



Business Feasibility Analysis of Home-Based MSMEs Amid Industrial Expansion in Nganjuk Regency

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ABSTRACT:

Industrial expansion in Nganjuk Regency has brought changes to the regional economic structure and influenced the sustainability of home-based MSMEs. This study aims to analyze the business feasibility of home-based MSMEs and examine the impact of industrial expansion on business sustainability. The research employs a descriptive qualitative approach using a case study method. Data were collected through interviews, observations, and documentation.

The results indicate that home-based MSMEs in Nganjuk Regency are generally still feasible to operate, particularly from market and operational aspects, as reflected in the presence of regular customers, production flexibility, and relatively low operational costs. However, weaknesses are still found in managerial and financial aspects, especially in financial record-keeping that has not yet been well structured. Industrial expansion provides market opportunities while also increasing competition; therefore, strengthening managerial capacity and policy support are necessary to maintain the sustainability of MSMEs.

INTRODUCTION

The development of large-scale industries has contributed to changes in the structure of the national economy. Industries possess advantages in terms of capital, technology, and operational standards that enable production and distribution processes to run faster, more efficiently, and in a well-organized manner. This condition differs from home-based MSMEs, which generally still face various limitations, including limited business capital, production capacity, management capability, and product standardization. These differences in scale and capability often place MSMEs in a less competitive position amid increasingly massive industrial expansion.

Despite these challenges, home-based MSMEs continue to play an important role in supporting the community's economy, particularly at the local level. The existence of MSMEs functions not only as a source of household income but also as an instrument of economic empowerment capable of absorbing labor and reducing dependence on the formal sector. Therefore, a comprehensive business feasibility analysis is needed to assess the ability of home-based MSMEs to survive and develop amid industrial dominance and to ensure the sustainability of their businesses in the long term (Meliyana, 2024).

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the structure of the Indonesian economy. MSMEs serve as one of the main drivers of community economic activities because they are capable of absorbing a large number of workers and contributing to income distribution. Their existence functions not only as a support for household economies but also as a means of community empowerment that encourages economic independence across various social groups. However, along with increasingly rapid economic dynamics and industrial development, MSMEs face several challenges, such as limited capital, low production capacity, minimal utilization of technology, and weak access to broader markets. Competition with large-scale industries also requires MSMEs to improve their competitiveness in order to survive and grow sustainably. This condition makes the strengthening of MSMEs an important agenda in national economic development (Munthe, 2023).

MSMEs possess several advantages that serve as their main strengths in supporting the community's economy, including high business flexibility, close proximity to local market needs, and the ability to adapt to dynamic economic changes. These characteristics enable MSMEs to adjust product types, production scales, and marketing strategies according to consumer demand and changing market conditions. In addition, the close relationship between MSMEs and local communities makes these businesses more responsive to the preferences and needs of local consumers. In order for this potential to develop optimally, MSME development needs to be supported by appropriate and sustainable policies from the government and other relevant stakeholders. Such support includes easier access to capital, business assistance programs, and stronger regulations that favor MSMEs. Furthermore, improving the quality of human resources is also an important factor, particularly in aspects of business management, product innovation, technological utilization, and digital marketing. Without competent human resources, MSMEs will find it difficult to improve their competitiveness amid increasingly intense competition (Munthe, 2023).

Economic development in Indonesia demonstrates increasingly complex dynamics along with the growth of industrial and trade activities. The growth of the industrial sector is one of the indicators of national economic progress; however, it also brings structural changes that affect community business patterns. This condition requires economic actors to be able to adapt in order to survive and grow in an increasingly competitive business environment.

Nganjuk Regency is one of the regions that is currently experiencing gradual industrial expansion. The entry of large-scale industries into this region provides positive impacts in the form of increased investment and employment opportunities. However, such expansion also creates new

challenges for local business actors, particularly home-based Micro, Small, and Medium Enterprises (MSMEs), which often face limitations in terms of capital, technology, and business management. Amid increasingly massive industrial expansion, home-based MSMEs face unequal competition. Large industries have advantages in terms of production efficiency, product standardization, distribution networks, and broader market access. This condition has the potential to suppress the existence of MSMEs if it is not balanced with appropriate and sustainable development strategies. Nevertheless, home-based MSMEs also possess their own advantages, such as business flexibility, the ability to adapt to local market needs, and close relationships with consumers. These characteristics enable MSMEs to adjust their products and services according to the demands of surrounding communities. Therefore, MSMEs still have opportunities to grow if they are able to manage their businesses effectively and efficiently (Yolanda, 2024).

