

Conference Paper

How Will an Economic Downturn Impact the SME Industrial Cluster in Malang?

Emma Yunika Puspasari, Ni'matul Istiqomah, Nur Anita Yunikawati, and Magisty Purboyo Priambodo

Department of Economic Development, Faculty of Economic, Universitas Negeri Malang

ORCID:

Emma Yunika Puspasari: <http://orcid.org/0000-0002-4565-9322>

Abstract

Malang is one of the cities that supports the creation of a competitive creative economy. There are a number of industrial clusters spread throughout the Malang area, one of which is the Sanitair cluster. Industry security in Malang was very high before the COVID-19 pandemic. The COVID-19 pandemic has caused a decline in the economy and in activity in the creative economy sector in Malang, including in the Sanitair industry cluster. The economic shock caused by the COVID-19 pandemic gradually subsided as the stability of the domestic financial market and economic sectors stretched. However, the supply and demand sides of the industry were both hit, so recovery efforts still need more time. The spread of the virus also has not shown signs of ending along with the increasing trend of cases and confirmed deaths. The demand for various social and economic activities is getting stronger, marked by loosening of physical distancing in many areas. On the other hand, the existing public health infrastructure is still inadequate. So, there is a high risk to moving back the various wheels of social and economic activity in the Sanitair industry cluster in Malang. COVID-19 affected the supply chain of the SME industry, including the absorption of products, the availability of raw materials, suppliers and the distribution process of the Sanitair industry.

Keywords: Economic downturn, Industrial cluster, supply chain

Corresponding Author:
Emma Yunika Puspasari
Emma.yunika.fe@um.ac.id

Published: 14 July 2021

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Selection and Peer-review under
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Conference Committee.

1. Introduction

The COVID-19 pandemic has caused a decline in the economy and activity in the SME sector in Malang. Warwick McKibbin and Rosen Fernando (2020) research shows that the COVID-19 outbreak can have a significant impact on the global economy in the short term. The economic shock caused by the COVID-19 pandemic has gradually subsided as the domestic money market stabilizes and several SMEs in East Java are stretching. However, given the harsh nature of both the supply and demand sides of the economy, recovery efforts will still require more time. At the same time, the spread of the virus

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has not shown any signs of ending as the trend of confirmed cases continues. Baldwin and Tomiura (2020) found a tendency that the COVID-19 epidemic At the beginning of the Wuhan city lockdown with various reported events, had a negative impact on news and business interactions for citizens and the city network of Wuhan, Hubei Province, China and also when the virus spread throughout mainland China.

On the one, the demand to restart various social and economic activities is getting stronger, marked by the relaxation of social restrictions in the Malang area. On the other hand, the existing public health infrastructure is still inadequate. So there is a high risk of moving the various wheels of social and economic activities back to normal. The manufacturing industry sector which is relatively more resilient (survive) against the negative effects of the crisis is an industry which generally uses domestic raw materials, is export-oriented, and does not have significant foreign debt (Sri Susilo, 2002). With these various limitations, the new normal is a must. New normal is also an opportunity to strengthen the economy, especially the resilience of the creative industry in the Malang region as long as it is accompanied by transparent prioritization and proper coordination and synchronization of regional policies.

Talking about the resilience of the creative industry in Malang, one of them is the sanitary craft industry which has a strategic position in the East Java industrial development policy, namely building a strong industrial structure, superior to competing in domestic and foreign markets, with local content intensive. The three main directions to achieve the development target of the handicraft industry are (a) stabilization and market expansion, with the aim of unfreezing the value of craft creative workers, making it easier to build into a solid foundation, (b) strengthening industrial structures, both upstream and production chains. and distribution, and (c) innovation of locally charged creation chains (Kritisha, 2020)

Before the pandemic had a huge impact on the sustainability of the sanitary industry, actually the national market's interest in sanitary products was quite large. The design aspect is one of the important things in the sanitary industry. Sanitary industrial consumers demand continuous changes in design aspects according to market needs. According to Masri (2010), design development is by means of "exploration strategy for visual elements and strategy for material exploration. So the strategy used to raise / increase the market price of a craft product is design, so design is very important for a creative industry, including sanitation.

Malang is one of the cities that supports the creation of a competitive creative economy. There are several industrial clusters that spread throughout Malang, one of which is the sanitary industry cluster. The activity of the sanitation industry in Malang

actually has resonance in the market, there is even a sanitary center in Karangbesuki which is very legendary as a sanitary center in Malang. In its development to create a competitive creative economy, the sustainability of this handicraft industry experiences several problems, namely: (1) the existence of digital media is a means of communication between the creative industry and customers (2) Cities where the creative industry influences potential consumers (3) Cities where the creative industry can be an attraction for consumers (4) The creative industry can communicate to potential consumers about the city they are in (5) The city where the creative industry has tourism potential.

