

Obstacles and Challenges in the Development of MSMEs: Case Study

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Abstract: *This study aims to find out and analyze MSMEs rigorously to develop their business. The method used is a qualitative method with a descriptive approach. Obstacles to developing MSMEs include quality, human resources, capital, infrastructure, and technology. This problem causes a price decline in providing counseling and from the banking world. Therefore, this is part of various parties that are very helpful for the development of MSMEs, especially those in rural areas.*

Keywords: *MSMEs; marketing; social media*

I. Introduction

The impact of globalization is felt in almost all aspects of human life. The uncertain world economy has an impact on various industries from manufacturing to food and clothing. To maintain Indonesia's economic growth, the policy is to empower Micro, Small and Medium Enterprises (MSMEs) as the main pillar of the national economy. This is due to be able to absorb a lot of labor, capital that is not too large, and the use of simple or semi-modern technology [1], [2], [3].

The government's concentration in the effort to develop Micro, Small and Medium Enterprises (MSMEs) is because it provides a large contribution during the economic crisis in 1998 and the socio-economic environment, especially developing countries [4], [5]. MSMEs are also able to do part of the work done by macro and manufacturing industries which of course can accommodate workers, especially from local communities and can support the country's economy [6] - [11].

The phenomenon that happened was just the opposite, the MSME actors had difficulties in developing businesses and marketing their products. From the description above, the researcher can convey the problem, namely the obstacles and challenges faced by MSMEs in developing their business. The purpose of this research is to find out and analyze the obstacles and challenges faced by MSMEs in developing their business.

II. Review of Literature

2.1 Micro, Small and Medium Enterprises (MSMEs)

As the backbone of the national economy, Micro, Small and Medium Enterprises (MSMEs) in their development face many challenges and obstacles and challenges. This is a phenomenon that is always present in a business activity. According to Das, Shil, & Pramanik [12] the challenges that must be faced by MSMEs include: Lack of skills and business actors and labor, limited capital, technological equipment, and knowledge of information technology. While the obstacles to MSMEs are product marketing, product competitiveness, customer service, and government support. This opinion is in line with what was stated by Bihari [13] and Mulimani, Belgaum, & Morakar [14].

The results of empirical research conducted by Omar, Arokiasamy, & Ismail [15], Mwobobia [16], it can be concluded that the problems faced by MSMEs originate from the internal and external environment of these MSMEs. While the results of research conducted by Garg [17] and Tripathi, Tripathi, & Dedhia [18] can be concluded that the problems faced by MSMEs are capital, experts, infrastructure, marketing, technology, promotion, and regulations issued by the government.

2.2 Marketing

MSMEs can grow and develop when the products which they produce are acceptable to consumers with high competitiveness. However, there are always obstacles and challenges that will be faced by MSMEs, but there is a significant differences between in urban and rural areas [19]. According to Shiralashetti [20] the main problem faced by MSMEs is related to marketing strategies. This opinion was emphasized by Tambunan [21], who states marketing and distribution and government policies were the main problems faced by MSMEs. However, this problem varies between sectors in a region with other sectors in other regions.

The results of empirical research conducted by Naidu & Chand [22] was the problems faced by MSMEs consist of capital problems, administrative problems and marketing problems for the products they produce. While Fumo & Jabbour [23] stated that the problems faced by MSMEs were related to capital and competition in product marketing.

2.3 Social Media

Social media for modern society has a big impact, especially for the business world as a marketing medium for products produced by MSMEs [24], [25]. Marketing through social media such as Facebook and Instagram can increase sales of MSME products [26]. The use of social media as an effective media in providing a place for e-marketing marketing so that prospective customers can more easily know the specifications of the products produced by MSMEs without having to deal directly with the business actors [27].

From the research conducted by Srinivasan, Bajaj, & Bhanot [28] and Makki & Chang [29] it can be concluded that social media is an effective medium for marketing products that facilitate communication between micro, small and medium enterprises (MSMEs) and consumers.