One of the efforts to maintain the sustainability of home-based MSMEs is through business feasibility analysis. Business feasibility analysis functions to assess whether a business is viable to operate and develop by considering various aspects such as market potential, production techniques, management, financial conditions, and business risks. Through proper analysis, MSME actors can make more rational and well-planned business decisions (Siburian, 2024). Business feasibility analysis also becomes an important tool for MSMEs in responding to changes in the economic environment resulting from industrial expansion. Through this analysis, business actors can identify emerging opportunities and threats and formulate appropriate strategies to improve competitiveness. In addition, the results of feasibility analysis can serve as a basis for accessing capital or support from external parties.

In the context of Nganjuk Regency, studies on the business feasibility of home-based MSMEs have become increasingly relevant considering the regional economic conditions that are currently undergoing transformation. This study is expected to provide a clear picture of the condition of home-based MSMEs, the challenges they face, and their potential for development amid ongoing industrial expansion. Therefore, research entitled “Business Feasibility Analysis of Home-Based MSMEs Amid Industrial Expansion in Nganjuk Regency” is important to conduct. The results of this study are expected to serve as a reference for MSME actors, local governments, and related stakeholders in formulating sustainable MSME development strategies in order to encourage regional economic growth and improve community welfare.

RESEARCH METHODOLOGY

Research Type and Approach

This study employs a qualitative research design with a descriptive qualitative approach. This approach was selected because the research aims to gain an in-depth understanding of the real conditions of home-based MSMEs in Nganjuk Regency, particularly regarding business feasibility amid industrial expansion. Through this approach, the researcher seeks to describe the phenomena, business characteristics, challenges faced, and the development potential of MSMEs based on facts and the direct experiences of business actors without any manipulation (Yudawisastra, 2023). This study also applies a case study approach, focusing on home-based MSMEs as the unit of analysis. The case study approach allows the researcher to explore business feasibility aspects in depth, including market, technical, managerial, financial, and business sustainability aspects within the local context of Nganjuk Regency.

Data and Data Sources

The type of data used in this study is qualitative data in the form of descriptive information obtained from the field. The data include business conditions, production processes, marketing systems, financial management, and the perceptions of MSME actors regarding the impact of industrial expansion (Gustaman, 2024).

The data sources in this study consist of:

1. Primary Data, which are obtained directly from:
 - a. Home-based MSME actors in Nganjuk Regency
 - b. Related parties, such as village officials, MSME facilitators, or local government institutions responsible for the MSME sector
2. Secondary Data, which are supporting data obtained from:
 - a. Books, scientific journals, and previous research findings relevant to the research topic

Data Collection Procedures

Data collection in this study was carried out using several techniques to obtain comprehensive and in-depth information. The first technique is **in-depth interviews**, conducted in a semi-structured manner with home-based MSME actors. These interviews aim to explore information regarding business conditions, challenges faced, management strategies implemented, and the perspectives of MSME actors regarding the feasibility of their businesses amid industrial expansion. In addition, this study also uses **observation techniques** by directly observing MSME business activities, including the production process, the use of equipment, the condition of the business

premises, and interactions with consumers. Through observation, the researcher can obtain a real picture of the business practices carried out by MSMEs.

Another data collection technique used is **documentation**, which serves to complement the research data through the collection of business records, photographs of production activities, simple financial reports, and other relevant documents to support the results of interviews and observations (Amirullah, 2022).

Data Analysis

Data analysis in this study was conducted qualitatively using the interactive analysis model. The first stage is data reduction, which involves the process of selecting, simplifying, and categorizing the data obtained from interviews, observations, and documentation according to the research focus, particularly those related to the business feasibility aspects of home-based MSMEs. The next stage is data presentation, which involves organizing the reduced data into descriptive narratives, simple tables, or matrices so that the information can be easily understood and analyzed systematically (Amirullah, 2022).

