As business competition becomes more complex, advanced, and competitive, the number of competitors and service users increases.

According to Swastha and Irawan (2008), marketing strategies involve the analysis, planning, execution, and supervision of programs aimed at exchanging with the target market to achieve organizational goals. This depends on how organizations meet market needs by setting prices, communicating, and distributing products effectively to generate profits and expand the market. Therefore, it is necessary to conduct an analysis using the SWOT method.

SWOT analysis is the process of identifying factors that can influence a company's strategy. It aims to maximize strengths and opportunities while minimizing weaknesses and threats. With an effective strategy, we can fully exploit strengths and opportunities while reducing weaknesses and threats (Arifin et al., n.d.; Strategi Pemasaran Dalam Upaya Peningkatan Daya Saing UMKM Sulistiyani et al., n.d.). Some argue that SWOT analysis is also part of the company's goal-setting process, focusing on systematic planning and the organisation's need to evaluate situations and prospects that affect goal achievement (2857-7583-2-PB, n.d.; Nika Purnamasari et al., 2023).

Strategy is crucial for marketing and future business development (Candraningrat et al., 2021; Sianturi, 2020). Strength refers to business activities that run with controllable resources and align with the plan. A company that lacks a plan or lacks resources is considered weak. Opportunities and threats come from the external environment. Marketing is vital as it involves actions designed to plan products, set prices, advertise, and distribute goods and services. Essentially, marketing plays a crucial role in a company's success by helping generate profit by selling goods or services. In English, marketing is defined as creating and promoting products, goods and services to the market.

Competitiveness is the ability to remain competitive in the market. This ability heavily relies on sound, timely supply and competitive pricing, which are influenced by flexibility and effective product management. Every organization has strengths and weaknesses; no business shares the same strengths or weaknesses (Widowati, n.d.). When internal strengths and weaknesses are combined with external opportunities, threats, and a clear mission statement, objectives and strategies are formed to leverage internal strengths and overcome weaknesses.

SWOT analysis consists of five steps: preparation for the SWOT meeting, identification of internal strengths and weaknesses, identification of external opportunities and threats, and analysis of both internal and external factors (Nurhayati et al., 2023; Prasetyo, 2020; Winarto, 2021). After analyzing the internal and external factors, a critical strategy emerges for marketing efforts and business development. Strengths occur when the company's activities go as planned or when it has the necessary resources. Weaknesses occur when activities do not go

as planned, or the company lacks the necessary resources. Opportunities are positive environmental factors, while threats are negative environmental factors.



Figure 2 *Phuput* or *Kukat* Fish MSME in Pengudang Village

In Indonesia, MSMEs have evolved into modern franchise businesses or stores, leading to increasingly intense business competition. Therefore, in addition to SWOT analysis, MSMEs can also serve as an effective platform for creating new job opportunities for the community. SWOT analysis assesses which businesses are profitable and which are not. Freddy Rangkuti states that SWOT analysis is a method for determining what is crucial for your business strategy. As previously mentioned, the workforce is essential for a company. Human resources are critical because they are responsible for planning, supervising, and determining whether the company's goals are effectively achieved. Despite the numerous challenges that businesses may face, human resources play a pivotal role in overcoming them.

CONCLUSION

It can be concluded that MSMEs in Pengudang Village, Telok Sebong, Bintan Regency, and Riau Islands play a pivotal role in driving the local economy. These enterprises encompass various types of businesses, such as the production of crackers (e.g., *atom-kept* crackers and *clam* crackers), newspaper crafts, and keychains. One of the standout MSMEs in Pengudang Village specialises in producing fish crackers made from *phuput* or *kukat* fish during festive seasons, with a production capacity of up to 300 kilograms. Additionally, some MSMEs have transitioned into savings and loan cooperatives, such as Kube Merpati Putih, which successfully

increased its capital from IDR 5 million to IDR 25 million in 2018. The government has also provided financial support ranging from IDR 5 million to IDR 20 million to the local community.

Despite challenges such as limited access to information, networks, and capital, some micro-business groups have managed to export their products abroad, particularly to Singapore. Using SWOT analysis, this study reveals that the success of MSMEs in Pengudang Village significantly depends on their ability to adapt to technological advancements and implement effective marketing strategies.

