



SMEs Development during the Covid-19 Pandemic: SWOT Analysis of Surabaya Metropolitan City

Waspodo Tjipto Subroto

Faculty of Economics and Business, State University of Surabaya, Indonesia.

Abstract

Small Medium Enterprises (SMEs) is activities economics to support reduce alleviation for society in Surabaya Metropolitan city during Covid-19 pandemic. Small and Medium Enterprises (SMEs) are the sector that absorbs the largest workforce in Indonesia up to 97% and is the most important part of the country's economy. The purposed of this research will be describe about SWOT analysis of SMEs development during COVID-19 Pandemic of Surabaya Metropolitan city. This study aims to analyze and identify the factors that cause the decline in the existence of SMEs in Surabaya Metropolitan city using SWOT analysis and analysis of internal and external factors, as well as strategies for developing SMEs in Surabaya Metropolitan city. This research uses the Systematic Literature Review (SLR) approach, which uses literature in the form of journals, papers or seminar proceedings, and reports from government or private institutions, as a reference in data collection. The results of the research are in the form of development strategies according to the needs of SMEs in Surabaya Metropolitan city. Several factors also influenced the development of SMEs in Surabaya Metropolitan city, including limited capital, expensive and scarce raw materials and simple and limited production equipment, bookkeeping problems, limited marketing, problems in determining the location and layout of the business, weak managerial skills, weak resource management. Based on the results of the above analysis of several obstacles or obstacles that affect the development of SMEs in Surabaya Metropolitan city, it can be concluded that the role of the government is needed in this case to support, facilitate and or foster SMEs in Surabaya Metropolitan city which can be done through collaboration with Universities, Cooperatives Indonesia, Banks or other financial institutions and provide training to the workforce in order to create a skilled and expert workforce.

Keywords: SWOT Analysis, Internal and External Factors, SMEs Development.

INTRODUCTION

Small and medium enterprises (SMEs) are critical players in the economies of nations (Wolf and Peth, 2006). They are a significant source of job creation, and the representative of the futured large company and cooperation (Clark and Moutray, 2004; Monk, 2000). SMEs create conditions for more equitable sharing of production facilities in order to alleviate property and help mitigate the issue of income and wealth inequality in society. In developed countries, SMEs have strengthened, constituting around 95% of total enterprises (Ayyagari et al., 2011). After the recent economic crisis beginning in 2008, SMEs have been able to respond to the associated challenges more quickly and flexibly than large corporations and, therefore, they succeeded to survive and thrive. For this reason, many developed countries have devised various kinds of non-financial and monetary incentive mechanisms aimed at enhancing the significance of SMEs in different sectors. Small and Medium Enterprises (SMEs) are the sector that absorbs the largest workforce in Indonesia up to 97%. SMEs are the most important part of the country's economy because SMEs are better at producing productive workers through investment and technological change, SMEs are also more flexible which is an advantage

over large companies (Faqir, 2020; Mardiyono, 2013). Therefore, SMEs are very influential in improving people's living standards and are a sector that must be considered. Table 1 shows that the increase occurred for 3 consecutive years, 2016–2019. Based on the table below, Indonesia had 65.5 million micro, small and medium enterprises (SMEs) in 2019. This number increased by 1.98% compared to 2018 which was 64.2 million units. If detailed, the number of micro- enterprises in 2019 reached 64.6 million. A total of 798.7 thousand units are small businesses. Meanwhile, there are 65.5 thousand units in the form of medium-sized businesses. Meanwhile, the number of SMEs is equivalent to 99.99% of the total business units in Indonesia. Meanwhile, large businesses only account for 0.01% of the total domestic business units. SMEs also absorb 119.6 million people or 96.92% of the total Indonesian workforce. This figure increased by 2.21% from the previous year which amounted to 116.9 million people. Then, SMEs contributed 60.51% of the gross domestic product (GDP) at current prices. Against GDP at constant prices, the contribution of SMEs reached 57.14%. This can be a great potential if it continues to be developed by the government and the community. Small and Medium Enterprises provide many benefits for both the country and the population.

Table 1. Small and Medium Enterprises in Indonesia

Description	2016	2017	2018	2019
Number of SMEs (Units)	61.651.177	62.922.617	64.194.057	65.465.497
Number of Workers (Persons)	112.828.610	116.431.224	116.978.631	119.562.843
Constant PDB (Billion)	5.171.063,60	5.445.564,40	5.721.148,10	7.034.146,7

Source: Ministry of Republic Indonesia (Author Processed, 2021)

The Covid-19 pandemic that hit Indonesia in early 2020 made the SMEs sector slump again. The negative impact due to the Covid-19 outbreak has hampered SMEs business growth due to social restrictions. This can cause problems in the distribution of raw materials and the distribution process of products to consumers. SMEs in Surabaya Metropolitan city are also experiencing the impact of the Covid-19 pandemic. The daily turnover of SMEs has mostly decreased, there are some SMEs that are able to adapt to this situation, but there are also some SMEs that have been forced to go out of business. The real problems that exist in SMEs in Surabaya Metropolitan city include limited business capital, as a result of the perpetrators not being able to increase the amount of production to achieve more turnover. Inappropriate distribution and marketing, because SMEs actors only rely on distribution through word of mouth marketing, many SMEs actors only walk in place in developing their business and there is very little innovation, marketing is still limited offline.

