

## **ANALYSIS OF POTENTIAL, PROBLEM, AND DEVELOPMENT STRATEGY OF MSMES TENUN IKAT KEDIRI**

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### **Abstract**

This study aims to identify and obtain in-depth data or information about the potential and problems of MSMEs Tenun Ikat in Kediri, so as to determine the right strategy in the framework of its development. The study used primary and secondary data. Primary data was obtained through field survey by giving a questionnaire and conducting interviews to 15 Tenun Ikat businessmen in Kediri. Secondary data is obtained from various sources of publication. Data were analyzed using descriptive analysis and SWOT analysis. The result of SWOT analysis shows that the position of MSMEs Tenun Ikat Kediri is in diagram 3, meaning that MSMEs Tenun Ikat Kediri faces a huge market opportunity to be developed, but on the other hand it faces internal constraints / weaknesses. The focus of corporate strategy is to minimize internal weakness of the company, so as to seize greater market opportunities. Therefore, the weaknesses that currently still become an obstacle to the development of MSMEs Tenun Ikat Kediri need to interfere from several parties, whether entrepreneurs, local government, relevant agencies (Regional Planning Board, Department of Cooperatives and SMEs, Industry and Commerce) Banking and Universities.

Keywords: Potential, Problem, Development Strategy, Tenun Ikat Kediri

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### **INTRODUCTION**

The role of Micro Small and Medium Enterprises (MSMEs) for the Indonesian economy is enormous. The movement of the MSME sector is vital to create growth and employment. SMEs are flexible enough and can easily adapt to the ups and downs and direction of market demand. [1] stated that the role of micro, small and medium enterprises (MSMEs) in our economy can be seen from (1) its position as a major player in economic activities in various sectors, (2) the largest employer, 3) important players in the development of local economic activities and community empowerment, (4) creators of new markets and sources of innovation, and (5) their contribution in maintaining balance of payments through export activities.

Central Bureau of Statistics recorded the number of SMEs in Indonesia in 2011 as many as 55,206,444 units with a share of 99.99%, in 2012 as many as 56,534,592 units with 99.99% share and in 2013 as many as 57,895,721 units with a share of 99.99 % [2]. The role of MSMEs is also great if associated with employment and its contribution to Gross Domestic Product. For 3 consecutive years, SMEs are able to absorb labor between 97-98% of the labor market in Indonesia, and able to contribute terhadap GDP between 57% -58%. It is estimated that in 2017 the number of MSMEs in Indonesia is 56,539,560 units. With the development of MSMEs large enough, this explains that MSMESS is a productive business to be developed in order to support the national economy [3].

In East Java Province in 2012 the number of MSMEs was recorded at 6.8 million. The amount is fifty percent more than the number of MSMEs in 2006 of 4.2 million [4]. While in the city of Kediri there are 29 306 MSMEs with a variety of businesses, one of which is the ikat handicraft Weaving ikat is a product in the form of fabric that is done by using a loom instead of a machine (ATBM) that has certain characteristics that are usually made clothes and sarongs. Initially this craft as a hereditary business and only meet the needs of clothing for women and men as typical local clothing. Along with the advancement of fashion and the declaration of batik that became the original cultural heritage of Indonesia, the tradition of people who always wear batik clothes at certain moments, this also helped boost the use of Tenun Ikat in Kediri City.

As a business that is still managed traditionally, weaving handicraft business Kediri still experience obstacles in its development. The obstacles that occur in the development of Kediri weaving business basically not much different from the constraints of MSMEs in general as stated by [5]-[7], among others (1) Experience managerial and managing the company is still very limited, (2) Low entrepreneurial competence owned, (3) Lack of entrepreneurial spirit owned by entrepreneur, (4) Limited capital, because most of the capital is fulfilled with own capital, (5) Limited market access due to the limitations of reading the tastes of the market, knowing the competitors and its products, positioning its products in the market, (6) The system of bookkeeping is relatively simple and most of them do not have a record of their business activities, (7) business margins that tend to thin considering the very high competition, The economies of scale are too small, so it is difficult to be able to keep costs down to the point of long-term efficiency, (9) the ability to me (10) Limited human resources, because in general the owner is still doing all the activities alone or assisted some employees only, (11) Strandarisasi weak

product, which causes orders are returned due to non-standard product quality, and (12) Limited access to information and technology.

