

Identification of MSMEs Development With BMC: A Case Study of Cibogo Village, Tangerang

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Abstract. Cibogo Village is one of the villages in Cisauk Subdistrict, Tangerang Regency, where the majority of its residents work in the informal sector, especially in MSMEs (Micro, Small, and Medium Enterprises). The purpose of this research is to identify the problems and challenges faced by MSMEs in Cibogo and to describe the efforts made by MSME operators in Cibogo to develop their businesses. This research uses the Business Model Canvas (BMC) method, which is capable of identifying and describing the detailed conditions of MSMEs in 9 indicator blocks. Based on the research using BMC, it is evident that many aspects need improvement by MSME operators in Cibogo Village to elevate their businesses. These aspects include branding, marketing methods, product packaging, product quality, bookkeeping, employee management, and capitalization.

Keywords: Cibogo, MSMEs, BMC.

1 Introduction

[1] Government Regulation Number 7 of 2021 regarding the Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs) stipulates the criteria for the business structure of MSMEs to be divided into three categories: micro enterprises, small enterprises, and medium enterprises. Based on [2] the Ministry of Cooperatives and Small and Medium Enterprises Regulation Number 5 of 2021 concerning the Strategic Plan of the Ministry of Cooperatives and Small and Medium Enterprises for the year 2020 - 2024, the number of MSMEs in Indonesia has increased from 61.65 million units in 2016 to 65.46 million in 2019.

Micro, Small, and Medium Enterprises (MSMEs) play a significant role in driving economic growth in Indonesia. Among their roles are contributing to the growth of the Gross Domestic Product (GDP), expanding employment opportunities and workforce absorption, providing a safety net, especially for low-income communities to engage in productive economic activities, as well as contributing to exports and capital creation. In the year 2019, MSMEs contributed 60.5% to the National GDP. Additionally, MSMEs have the capacity to absorb a workforce of 96.9% [3] (Ministry of Cooperatives and Small and Medium Enterprises, 2022).

However, MSMEs in Indonesia still face several challenges. Low productivity becomes a constraint for MSMEs to grow and achieve a larger economic scale. This condition has led to the phenomenon known as the "missing middle," where the economy lacks the required number of MSMEs to support industrialization and exports [4] (Hsieh & Olken, 2014). About 72.47% of MSMEs experience difficulties in running their businesses, partly due to a lack of knowledge about business models [3] (Ministry of Cooperatives and Small and Medium Enterprises, 2021).

These difficulties are also experienced by several MSMEs in the village of Cibogo, Cisauk, South Tangerang Regency. There are MSME players engaged in culinary and trade businesses. Based on preliminary surveys conducted by the author, the difficulties faced by MSMEs in their businesses include low purchasing power of the community, lack of product awareness among the people, inadequate capital, absence of suppliers selling raw materials, inappropriate marketing locations, and challenges in reaching a wider market. MSMEs in the village of Cibogo find it difficult to grow and seem to be stagnant. Cibogo village is part of the Cisauk sub-district, South Tangerang Regency. In terms of location, Cibogo Village is strategically situated, close to the train station, and near city-scale residential areas such as Bumi Serpong Damai (BSD), Gading Serpong, Summarecon Serpong, and other medium-scale residential locations. This potential should allow MSMEs in Cibogo Village to elevate their status when they can understand and promote their products effectively to potential customers while considering the potentials they possess.

Well-growing and thriving MSMEs are those that demonstrate improvement over time, both in terms of production and an increasing customer base. Based on the findings of a study by [5] Purnama and Suyanto (2010), it is evident that to enhance the success of small industries, entrepreneurs should prioritize improving attitudes, emotional intelligence, skills, and knowledge in conducting their businesses. Moreover, motivational factors should also prioritize increasing expectations, motivation, and incentives.

