



## Optimization of the Center for UMKM Madura Creative Industry: Business and Environmental Feasibility Approach

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### A B S T R A C T

*The establishment of the SME centers by the Bangkalan District Government, as a tool and effort of the Government to overcome obstacles due to the size of SMEs. Through the SME centers that are formed, it is expected to be able to successfully overcome competition in an increasingly competitive market environment. Referring to the description above, it is deemed necessary to conduct a study of the Center for Leading SMEs in Madura Island with the Business Feasibility Analysis Approach, as a material for taking policy regarding the development of SMEs in Madura Island. 70 percent of the NPV value in the cracker business center is positive, which means the value of the NPV produced is greater than zero and falls into the feasible criteria. Likewise, the B / C Ratio produced as much as 60 percent is known to be positive, this positive value means that the calculation results are known to be more than 1 so that they are declared feasible. Thus it can be concluded that the SME centers are declared viable. Whereas the IRR value is a method for calculating the interest rate that can equalize the present value of all net cash flows with cash outflows from an investment. In the environmental aspect, UMKM does not produce waste that can pollute the soil, water, air or sound. If examined further there will be waste oil which if not managed properly will harm the environment and surrounding communities. But until now it can be handled so as to minimize the impact of the waste*

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## INTRODUCTION

UMKM have made an important and major contribution in providing employment and income for the people of Indonesia. Therefore, empowerment and sustainable development need to be carried out on it so that UMKM do not only grow in number but also develop in the quality and competitiveness of their products. One approach to developing Micro Enterprises that is considered successful is through a group approach.

In the group approach, support (both technical and financial) is channeled to UMKM groups, not to individuals. The group approach is believed to be better because (1) individual UMKM are usually unable to capture market opportunities and (2) the established business network has proven to be effective in increasing business competitiveness because they can synergize with each other. For support providers, the group approach is also better because the process of identifying and empowering micro-enterprises becomes more focused and efficient.

Based on their authority, district/city governments can manage the types of UMKM, while the category of small and medium-sized enterprises are managed by the provincial government. As a foothold for the development of UMKM, it is known that the successful cases (success story) encountered, the development of UMKM in groups succeeded in increasing the competitiveness capacity of UMKM businesses, optimizing the potential of human resources and local natural resources, expanding job opportunities, and increasing the productivity and added value of MSMEs.

The establishment of centers is an important issue because (once again) individual UMKM are often unable to capture market opportunities that require large production volumes, homogeneous standards, and regular deliveries. UMKM often have difficulty achieving economies

of scale in purchasing inputs (such as equipment and raw materials) and accessing financial and consulting services. Small size is also a significant barrier to the internalization of several important support functions such as training, market research, logistics and technological innovation; as well as can hinder the division of labor between companies that are specific and effective as a whole these functions are at the core of the dynamics of the company.

The establishment of creative industry UMKM centers as a tool and effort to overcome obstacles due to the size of the creative industry UMKM. Through the optimization of the formed creative industry UMKM centers, it is hoped that they will be able to successfully overcome competition in an increasingly competitive market environment. Referring to the description above, it is deemed necessary to carry out research on Through the optimization of creative industry UMKM centers in Madura with a Business Feasibility Analysis Approach, as a consideration for making policies regarding the development of UMKM creative industries in Madura.

One of the targets of implementing the UMKM center program is the creation of a structured mechanism to transform UMKM centers into dynamic and competitive UMKM business clusters. The business cluster that is expected to be formed can develop from a center or from a combination of several centers that have products/competencies that support each other.

Center Development Stage, shows the stages of development of a center, starting from forming, growing, developing, and Evolution. This cycle was adopted from the development of the center according to Marshall. If additional reinforcement results in a decrease in productivity, it is assumed that on average the centers facilitated are in an evolving stage.

The characteristics of each stage of development are:

1. Centers in the new stage of ESTABLISHING have only 1 or 2 innovator/pioneer business units starting their business, and workers are brought in from other regions.
2. The TUMBUH Center has new business units that have sprung up imitating the products of innovators, workers come from other regions, and local workers are getting involved.
3. DEVELOPMENT centers are characterized by being included in the category of new business units appearing to imitate innovator products or creating modified products, permanent workers, many local workers fully involved, the emergence of business units that supply raw materials for the manufacture of center products, the emergence of collectors/individuals who act as a sales agent, and the Regional Government establishes supporting institutions.
4. EVOLUTION Centers appear from "big" entrepreneurs in the centers starting to look for new products that are better outside of the current product, Raw material supplier companies are included in the developing category, Institutions formed by local governments function effectively, and Center product competitiveness is strong and sustainable.