Despite its weaknesses, [8] argue that MSMEs have advantages over large businesses, among others, are (1) innovations in technology that easily occur in product development, (2) intimate humanitarian relationships in small firms, (3) Flexibility and adaptability to rapidly changing market conditions compared to large, generally bureaucratic firms, and (4) There is managerial dynamism and entrepreneurial roles.

Some aspects that really determine the prospects for the development of MSMEs is the ability of MSMEs itself to diagnose the strength that is then optimized and minimize weaknesses. Aspects of the strengths and weaknesses are human and economic factors (business). From the human aspect, the strength of MSMEs is: (a) strong motivation to maintain its business, and (b) the abundant supply of labor for cheap wages. While the weakness of MSMEs is: (a) low quality of human resources both seen from the level of formal education and viewed from the ability to see business opportunities, (b) low productivity level, (c) labor utilization tends to be exploitative with the aim to pursue the target, (d) often rely on family members as unpaid workers.

From the economic (business) perspective, the strength of MSMEs is: (a) relying on easily accessible informal financial resources, (b) relying on local raw materials, and (c) serving a high demand-low market segment (proportion of the largest population). While the weakness of SMEs from economic factors (business) are: (a) the added value obtained is low, and accumulation is difficult to happen, and (b) poor financial management. The strengths of these two factors must be optimized in order to maintain the survival of MSMEs and to improve and develop MSMEs themselves, while the weaknesses of both factors must be continuously minimized and eliminated altogether.

On the basis of the background of the above problem, this study aims to (1) Identify and obtain in-depth data or information about the potential, problems and needs of MSMEs Tenun Ikat in Kediri and (2) Analyze strengths, weaknesses, opportunities and threats SWOT) to determine the right strategy in order to develop MSMEs Tenun Ikat Kediri

Some previous researchers have conducted a study on the potentials, problems and strategies for the development of MSMEs. [9] conducted a study on "SME Development Strategy in Bantul District". The data source comes from primary and secondary data. Primary data were obtained from field surveys, while secondary data were obtained from various published sources. Methods of data analysis using descriptive. Based on the problems faced by SME in Bantul, the strategy to overcome them is not to be burdened on SME itself, but need support from all stakeholders. Stakeholders in question are associations of employers, offices / agencies, colleges and banking. In addition, government policies that encourage the development of SME are needed.

[10] conducted a study on "Strategy of MSMEs Development in Jogjakarta Special Province". The study was conducted on 220 MSMEs in DIY Province. The data source comes from primary and secondary data. Primary data were obtained from field surveys, while secondary data were obtained from various published sources. Methods of data analysis using descriptive. The result of the research concludes that the strategy to solve MSMEs problem is not from MSMEs itself, but it needs support from all stakeholders, universities and related agencies in districts / cities in DIY. Similarly, the government policy of DIY is also needed to encourage the development of MSMEs.

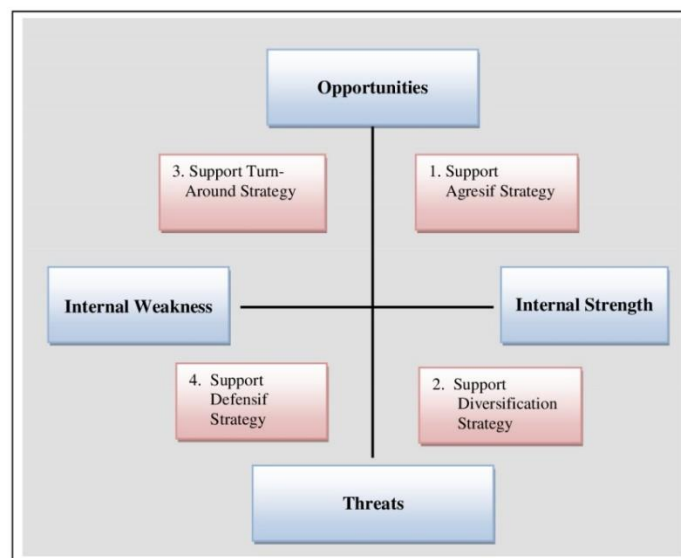
[11] conducted a study on "Starategi Sentra Batik Development in Kediri". The data sources used in this study are primary and secondary data. Primary primary data were collected through semi-structured questionnaires and semi-structured interviews with key respondents in the dermo environment. Direct observation is made to the business unit to know the production process and the business condition, especially in capturing information about obstacles encountered. Secondary data used include policy documents, BPS statistical data, research literature and various articles from relevant newspapers and internet as reference materials. Data analisis method using descriptive analysis. Based on the analysis, short-term strategy is to (1) establish a common perception between government and private agencies and related institutions, (2) formation of batik craftsmen cooperatives and (3) facilitation of capital provision for artisans through government program credits. For the long-term strategy, there are (1) Strategy of infrastructure development, facilities and infrastructure (2) Strategy of facilitation of partnership pattern with private party (3) Strategy of supporting facility optimization and (4) Quality compliance strategy / product standard.

