Business Incubator Centers and Their Role in Empowering Micro, Small, and Medium Enterprises in Sidoarjo

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Abstract
Kebonagung Village, a Sukodono District area, is home to a growing number of Micro, Small, and Medium Enterprises (MSMEs) but lacks effective product marketing management. The lack of a Business Incubator Center (BIC) hinders MSMEs from developing their marketing strategies. This study aims to map MSMEs' existing potential and development needs in Kebonagung Village through various BIC networks. The research methodology combines Participatory Rural Appraisal (PRA) and Asset-Based Community Development (ABCD), with the active involvement of MSME actors. The program stages involve field observations, preparation, implementation, and socialization activities. The results show that the existing potential of MSMEs falls into the "micro" category, with a weighted score of 76.23%. The BIC network provides effective support with a "good" rating of 64.21%. The MSME development program has yielded outcomes such as the formation of the "Forum Asosiasi UMKM Bonagung" and opportunities for further collaboration with BIC.

Keywords: MSMEs, BIC (Business Incubator Center), business development

Introduction
Data from the Cooperative and Micro Business Office of Sidoarjo Regency reveals impressive growth in Micro, Small, and Medium Enterprises (MSMEs) within Sidoarjo. Presently, 13,075 MSMEs are spanning 68 business types across 18 districts. Projections indicate 720 new entrepreneurs will emerge within a year. Sukodono district is among the areas experiencing rapid MSME sector expansion, with 5,705 MSMEs.(Dinas Koperasi Kabupaten Sidoarjo, 2023)

The considerable number of MSMEs, particularly in Sukodono district's rural villages, signifies positive economic advancement. However, this growth necessitates reinforcement and collaboration across sectors to avert potential business challenges. Consequently, collaboration among multiple stakeholders is crucial for rural MSMEs.
Collaboration can include business and industrial entities, academic institutions, and government bodies. These stakeholders come together through a business incubator centre, a mechanism frequently utilized in developing countries like Indonesia to support startups and MSMEs. Business incubator programs offered by various institutions nurture fledgling businesses. These programs generally provide guidance and space for idea development, along with business infrastructure, development assistance, management, and technology support, typically spanning one to two years. (Esponilla, 2019; Faraz et al., 2021; Mavuri et al., 2023; Wann et al., 2017)

In contrast, Sukodono district's villages lack a business incubator centre serving as a central hub for MSME management and technology support. Kebonagung Village, as indicated by pre-survey data and explanations from village officials, is one of three villages in Sukodono district experiencing rapid MSME growth. Nonetheless, it lacks a sufficiently equipped business incubator institution. Economic institutions owned by Kebonagung Village, such as the Village-Owned Enterprises (Bumdes) "Tri Karya" and the Village Cooperative of Kebonagung, lack technological capabilities, marketing network management, and financial resources. Collaborative involvement with various business incubator center (BIC) networks, whether from the private sector or government, can provide support for MSME development in areas like: (1) Providing business facilities and capital support; (2) Offering management and technology support; (3) Providing training, particularly in marketing development.

Given the challenges surrounding MSME development in Kebonagung Village, the collaborative engagement of stakeholders focused on Business Incubator Centers (BIC) is paramount. This forms the basis for community service activities centred on the MSME sector in Kebonagung Village, Sukodono District, Sidoarjo Regency.

The community engagement objectives in Kebonagung Village revolve around assessing and enhancing the potential of its Micro, Small, and Medium Enterprises (MSMEs). Currently, the village hosts 318 MSMEs, yet they struggle with limited marketing networks and collaboration opportunities, hindering their product marketing efforts. The expected outcomes of this community engagement include providing valuable information to the Kebonagung Village Government about MSME conditions and potential, conducting a needs assessment for MSME development, and delivering data on requirements for product
marketing development through BIC networks, all of which can inform future programs and initiatives by the village government.

Method

The Participatory Rural Appraisal (PRA) approach was used to empower micro, small, and medium enterprises (MSMEs) in Kebonagung Village (Chambers, 1994; Narayanasamy, 2009). This initiative follows a Participatory Action Research (PAR) and Asset-Based Community Development (ABCD) methodology, focusing on community needs to solve local issues. The PKM program variables include the economic capital of MSMEs in Kebonagung Village, performance of MSMEs, and the 7 criteria set by the Ministry of Cooperatives and SMEs in 2002 (Blickem et al., 2018; FN & Rahmawati, 2019a).