Karangbesuki is one of the in the Malang. Karangbesuki is a rural located in the Sukun District, Malang City. This sub-district consists of nine RW (Rukun Warga) and 79 RT (Rukun Tetangga). Karangbesuki is a legendary industrial sanitary center, where craftsmen produce sanitary ware. The name Karangbesuki has been well-known as the center of sanitary industry in Malang for decades. The name Karangbesuki itself comes from the name of the temple, namely Besuki temple which based on historical records means prosperity or glory. In the Karangbesuki area, the inhabitants have made sanitaryware from generation to generation. Actually, it is not just Karangbesuki that has a sanitary industry, but there are other in Malang, such as Gasek and Karangwedoro. There are more sanitary craftsmen in Karangbesuki than in other, where there are hundreds of small sanitary business units that can accommodate around 3,000 workers and exist in producing various sanitary models.

The main problem faced by the craftsmen of Karangbesuki is weakness in developing sanitary designs, which causes the products produced to be non-varied and innovative, resulting in market saturation. Designs tend to follow old patterns that are hereditary. By imitating the old pattern, it causes the characteristic work of sanitation to be passive and invisible. This is due to the craftsmen's inability to develop existing forms. The independence of female craftsmen in developing their designs is not yet visible, so it is necessary to increase the creativity of the craftsmen to reveal ideas and ideas in developing designs. Basically, the various problems faced by these sanitary SMEs tend to recur from year to year and from period to period. This recurring problem shows the weakness of its management (Puspasari et.all, 2019)

This paper examines the impact of the COVID-19 pandemic on the economic slow-down in the SMEs sector in Karangbesuki and looks at the efforts of stakeholders in strengthening Karangbesuki SMEs. The things affected by COVID-19 in sanitary SMEs in Karangbesuki are product absorption, availability of raw materials, and distribution processes. In dealing with this, the local government should provide a targeted stimulus to the creative craft industry, and restructure SMEs credit in Karangbesuki. Besides

that, the Malang area call center is also provided to hear reports and complaints of SMEs actors. One of the challenges and threats faced by the creative industry cluster sanitation in Malang is the development of technology & knowledge base elements, lack of institutions, marketing, capacity and distribution networks. One form of anticipating this threat is that the creative industry needs to make efforts to manage the supply chain. Competition in the future is not just individual industry competition but also supply chain competition from creative industries. Karangbesuki sanitair creative industry is generally still at the level of small medium enterprises / small and medium enterprises.

2. Method

This research uses a qualitative phenomenological approach with an interpretive paradigm. Therefore the main assumption of the interpretive paradigm in this study is that individuals actively interpret their experiences by giving meaning to what they see or feel. Therefore, the interpretive paradigm believes that every individual performs an active interpretation, and phenomenology believes that knowledge is obtained from "conscious experience", and how the individual interprets everything depends on the meaning of something in the individual's life.

In this research, there are two questions that are the focus of this research: (1) How is the development of the Karangbesuki sanitary industry cluster during a recessi economy that can be reconstructed based on the narrative of historical actors and industry players? and (2) What is the existence and role of the craftsmen institution in the dynamic development of the sanitary industry cluster based on the narrative of the Karangbesuki sanitary industry players?

2.1. Informant Setting and Narrative Interviewing

There are two sources that can provide more complete information about the history of Karangbesuki sanitair. The two sources referred to are in fact the heir and successor of the founder of the first Karangbesuki sanitation business and at the same time as a pioneer in the development of sanitation in Karangbesuki. In order to obtain information derived from the experiences, knowledge, understanding and views of historical actors (first question) and business actors (second question), the relevant approach is listening, recording, analyzing, and reconstructing what the perpetrators say. One way that is suitable is through the narrative interviewing technique. Narrative interview (hereinafter abbreviated as: WN) is a technique carried out by setting how the interviewed person

(informant) is willing to tell his or her experience or events in order to reconstruct social events / incidents from the informant's perspective as directly as possible. This study uses three data collection techniques, namely (1) in-depth interviews, (2) observation, (3) study of documents. These three techniques are carried out depending on the situation. There are times when the researcher enters the research setting directly by making observations, then the observation results are deepened and sharpened by interviews and document study. Sometimes it starts with a document study first and then clarifies it with interviews and observations.