The final stage is drawing conclusions, which is the process of interpreting the data to produce research findings regarding the business feasibility of home-based MSMEs amid industrial expansion in Nganjuk Regency. This process is carried out continuously from the beginning of data collection until the completion of the research.

Data Validity Checking

Data validity checking in this study was conducted to ensure the validity and credibility of the research findings. The techniques used include source triangulation by comparing data obtained from various informants, such as home-based MSME actors and related stakeholders, in order to obtain more accurate and objective information.

In addition, technique triangulation was also conducted by comparing the results of interviews, observations, and documentation to ensure data consistency. The researcher also conducted prolonged engagement in the field to gain a deeper understanding of the conditions and activities of MSMEs.

Furthermore, member checking was carried out by reconfirming the research findings or data interpretations with the informants, ensuring that the data produced truly reflect the actual conditions and realities in the field.

RESULT AND DISCUSSIONS

Overview of Home-Based MSMEs in Nganjuk Regency

Home-based Micro, Small, and Medium Enterprises (MSMEs) in Nganjuk Regency are generally operated by families who utilize their homes as both production sites and business locations. The types of businesses that develop include home-based food and beverage businesses, handicrafts, small-scale services, and micro-scale trading activities. The business capital used is relatively small and mostly comes from personal funds, while the workforce is predominantly composed of family members.

Based on the results of interviews, most MSME actors started their businesses as an effort to meet family economic needs and as an alternative source of income amid limited formal employment opportunities. One informant stated:

“I run this business from home because the capital is limited. At first it was only to increase income, but over time it became the main source of family income.”

The existence of these home-based MSMEs demonstrates their important role in supporting the local community's economy. However, business actors also acknowledge that industrial development in Nganjuk Regency has brought significant changes to competition patterns and market demand. The types of home-based MSMEs that develop in Nganjuk Regency are quite diverse, ranging from home-based food and beverage businesses, traditional cake and snack production, handicraft businesses, small-scale laundry services, to retail trading. This diversity reflects the creativity of local communities in utilizing the economic opportunities available around them.

The initial capital used to run home-based MSMEs is generally relatively small and mostly derived from personal funds or family savings. This limitation of capital is one of the main characteristics of home-based MSMEs, which affects the scale of production and the ability of business actors to expand their businesses.

Most home-based MSMEs rely on family members, such as spouses or children, as workers, allowing them to reduce labor costs. This pattern also reflects the characteristics of family businesses that emphasize cooperation and mutual support in carrying out economic activities.

Interview results indicate that the main motivation for MSME actors in establishing home-based businesses is to increase family income and meet daily economic needs. One informant stated:

“At first this business was only to help the family economy because my husband's income was not enough to cover household needs.”

For some MSME actors, home-based businesses have also developed into the primary source of income, especially for families who do not have permanent jobs or who have been affected by layoffs due to changing economic conditions.

Home-based MSMEs in Nganjuk Regency are generally still managed in a simple and traditional manner. Business actors handle production, marketing, and financial management independently without clear task division, resulting in business management that has not yet become professional.

Home-based MSMEs still rely largely on conventional marketing methods, such as direct sales to nearby consumers, traditional markets, or consignment systems. However, some MSME actors have begun to utilize social media as a promotional medium, although its use is still limited and relatively simple.

Business Feasibility Analysis of Home-Based MSMEs

The research findings show that, in general, home-based MSMEs in Nganjuk Regency still demonstrate a fairly good level of business feasibility, even amid increasingly rapid industrial expansion. This feasibility is mainly reflected in the ability of MSMEs to maintain their business existence and consistently meet local market needs. The close relationship between these businesses and consumers allows home-based MSMEs to retain their position within the community.

Products produced by home-based MSMEs tend to have regular customers from the surrounding environment, such as neighbors, traditional markets, and loyal consumers. Demand for these products is relatively stable because most of them are daily necessities, such as food and beverages. This condition indicates that MSMEs still have promising market opportunities despite their limited business scale. Production flexibility is one of the main advantages of home-based MSMEs. Business actors can easily adjust production quantities according to market demand without incurring large production costs. This flexibility allows MSMEs to adapt more easily to economic changes and fluctuations in consumer demand.