III. Research Methods

The study was conducted from March to May 2018 on MSMEs in the Bags Industry sector located in Kampung Toge RT. 01 RW. 02 Margamulya Village, Pasirjambu District, Bandung Regency. The research method used is a qualitative method with descriptive explorative type. Primary data was obtained from interviews with key informants, informants and direct observations by researchers at the research sites, while secondary data was obtained from literary sources, Cooperative and Small and Medium Enterprises (MSMEs). This research was classified into cross-section research because it took one part of the symptoms at one time. This research was carried out in a certain time and was only done in one time only and would not do other research at different times was compared.

IV. Results and Discussion

The research conducted on MSMEs in the bag industry sector with the Dzul Collection trademark obtained information that the bag industry. Initially, Mr. Suparman was an employee at a bag factory in the Katapang area of Bandung Regency. According to Mr. Suparman, the leader and owner of the bag industry, the initial capital obtained from the severance pay he received was added by borrowing credit from the bank with the guarantee of his house. Now the business of the bag has a quality that is not inferior to imported bags. Here's a picture of the bag of Dhul Collection's production:



Figure 1 Bag Production Process

From figure 1 above, it can be explained that the production of the Dzul Collection bag was made without a brand which was later received by a bag factory in the Katapang area of Bandung Regency. the bag was then labeled (trademark). After that it exported to foreign manufacturers. Based on an interview with Mr. Suparman on April 25, 2018, it was explained, that the limited ability of employees, capital, and machinery were the main factors in the bag industry which had not been developed well enough. In addition, the guidance that was expected from the regional government also never existed. Furthermore, he explained, that in fact there were already many orders from almost all parts of Indonesia, even from several countries, including Malaysia, Brunei Darussalam, Singapore and Timor Leste. But all that cannot be fulfilled. The funds used to produce bags come from loans from banks guaranteed home certificates. Currently, to promote their products, they only use Facebook, WA and Instagram, which do not require a fee.

This is in accordance with the opinions of Das, Shil, & Pramanik [12], Bihari [13], and Mulimani, Belgaum, & Morakar [14] which state that capital, human resources, technology implementation, and government support can accelerate the development of MSMEs. This is supported by the opinion expressed by Srinivasan, Bajaj, & Bhanot [28] and Makki & Chang [29] that social media is an effective medium for marketing MSME products. Furthermore, Suparman explained that the production of his bags from year to year has increased which can be seen in the following table:

Table 1. Bag Production for the 2015-2017 Period

Year	Production/year	Description
2015	680 Pc	All bags are factory orders
2016	872 Pc	
2017	1050 Pc	

Source: data processed

From table 1 above, it can be explained that although the production of bags continues to increase, they are all orders from the factory. While for domestic consumers it cannot be served with a variety of reasons. The bag products that it produces actually have a good market in the country, this is proven by the many consumers who come to the house as well as the production place to buy bags. Various efforts were made by Mr. Suparman to be able to meet those needs. Until now, many business people have ordered their production bags, but they cannot be fulfilled because of capital limitations.

In addition, the quality of human resources and marketing is also a problem that is overcome because the assistance from the local government in the form of training, counseling, capital and marketing has not been realized. The role of the regional government was only seen when a community bazaar or party was held by the Bandung Regency Cooperative and SME Office. This is in accordance with the opinions of Garg [17] and Tripathi, Tripathi, & Dedhia [18]. It can be concluded that capital, quality of human resources, and support of local governments can accelerate the development of MSMEs.

V. Conclusion

From the description above, it can be concluded that the obstacles and challenges faced by MSMEs in developing their businesses could come from the internal environment and the external environment. From the internal environment, the problems are faced by MSMEs include HR competencies, capital and production machinery used. While the external problems are faced by MSMEs are marketing, production competitiveness, and less optimal utilization of information technology. Therefore, the support of the regional government is expected to be able to develop MSMEs by providing training and as a bridge to facilitate obtaining credit assistance from banks.

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