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Enhancing MSME Business Feasibility through Partnerships with Manufacturing Industries in Nganjuk Regency

Nur Khasanatun Nadiya[1]

Universitas Pangeran Diponegoro Nganjuk [1]
E-mail: nurkhasanatunnadiya@gmail.com

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ABSTRACT:

The transformation of Nganjuk Regency into an industrial area has created new dynamics for local MSMEs through partnerships with factories. However, the success of these partnerships depends heavily on operational alignment and commitment between the parties. Objective: This study aims to explore and analyze the feasibility of partnership-based MSME businesses in Nganjuk Regency through a qualitative perspective, focusing on non-financial aspects such as market, management, technical, and socio-cultural aspects. Method: This study used a descriptive qualitative design with a case study approach. Primary data were obtained through in-depth interviews with MSME owners and factory management, as well as participant observation in the field. Data analysis was carried out through data reduction, data presentation, and conclusion drawing. Results: The analysis shows that the partnership is market-feasible due to the guaranteed absorption of products by the factory. However, from a technical aspect, MSMEs still require assistance to achieve industry quality standards. Trust and transparency are key factors in the management of this partnership. Conclusion: Qualitatively, partnership-based MSME businesses in Nganjuk have high feasibility for long-term sustainability because they are able to create a mutually beneficial economic ecosystem, although strengthening production standards and more formal partnership regulations is needed.

INTRODUCTION

Nganjuk Regency is currently undergoing a significant transformation in its economic structure. Traditionally recognized as an agrarian region renowned for its shallot production, Nganjuk has increasingly emerged as a destination for manufacturing investment in East Java. The establishment of new industrial zones in districts such as Rejoso, Gondang, and Lengkong has generated substantial multiplier effects on the local economy, particularly for the Micro, Small, and Medium Enterprise (MSME) sector.

The expansion of large-scale manufacturing industries has created new opportunities for collaborative partnerships. MSMEs are no longer confined to operating independently within local retail markets but have the potential to become integral components of industrial supply chains by providing raw materials, supporting services, and processing industrial by-products. The presence of manufacturing firms therefore represents not only industrial expansion but also the creation of strategic and inclusive partnership opportunities.

Through these partnerships, MSMEs in Nganjuk Regency are experiencing a shift in their business orientation. Rather than relying solely on small-scale local markets, they now have opportunities to integrate into broader manufacturing supply chains. Their roles have evolved from independent producers to strategic partners capable of supplying standardized raw materials, delivering operational support services, and processing value-added by-products. Such integration is expected to facilitate technology transfer, managerial learning, and capacity enhancement, ultimately improving the competitiveness of local MSMEs at both national and regional levels.

From a theoretical perspective, partnership-based collaboration has been widely recognized as an effective strategy for addressing the structural constraints commonly faced by MSMEs, particularly market uncertainty and limited access to business information. Through long-term partnerships, MSMEs benefit from more stable market demand by securing reliable off-takers, thereby reducing the risks associated with market volatility and improving business sustainability. Furthermore, partnerships function as channels for knowledge transfer, enabling MSMEs to acquire critical information regarding technical specifications, quality standards, production requirements, and evolving industrial demands. Consequently, partnerships provide not only economic security but also opportunities for organizational learning and managerial capacity development, allowing MSMEs to compete more effectively in increasingly dynamic markets.

Despite these potential benefits, establishing sustainable partnerships between MSMEs and manufacturing industries remains a considerable challenge. One of the primary obstacles is the substantial gap between industrial requirements and the existing capabilities of many MSMEs. Manufacturing firms typically require high levels of professionalism, including consistent product quality, timely delivery in accordance with just-in-time production systems, compliance with legal and quality certification standards, and well-established management practices. In contrast, many MSMEs in Nganjuk Regency continue to operate under traditional family-based management systems characterized by limited production standardization, informal administrative procedures, and inadequate managerial capacity.

If these disparities are not addressed through comprehensive business feasibility assessments and continuous capacity-building programs, partnership initiatives may fail, thereby threatening the long-term sustainability of MSMEs. In this context, business feasibility analysis becomes a crucial instrument for evaluating the readiness of MSMEs to participate in more demanding industrial ecosystems. Rather than focusing solely on financial performance, business feasibility should also encompass market readiness, technical capability, managerial competence, organizational capacity, and institutional preparedness.

Accordingly, this study focuses on the qualitative dimensions of MSME business feasibility to examine the extent to which partnership-based business models with manufacturing industries can enhance business sustainability and create long-term value for MSMEs in Nganjuk Regency. The findings are expected to contribute to the development of partnership-based MSME development strategies while providing practical recommendations for policymakers, manufacturing firms, and MSME entrepreneurs seeking to strengthen inclusive industrial ecosystems and promote sustainable regional economic development.

The Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in Indonesia's economic structure. According to the Ministry of Cooperatives and SMEs, MSMEs contribute approximately 61.07% of the national Gross Domestic Product (GDP) and account for more than 97% of total employment. This substantial contribution demonstrates that MSMEs serve not only as key drivers of economic growth but also as important instruments for income distribution, poverty alleviation, and community welfare improvement. Amid the accelerating pace of industrialization, however, MSMEs face increasingly complex challenges, particularly in regions undergoing rapid industrial development. The transformation of regional economic structures resulting from the expansion of large-scale industries has intensified market competition, altered consumer behavior, reshaped supply chains, and increased demands for higher product quality and operational efficiency. Consequently, MSMEs are required to strengthen their business feasibility in order to sustain their operations within an increasingly dynamic business environment.

Nganjuk Regency, located in East Java Province, is one of the regions that has experienced significant industrial development in recent years. The expansion of manufacturing industries, agro-industrial activities, processing industries, and investment across various sectors has substantially transformed the regional economic landscape. On the one hand, industrial development has created new market opportunities, expanded distribution networks, and stimulated local economic activities. On the other hand, it has also intensified business competition, shifted consumer preferences, increased production costs, and encouraged labor migration from the MSME sector to large-scale industries. These circumstances require MSMEs not only to survive but also to strengthen their competitiveness through product innovation, operational efficiency, and enhanced managerial capabilities.

Business feasibility represents a fundamental indicator for assessing the ability of a business to survive and achieve sustainable growth. A business feasibility assessment extends beyond financial profitability and encompasses multiple dimensions, including market potential, technical feasibility, managerial capability, financial performance, legal compliance, and socioeconomic considerations that collectively determine business success. For MSMEs, business feasibility analysis serves as a strategic tool for identifying business opportunities, anticipating potential risks, and formulating appropriate development strategies in response to changes in the business environment. Within the context of emerging industrial regions, such analysis becomes increasingly important, as MSMEs must continuously adjust their business strategies to rapidly evolving external conditions.

Previous studies have examined MSME development and sustainability from various perspectives. Tambunan (2020) emphasized that MSME competitiveness is largely determined by innovation capability, technological adoption, and access to financial resources. Wibowo and Arifin (2021) found that industrial cluster development and partnerships with large enterprises significantly enhance MSME productivity and market access. Similarly, Susanto et al. (2022) concluded that digital transformation through the utilization of social media, e-commerce, and information technology has become a critical determinant of MSME adaptation in the Industry 4.0 era. Furthermore, the OECD (2021) highlighted managerial capability, innovation, and the quality of the business ecosystem as essential factors in strengthening MSME resilience amid global economic changes. Nevertheless, existing studies generally investigate these factors independently, focusing on specific aspects such as digitalization, marketing, access to finance, or product innovation, without integrating the multidimensional aspects of business feasibility into a comprehensive analytical framework, particularly within regions undergoing industrial transformation.

Based on the existing literature, a significant research gap remains regarding how MSME business feasibility can be comprehensively understood as a survival strategy in emerging industrial regions. Most previous studies have not integrated market, technical, managerial, financial, and socioeconomic dimensions to explain MSMEs' adaptive capacity in response to structural economic changes resulting from industrialization. Moreover, empirical studies focusing on MSMEs in Nganjuk Regency remain limited, despite the region's rapid industrial expansion, which creates distinctive socioeconomic characteristics compared with other regions in Indonesia.

This study offers scientific novelty by developing a multidimensional analysis of MSME business feasibility within the context of an emerging industrial region in Nganjuk Regency. Unlike previous research, this study evaluates business feasibility not only from economic and financial perspectives but also by integrating market, technical, managerial, financial, and socioeconomic dimensions into a unified analytical framework that explains business sustainability. In addition, the study explores the adaptive strategies employed by MSME entrepreneurs in responding to structural economic changes resulting from industrialization and identifies the critical factors that determine their ability to survive and grow amid increasing competition with large-scale industries. Accordingly, this study is expected to contribute theoretically to the advancement of business feasibility research while providing practical implications for local governments, MSME entrepreneurs, and other stakeholders in formulating more effective strategies for MSME development within industrial regions.

Based on these considerations, this study addresses the following research question: How can the business feasibility of MSMEs, viewed from market, technical, managerial, financial, and socioeconomic perspectives, serve as a survival strategy in the emerging industrial region of Nganjuk Regency? Furthermore, the study examines the challenges encountered by MSME entrepreneurs, the adaptive strategies they employ, and the factors influencing business sustainability in the face of increasing competition from large-scale industries. Therefore, the objectives of this research are to analyze the multidimensional business feasibility of MSMEs as a survival strategy in Nganjuk Regency's emerging industrial region, identify the factors influencing business sustainability, and formulate strategic recommendations for MSME entrepreneurs and policymakers to foster a more competitive and sustainable business ecosystem.