Home-based MSMEs generally utilize simple equipment and production spaces that are integrated with their residences. Although limited equipment can hinder efforts to increase production capacity, this condition allows business actors to reduce operational costs so that the business can continue to operate efficiently. In terms of business management, most MSMEs are still managed traditionally. Business actors perform multiple functions simultaneously, including production, marketing, and financial management, without clear task division. This condition may reduce the effectiveness of business management, particularly when the scale of the business begins to grow.

The financial aspect is one of the main weaknesses in the business feasibility of home-based MSMEs. Research findings indicate that most business actors have not implemented structured

financial recording systems and still mix business finances with household finances. One informant stated:

“Financial matters are still mixed with household money. There is no special bookkeeping yet, so sometimes we do not know exactly how much profit we make.” (MSME Informant B)

This condition makes it difficult for MSME actors to track business cash flow, calculate profits accurately, and plan future business development. Without proper financial records, MSMEs also face difficulties in accessing capital from formal financial institutions.

Nevertheless, home-based MSMEs are considered quite feasible to sustain. Relatively low operational costs, the use of family labor, and the ability to adjust business scale are factors that support business sustainability in the long term. However, MSMEs still require improvements in managerial capacity and more mature business planning. Without such strengthening efforts, MSMEs may experience a decline in competitiveness as industrial expansion in Nganjuk Regency continues to grow. Overall, the results of the business feasibility analysis show that home-based MSMEs in Nganjuk Regency are generally feasible to operate and develop. However, they still require continuous assistance and support. Improving managerial skills, maintaining proper financial records, and strengthening marketing strategies are essential aspects to enhance the feasibility and competitiveness of MSMEs in the future.

The Impact of Industrial Expansion on the Sustainability of Home-Based MSMEs

Industrial expansion in Nganjuk Regency has a dual impact on home-based MSMEs. On the one hand, the presence of industries creates new market opportunities, particularly through increasing population and economic activity. On the other hand, MSMEs face increasingly intense competition in terms of price, product quality, and distribution.

Several MSME actors expressed concerns regarding their ability to compete with industrial products that are more standardized. One informant stated:

“Factory products can be cheaper and have more attractive packaging, so we have to be more creative to keep consumers interested.” (MSME Informant C)

The research findings indicate that the sustainability of home-based MSMEs is strongly influenced by the ability of business actors to adapt to changes in the economic environment. Support from the local government in the form of training programs, business assistance, and access to capital becomes an important factor in improving MSME competitiveness. With appropriate development strategies, home-based MSMEs still have the opportunity to survive and grow amid the ongoing industrial expansion.

CONCLUSION

Based on the results of the research and discussion, it can be concluded that home-based Micro, Small, and Medium Enterprises (MSMEs) in Nganjuk Regency play a very important role in supporting the local community's economy. These MSMEs are generally operated by families who utilize their homes as both production sites and business locations, using relatively small capital and relying on family labor. The diversity of business types that have developed reflects the creativity of the community in utilizing economic opportunities amid limited formal employment opportunities.

The findings also indicate that home-based MSMEs in Nganjuk Regency generally still demonstrate a fairly good level of business feasibility. This feasibility is reflected in the presence of a relatively stable market, flexibility in the production process, and relatively low operational costs. The products produced are generally daily necessities, which allows these businesses to maintain regular customers and sustain their operations despite the increasingly rapid industrial expansion.

However, this study also identifies several weaknesses that may hinder the development of MSMEs, particularly in managerial and financial aspects. Most MSMEs are still managed traditionally, lack clear task division, and have not yet implemented structured financial record-keeping systems. These conditions make it difficult for business actors to manage cash flow, calculate profits accurately, and plan long-term business development.

Industrial expansion in Nganjuk Regency has a dual impact on the sustainability of home-based MSMEs. On the one hand, industrial expansion creates new market opportunities and increases regional economic activity. On the other hand, MSMEs face increasingly intense competition from industrial products that are more standardized in terms of price, quality, and packaging. Therefore, the ability of MSME actors to adapt becomes a key factor in maintaining business sustainability.

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