[12] conducted a study on "Strategy of MSMEs Development in Tarakan City". The study used primary data and secondary data. Data analysis using descriptive approach, that is identifying various problems faced by MSMEs and then analyze using SWOT analysis. The analytical method used is descriptive, that is identifying related to various problems faced by MSMEs and analyze it by using SWOT analysis, then formulate strategy model to overcome it. The respondent population includes all MSMEs located in Tarakan city, North Kalimantan. Based on internal and external analysis of MSMEs in Tarakan City, the main strategy is growth strategy, in which SMEs in

Tarakan, Kediri utilize all the strength of MSMEs that is to maintain the quality of raw materials, legality / permit products that enter the qualification, prices that remain competitive and do improvement of human resources.

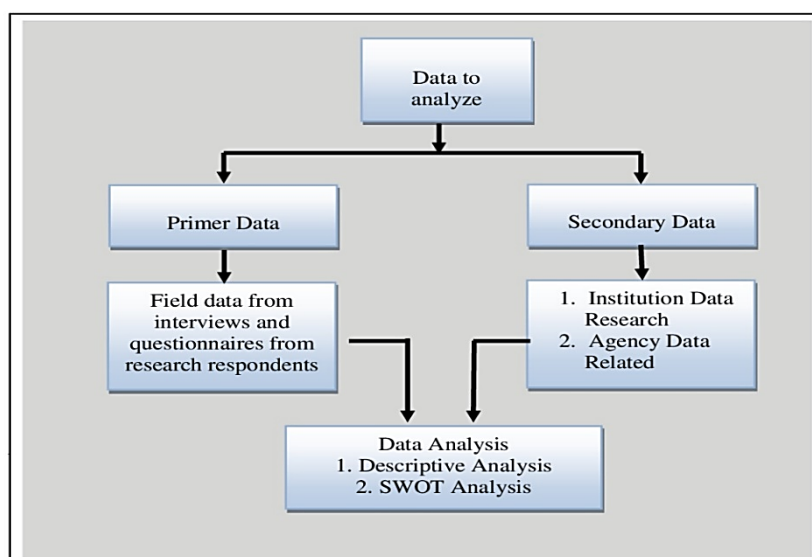
**METHODS**

Research methods are needed to obtain relevant data, which are then used as a basis for conducting analysis. Research methods include location and time of research, types and sources of data, research procedures and data analysis techniques. Location and time of Research: The study was conducted in Kediri, by taking the object of MSMEs Tenun Ikat as many as 15 entrepreneurs. The study was conducted for 3 months, from June to September 2017. Types and Data Sources: The type of data needed in this study comes from primary and secondary data. Primary data were obtained by using questionnaires and conducting interviews with ikat weaving craftsmen. Secondary data is obtained from various references, research reports and documents from various related agencies. Data analysis: After data obtained then analyzed by using descriptive analysis and SWOT analysis (Strengths, Weaknesses, Opportunity, and Trearths). Descriptive analysis is used to describe the problems encountered and the need for the development of kerajinan weaving in the city of Kediri. SWOT analysis is used to know the strengths, weaknesses, opportunities and threats, and the position of MSEM's Tenun Ikat Kediri and its development strategy. The SWOT diagram by [13] is described as follows:



**Figure 1. SWOT Analysis Diagram**

Research procedure: The research procedure can be illustrated as presented in figure 2 below.