The center development factor is the thing that triggers the further development of the center. The view of the forming factors and center development helps decision makers to understand the background of the emergence of a center and the things that develop it to estimate the impact of the given reinforcement action. Several things that have emerged and are grouped as factors for developing UMKM centers, which encourage the existence and development of centers, either with or without the reinforcement that are intentionally given to them, include:

1. Market: local demand, exports, tourism, processing industry demand,

inter-regional demand, and government projects.

2. Behavior; Group will, cooperation, and individual are central.
3. Location; The location of the center or more accurately called the marketing factor (because the location here is part of the promotion).
4. Technology; college support
5. Population Growth. The population factor did not appear explicitly in the interview answers. This factor refers to the population growth of the population in the center and the participation of youth in the production process. If observed, population growth due to marriage and the growth of a new workforce in the centers is thought to have contributed greatly to the growth of the centers.

## METHODOLOGY

The survey and data collection stages are generally divided into two activities, namely (1) field survey; and (2). Institutional survey. The field survey was conducted using a structured interview instrument in the form of a questionnaire for respondents and free interviews (in depth) to the relevant informants. Meanwhile, an institutional survey was conducted to obtain documents that exist in government agencies for research needs to optimize the creative industry UMKM centers in Madura.

Data analysis technique is a method used by researchers to process data that has been obtained regarding the object under study. Data processing in this study was carried out qualitatively and quantitatively. Qualitative data processing is used to analyze non-financial aspects which include legal aspects, market and marketing aspects, technical and technological aspects, and environmental aspects. While quantitative data processing is carried out to analyze the financial aspect by calculating the net present value (NPV), return (IRR), and benefit cost (B/C Ratio).

## RESULT AND DISCUSSION

Analysis of financial aspects in this study was conducted to determine the amount of funds/capital for business establishment, from where the sources of funds were obtained, and the rate of return on investment invested to run a business. Investment feasibility is analyzed by calculating Net Present Value (NPV), Internal Rate Return (IRR), and Benefit Cost Ratio (B/C Ratio). It can be seen in Figure 2 that of the three assessment indicators, there are two assessments that are appropriate and meet the criteria.

As much as 70 percent of the NPV value in the Optimization of the Creative Industry MSME Center is positive, which means that the resulting NPV value is greater than zero and is included in the appropriate criteria. Likewise, the B/C Ratio generated as much as 60 percent is known to be positive, this positive value means that the calculation result is known to be more than 1 so that it is declared feasible. Thus, it can be concluded that the optimization of the Madura Creative Industry MSME Center can be carried out. Although the performance of the feasibility aspect can be said to be good, for further development it should be able to increase other feasibility factors. So that business activities run in balance, and business scale can develop. Assessment of the Financial Aspects of a business aims to compare expenses and income and assess that a business can develop and follow the competition in the market.

While the IRR value is a method for calculating the interest rate that can equate the present value of all net cash flows with cash outflows from an investment. A business is declared feasible if it has an IRR value greater than the desired level of profit. The desired profit rate is the interest rate of Bank Indonesia in the period the business is running which is obtained from [www.bi.go.id](http://www.bi.go.id). that has been processed, which is 6 percent for the palm sugar

business instead of a warehouse and 7 percent for the palm sugar business as a warehouse.

From the results of the study, only 25 percent of business units got a positive score, while the remaining 75 percent of creative industry MSME units scored negative. In terms of financial feasibility analysis, the three indicator criteria must meet at least two positive indicators, so that this MSME center is declared feasible because two assessment indicators, namely NPV and B/C Ratio, are known to be positive. The following is a table of information on the value and eligibility categories of the Optimization of the Madura Creative Industry MSME Center.

Optimization of Creative Industry MSME Centers in producing their products using equipment to simplify and speed up the production process. Production activities are also influenced by the availability of raw materials on time and in the right quantity. Equipment is an important part of a business because equipment is one of the factors that determine the success or failure of a business. If the equipment used is not in accordance with the process carried out, the business cannot run smoothly. The smoothness of the production process will determine the amount of profit earned. The equipment used in the process of making crackers is still very simple, such as buckets, basins, mixers, knives, drying racks, scales, stoves, frying pans, LPG gas, and others. Overall, the fulfillment of the technical and operational aspects of feasibility attributes can be seen in the following graph.