RESEARCH METHODOLOGY

This study employed a qualitative descriptive approach using a case study strategy to obtain an in-depth understanding of the business feasibility of Micro, Small, and Medium Enterprises (MSMEs) engaged in partnerships with manufacturing firms in Nganjuk Regency. A qualitative approach was selected because it enables an exploration of the experiences, perceptions, and strategic practices of MSME owners in establishing and sustaining industrial partnerships—phenomena that cannot be adequately captured through quantitative methods alone. Nganjuk Regency was chosen as the research setting due to its rapid industrial development, making it an appropriate context for examining partnership patterns between MSMEs and the manufacturing sector. The study utilized both primary and secondary data to provide a comprehensive understanding of the characteristics and dynamics of these partnership arrangements.

Data collection was conducted through document analysis and a comprehensive literature review. Document analysis involved the examination of various records related to partnership activities, including business reports, MSME profiles, government policy documents, statistical reports, industrial development records, and other relevant administrative documents. The literature review encompassed academic books, peer-reviewed journal articles, previous empirical studies, government regulations, and policy documents concerning MSME business feasibility, industrial partnerships, and regional economic development. Combining these data sources enabled a broader understanding of both the practical implementation and the theoretical foundations of MSME partnerships with manufacturing industries.

The collected data were analyzed using qualitative descriptive analysis following the interactive model of Miles, Huberman, and Saldaña, which consists of data condensation, data display, and conclusion drawing and verification. Throughout the analytical process, the researcher systematically identified recurring patterns, relationships, and themes related to business feasibility and partnership practices. To enhance the credibility and trustworthiness of the findings, information obtained from documentary sources was continuously compared with evidence from the literature through source triangulation. This analytical procedure provided a systematic and comprehensive explanation of how partnerships with manufacturing firms contribute to strengthening the business feasibility, competitiveness, and long-term sustainability of MSMEs in Nganjuk Regency.

RESULT AND DISCUSSIONS

Business Feasibility Analysis: Market and Marketing Aspects

The findings indicate that, from a market perspective, partnerships between MSMEs and manufacturing firms in Nganjuk Regency demonstrate a high level of business feasibility. Manufacturing companies function as reliable off-takers, substantially reducing the market uncertainty traditionally experienced by MSMEs. Within this partnership model, market feasibility is reflected in long-term contractual agreements that provide stable demand and predictable sales volumes. Such stability not only enhances the financial security of MSME entrepreneurs but also enables more effective production planning based on the projected requirements of industrial partners.

However, the findings also reveal that dependence on a single large manufacturing partner may weaken the bargaining position of MSMEs. Consequently, the long-term sustainability of these partnerships depends heavily on transparent and equitable pricing negotiations established during the pre-contract stage. Given the imbalance in bargaining power between large manufacturing firms and MSMEs, transparent pricing mechanisms are essential to prevent unequal business relationships that may disadvantage small enterprises. Negotiation processes should therefore encompass not only purchasing prices but also adjustments for fluctuations in raw material costs, logistics expenses, and changing market conditions. Accordingly, market feasibility should be evaluated not merely by the quantity of products absorbed by manufacturing firms but also by the extent to which partnerships generate sustainable profit margins and mutually beneficial business relationships.

Business Feasibility Analysis: Technical and Production Aspects

The technical assessment reveals the existence of a substantial quality gap between the production capabilities of MSMEs and the quality standards required by manufacturing industries. Industrial firms operating in Nganjuk Regency demand consistent product quality, standardized production processes, and reliable delivery schedules. In contrast, many MSMEs continue to encounter limitations related to raw material standardization, production technology, and the use of predominantly conventional or semi-manual equipment.

From a qualitative perspective, technical feasibility can therefore be classified as conditionally feasible, meaning that MSMEs are capable of meeting industrial requirements provided that they receive adequate technical assistance, technology transfer, and production guidance from their industrial partners. This finding supports partnership theory, which emphasizes that larger enterprises have a responsibility to provide continuous technical support and capacity-building programs for their MSME partners in order to improve supply chain efficiency.

Within the industrial ecosystem of Nganjuk Regency, manufacturing firms should function not only as buyers but also as development partners by facilitating technology transfer, production standardization, quality assurance, and workforce competency development. Such technical assistance is essential because the competitiveness of manufacturing firms ultimately depends on the quality and reliability of inputs supplied by MSMEs. Through structured technical mentoring, MSMEs can progressively improve production quality, increase operational efficiency, and achieve stronger integration within industrial supply chains.

