

## **SMALL INDUSTRY IN EAST JAVA: PROBLEM ANALYSIS AND SOLUTIONS**

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**Abstract:** The purpose of this research is to analyze the problems and find solutions to the problems of small industries in East Java. This research is a qualitative descriptive study using interviews and observations of six small industries in East Java. The data obtained from the interview results were then triangulated. The results of the study found that the problem of difficulties with imported raw materials was tackled by using several suppliers, while industries that used local raw materials did not experience difficulties with raw materials. Small industry capital problems use their own capital, capital from banks and cooperation capital. Regarding the low competence of Human Resources, small industries can conduct training, carry out recruitment and selection strictly. Regarding product marketing, the company markets its products offline and online. The problem is that many small industries have not standardized their products, companies can continue to improve in an effort to achieve standard.

**Keywords:** *Small industry, problem analysis, solutions*

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### **1. Introduction**

In developing countries like Indonesia, they have a large workforce and a large market share. This large market share is often the target of companies that already operate globally. These global companies or multi-national corporations always look at developing country markets because in addition to cheap labor they also have a large market share so that many global companies operate in developing countries such as Indonesia. One sector that plays an important role in the economic development of a country is the industrial sector. (Sumolang et al., 2019) To maintain the growth and development of small businesses is to create new strategies regarding marketing and sales both online and offline (Windusancono, 2021). The development of small-scale industries will help overcome unemployment problems (Fristia & Navastara, 2014) In East Java, there are also many companies that are already operating globally, this shows that the market share in East Java is quite tempting. Not only big companies, small industries are thriving and even micro businesses are mushrooming, supported by advances in technology in East Java enabling these small industries to thrive following corporate companies. In a situation like this, competition is inevitable, competition occurs between industries, both large and small industries, for example in East Java, producers and craftsmen are powerless to face the entry of imported shoe products which are cheaper in the market. Small businesses must still be able to survive, namely using competitive

capabilities, where a company must be able to outperform its competitors. To be able to achieve all of this, a company must also understand their competitive strategy. (Sukanta, 2020).

Consumer tastes are starting to change following trends, like it or not, industries or companies must follow these changes and be able to read the direction of trends that will emerge. Small and medium industrial companies must be developed as a sector that supports the people's economy so that these small and medium enterprises must be able to develop and compete at the local, national and global levels (Akbar, 2022).

Rapid technological advances, if not accompanied by reliable human resource capabilities, will trigger problems within the company in winning the competition. The high competition makes these small industries have to develop strategies so they can survive and even increase their income so that they experience progress. The high competition between industries causes many problems which become obstacles for the development of small industries in East Java, some basic problems or which in general cause difficulties for small industries to develop include human resources, marketing, capital, and technology (Iyan & Pailis, 2021), for this reason researchers want to research small industries in East Java: problem analysis and solutions. The formulation of the problem in this study is:

1. What are the problems in small industries in East Java?
2. What is the solution to the problem

The purpose of this research is to analyze the problem and find a solution to the problem.

Industry is all forms of economic activity that process raw materials and/or utilize Industrial resources so as to produce goods that have added value or higher benefits, including Industrial services. Industrial company is any individual or corporation that carries out activities in the industrial business sector domiciled in Indonesia. Small Industry is an Industrial Company that has business capital of up to a maximum of IDR 5,000,000,000.00 (five billion rupiah), excluding land and buildings for business premises (Regulation of the Minister of Industry No. 9 of 2022).

The problems faced by small industries are multi-dimensional, including internal problems from each business unit, external problems in relation to suppliers, buyers or consumers and competitors, (Akbar, 2022) in general, Small and Medium Enterprises face two main problems, namely financial problems and non-financial problems (Hapsari, 2014). To minimize problems in using production factors, it must be managed properly so that the business can run for a long period of time. (Utari & Rahmantari, 2023).

The results of (Rapitasari & Dwiarta, 2022) entitled trade sector challenges, opportunities and strategies in east java province during the Covid-19 pandemic, found that problems that often occur in small industries in East Java include

1. raw material difficulties
2. Access to capital and financing is limited
3. Competence of Human Resources
4. Access to product marketing
5. Product standardization

These five things are problems that are often found in small industries in East Java.

The progress of a business is determined by how much capital it has. The greater the capital owned, the greater the business opportunity to gain profits which has an impact on business development (Suparwo et al., 2018). Small business is the backbone of the people's economic system which is not only aimed at reducing the problem of disparities between income groups and between business actors, more than that its development is able to broaden the economic base and can make a significant contribution in accelerating structural change. Namely

increasing the economy and national economic resilience (Zuhri, 2013). SMEs are seen as future businesses capable of increasing economic growth and competitiveness (Soetjipto, 2020).