Data collection techniques include observation, interviews, and document review. Observation involves observing various activities of MSMEs in Kebonagung Village as they develop their businesses through BIC networks. Interviews are conducted openly and in structured formats, ensuring comprehensive and in-depth information. Forum Group Discussions (FGDs) are employed to gather high-quality qualitative data related to MSME development in Kebonagung Village through BIC networks. Documentation involves gathering data from various written sources.

Participants in the PKM activities were selected purposively, focusing on individuals engaged in MSMEs. Based on pre-survey data, Kebonagung Village had 318 MSMEs involved in various businesses. These MSMEs were clustered into four areas: UMKM cluster on Jl. Raya Kebon Agung, UMKM cluster on Jl. Raya Saimbang, UMKM cluster on Jl. Saimbang Kebonagung, and UMKM cluster on Jl. Dusun Kebonagung. 40 MSME owners were invited to participate in the PKM program.

The PKM program for 40 MSME owners in Kebonagung Village spanned one month from July 15 to August 15, 2023. It was structured into the following phases: preparation phase (7 days), implementation phase (10 days), and final phase and evaluation.

Results and Discussion

Kebonagung Village, located in the Sukdono Sub-District, is a hub of Micro, Small, and Medium Enterprises (MSMEs) with a significant concentration along its main thoroughfares.
The true potential of these MSMEs is assessed through various economic metrics, including income, profit, capital, savings, investments, and assets.

A significant portion of the 318 business operators in Kebonagung Village fall into the "micro" category, earning less than IDR 4,525,500 monthly, which roughly translates to an annual income of IDR 67,882,500. A case study highlights the modest financial situations of these "micro" MSME operators, highlighting the need for a flexible categorization system that can adapt to the dynamic conditions of the field.

The capital situation for MSME operators in Kebonagung Village is not meticulously maintained, with limited investments made in assets such as frying equipment and basic display furniture. A case study reveals that a fried tofu vendor's daily investment of IDR 50,000 covers essential raw materials, resulting in monthly sales reaching IDR 4,100,000, resulting in a gross profit of IDR 3,600,000 each month, or approximately IDR 43,200,000 annually. This narrative paints a vivid picture of the marginal financial circumstances that "micro" MSME operators must navigate, reinforcing the pressing need for a flexible categorization system that can readily adapt to the evolving conditions of the field.

Savings conditions reveal that a substantial majority, accounting for 81.45%, falls within the "micro savings group," maintaining savings of less than IDR 4,500,000 per year. Investment conditions show that a resounding majority, approximately 81.76%, are in the "micro investment group," indicating limited financial capacity for substantial business development. Finally, the majority, encompassing 81.13%, falls within the "micro asset wealth group," with their asset wealth typically not exceeding IDR 15,000,000 within a single year.

In summary, the overall economic capital conditions of the UMKM (Micro, Small, and Medium Enterprises) potential in Kebonagung Village are dominated by the "micro" category, with an assessment score of 76.23%.
The advancement of Micro, Small, and Medium Enterprises (UMKM) in Kebonagung Village is intricately tied to the challenges encountered by UMKM operators. A study that delves into the requirements of UMKM businesses provides valuable insights into how these operators perform and perceive their endeavors.

This performance evaluation revolves around the viewpoints of individual UMKM operators regarding critical aspects of their businesses, encompassing Insurance, Finance, Consumer Relations, Learning and Growth, and Business Processes. Here's what the field data uncovers:

1. **Insurance Perspective**

   UMKM operators in Kebonagung Village, many of whom belong to micro and small business categories, frequently do not prioritize safeguarding their businesses through insurance. The associated costs often act as a deterrent, leading to a significant 77.50% indicating that they perceive insurance as "unnecessary."
2. Financial Perspective

Concerning financial performance, UMKM operators in Kebonagung often fall short of their sales revenue targets and struggle with cost management. Only a modest 22.50% achieve "high target achievement" concerning income compared to sales revenue, while 15.00% find it challenging to meet their targets.