To identify the obstacles and challenges in managing and developing businesses, the Business Model Canvas (BMC) can be utilized. BMC is a tool that can be used to describe, analyze, and design business models [5] (Osterwalder and Pigneur, 2018). It provides a framework for understanding how business thinkers formulate business concepts, including any changes made. Based on the above description, the researchers are interested in identifying the issues and challenges that arise in developing MSMEs in Cibogo Village using the BMC.

This research aims to identify the issues and challenges in the development of MSMEs in Cibogo Village using BMC and to describe the efforts made by MSMEs in Cibogo Village to grow their businesses. The findings from this study can be beneficial, especially for MSMEs in Cibogo Village, as they can use it as a basis for decision-making in determining strategies related to managing and developing their businesses, thus ensuring their existence in the business world. Additionally, the results of this research can be utilized by local governments/village governments/village-owned enterprises (BUMDesa) in Cibogo Village to determine development strategies for the MSMEs in their region.

2 Literature Review

a. Micro, Small, and Medium Enterprises (MSMEs)

The definition of MSMEs, which was previously divided into several legal bases, has now been aligned with the issuance of [1] Government Regulation Number 7 of 2021 regarding the Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises as a derivative of Law Number 11 of 2020 concerning Job Creation. Within this regulation, three criteria for the business structure of MSMEs are outlined, namely micro enterprises, small enterprises, and medium enterprises, as follows:

- 1) Micro enterprises: Businesses with a capital of up to a maximum of IDR 1 billion, excluding land and buildings for business purposes, and with annual sales of up to a maximum of IDR 2 billion.
- 2) Small enterprises: Businesses with a capital of more than IDR 1 billion up to a maximum of IDR 5 billion, excluding land and buildings for business purposes, and with annual sales of more than IDR 2 billion up to a maximum of IDR 15 billion.
- 3) Medium enterprises: Businesses with a capital of more than IDR 5 billion up to a maximum of IDR 10 billion, excluding land and buildings for business purposes, and with annual sales of more than IDR 15 billion up to a maximum of IDR 50 billion.

b. Issues and Challenges of Micro, Small, and Medium Enterprises (MSMEs)

MSMEs in Indonesia face several challenges, such as management, organization, technology, capital, operational, and technical issues in the field. Limited market access, licensing constraints, and unavoidable non-field costs further compound the difficulties. About 72.47% of MSMEs experience entrepreneurial struggles [3] (Ministry of Cooperatives and Small and Medium Enterprises, 2021). These problems are caused by various factors, namely:

- 1) Management: Related to inadequate task allocation.
- 2) Organization: The majority of MSMEs in Indonesia are still considered informal businesses, lacking legal entity status and proper financial recording systems.
- 3) Technology: Many MSMEs use simple technology, with a significant portion not utilizing computers or the internet.
- 4) Capital: MSMEs operate with limited capital resources.
- 5) Workforce: Limited human resources and low educational qualifications of MSME managers.
- 6) Production and Marketing: MSMEs often lack optimal productivity, efficient distribution and marketing networks, and adequate knowledge of business models. Additionally, they often fail to leverage information technology and other resources.

c. Business Model Canvas (BMC)

The Business Model Canvas is a business model that provides a fundamental overview of how

an organization creates, delivers, and captures value. This concept can be used by companies or organizations to describe and manipulate business models easily, allowing them to create alternative new strategies.

There are 9 building blocks in the Business Model Canvas [6] (Osterwalder & Pigneur, 2018), namely customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structures. The explanations of the 9 building blocks are as follows:

- 1) Customer segments: Customer segments refer to different groups of people or organizations that will be served by the company. Customers are vital to maintaining the company's existence. [6] Osterwalder and Pigneur (2018) identified several customer segments, such as mass market, niche market, segmented market, diversified market, and multi-sided market.
- 2) Value proposition: The value proposition is what the company offers to attract customers. It usually represents a combination of benefits that customers can experience from the offered products or services. There are two types of value propositions, namely quantitative and qualitative values. Increasing value can be achieved by adding novelty, improving product/service performance, or tailoring products/services to specific customer needs.
- 3) Channels: Channels represent how the company reaches its customers to deliver the value proposition. These channels are communication, distribution, or sales paths that connect customers and the company/organization. Channels are crucial for delivering the value proposition effectively.
- 4) Customer relationship: Customer relationship refers to the efforts made by the company/organization to build and maintain relationships with customers. Several types of customer relationships include personal assistance, self-service, community, and co-creation.
- 5) Revenue stream: The revenue stream describes the cash generated by the company through customer segments. Some ways to build revenue streams include selling assets, generating revenue from specific service usage (usage fees), and continuous access sales. Each revenue stream may have different pricing mechanisms.
- 6) Key resources: Key resources are essential assets needed for the business to create and offer value propositions, maintain customer relationships, and, ultimately, generate income. Key resources can be physical, intellectual, human, or financial assets.
- 7) Key activities: Key activities are vital tasks performed by the company to operate and succeed. The role of key activities is similar to key resources. Some categories of key activities include production, problem-solving, and platform/network management.
- 8) Key partnerships: Partnerships are crucial foundations when running a business. Companies can collaborate with others to optimize their operations.
- 9) Cost structure: The cost structure provides an overview of the overall expenses incurred to operate the business model. There are two types of cost structures: cost-driven and value-driven.

d. Cibogo Village

Cibogo is one of the villages located in the Cisauk sub-district, Tangerang Regency, Banten Province. This village was formed as a result of the expansion from Sampora Village in 1985. The total area of Cibogo village is 411 hectares, divided into 7 neighborhoods (RW) and 32 blocks (RT). It is bordered by Sampora Village to the north, Cisauk Sub-district to the west, Suradita Village to the south, and Serpong/Sungai Cisadane to the east. The average distance from the village to the sub-district is about 2 kilometers, taking approximately 0.2 hours, while the distance to the regency is around 26 kilometers, taking about 1.5 hours, and to the province is approximately 42 kilometers, taking about 4.2 hours.

In 2021, Cibogo had an index of developed village (in Indonesian, "indeks desa membangun") with a value of 0.7638, which categorized it as a developed village. The community in Cibogo is involved in various economic activities, including trade, agriculture, light industries, and household businesses. The village's potential lies in the presence of resident-owned shops, corn plantations, sand and stone material industries, rice fields, and fishing grounds.

3 Methodology

In this research, the type of research used is qualitative descriptive research. This study aims to describe findings, present a situation, and provide detailed and in-depth descriptions of the actual conditions. The objective of qualitative research is to systematically compile or make notes.

In the initial stage of the research, the researcher conducted a preliminary survey in the field and then formulated it to be used as the research subject. The subjects of this study are the players of MSMEs in Cibogo Village, Cisauk Sub-district, South Tangerang Regency. Informants in this research play a crucial role as they will provide information related to the research problems. The selection of informants is based on those who are considered most knowledgeable about the expected research information. The informants in this research are the owners/managers of MSMEs in Cibogo Village and the management of BUMDesa/Cibogo Village.

This research uses multiple sources of evidence, namely primary and secondary data [7](Sugiyono, 2013). Primary and secondary data are collected through questionnaires, interviews, and documentation. Questionnaires will be used to identify the difficulties in developing MSMEs according to management, organization, financing, workforce, production, and marketing variables. Interviews will be conducted with 3 MSME informants selected through purposive sampling.

The results of the interviews will be presented in the Business Model Canvas (BMC) to map out the MSMEs' business concepts for optimal performance. The BMC tool can be seen in Figure 1. According to [8] Blank (2013), BMC is an academic framework for innovation business models widely adopted by both students and practitioners. By using BMC, MSMEs can visualize their business comprehensively and use it as a reflection to design improvements in their business model, aiming for sustainable business by considering the 9 elements in BMC [9] (Shahand, et al, 2015).