The aim of marketing is to know and understand the customer so that the product and service fits the customer. In today's challenging media environment good advertising will produce satisfactory results (Kotler & Kevin, 2009). Marketing is the most important part of a business, companies must be able to produce products according to customer expectations and needs. The marketing mix which consists of product, price, promotion and location has an effect on the marketing performance of the Small and Medium Industries although it is limited to the workshop construction sector (Tirtayasa & Daulay, 2021). Weak product innovation, limited capital, the ability of business actors and low entrepreneurial spirit also affect the scope of product marketing (Arfanly & Syamsun, 2016). Innovation in products affects marketing performance, for this reason companies are emphasized to maintain product quality that consumers trust, besides that companies are required to innovate on (Nasir, 2017) products.

The success of small industries is not only influenced by marketing access but also by capital and competent human resources, as the results of research conducted by (Nizar, 2018). The human resource, capital and marketing variables show an influence on the performance of SMEs. (Maemonah, 2015). The factor of industrial development is largely determined by the entrepreneurship skills concerned, motivation, work environment, additional capital and intensive giving to employees. working capital is very influential on the running of a company's operations so that working capital must always be available and continuously needed for smooth running, with sufficient capital an optimal production can be produced and if capital is added, production will increase even more. (Sumolang et al., 2019). According to (Sintaasih et al., 2013) The HR approach which is based on initiative, creativity, strength, autonomous behavior and empowerment, is a very important issue, one of the factors that plays a very important role to improve the performance and quality of MSMEs, namely human resources, with the innovation and creativity that emerge in these human resources can generate a work ethic and motivation so that a job is completed in a more efficient time. In order to obtain maximum sales results and be able to survive in the business competition (Nursyifani & Sijabat, 2021), this shows that the placement of human resources, capital and marketing is very important for the progress of small and medium industries.

## **2. Research Method**

In this study the method used is descriptive qualitative method. Here researchers use data from interviews and surveys. Interviews were conducted with 6 companies spread across the East Java region. The type of data used in this study is primary data obtained from interviews and secondary data, namely data from books, research results in the form of journals, and sources from the internet that are relevant to this research. After the data was collected, triangulation was carried out which included data source triangulation, method triangulation, and theory triangulation. Data analysis was carried out by means of data reduction, data presentation and drawing conclusions so as to get conclusions that are close to the truth.

## **3. Results and Discussion**

### **3.1. Results**

The data from the interviews related to the five main problems that often occur were then triangulated, namely data triangulation, source triangulation and method triangulation, then analyzed.

**Table 1. List of Company Names Interviewed**

No	Company name	Business fields	Address
1	Pabrik Genteng Sumber Rejeki	Tile Production	Benjeng Mojokerto
2	RBOXX Café Restaurant and grill	Restaurant	Pangarangan, Pamolokan, Sumenep
3	PT. Pakindo Jaya Perkasa	Forage production	Taman
4	Beta Design Studio	Design	Surabaya
5	PT Prima Asta Sejahtera	Distributor of medical devices, furniture, office equipment	Entalsewu, Buduran
6	Batik Ernawati Mojokerto	Batik production	Mojokerto

Source: Researcher 2023

**Table 2. Industrial Problems in East Java and their details**

Problems	Problem details
1. Raw material difficulties	<p>Roof Tile Industry and Roof Distribution Sumber Rejeki In Benjeng, the raw material in the form of clay in Mojokerto is easy to get.</p> <p>RBOXX Café Restaurant and grill located on Jl. KH. Agus Salim, Sumenep, raw materials are easy to get.</p> <p>PT. Pakindo Jaya Perkasa Taman Sidoarjo animal feed industry, difficulty with raw materials, namely wheat raw materials which depend on imports, another ingredient, namely corn, where the price of corn fluctuates.</p> <p>Beta design studio, did not experience any problems in supplying raw materials for furniture and other accessories.</p> <p>PT Prima Asta Sejahtera, located in Sentra Niaga Ental Sewu Buduran, is a distributor with suppliers from China.</p> <p>Batik Ernawati small and medium industry, Mojokerto city, raw materials such as mori cloth, wax, dyes are often empty</p>
2. Access to capital and financing is limited	<p>In this tile business, financing and capital are not limited and the funds are prepared by the owner.</p> <p>RBOXX Café Restaurant and Grill uses its own capital and capital from banks for its operations.</p> <p>Pakindo Jaya Perkasa's animal feed industry has access to capital by establishing cooperative relationships with several companies such as PT. Berdikari Persero which supports corn and other partners.</p> <p>Beta design studio is currently using financing from its own capital.</p> <p>PT Prima Asta Sejahtera access to capital obtained from bank loans.</p> <p>Ernawati batik small and medium industry, access to capital is an obstacle and is still financed from their own capital.</p>
3. Human resource competence	<p>Human resources are trained so that they have skills in making product shapes and tile colors</p> <p>The competence of RBOXX Café Restaurant and grill human resources is based on skills and work experience.</p> <p>60% of Pakindo Jaya Perkasa's human resources are graduates of animal husbandry expertise in Indonesia and several employees also take part in training including QC, Formulator and Production Section training.</p> <p>Beta design has employees who graduated from the best universities in Surabaya who have a lot of experience in the design field.</p> <p>PT Prima Asta still lacks competent Human Resources, due to an inadequate selection process and no effective training program. At present it is also still</p>