It is known from the four assessment indicators that two assessment indicators are met, namely the ease of providing raw materials as much as 70 percent and the availability of raw materials according to production time as much as 50 percent. This is supported by the location of the cracker business production which is close to the source of raw materials. Meanwhile,

the standard production process and the use of technology have not been met because the process is very traditional and does not pay attention to hygiene and the production equipment is very simple and does not meet the accuracy aspect of the production process in accordance with the raw materials.

It is known that this value produces a middle or sufficient category, which means that the Optimization of the Creative Industry MSME Center is quite feasible in fulfilling the assessment category which is the eligibility standard. Although production activities still use simple methods and technology, some micro business actors have been able to meet good packaging standards. Starting from packaging materials, product information on labels, aesthetic value on packaging also attracts consumers. So that in this aspect each is quite feasible.

Marketing on cracker products already has sufficient distribution channels. Marketing is not only in the Bangkalan area but also in the Surabaya and surrounding areas. The marketing aspect that has not been optimal or is considered lacking is promotional activities. Business actors still have difficulty carrying out promotional activities and some even do not know how to do promotions. Even though promotional media can already utilize internet media which is easily accessed using a smartphone.

Furthermore, the best value in this aspect is at a stable selling price. Determining the right price, supported by the ease of obtaining raw materials, makes cracker products have a stable selling price even though they still do not have the advantages or characteristics of the product itself. It is known that the value and level of eligibility is Middle or sufficient. Overall, the performance of the market and marketing aspects of the Optimization of the Creative Industry MSME Center is considered sufficient in carrying out market

and marketing activities. So that there are still some indicators that have not reached a good level or value, it can be developed so that it can optimize market and marketing performance.

Fulfillment of legal aspects in the Optimization of Creative Industry MSME Centers, on average, business actors have not met all eligibility indicators in legal aspects. Only a few already have SIUP and PIRT business permits for the legality of their products. Business actors who have this license are business actors who have successfully marketed their products outside the Bangkalan area.

Fulfillment of legality and business licenses is very important considering that there is assistance and protection from the regional or central government. By having a business license or product legality, business actors consciously and independently want to develop their business because one aspect that can attract consumers' interest is product trust in product safety.

Furthermore, after knowing the value of each indicator on the legal aspect, it can be seen the value and level of performance of the legal aspect at the cracker business center. It is known that based on the performance of the legal aspect, the feasibility of the legal aspect is not feasible or not. There needs to be improvements from the internal side of business actors starting from how to change the mindset of business actors regarding business licenses and product legality. So with help and a strong desire to be able to get a minimum permit, it can protect business actors from the legal side.

In the environmental aspect, MSMEs do not produce waste that can pollute the soil, water, air, or sound. If examined more deeply, there will be waste oil which if not managed properly will harm the environment and the surrounding community. But until now it can be handled so as to minimize the impact of the waste.

Environmental management is often faced with various obstacles and challenges, including the limited availability of adequate funding for environmental investment, as well as low awareness of the importance of the role of the environment in supporting various activities within it, and in general MSMEs are still far from environmentally friendly behavior.

It is known that the level of feasibility on the environmental aspect is Infeasible or Unfeasible. This is because the handling of waste management is not optimal. The average business actor will dispose of the remaining frying oil through the sewer. There are several business actors who perform screening beforehand so that the wasted oil does not contain impurities that harm the environment. On average, micro-enterprises produce a small amount of waste, but it should be noted that micro-enterprises dominate in Bangkalan Regency, so there must be good handling. Otherwise, the resulting waste will pollute every environment where micro-enterprises are located. Because micro-enterprises spread at every point.

## CONCLUSION

70 percent of the NPV value in the cracker business center is positive, which means the value of the NPV produced is greater than zero and falls into the feasible criteria. Likewise, the B / C Ratio produced as much as 60 percent is known to be positive, this positive value means that the calculation results are known to be more than 1 so that they are declared feasible. Thus it can be concluded that the SME centers are declared viable. Whereas the IRR value is a method for calculating the interest rate that can equalize the present value of all net cash flows with cash outflows from an investment. In the environmental aspect, UMKM does not produce waste that can pollute the soil, water, air or sound. If examined further there will be waste oil which if not managed

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