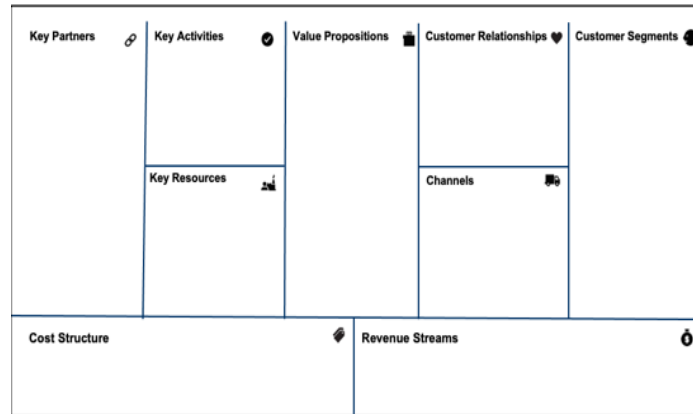


Figure 1. BMC Tools

4 Results and Discussion

a. Condition of Small and Medium Enterprises (MSMEs) in Cibogo Village

The micro, small, and medium enterprises (MSMEs) established in Cibogo Village actually have a large market potential due to the village's proximity to medium-scale housing areas. Additionally, the village's location is near the Cisauk commuter line station, making it easily accessible to the public.

Based on the survey filled out by 16 MSMEs, several aspects related to the conditions of MSMEs in Cibogo Village were obtained. The majority of MSMEs in Cibogo Village, approximately 62.5%, are engaged in the culinary sector. There are also MSMEs operating in the fashion industry (12.5%) and services and crafts (handicrafts) at the same percentage. So far, MSMEs in Cibogo Village have been conducting conventional marketing methods, primarily involving face-to-face interactions between sellers and buyers. MSMEs face several challenges, including limited marketing opportunities, low purchasing power of the community, and insufficient promotion by MSMEs in introducing their products to the public. Furthermore, 56.25% of the existing MSMEs in Cibogo Village are newly established businesses, operating for less than 3 years. According to [8] Blank (2013), newly established small businesses face challenges, such as product introduction and marketing, and the lack of an appropriate strategy can have a fatal impact on these businesses.

From the survey results, it is revealed that 50% of the MSMEs in Cibogo Village are new businesses, operating for less than one year. The remaining 50% have been in operation for a maximum of 5 years. The owners of these MSMEs are residents of Cibogo Village, ranging in age from 25 to 51 years old. On average, 37.5% of the owners have a bachelor's degree (S1), 18.75% have a Diploma III degree, and 43.75% have completed education up to the junior or senior high school level (SMP – SMA). Most of the MSME owners have education levels ranging from junior to senior high school.

On average, these businesses are run by the owners themselves, meaning they do not have any employees. There are 5 MSMEs that employ one staff member on average. 81.25% of the

MSMEs reported having monthly revenues of less than Rp5,000,000. Moreover, there are MSMEs with monthly revenues ranging from Rp5 million to Rp10 million (6.25%), and the remaining 12.5% have monthly revenues ranging from Rp10 million to Rp20 million. Most of the business capital is self-funded, and some are sourced from business loans. Regarding business permits and certificates, 50% of the MSMEs have not yet obtained a business permit, 6.25% are in the process of applying for a business permit, 43.75% have obtained business permits in the form of IRT (4 MSMEs), KIB (1 MSMEs), NIB (1 MSMEs), SIUP (1 MSMEs), and one MSMEs has received a halal certificate.

b. BMC Result

Based on the data collected from informants and questionnaire results, they were then categorized and presented in the Business Model Canvas (BMC) to identify the general condition of MSMEs in Cibogo Village. The BMC can be seen in Figure 2.