LITERATURE REVIEW

Description of SMEs

Small and Medium Enterprises (SMEs) have several different definitions in each literature. In accordance with Undang-Undang nomor 20 tahun 2008 concerning Small and Medium Enterprises (SMEs), defines SMEs as follows:

-Micro-enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro-enterprises as regulated in this Law.

-Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part either directly or indirectly of Medium Enterprises or Large Businesses that meet the Business criteria. Small as referred to in this Law.

-Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part either directly or indirectly with Small Businesses or Large Businesses with total net assets or annual sales proceeds as regulated in this Law.

The criteria for micro-enterprises are as follows:

Based on wealth and sales proceeds, according to Undang-Undang Number 20 of 2008 article 6, the criteria for micro-enterprises are:

1. Having a net worth of at most IDR. 50,000,000.00 (fifty million rupiahs) excluding land and buildings for business premises; or
2. Have annual sales of a maximum of IDR. 300,000,000.00 (three hundred million rupiah). The criteria for small businesses are as follows:
3. Have a net worth of more than IDR 50,000,000 (fifty million rupiah) up to a maximum of Rp 500,000,000 (five hundred million rupiah) excluding land and building for business; or
4. Have annual sales of more than IDR 300,000,000.00 (three hundred million rupiah) up to a maximum of IDR 2,500,000,000.00 (two billion five hundred million rupiah).

Meanwhile the criteria for medium-sized enterprises are as follows:

1. Have a net worth of more than IDR 500,000,000.00 (five hundred million rupiah) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiah) excluding land and building for business; or
2. Have annual sales of more than IDR 2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiah).

SMEs in Indonesia are based on Undang-Undang No. 20 of 2008 concerning Small and Medium Enterprises (SMEs). SMEs consist of:

1. Livelihood activities are small and medium businesses that are used as job opportunities to earn a living, which is more commonly known as the informal sector. For example, sellers of meatballs, chicken noodle dumplings, somai, pentol and cilok are known as street vendors.
2. Micro enterprise, is a small and medium business that has the nature of craftsmen but does not yet have an entrepreneurial nature.
3. Small dynamic enterprise, is a small and medium business that has an entrepreneurial spirit and is able to accept subcontract and export work.
4. Fast moving enterprise, is a small and medium-sized business that already has an entrepreneurial spirit and will transform into a big business (industry/company)

Aspects of Influence on SMEs according to Sumantri & Permana (2017) are as follows:

5. Personality, influenced by attitudes and behavior, educational background, environmental conditions, talents and innate, one's faith, etc.
6. Motivation, influenced by education level, level of economic

ability, lifestyle and values adopted, pressure from external parties, individual perceptions, etc.

7. Facilities and growth are supported by the level of progress of life, trends in existing needs, opportunities and limited resources, trust from external parties, government subsidies, other factors.

According to Sofyan (2017) based on the aspect of the commodity produced, SMEs have their own characteristics, including:

1. Commodity quality is not yet standard, because most SMEs do not yet have adequate technological capabilities. Products produced in the form of handmade so that the quality standards vary.
2. The product design is limited due to limited knowledge and experience regarding the product. The majority of SMEs work based on orders, not many have the courage to try to create new designs.
3. The types of products are limited because SMEs only produce a few types of products. If there is a demand for a new model, it is difficult for SMEs to fulfill it and if they accept it, it will take a long time to process.
4. The capacity and price list of its products are limited so that consumers find it difficult.
5. Raw materials are less standardized, because the raw materials are obtained from a variety of different sources.
6. Product continuity is not guaranteed and imperfect, because production is not regular and usually the products produced are often what they are.

The Impact of the Covid-19 Pandemic on SMEs

Covid-19 is a big concern for the Indonesian people because of the problems it continues to cause. There are many losses caused by Covid-19 which have an impact on the Indonesian Economy. SMEs are one of the sectors that have been directly hit by the impact of the Covid-19 pandemic. This is due to a significant decline in people's purchasing power, especially at the lowest level (Sumarni, 2020)

According to Sugiri (2020), the difficulties experienced by SMEs during the pandemic were divided into four problems:

1. There was a decrease in sales due to reduced community activities outside as consumer actors.
2. Difficulty in capital due to declining sales levels so that capital turnover is difficult.
3. The existence of restrictions on the movement of product distribution in certain areas becomes an obstacle to product distribution.
4. Because it depends on the availability of raw materials from other industrial sectors, making MSMEs difficult.