3. Consumer Perspective

Instances of consumer complaints are relatively scarce, signaling that UMKM operators provide commendable service and maintain product quality (72.50% experience "very rare complaints"). However, their success in reaching their intended customer acquisition targets leaves room for improvement, with just 27.50% achieving "high target goals."

4. Learning and Growth Perspective

The empirical data reveals that there's a need for skilled labor to stimulate UMKM development in Kebonagung. Nevertheless, assessments indicate that the urgency for trained labor in the short term isn't particularly high, with only 12.50% deeming it "highly necessary."

5. Business Process Perspective

UMKM operators in Kebonagung encounter challenges in executing planned programs optimally and providing satisfactory after-sales services. A mere 37.50% manage to achieve "high target achievement" for their programs, while only 32.50% are acknowledged for delivering "very well-served" after-sales services.

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Figure 1. FGD Development of Kebonagung MSMEs with BIC
Source: Field Documentation Data – July – August 2023
Based on the data above, it is evident that in evaluating the potential of SMEs (Small and Medium-sized Enterprises) in the village of Kebonagung, clusters of SMEs are scattered throughout the village, primarily along the main road. The potential of SMEs in Kebonagung can be categorized based on several economic capital aspects:

a. Sales Revenue and Profits: Generally, SMEs in this village fall into the "micro" category regarding sales revenue, with a score weighting of approximately 55.97%.
b. Capitalization: The majority of SMEs here also belong to the "micro" category in terms of capitalization, with a score weighting of about 80.82%. This indicates that most of them have capital less than IDR 16,700,000 per year.
c. Savings: The savings condition of SMEs in Kebonagung mostly falls into the "micro" category, with a score weighting of around 81.45%. They have savings of less than IDR 4,500,000 per year.
d. Investment: Overall, SME investments here also fall into the "micro" category, with a score weighting of about 81.76%. Their investments amount to less than IDR 4,500,000 per year.
e. Net Wealth: The net wealth of SMEs in Kebonagung also mostly falls into the "micro" category, with a score weighting of approximately 81.13%. Their net wealth is less than IDR 15,000,000 within one year.

The data provided depicts the economic conditions and perspectives of micro, small, and medium enterprises (MSMEs) in Kebonagung Village. The majority of these businesses fall under the "micro" category, indicating significant financial limitations. This highlights the need for targeted support and development efforts to help MSMEs overcome these challenges.(Ruscitasari et al., 2021)

Improving access to financial services, affordable insurance solutions, skill development, marketing support, and better management of capital and assets can help MSMEs effectively manage their businesses and achieve sustainable growth.(Septiani & Wuryani, 2020) Collaboration with business institutions and development organizations such as BIC Wakaf Mandiri - Yatim Mandiri can provide crucial assistance in the development of MSMEs in Kebonagung Village.(Ruscitasari et al., 2021)

One way to support MSMEs is through the adoption of e-commerce. A study on the adoption of e-commerce by MSMEs in Pleret Village found that technology, organizational factors, and environmental factors influence the adoption of e-commerce.(Ruscitasari et al.,
This suggests that providing technological infrastructure, organizational support, and creating a conducive environment can encourage MSMEs in Kebonagung Village to adopt e-commerce as a means of expanding their market reach and improving their competitiveness.

Social media marketing can also play a significant role in promoting and selling products for MSMEs. A study on social media marketing during the pandemic found that Facebook marketing can be an effective strategy for MSMEs in rural areas. The study aimed to determine the flagship products and business profiles of MSMEs, formulate social media components for MSMEs, and increase community knowledge about marketing strategies. (Dialysa & Prasetyo, 2021; Prasetyo et al., 2021) Implementing social media marketing strategies can help MSMEs in Kebonagung Village reach a wider audience and increase their sales.

Digital marketing techniques, such as utilizing social media, websites, and e-commerce platforms, have been adopted by MSMEs in some villages. These techniques have proven to be creative ways of marketing products. (Pratama et al., 2022; Sabathini, 2018) Encouraging MSMEs in Kebonagung Village to embrace digital marketing can enhance their visibility and attract more customers.

The business model canvas approach can be a useful tool for developing and expanding micro and small businesses. By using this approach, MSMEs can identify critical elements of their business model, such as value proposition, customer segments, and revenue streams. (Suwarni & Handayani, 2021) Implementing the business model canvas can help MSMEs in Kebonagung Village analyze their business structure and identify areas for improvement.