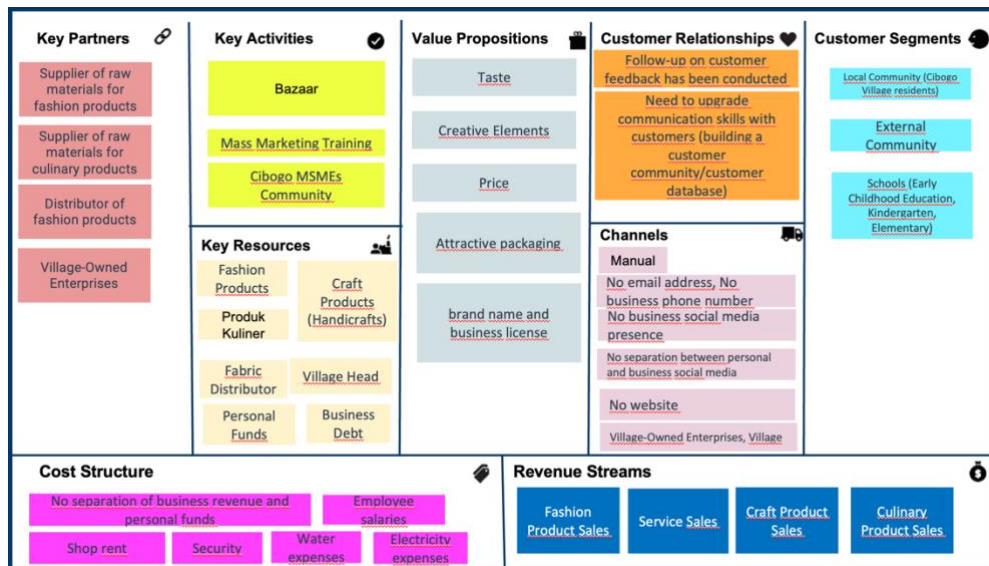


Figure 2. BMC Identification of MSMEs in Cibogo

Here is the explanation of BMC for its 9 elements:

1) Customer segments

The customer segments of MSMEs in Cibogo Village are the local residents of Cibogo as well as people from outside Cibogo. Most of these MSMEs have customers from their own local area due to their conventional business practices, where sellers directly meet buyers and transactions are conducted in cash. There are also some customers from outside Cibogo, but their number is not significant. MSMEs in Cibogo do not differentiate their customer segments and fall under the mass market category. For example, Waroenk De' Teraz, one of the MSMEs owned by Bu Hanie, operates in the culinary sector, specializing in empek-empek and tekwan, without any customer segment differentiation. Similarly, Warung Bu Anne, which operates in both culinary and fashion, does not differentiate its customers either. These MSMEs cater to customers who have needs

related to the products they offer. Therefore, the MSMEs in Cibogo need to pay attention to their business names, product packaging, logos, and consistent quality. The design of their products is crucial as superior design makes the products stand out. Pricing is competitive with similar products outside Cibogo.

2) Value propositions

Most MSMEs in Cibogo offer culinary products. Some culinary businesses have established names or brands, such as Waroenk d'Teraz, Inan Coco, Marion Cemilan, Sari Kitchen, Cemilan Alayda, Café Rasa, Dinsum Bu Herru, and Kuliner Malam. Improving value propositions may involve renaming businesses to be more memorable and searchable. Additionally, improving product packaging, especially for items like rengginang, will attract more potential customers. MSMEs in Cibogo should focus on business names, product packaging, product design, and consistent quality. Design is essential for products to stand out in the market. The prices offered by the MSMEs in Cibogo are competitive with similar products outside the village. Based on the interviews, the MSMEs do follow up on customer feedback. Some MSMEs have quantitative values such as competitive pricing, and qualitative values such as product design offers by Zahwa Bucket.

3) Channels

Most MSMEs in Cibogo still use conventional/direct channels to engage with their customers. The pandemic significantly impacted their revenue due to social restrictions reducing direct interactions between sellers and customers, but MSMEs that have partnerships or conduct online marketing through platforms like Grab or Gojek were less affected. Approximately 62.5% of the MSMEs in Cibogo have engaged in online marketing. Shopee is the most used online platform. Integrated social media use for easy monitoring of customer accounts is yet to be fully utilized. MSMEs need training and guidance on digital marketing to increase their online presence. Some MSMEs still use personal social media accounts for business transactions rather than having dedicated business accounts, making it difficult for customers to find or learn about their products or value propositions. The majority of MSMEs have not promoted their products beyond setting competitive prices.