	difficult to find Human Resources who have Specialization in the required field, so currently we can only recruit workers from various backgrounds. The competence of human resources in Batik Ernawati still lacks skills and creativity in batik.
4. Marketing access	Roof tiles are marketed through building shops and distributors for new housing developments and the area around the company. Marketing of RBOXX products through Instagram, Whatsapp and Google as well as working with communities in Sumenep to hold competitions and live music. Pakindo's animal feed industry markets its products using marketing and sales, besides that it also makes brochures, catalogs, websites and direct sales at the factory. Beta markets its services through social media Instagram and the official Web, currently the Instagram Beta account has 13 thousand followers. PT Prima Asta markets products using digital media and is currently designing an e-catalog. Batik Ernawati conducts marketing using brochures and applications on Whatsapp.
5. Product standardization	Tile has standardized product quality. At RBOXX there is no product standardization. Pakindo's animal feed industry uses ISO standardization. Beta uses an attractive design standard. PT Prima Asta does not yet have product standardization. Batik Ernawati, does not yet have product standardization

Source: researchers 2023

### 3.2. Discussion

The results of an analysis of problems related to raw materials in small industries in East Java found that in industries or companies where the source of raw materials comes from the region, on average the companies surveyed did not experience difficulties with raw materials, in some companies there were delays in delivery raw materials, the delay is due to raw material prices fluctuating. Some raw materials such as mori cloth, wax, dyes are often vacant, this is a business opportunity that must be considered by small industries in East Java in developing their business or starting a new business. Industries that use imported raw materials often experience raw material difficulties caused by delays or other factors. Related to the problem of raw material difficulties, the company is looking for other suppliers who sell goods at lower prices.

Analysis of problems related to access to capital, capital issues are the main thing in the business sector. Every company needs sufficient capital to support its business operations. Capital in this small industry in general can be obtained from their own capital, from bank loans and from the results of cooperation with other parties. Regarding capital difficulties, several small industries are planning to change from a CV to a Limited Liability Company to get opportunities to find investors, because it will attract more investors' attention because it has become a limited liability company. Another solution for small industries is to improve company profiles and financial reports so that it is easy to apply for loans at banks and cooperation with other parties. This capital is a problem in small industries, this is in line with the results of research conducted by (Hapsari, 2014), in general, Small and Medium Enterprises face two main problems, namely financial problems and non-financial problems.

Analysis related to human resource competence, some companies do not yet have an effective training program. Currently it is also still difficult to find human resources who have specialization in the required field. some companies are currently only able to recruit employees from various backgrounds, these employees are then trained by the company and

matched with the skills needed. This is of course tiring for the company because after the employees have the skills, some employees then move to another place with the lure of a bigger salary and have a career path. Some small industries prefer to train their employees, some other industries prefer to recruit employees who have skills and experience. Creative and innovative workforce in small industries is still scarce. To overcome these human resource problems, the company provides training to new employees, holds gatherings to strengthen family relationships in the company so as to create a comfortable work environment, conducts brainstorming to create new innovations in the company.

Analysis of problems related to access to product marketing, marketing in small industries in East Java is carried out online and offline. Online marketing is carried out on social media, including through Instagram, whatsapp and Google, official websites and websites, digital media, namely e-catalogs. Offline marketing is carried out by marketing to areas around the company, namely by placing banners around the place of business and also distributing brochures and catalogs. Besides that, marketing is also carried out through the activities of holding competition events and live music. In looking for solutions to increase company sales, they sell products on major marketplaces in Indonesia, such as: Tokopedia, Lazada, Shopee and Blibli. Update promotions on the company's website. Conduct collaborative sales between products at lower prices.

Regarding the standardization of products in small industries in East Java, several industries in East Java have not standardized products, although there are several others that have used product standardization and some have even ISO. In overcoming problems for companies whose products have not been standardized, the company gradually completes the requirements so that they can meet the standards.

Efforts to overcome the above problems are in line with the results of research conducted by (Rapitasari & Dwiarta, 2022) including:

1. Facilitation of capital, equipment and raw materials
2. Improve product standardization, promotion, human resources and business management managerial

In carrying out the settlement efforts that have been planned above, various activities will be carried out, in the form of: 1) Growth of New Entrepreneurs; 2) Promotion of domestic products; 3) Increasing Human Resources and Production Capacity; 4) Industry assistance in implementing the new normal; 5) Standardization of industrial products, and 6) Supervision/assistance.

#### **4. Conclusion**

From the discussion above, it can be concluded that the problems of small industries in East Java related to raw material difficulties occur in industries where raw materials are obtained from imports, companies are looking for solutions using several suppliers, while industries that use local raw materials do not experience raw material difficulties, although some materials raw materials experience delays in supplying. Regarding the problem of small industry capital using its own capital, capital from banks and capital from cooperation. Problems related to low human resource competence, small industries can conduct training to improve competence and carry out strict screening in recruiting human resources. Problems related to access to product marketing, companies market their products offline in the area around the company and also online. The problems experienced by small industries on average regarding product standardization, although there are some that have been standardized, the solution to this standardization problem is to attend seminars and related training and assistance is needed.

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