



Business Feasibility Analysis of Rural MSMEs Amid Industrial Growth Pressure in Nganjuk Regency

M. Aldi Ainul Rohim¹

¹ Universitas Pangeran Diponegoro Nganjuk, Indonesia

E-mail: aldirohimmm@gmail.com

Keywords:

Rural MSMEs, Business Feasibility, Industry, Nganjuk Regency

ABSTRACT:

This study aims to analyze the business feasibility of rural Micro, Small, and Medium Enterprises (MSMEs) in Nganjuk Regency amidst the pressure of increasingly rapid industrial growth. The growth of the industrial sector provides economic opportunities, but also poses challenges for rural MSMEs, such as business competition, limited capital, and changes in market patterns. This study uses a qualitative method with a case study approach to several rural MSMEs in Nganjuk Regency. Data collection techniques were carried out through in-depth interviews, observation, and documentation. Data analysis was carried out descriptively and analytically by assessing aspects of business feasibility including market, technical, management, and financial aspects in a non-numerical manner. The results of the study indicate that rural MSMEs in Nganjuk Regency are generally still feasible to operate, but require strengthening marketing strategies, increasing human resource capacity, and government policy support to be able to survive and compete with large-scale industries

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in regional economies, particularly in rural areas (Aliyah, 2022; Munthe et al., 2023). MSMEs not only function as drivers of the local economy but also as providers of employment and pillars of community welfare. In Nganjuk Regency, rural MSMEs have developed in line with local resource potential, such as agriculture, trade, and home-based industries.

However, the rapid industrial growth in Nganjuk Regency has introduced new dynamics affecting the sustainability of rural MSMEs (Qomaruddin, 2024). Industrialization has intensified competition, shifted consumer preferences, and increased demands for efficiency and product quality. This situation requires rural MSMEs to enhance their competitiveness and business feasibility in order to survive and grow.

Based on these conditions, a business feasibility analysis becomes essential to assess the extent to which rural MSMEs are capable of facing the pressure of industrial growth (Riyoko & Lofian, 2021). This analysis is expected to serve as a foundation for formulating sustainable MSME development strategies in Nganjuk Regency.

In addition to their significant role in the regional economy, rural MSMEs also serve as the primary source of livelihood for local communities. Many MSME actors operate independently and on a family-based model, making their presence crucial in creating employment opportunities and increasing rural household income. By utilizing local potential, such as agricultural products and home industries, rural MSMEs act as economic drivers closely connected to community life. Nevertheless, the rapid industrial expansion in Nganjuk Regency presents distinct challenges for rural MSMEs. Increasingly intense business competition, higher product quality standards, and changing consumer preferences require MSMEs to adapt quickly. On the other hand, limitations in capital, technology, and managerial capacity often hinder rural MSMEs from competing with larger industries.

Therefore, conducting a business feasibility analysis is crucial for rural MSMEs. This analysis is not only used to determine whether a business remains viable but also to identify the opportunities and constraints faced by MSME actors. Through business feasibility analysis, it is hoped that rural MSMEs in Nganjuk Regency can formulate more appropriate strategies to survive and thrive amid the pressure of industrial growth.

RESEARCH METHODOLOGY

This study employed a qualitative approach using a case study method (Creswell, 2016). The research was conducted in several villages in Nganjuk Regency that have active MSME activities.

1. Data Collection Techniques

Data were collected through:

- a) In-depth interviews with rural MSME actors.
- b) Direct observation of business activities.
- c) Documentation in the form of business profile data and policies related to MSMEs.

2. Data Analysis Techniques

The data were analyzed descriptively through the stages of data reduction, data display, and conclusion drawing. The business feasibility analysis focused on market aspects, technical operations, business management, and financial conditions qualitatively.

RESULT AND DISCUSSIONS

This field research was conducted on rural MSMEs located in Wilangan Village, Wilangan District, Nganjuk Regency, which is situated within close proximity to an industrial growth area. The location was selected based on the consideration of direct interaction between industrial activities and village-based businesses. The research informants consisted of several MSME actors engaged in home-based processed food production, retail trade, and simple handicrafts. All informants were business owners who were directly involved in the production process and business decision-making.

The findings indicate that rural MSMEs in Nganjuk Regency still possess considerable market potential, particularly for products based on local needs (Hidayat, 2022). This is reflected in the relatively stable community demand for MSME products that are closely related to daily necessities and rooted in local wisdom. However, from a technical perspective, most MSMEs continue to use simple production equipment, resulting in limited productivity and production capacity. In addition, the managerial aspect shows that business management practices remain traditional, inadequately documented, and lacking systematic business planning, which makes it difficult for MSME actors to pursue sustainable business development.

The pressure of industrial growth is experienced by MSME actors in the form of price competition and increasing demands for higher product quality (Kusuma & Fahamsyah, 2023). This condition requires MSMEs to be more adaptive to market changes and consumer behavior. Nevertheless, MSMEs that are able to capitalize on the uniqueness of local products, maintain quality, and build close relationships with consumers still have opportunities to survive amid industrial competition. Therefore, in general, rural MSMEs in Nganjuk Regency are considered feasible to operate; however, they require improvements in human resource capacity, better business management practices, and external support from the government and related stakeholders in order to compete and grow sustainably.