**Figure 2. Research Procedure**

## FINDINGS AND ARGUMENT

### Respondents Profile

Based on the data obtained from the questionnaire and interview, the respondents' profiles that include work experience, the number of labor, the number of machines and the average production per day are presented in table 1 below:

**Table 1. Respondents Profile**

RESPONDENS	EXPERIENCES (Year)	EMPLOYER (Person)	MACHINE (Unit)	PRODUCTION (UNIT)	
				Per Day	Per Year
1	45	19	9	6	2.160
2	39	22	23	11	3.960
3	55	10	3	1	360
4	10	4	3	1	360
5	12	20	9	5	1.800
6	25	3	2	1,5	540
7	5	6	3	2	720
8	36	21	10	10	3.600
9	20	32	17	15	5.400
10	4	23	23	10	3.600
11	25	6	3	2	720
12	30	8	2	3	1.080
13	21	13	5	7	2.520
14	65	4	8	1	360
15	19	5	3	2	720
<b>TOTAL</b>		<b>196</b>	<b>123</b>	<b>77,5</b>	<b>27.900</b>

### Problems faced by MSMEs Tenun Ikat Kediri

The problems faced by MSMEs Tenun Ikat Kediri based on questionnaires and interviews that are identified based on the aspects of marketing, production, capital and business management are described as follows:

1. Marketing Aspects. Problems arising in relation to distribution and marketing as follows:
  - a Product design is less varied / monotonous
  - b Product packaging is less attractive
  - c Expensive price
  - d Limitations of market information
  - e Promotion is only done through exhibitions, and even then if there are facilities from the government / state.
2. Production Process AspectsRaw material
  - a Limitations of raw material suppliers, so the quality of raw materials sometimes less good.
  - b Raw material prices fluctuate, following the dollar exchange rate.
3. Labor
  - a Difficulty obtaining skilled labor
  - b The tendency of youth to enter the small weaving industry
  - c The low productivity of work, causing entrepreneurs difficult to meet the provisions of MSMEs.
4. Production Process
  - a. The entire production process is done manually, so the quantity of production is limited.
  - b. Production machines / ATBM mostly outdated, age more than 15 years.
  - c. Product quality is not standard, because it is done manually.
5. Capital Aspect
  - a Limited capital, because it still rely on own capital
  - b Lack of information owned entrepreneurs to access credit banking, so the assumption of credit loans to banks is difficult.
  - c Some entrepreneurs have no guarantee of access to bank credit
6. Business Management Aspects
  - a Business management is still traditional
  - b Absence of business planning
  - c Traditional marketing system
  - d Do not have a bookkeeping record
  - e Pricing is based solely on competitors' prices

### Analysis of Strengths, Weaknesses, Opportunities and Threats

After identifying the problems and needs of the center, the following is a table of strengths, weaknesses owned by MSMEs Tenun Ikat Kediri, as well as opportunities and threats in the development of MSMEs Tenun Ikat Kediri:

**Table 2. Analysis of Strengths, Weaknesses, Opportunities and Threats**

Internal Factor	
Strength	Weakness
<ol style="list-style-type: none"> <li>1. Raw material is available</li> <li>2. Quality products</li> <li>3. The product is well known</li> <li>4. The entrepreneur controls the aspect of production</li> <li>5. Spirit and enthusiasm of entrepreneurs to preserve high ikat loom</li> </ol>	<ol style="list-style-type: none"> <li>1. Monotonous design of products</li> <li>2. The product packaging is less attractive</li> <li>3. The price is expensive</li> <li>4. Limited market information</li> <li>5. Limitations of raw material suppliers.</li> <li>6. The production process is done manually.</li> <li>7. The machine is outdated</li> <li>8. Limited capital</li> <li>9. Lack of information for access to bank credit</li> <li>10. Business management is still traditional</li> <li>11. Do not have a bookkeeping record</li> </ol>
External Factors	
Opportunity	Threat
<ol style="list-style-type: none"> <li>1. Establishment of batik as Indonesian cultural heritage</li> <li>2. Tenun ikat set as the leading commodity of Kediri city</li> <li>3. The trend of ikat demand has increased over the last 5 years.</li> <li>4. Major government intervention in both promotion and access to capital</li> <li>5. Government policies that take sides with MSMEs</li> </ol>	<ol style="list-style-type: none"> <li>1. Similar products are found in markets with varying prices and patterns</li> <li>2. The difficulty of finding labor</li> </ol>