Financial literacy and financial inclusion are crucial for the performance of MSMEs. A study on the impact of financial literacy and financial inclusion on the performance of MSMEs found that these factors positively influence the performance of MSMEs. (Aribawa, 2016, 2016; FN & Rahmawati, 2019b; Septiani & Wuryani, 2020) Enhancing financial literacy and promoting financial inclusion among MSMEs in Kebonagung Village can empower them to make informed financial decisions and access financial services that can support their growth.

In the post-pandemic economic recovery, branding MSMEs through social media can be an effective strategy. This approach requires special and dynamic strategies to adapt to changing circumstances and creatively solve problems. (Atmojo & Pratiwi, 2022) By leveraging
social media platforms, MSMEs in Kebonagung Village can build their brand presence, engage with customers, and increase their market reach.

Competency development in human resource management is essential for creative economy-based MSMEs. The majority of creative economy entrepreneurs in Indonesia are MSMEs. (Siregar et al., 2022) Strengthening the management skills of MSMEs in Kebonagung Village can enhance their competitiveness and enable them to seize opportunities in the creative economy sector.

Collaboration and networks with government and non-government institutions are crucial for the development of village libraries. These collaborations can support the success of library administration and management by providing resources, regulations, funding, and technological support. (Bob Carlisle & Jonathan Wadsworth, 2020; Erliyana, 2021) Strengthening collaborations between MSMEs in Kebonagung Village and relevant institutions can provide them with the necessary resources and support for their development.

Fintech can play a significant role in supporting MSMEs. Fintech can provide access to financial services and facilitate financial inclusion for MSMEs. (BILLAH, 2021; Marini et al., 2020; Winarto, 2020) Leveraging fintech solutions can help MSMEs in Kebonagung Village overcome financial constraints and access the capital they need to grow their businesses.

**UMKM Development Potential through Various BIC (Business Incubator Center) Networks**

To assess the outputs of UMKM development potential through various BIC (Business Incubator Center) networks as an impact of the PKM program, the process of program activities is evaluated in various stages. Program activities are carried out through collaborative efforts between UMKM operators participating in the UMKM development program and BIC (Business Incubator Center) entities with relevant competencies.

The competence of BIC institutions is a critical variable that strongly supports the efficient implementation of the program. The variables related to the BIC (Business Incubator Center) network that supports UMKM in Kebonagung Village include seven criteria set by the Ministry of Cooperatives and SMEs (2002). The assessment of the Wakaf Yatim Mandiri BIC institution shows a "good" rating, accounting for 64.21%, based on several aspects, including:

1) **Space**: Providing workspace or office space for incubatees, rated as "good" at 65.50%.
2) Shared: Offering shared infrastructure and facilities used by incubatees, rated as "good" at 50.50%.

3) Service: Providing consultancy services in marketing, finance, production, technology, and others, rated as "good" at 60.50%.

4) Support: Assisting access to research institutions, professionals, technology, and others, rated as "good" at 65.50%.

5) Skill development: Conducting activities to enhance the skills and knowledge of incubatees, rated as "good" at 72.50%.

6) Seed capital: Providing initial investment funds from internal resources or external funding sources, rated as "good" at 62.50%.

7) Synergy: Being ready to collaborate with other parties that can support the development of incubatees' businesses, rated as "good" at 72.50%.

The Mandiri Wakaf Institution has established the "Mandiri Sociopreneur Center," a business incubator that uses wakaf (endowment) to provide social benefits and business education to less fortunate communities. The program operates within a 20 km radius of the central e-business server of BIC Wakaf Yatim Mandiri. BIC Wakaf Mandiri has developed a "Wemart" business platform through the Agritara network, encompassing various sectors such as retail, sustainable agriculture, e-commerce, and poultry farming. The collaboration between BIC Wakaf Mandiri and Wemart - Agritara involves individuals from diverse backgrounds who aspire to develop their businesses within the 20 km radius.