4) Customer relationship

Customer relationship refers to the type of relationship built between MSMEs in Cibogo and their customers. Currently, most interactions fall under personal assistance, with customers reaching out via phone calls, text messages, or social media to order products or services. MSMEs in Cibogo do not maintain a customer database and only store customer details on their mobile phones. Discounts for customers have not been implemented.

5) Revenue stream

Most MSMEs in Cibogo receive payments from customers through cash transactions. Revenue is generated from the sale of various products and services, including culinary, fashion, crafts, and other services. MSMEs in the culinary sector mostly have monthly revenues below Rp5,000,000, and even after five years of operation, their revenue did not significantly increase. The pricing mechanism used by the MSMEs is a fixed pricing strategy. MSMEs do not consistently record their financial transactions, and personal and

business finances are not separated. Personal funds are the primary source of business finance, and additional capital is often difficult to obtain.

6) Key resources

Key resources for successful MSME operations in Cibogo include consistency in their value propositions. The culinary MSMEs must focus on producing high-quality products with appropriate pricing. Based on interviews, Bu Hanie and Bu Anne, culinary MSME owners, emphasized the importance of selecting the best ingredients to maintain product quality. Bu Hanie chooses fresh fish to ensure the quality of her empek-empek and tekwan, while Bu Anne uses premium ginger and coconut sugar for her homemade ginger candy, which has seen increased demand since the pandemic. Intellectual resources, such as business permits and halal certification, are also crucial. Most MSMEs do not have business permits, and only one culinary MSME has halal certification and distribution permits.

7) Key activities

Key activities for successful MSME operations in Cibogo include producing high-quality products, maintaining consistent product quality, and innovating to meet customer demands. BUMDesa Cibogo has organized activities like bazaars to increase sales and introduce MSME products. Such events have helped MSME owners find new relationships and complementary products.

8) Key partnerships

MSMEs in Cibogo collaborate with distributors for raw materials, such as Bu Hanie's partnership with a supplier of fresh mackerel. This supplier delivers raw materials to her home. For promotional efforts, Bu Hanie partnered with a government institution, providing her products as an alternative in meetings and selling them at the institution's canteen for a specified period. Bu Anne established partnerships through WhatsApp groups, where she found resellers for her products. Bu Berlin, who runs a craft business, intends to expand her business to various schools, particularly at the PAUD, TK, and elementary school levels, as her products are educational toys. However, her marketing efforts have not yet reached schools.

9) Cost structures

The costs incurred by MSMEs in Cibogo for their operations include electricity, water, and employee salaries. However, not all MSMEs have employees, and most are run solely by their owners.

5 Conclusion

Through the identification obtained from the 9 blocks in the BMC, MSME operators in Cibogo Village can develop their businesses by paying attention to the value proposition. Many MSMEs still lack memorable and appealing business names. Additionally, improving product packaging is essential to attract buyers. From the perspective of channels, MSME operators must increase their outreach by creating dedicated social media accounts for marketing their products. This approach is fast and cost-effective. MSME operators also need to consider and build customer relationships, such as offering discounts to customers and speeding up service. Important

activities for running the business, such as selecting high-quality raw materials, should also be continually emphasized. Moreover, MSMEs should expand their network of partnerships for product marketing.

To enhance their skills and knowledge in running their businesses, MSME operators can be provided with training and subsequent guidance until completion. Some training/guidance/societalization that can be conducted in Cibogo Village includes training on creating branding for MSME products, including logo and attractive packaging creation; training/guidance/societalization related to business permits, BPOM permits, halal certification; digital marketing training/guidance/societalization; determining cost price and bookkeeping for MSMEs; and training/guidance on business feasibility.

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