### Internal and External Factor Matrices

Table 3 shows the matrix of internal factors of MSMEs Tenun Ikat Kediri, ie strength and weakness factor, while table 4 shows the matrix of external factors, namely the procurement factor and threat MSMEs Tenun Ikat Kediri,

**Table 3. Internal Factors Matrix**

Factors	Weight	Degree of Influence	Total
<b>Internal Factor</b>			
<b>Strength Factor</b>			
1. The product is well known	0,15	4	0,60
2. The entrepreneur controls the production aspect	0,10	3	0,30
3. Raw materials are always available	0,09	3	0,27
4. Quality product	0,06	2	0,12
5. Spirit and enthusiasm of entrepreneurs to high preserve Tenun Ikat	0,08	3	0,24
<b>Strength Total Score</b>			<b>1,53</b>
<b>Weakness Factor</b>			
1. Low quality of human resources	0,14	4	0,56
2. Limited capital	0,11	3	0,33
3. Product design is less variation	0,09	3	0,27
4. The production process is all manual	0,07	2	0,14
5. Business management is still traditional	0,08	2	0,16
6. Does not have a bookkeeping record	0,07	3	0,21
7. Packaging less attractive and also the Tenun Ikat businessman is less willpower to preserve Tenun Ikat	0,06	2	0,12
<b>Weakness Total Score</b>			<b>1,79</b>

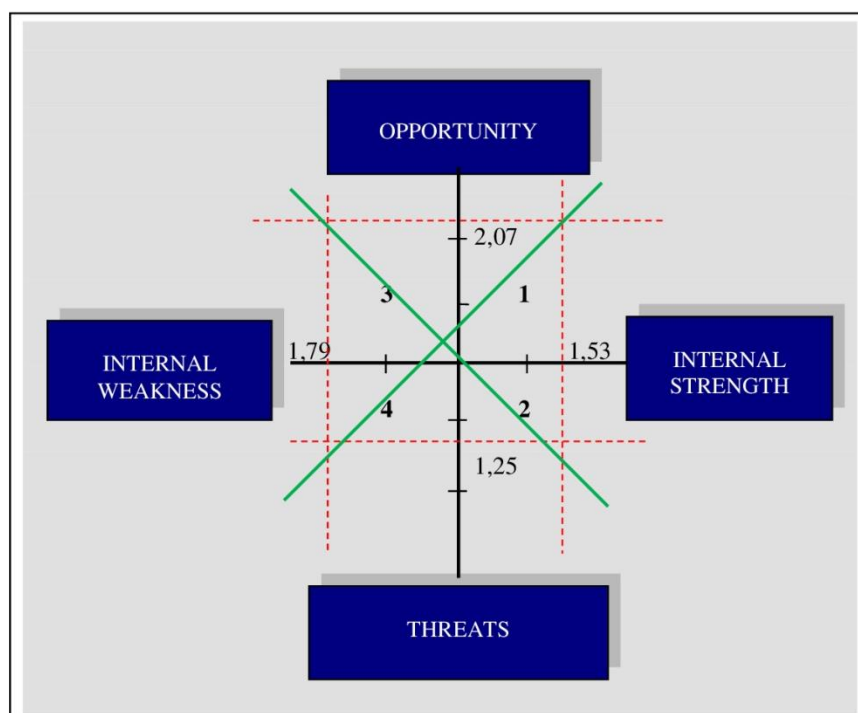
**Table 4. External Factor Table**

Factors	Weight	Degree of Influence	Total
<b>Eksternal Factors</b>			
<b>Opportunity Factors</b>			
1. Establishment of batik as Indonesian cultural heritage	0,08	2	0,16
2. Tenun ikat serve as the leading commodity of Kediri city	0,10	3	0,30
3. Trend of ikat demand for the last 5 years has increased	0,20	4	0,80
4. Major government intervention in both promotion and capital	0,15	3	0,45
5. Government policies that take sides with MSMEs	0,12	3	0,36
<b>Opportunity Total Score</b>			<b>2,07</b>
<b>Threat Factors</b>			
1. Similar products are found in markets with varying prices and patterns	0,15	3	0,45
2. The difficulty of finding labor	0,20	4	0,80
<b>Threat Total Score</b>			<b>1,25</b>