To further strengthen the discussion, it is important to emphasize that business feasibility should not only be viewed from short-term profitability but also from long-term sustainability. Rural MSMEs in Nganjuk Regency need to gradually adopt simple technological innovations, improve product packaging, and utilize digital marketing platforms to expand their market reach beyond the local area. Strengthening financial literacy and bookkeeping practices is also essential to ensure better financial control and access to external financing sources.

In addition, collaboration between MSME actors, local governments, and industrial stakeholders can create mutually beneficial partnerships. For example, rural MSMEs may position themselves as suppliers of supporting products or services for larger industries, thereby integrating into broader economic value chains. Capacity-building programs, training, and mentoring initiatives are crucial to enhance managerial skills and entrepreneurial competence among MSME actors.

Furthermore, policy support in the form of access to capital, facilitation of business licensing, and provision of production infrastructure can significantly contribute to improving the competitiveness of rural MSMEs. With strategic adaptation, innovation, and institutional support, rural MSMEs in Nganjuk Regency have strong potential not only to withstand industrial growth pressures but also to transform such pressures into opportunities for sustainable economic development.

Moreover, strengthening institutional capacity at the village level can play a strategic role in supporting the sustainability of rural MSMEs. Village governments and local community institutions may facilitate the formation of MSME associations or cooperatives to enhance collective bargaining power, improve access to raw materials, and expand marketing networks. Through collective action, rural MSMEs can reduce production costs, share knowledge, and respond more effectively to market changes.

Digital transformation also represents a significant opportunity for rural MSMEs. The utilization of e-commerce platforms, social media marketing, and digital payment systems can help MSMEs reach broader consumer segments and improve transaction efficiency. Although technological adaptation may require initial training and investment, in the long term it can increase competitiveness and resilience amid industrial expansion.

In addition, fostering innovation in product development is essential. Rural MSMEs need to continuously improve product quality, diversify offerings, and adopt attractive and standardized packaging to meet evolving consumer expectations. Innovation does not always require large capital; it can begin with simple improvements in branding, labeling, and quality control processes.

Finally, sustainable development of rural MSMEs requires a holistic approach that integrates economic, social, and institutional aspects. By strengthening internal capacities and receiving consistent external support, rural MSMEs in Nganjuk Regency can position themselves not merely as passive actors affected by industrial growth, but as active contributors to inclusive and sustainable regional economic development.

Building upon these arguments, it is also necessary to underline that long-term sustainability must be grounded in strategic planning and measurable performance evaluation. Rural MSMEs in Nganjuk Regency should gradually develop simple business plans that outline production targets, marketing strategies, financial projections, and risk mitigation measures. Even a modest strategic roadmap can guide business actors in making consistent and informed decisions, particularly in responding to market fluctuations and industrial competition.

Risk management is another crucial dimension of sustainability. Rural MSMEs often face uncertainties such as fluctuating raw material prices, changing consumer preferences, and external economic shocks. Therefore, diversification strategies—both in product lines and market segments—

can reduce dependency on a single source of income. Establishing emergency funds and maintaining stable relationships with suppliers and distributors can further strengthen business resilience.

Moreover, strengthening human resource capacity remains fundamental. Entrepreneurial mindset development, leadership skills, and adaptability to change are essential attributes for MSME actors in the current industrial era. Continuous learning through workshops, peer discussions, and collaboration with academic institutions can foster innovation and strategic thinking. In this context, universities and training centers may act as knowledge partners, bridging theoretical insights with practical business applications.

Equally important is the integration of ethical and inclusive business principles. Sustainable rural MSMEs should ensure fair pricing, transparent transactions, and responsible production practices. By maintaining product quality and consumer trust, MSMEs can build long-term customer loyalty, which is often more valuable than short-term profit maximization. Ethical business conduct also strengthens reputation and community support, which are vital assets in rural economic environments.

Furthermore, monitoring and evaluation mechanisms should be introduced at both individual and institutional levels. Periodic assessment of sales growth, profit margins, customer satisfaction, and operational efficiency enables MSME actors to identify weaknesses and implement corrective actions. At the policy level, local governments can design performance-based assistance programs to ensure that support initiatives produce measurable and sustainable outcomes.

Ultimately, the sustainable development of rural MSMEs requires synergy among internal capacity enhancement, technological adaptation, institutional strengthening, and policy facilitation. Through consistent innovation, collaborative partnerships, and strategic governance, rural MSMEs in Nganjuk Regency can transform structural challenges into opportunities. Rather than being marginalized by industrial expansion, they can emerge as dynamic drivers of inclusive growth, contributing not only to regional economic stability but also to long-term community welfare and social resilience.

Building upon these arguments, it is also necessary to underline that long-term sustainability must be grounded in strategic planning and measurable performance evaluation. Rural MSMEs in Nganjuk Regency should gradually develop simple business plans that outline production targets, marketing strategies, financial projections, and risk mitigation measures. Even a modest strategic roadmap can guide business actors in making consistent and informed decisions, particularly in responding to market fluctuations and industrial competition.