Data analysis in this study basically started when the researcher entered the research setting even when reviewing the available data. In general, the data analysis process begins by reviewing all available data from various sources: observations and interviews that have been written in field notes, transcripts of recorded interviews, personal documents and photos. The data that has been obtained will be analyzed using two analytical techniques, namely the constant comparison technique, namely comparing the consistency (constant) between each answer given from one respondent and case cross comparison, which is comparing the answers between respondents with other respondents. The next stage is checking the validity of the data followed by the interpretation and meaning of the data. The data analysis technique used in this study is a modification of Van Kaam's phenomenological analysis technique (Moustakas, 1994)

3. Result and Discussion

3.1. Dynamics of Malang Cluster Sanitair during the economic recession

Chronologically the COVID-19 pandemic has hit the demand and supply side of the sanitary industry sector in Karangbesuki. During the economic crises in 1998 and 2008, this sanitary industrial sector was indeed the backbone of the Karangbesuki community's economy because the majority did not yet have access to finance and capital so that it was not affected by the crisis. However, currently, the sanitary UKM sector is the most vulnerable to the impact of the COVID-19 pandemic.

The economic slowdown in this sector based on the results of narrative interviews with informants has an impact on product absorption, availability of raw materials, and the distribution process of sanitary products. In dealing with this, the local government of Malang should provide a targeted stimulus for the creative craft industry, and restructure the SMEs credit in Karangbesuki. In addition, the Malang region call center is also

provided to hear reports and complaints of SMEs actors. One of the challenges and threats faced by the creative industry cluster sanitation in Malang is the development of technology & knowledge base elements, lack of institutions, marketing, capacity and distribution networks. One form of anticipating this threat is that the creative industry needs to make efforts to manage the supply chain. Competition in the future is not just individual industry competition but also supply chain competition from creative industries. Karangbesuki sanitair creative industry is generally still at the level of small medium enterprises / small and medium enterprises.

3.2. Sanitair Craftsman local institution survive the economic recession

2020 is the toughest year in the sanitation industry in Karangbesuki due to the COVID-19 pandemic that has existed since the end of 2019 which forces every effort to turn a strategic direction. In the beginning, before the pandemic emerged in this wilayah, there was actually a major problem faced by the local community of craftsmen in the Karangbesuki so far, namely weaknesses in developing sanitary designs, which caused the products produced to be non-varied and innovative, resulting in market saturation. Designs tend to follow old patterns that are hereditary. By imitating the old pattern, it causes the characteristic work of sanitation to be passive and invisible. This is due to the craftsmen's inability to develop existing forms. The independence of female craftsmen in developing their designs is not yet visible, so it is necessary to increase the creativity of the craftsmen to express ideas and ideas in developing designs.

The majority of female craftsmen in Karangbesuki don't really pay attention to creation. Only a small part of them who do innovation and creation, the level of education also affects the search for ideas for their business. Few of them have used the internet (online promotion) to attract consumers. There are not many craftsmen who innovate in product development. They only innovate when there is an order for products.. Sanitary craftsmen in Malang rarely do creations, but when asked about the differences in their products compared to others they answer differently, for example from raw materials, motifs, designs and others. They are more often a follower than create a different product, they tend to see more trends that are rising in the market. Cooperation with the government and universities for business development also exists, but ideas are still rare. Thus, the distribution of sanitary products rarely uses intermediaries. The craftsmen sell their products directly to consumers at their outlets and factories in

Malang. Deliveries outside the region, for example to Surabaya, Bandung, Semarang, Jakarta and outside Java are also available only for large-scale sanitary craftsmen.

With the various problems faced by the handicraft community institution, cooperation was established in the field of training with a research team to develop and innovate in these sanitary products and provide some solution for surviving in this pandemic. During the Covid 19 pandemic, most of the Karangbesuki sanitation craftsmen have finally joined social media groups (Whatsap, Facebook, Instagram, Youtube and Twitter). A similar step apart from joining in communication through social media groups, is promoting via the internet. In addition, the tactical steps taken by the Karangbesuki sanitation craftsmen are to establish communication with customers, invite small numbers of customers or potential customers, and inform new products through the web managed by the community.

4. Conclusions

There are several main conclusions that can be drawn from this research. The first conclusion is that chronologically the COVID-19 pandemic has hit the demand and supply side of the female industrial sector in Karangbesuki, the existence of health regulations and protocols that impose physical distancing in fact provides room for a decline in production and labor levels and has hit the demand side for sanitary products sharply. On the other hand, it actually creates problems with the increase in the price of production factors which forces the craftsmen to increase the selling price of the product. There are also feminine craftsmen who stated that their main problem is that they are still struggling in the field of product marketing, and also the availability of skilled labor. Meanwhile, in terms of the dynamics of development, there are also those who have some similarities and differences between craftsmen. The similarities are mainly in product diversification. Sanitary craftsmen develop product types both in terms of raw materials and product variations. Furthermore, differences in dynamics, especially in business diversification. There are some craftsmen who are temporarily doing business that is different from their previous business, but also doing business in fields related to their previous business. Research or research on this topic will have better results if time series observations are made. By observing a time series of at least 3-5 years, it will be possible to know and analyze the pattern of problems and the dynamics of the sanitary industry in a more real way, moreover this research is only carried out when the economy is experiencing a recession due to a pandemic.

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