Acknowledgement

The researchers would like to thank the Head of Pengudang Village for providing support and facilities to the research team during our fieldwork. We also thank the residents of Pengudang Village for their warm welcome and for sharing valuable information throughout the study.

REFERENCES

- Anggreni Br Tarigan, D., & Perwira Ompusungu, D. (2023). STRATEGI PENGEMBANGAN UMKM MELALUI ANALISIS SWOT (STUDI PADA USAHA UMKM GORENGAN DI LOKASI WISATA JUMA BAKAL DESA DOKAN). In *ADVANCES in Social Humanities Research* (Vol. 1, Issue 2).
- Arifin, R., Agus, A., Ningsih, T., & Putri, A. K. (n.d.). THE IMPORTANT ROLE OF MSMEs IN IMPROVING THE ECONOMY. *South East Asia Journal of Contemporary Business, Economics and Law*, 24(6).
- Candraningrat, I. R., Abundanti, N., Mujiati, N. W., Erlangga, R., & Jhuniantara, I. M. G. (2021). The role of financial technology in the development of MSMEs. *Accounting*, 7(1), 225–230. <https://doi.org/10.5267/j.ac.2020.9.014>
- Masruroh, A., Sunan, U., Surabaya, A., Putri, S. M., Ichwayudi, B., & Solikin, A. (n.d.). *Strategi Bersaing UMKM di Tengah Pandemi COVID-19 menggunakan Analisis SWOT (Studi Kasus UMKM Arusmaya Tuban)*.
- Nika Purnamasari, Joana Evelin, Ahmad Riyadi, Agustika Safitri, & Nikodemus Niko. (2023). Women's Empowerment Strategy in Building MSMEs in Tanjungpinang City, Riau Islands. *Formosa Journal of Applied Sciences*, 2(9), 2213–2224. <https://doi.org/10.55927/fjas.v2i9.6003>
- Niko, N.-, & Yulasteriyani, Y. (2020). Pembangunan Masyarakat Miskin Di Pedesaan Perspektif Fungsionalisme Struktural. *MUHARRIK: Jurnal Dakwah Dan Sosial*, 3(02), 213–225. <https://doi.org/10.37680/muharrrik.v3i02.476>
- Nurhayati, N., Kristianti, I., & Permatasari, C. L. (2023). Penggunaan Analisis SWOT dan Uji Litmus dalam Menentukan Strategi Pengelolaan Modal untuk Peningkatan Produksi UMKM Ina Konveksi. *Jurnal Samudra Ekonomi Dan Bisnis*, 15(1), 100–116. <https://doi.org/10.33059/jseb.v15i1.7817>

- PRASETYO, P. E. (2020). The Role of Government Expenditure and Investment for MSME Growth: Empirical Study in Indonesia. *Journal of Asian Finance, Economics and Business*, 7(10), 471–480. <https://doi.org/10.13106/jafeb.2020.vol7.no10.471>
- Sianturi, R. D. (2020). Manajemen Pemasaran Menggunakan Analisis SWOT Pada UMKM Guna Meningkatkan Daya Saing UMKM. *Journal of Business and Economics Research (JBE)*, 1(1), 45–50.
- STRATEGI PEMASARAN DALAM UPAYA PENINGKATAN DAYA SAING UMKM
Sulistiyani, A., Pamulang, U., & Selatan, T. (n.d.). *PRESIDING SEMINAR NASIONAL Enhancing Innovations for Sustainable Development: Dissemination of UNPAM's Research Result*.
- Trie, N., Sari, P., & Kusumawati, A. (2022). *Asian Journal of Management Entrepreneurship and Social Sciene Literature review : The efforts to strengthening of micro, small and medium-sized enterprises (MSME) in Indonesia*. <https://ajmesc.com/index.php/ajmesc>
- Widowati, I. (n.d.). *ANALISIS SWOT UNTUK PENGEMBANGAN BISNIS KULINER (STUDI KASUS PADA UMKM PAPAT SODARA FOOD PURWAKARTA)*.
- Winarto, A. J. (2021). Analisis Swot sebagai Strategi dalam Membantu Perekonomian UMKM Jasa Konveksi @anfcreative.id Di Era Pandemi. *Syntax Literate ; Jurnal Ilmiah Indonesia*, 6(1), 74. <https://doi.org/10.36418/syntax-literate.v6i1.2084>
- 2857-7583-2-PB, n.d.;