Risk management is another crucial dimension of sustainability. Rural MSMEs often face uncertainties such as fluctuating raw material prices, changing consumer preferences, and external

economic shocks. Therefore, diversification strategies—both in product lines and market segments—can reduce dependency on a single source of income. Establishing emergency funds and maintaining stable relationships with suppliers and distributors can further strengthen business resilience.

Moreover, strengthening human resource capacity remains fundamental. Entrepreneurial mindset development, leadership skills, and adaptability to change are essential attributes for MSME actors in the current industrial era. Continuous learning through workshops, peer discussions, and collaboration with academic institutions can foster innovation and strategic thinking. In this context, universities and training centers may act as knowledge partners, bridging theoretical insights with practical business applications.

Equally important is the integration of ethical and inclusive business principles. Sustainable rural MSMEs should ensure fair pricing, transparent transactions, and responsible production practices. By maintaining product quality and consumer trust, MSMEs can build long-term customer loyalty, which is often more valuable than short-term profit maximization. Ethical business conduct also strengthens reputation and community support, which are vital assets in rural economic environments.

Furthermore, monitoring and evaluation mechanisms should be introduced at both individual and institutional levels. Periodic assessment of sales growth, profit margins, customer satisfaction, and operational efficiency enables MSME actors to identify weaknesses and implement corrective actions. At the policy level, local governments can design performance-based assistance programs to ensure that support initiatives produce measurable and sustainable outcomes.

Ultimately, the sustainable development of rural MSMEs requires synergy among internal capacity enhancement, technological adaptation, institutional strengthening, and policy facilitation. Through consistent innovation, collaborative partnerships, and strategic governance, rural MSMEs in Nganjuk Regency can transform structural challenges into opportunities. Rather than being marginalized by industrial expansion, they can emerge as dynamic drivers of inclusive growth, contributing not only to regional economic stability but also to long-term community welfare and social resilience.

CONCLUSION

Rural MSMEs in Nganjuk Regency are fundamentally still feasible to operate despite being under the pressure of industrial growth (Qomaruddin, 2024; Yolanda, 2024). This business feasibility is supported by the strong local market potential and the role of MSMEs as the primary drivers of the rural economy. The editorial view suggests that the sustainability of rural MSMEs is determined not

only by the magnitude of industrial pressure but also by the ability of business actors to adapt to changes in the business environment.

However, various challenges remain, particularly in terms of business management that has not yet been professionally organized, limited utilization of technology, and relatively low product competitiveness compared to large-scale industries. Therefore, efforts are required to strengthen the capacity of MSME actors through mentoring, training, and supportive policy measures so that business feasibility can be maintained and further improved.

It is recommended that continuous assistance be provided to MSME actors, along with improved access to capital and training in management and marketing. Local governments are expected to formulate policies that favor the strengthening of rural MSMEs so that they can compete sustainably.

REFERENCE

- Aliyah, A. H. (2022). Peran Usaha Mikro, Kecil, dan Menengah (UMKM) untuk meningkatkan kesejahteraan masyarakat. *Welfare: Jurnal Ilmu Ekonomi*, 3(1), 64–72.
- Al Farisi, S., Iqbal Fasa, M., & Suharto. (2022). Peran UMKM dalam meningkatkan kesejahteraan masyarakat. *Jurnal Dinamika Ekonomi Syariah*, 9(1), 73–84.
- Creswell, J. W. (2016). *Research design: Pendekatan metode kualitatif, kuantitatif, dan campuran*. Pustaka Pelajar.
- Hidayat, R. (2022). Peran UMKM dalam pengembangan ekonomi lokal di Indonesia. *Jurnal Ekonomi dan Bisnis*, 25(2), 123–135.
- Kusuma, M., & Fahamsyah, M. H. (2023). Strategi pemasaran digital dalam pengembangan usaha UMKM. *Jurnal Investasi*, 9(4), 237–248.
- Munthe, A., Yarham, M., & Siregar, R. (2023). Peranan UMKM terhadap perekonomian Indonesia. *Jurnal Ekonomi Bisnis, Manajemen dan Akuntansi*, 2(3), 593–614.
- Qomaruddin. (2024). Peran UMKM dalam pertumbuhan ekonomi daerah. *Jurnal Manajemen dan Bisnis*, 2(3), 170–186.
- Riyoko, S., & Lofian, B. (2021). Model pengembangan strategi pemasaran berbasis teknologi informasi dalam meningkatkan daya saing UMKM. *E-Mabis: Jurnal Ekonomi Manajemen dan Bisnis*, 21(2), 113–120.
- Subagyo. (2020). Analisis kelayakan usaha kecil dan menengah. *Jurnal Pemberdayaan Masyarakat Indonesia*, 2(2), 188–219.
- Yolanda, C. (2024). Peran usaha mikro, kecil, dan menengah (UMKM) dalam pengembangan ekonomi Indonesia. *Jurnal Manajemen dan Bisnis*, 2(3), 170–186.