**SWOT Analysis Chart**

Based on the matrix of internal and external factors above, we can arrange the analysis of SWOT Chart in MSMEs Tenun Ikat Kediri as shown below:

Figure 3. SWOT Analysis Chart



Based on the diagram above, means that MSMEs tenun ikat is in diagram 3 (three), where the right strategy is to support strategy with turning orientation. That is, MSMEs Tenun Ikat Kediri faced a huge market opportunity, but on the other hand faced internal constraints / weaknesses. The focus of MSME's strategy of Tenun Ikat Kediri is to minimize internal weakness of the company, so that it can seize bigger market opportunity. To develop Tenun Ikat Kediri can not only be done by MSMEs, but need to intervene stakeholders, such as local government, related institutions, banking, SOEs and universities. Strategies that can be done to overcome the weaknesses owned by MSMEs Tenun Ikat Kediri are:

a. Marketing Aspects

- 1) In terms of products, the need for training product design, so that the resulting product more varied. Similarly in terms of packaging needs to create a good brand image.
- 2) In terms of price, the need for basic pricing training, so it can set the right selling price and able to compete with similar products or derivatives.
- 3) In terms of distribution, MSMEs need to make ikat make marketing systems that make it more effective.
- 4) In terms of promotion, MSMEs ikat need to follow more exhibitions held by local governments, banks, State Owned Enterprises and also need to memribarkan products in degital (online marketing).
- 5) It is also important to conduct comparative studies on similar businesses, either facilitated by the local government of the banking sector or State Owned Enterprises.

b. Aspects of Production Process

- 1) Raw material  
The need for exploration of alternative material suppliers.
- 2) Labor
  - a) Training of production techniques for regeneration and improvement of labor skills
  - b) Provision of motivation for the workforce, so that productivity and employee loyalty increases.
- 3) Production process
  - a) The necessity of utilizing appropriate technology
  - b) Rejuvenation of the weaving machine
  - c) Stabilize product quality

c. Capital Aspect

- 1) The existence of socialization of banking credit by banking institutions
- 2) Easy access to bank credit
- 3) Capital access information service

- d. Business Management Aspects
  - 1) Business management / entrepreneurship training
  - 2) Training to prepare a business plan
  - 3) Product marketing training
  - 4) Training of bookkeeping

## CONCLUSION

Based on the identification of the problem of MSMEs Tenun Ikat Kediri, after held with SWOT analysis, that position of MSMEs Tenun Ikat Kediri is in diagram 3 (three). That is, MSMEs Tenun Ikat Kediri holds a huge market opportunity to be developed, but on the other hand faces internal constraints / weaknesses, so the focus of the company's strategy is to minimize internal problems of the company in order to seize bigger market opportunities. The weaknesses that currently remain a barrier to the development of MSMEs need to intervene from several parties, both businessmen, government, local government, relevant agencies, banking and universities.

The ability of entrepreneurs is very limited, therefore the intervention and commitment of all parties to help solve the problems faced by MSME is very necessary. Factors that support the development potential of Kediri weaving as follows:

1. From the marketing aspect, it shows that the demand of Tenun Ikat from year to year has increased significantly.
2. From the aspect of production, MSMEs Tenun Ikat businessman in general is the next generation, so it is mastering the production aspect.
3. From the aspect of capital, currently businessman of MSMEs Tenun Ikat still rely on their own capital and still do not know much about banking access information and banking credit benefits.
4. From government policy, both central and local government strongly support the existence of MSMEs, let alone Tenun Ikat set as the leading commodity of Kediri.

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