Figure 2: Collaboration on Product Display, Spoty Digital Marketing, Capital Assistance
Source: Field Documentation Data – July – August 2023
Kebonagung Village and its surrounding areas, including Sukodono Sub-district, have become potential partners across various business sectors. The Partnership Program (PKM) aims to develop micro, small, and medium enterprises (UMKM) in Kebonagung Village through the BIC network. The "UMKM Bonagung Association" will facilitate the marketing of UMKM products through the BIC Wakaf Mandiri – Yatim Mandiri network. Other agreements include placing UMKM products in BIC Wakaf Mandiri – Wemart, providing financial assistance, participating in business meetings with BIC Wakaf Yatim Mandiri's business partners, and using virtual channels for business consultations and training. (Poorani & B, 2014; Poorani & Thiyagarajan, 2017; Stewart & Mashmous, 2023; Zaffrann, 1979)

This program aims to foster the development of UMKM in Kebonagung Village through collaborations with stakeholders and the utilization of technology and infrastructure within the BIC Wakaf Mandiri – Yatim Mandiri network.

The data above shows that BIC Wakaf Yatim Mandiri has a "good" rating of approximately 64.21% regarding competency, indicating its potential for supporting SME development in Kebonagung. With successful programs implemented by Laznas Yatim Mandiri, the opportunity to assist in marketing SME products holds significant potential, avoiding unnecessary costs in business incubation processes.

Competency assessment based on the 7 criteria outlined by the Ministry of Cooperatives and SMEs (2002) for business incubator organizers involves a range of conditional indicators, encompassing aspects like Space, providing workspace; Shared, furnishing infrastructure and facilities shared among incubatees; Service, offering consulting services; Support, displaying readiness to facilitate access to research institutions, professionals, and technology; Skill development, aimed at enhancing the skills and knowledge of incubatees; Seed capital, providing initial investment funds; Synergy, involving collaboration between tenants (incubatees) and other stakeholders. The BIC Waqf Yatim Mandiri Institution received an assessment of "good," scoring at 64.21%. This signifies that the BIC Waqf Yatim Mandiri Institution is recognized for its competent capacity to provide beneficial outcomes for developing MSMEs in Kebonagung Village.

The "good" assessment of the BIC Waqf Yatim Mandiri Institution is largely attributed to the commendable track record maintained by Laznas Yatim Mandiri. Notably, the Directorate of Independent Waqf has spearheaded various productive waqf programs that
have evolved into business activities across multiple waqf-based sectors, benefiting the local populace. The widespread dissemination of program benefits by Yatim Mandiri through its diverse directorates, with a budget allocation of IDR 37,909,110,887, and assistance provided to 408,353 individual beneficiaries across 45,569 locations spanning 54 cities in 12 Indonesian Provinces as of July 2023, underscores the significant opportunities presented for the BIC Waqf Mandiri institution in assisting MSMEs in Kebonagung Village, Sukodono District. This assistance holds particular promise, especially in addressing the ongoing challenge of enhancing the marketing of products produced by MSMEs in Kebonagung Village. (Rusdana et al., 2022; Wanof & Gani, 2023; Wulandari & Koe, 2022)

Conclusion

Based on the assessment of the implementation of PKM, concerning the program for MSME development in Kebonagung Village through various BIC networks, it can provide an overview of the results as follows: The evaluation of the existing potential of UMKM in Kebonagung Village reveals that most UMKM falls into the "micro" category with a weighted score of approximately 76.23%. This situation reflects the challenges UMKM faced in this village regarding their economic development. The assessment of the highest positive perspective tendency in assessing the individual business needs of UMKM in Kebonagung Village only reaches a rating of 28.06%. This indicates the potential for enhancing the understanding and awareness of individual UMKM regarding their business needs. The evaluation of the conditions of the output potential for UMKM development through the BIC network indicates that the BIC Wakaf Mandiri institution possesses a fairly strong level of competence to effectively support program implementation, with a "good" rating of 64.21%.

Finally, the implementation of the PKM has yielded several outputs that have the potential to enhance UMKM development in Kebonagung Village. These include the establishment of the Forum Asosiasi UMKM Bonagung, agreements on the placement of UMKM products at BIC Wakaf Mandiri – Wemart, and opportunities for further collaboration with BIC Wakaf Mandiri. All of these are positive steps towards supporting the growth of UMKM in Kebonagung Village through the BIC network.
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