Business Feasibility Analysis: Managerial and Organizational Aspects

Managerial capability represents the most critical challenge affecting the business feasibility of MSMEs. The majority of MSMEs in Nganjuk Regency continue to operate under family-based management systems characterized by informal organizational structures and limited administrative documentation. In contrast, manufacturing firms require high standards of managerial professionalism, including timely product delivery, accurate invoicing, transparent financial reporting, and systematic business administration.

The findings suggest that managerial feasibility can be significantly improved when MSMEs adopt more formal organizational structures and clearly separate personal interests from business operations. This transformation requires the implementation of segregation of duties, whereby financial management, operational responsibilities, and strategic decision-making are allocated according to managerial competence rather than family relationships.

Field observations further indicate that many MSMEs continue to combine household finances with business capital, limiting financial transparency and managerial effectiveness. The establishment of structured organizational systems, professional accounting practices, and standardized administrative procedures is therefore essential for aligning MSME operations with the managerial requirements of manufacturing partners. In this regard, the Department of Cooperatives and MSMEs of Nganjuk Regency plays a crucial role as a facilitator of managerial transformation by promoting entrepreneurship training, financial literacy, and modern business management practices.

Partnership Synergy and Socioeconomic Impacts in Nganjuk Regency

An important institutional mechanism supporting collaboration between manufacturing industries and MSMEs in Nganjuk Regency is the Nganjuk Chamber of Commerce and Industry (KADIN Nganjuk). As a strategic partner of the local government, KADIN serves as an intermediary institution that facilitates communication, cooperation, and business networking among stakeholders while fostering a healthy, competitive, and sustainable business environment. Through its coordination role, KADIN contributes to strengthening regional economic development and enhancing the competitiveness of local enterprises.

The findings demonstrate that industrial partnerships have generated significant socioeconomic benefits by fostering a more inclusive local business ecosystem. From this perspective, business feasibility extends beyond conventional measures of financial profitability to encompass broader socioeconomic contributions. Partnership-based business models have created employment opportunities for local communities, particularly in rural areas surrounding industrial zones, thereby reducing labor migration to larger urban centers.

Furthermore, the establishment of localized industrial value chains has stimulated the circulation of financial resources within the regional economy, increasing household incomes while strengthening local economic resilience. Rather than concentrating economic benefits within large manufacturing firms alone, partnership arrangements encourage the distribution of economic opportunities across MSMEs and surrounding communities. Consequently, these collaborative business models not only enhance the sustainability of MSMEs but also reinforce social cohesion, strengthen community participation in regional industrial development, and contribute to more inclusive and balanced economic growth in Nganjuk Regency.

CONCLUSION

Based on the findings and discussion, this study concludes that the partnership-based business model between Micro, Small, and Medium Enterprises (MSMEs) and manufacturing firms in Nganjuk Regency demonstrates a high level of qualitative business feasibility. Nevertheless, several operational and managerial dimensions require further improvement to ensure long-term sustainability. Partnerships with manufacturing firms have proven effective in reducing market uncertainty by providing stable demand, long-term contractual relationships, and more predictable business operations. Furthermore, these partnerships enable MSMEs to integrate into industrial supply chains, thereby enhancing business stability, market competitiveness, and resilience amid the rapid expansion of industrial development.

Despite these positive outcomes, the success of such partnerships largely depends on strengthening the internal capacities of MSMEs. In particular, improvements in product quality standards, professional business management, financial governance, and organizational capability are essential for meeting the requirements of manufacturing industries. Technology transfer, technical assistance, managerial mentoring, and continuous capacity-building programs provided by industrial partners play a crucial role in enhancing MSMEs' ability to satisfy industrial market demands while improving their operational performance and competitiveness.

Beyond their economic benefits for individual enterprises, partnership-based business models also generate broader socioeconomic impacts by creating employment opportunities, increasing household incomes, and strengthening the local economic structure. The integration of MSMEs into manufacturing value chains promotes more inclusive regional development by encouraging the circulation of economic benefits within local communities and fostering stronger linkages between large industries and small enterprises. Therefore, partnerships between MSMEs and manufacturing firms should be regarded not only as a mechanism for improving business feasibility but also as an effective strategy for promoting inclusive, resilient, and sustainable economic development in Nganjuk Regency. The findings of this study provide valuable implications for policymakers, manufacturing industries, and MSME practitioners in designing collaborative partnership programs that strengthen industrial competitiveness while ensuring the long-term sustainability of local enterprises.

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