Internal and External Environmental Analysis Factors

The business environment is the factors that exist around

or outside the business. These factors can help or hinder the development of existing businesses. The business environment is divided into two, the first is the internal environment which consists of the business structure, culture and resources. The second is the external environment which has a major role in influencing managerial decision making, organizational processes and structures. The external environment is the factors beyond the control of which influence the company's choices regarding direction and actions, which in turn also affects the organizational structure and its internal processes..

SWOT Analysis (Strengths, Weakness, Opportunities, Threats)

According to Solihin in (P. Anggraeni, Sunarti, & Mawardi, 2017), SWOT analysis itself is an analytical tool that lasts the longest and is widely used by companies to conduct situational analysis in strategy formulation. According to Amalia, Hidayat, & Budiarmo (2012), The Strengths-Weaknesses-Opportunities-Threats Matrix (SWOT Matrix) is an important tool to help managers develop four types of strategies, namely SO (strengths-opportunities), WO (weaknesses- opportunities), ST (strengths-threats), and WT (weaknesses). -threats).

1. The SO strategy uses the company's internal strengths to take advantage of external opportunities.

The WO strategy aims to improve internal weaknesses by taking advantage of external opportunities.

ST strategy uses the company's strengths to avoid or reduce the influence of external threats.

WT strategy is a defensive tactic directed at reducing internal weaknesses and avoiding external threats.

RESEARCH METHODOLOGY

Research Method

This research method is a qualitative study using the Systematic Literature Review (SLR) method. The SLR method was chosen by researchers because it is able to provide a concrete picture of the differences or relationships between one literature and another, so as to provide conclusions or descriptions of certain thematic frameworks holistically, and can provide new directions or ideas to be followed up empirically Pittaway & Cope (2007). The selection of the SLR method is carried out by reviewing and identifying through several journals that have been determined according to the theme or topic to be studied. Researchers used books, journals, and other literature sources for this compilation process, and used the inductive method as an effort to get more concrete results. The object of this research is, Small and Medium Enterprises (SMEs) in Surabaya Metropolitan city on the grounds that Small and Medium Enterprises (SMEs) are a business sector that has an important role for the economy and can survive during the economic crisis in Indonesia. The aim of the SLR research by Triandini, Jayanatha, Indrawan, Putra, & Iswara (2019) to identify,

review, evaluate and interpret all research that has been carried out with the theme of discussion on Small and Medium Enterprises (SMEs) and through the formulation of the problem that has been determined. The results of the identification are expected to add to the literature on, Small and Medium Enterprises (SMEs) which have a role for the Indonesian economy as well as the Government's efforts to solve a problem that will affect the economy such as poverty and unemployment.

The SLR method is carried out through several stages. The first stage, choosing a theme and research topic. The theme chosen is "SMEs Development". The selected sub-theme is "Development of SMEs in Surabaya Metropolitan cit". With the chosen topic, "Analysis of the development of MSMEs in Surabaya Metropolitan cit". The second stage is to develop alternatives and determine the thematic study idea. The target is to find a solution that can develop MSMEs in Surabaya Metropolitan city. The thematic study of SLR that was decided was 'development of SMEs in Surabaya Metropolitan city'. The third stage, searching and sorting literature. The search is done using Google. The keyword used in the search with Google is 'the development of SMEs in Indonesia'. The search results on September 25, 2021 yielded 115 literatures most relevant to the Google version of keywords and matched the thematic studies that were decided. The fourth stage, grouping. At this stage, the literature of suitable scientific works is made general description and grouped based on the similarity of the focus of the study. The fifth stage, discussion. This stage is an explanation of the findings of SLR.

Formulation of The Problem

The formulation of the problem or research question is made and selected based on the needs of the research topic to be studied. The following are research questions that will be investigated by researchers:

- 1.What are the factors of internal and external analysis of SMEs in Surabaya Metropolitan city?
- 2.What is the SWOT analysis strategy for SMEs in Surabaya Metropolitan city?
- 3.What are the recommendations for the right strategy to develop SMEs in Surabaya Metropolitan city during the Covid-19 pandemic?

RESULTS AND DISCUSSION

Research Results

The table below is a general description of the literature that is suitable as a reference for writing journals related to the theme of developing SMEs in Indonesia. The sources of literature used in analyzing and publishing scientific works are in the form of journals, papers or seminar proceedings and in the form of reports from both government and private institutions. Scientific literature sources are limited from 2003-2021. To simplify the discussion, the authors have grouped the theme of SME Development into 3 focus themes, namely those related to the factors causing the decline in the existence of SMEs, SMEs development factors, analysis of internal and external factors of SMEs, SWOT analysis on SMEs, and SMEs development strategies based on the literature.

Table 3. Focus of Research Themes

No.	Theme Focus	Number	References
1.	Factors causing the decline in the existence of SMEs in Surabaya Metropolitan city	10	U & Darwanto (2013); Niode (2009); Suci (2017); Soetjipto (2020); Suryani (2021); Widyaningtyas & Rahmawati (2021); Sedyastuti (2018); Hafni & Rozali (2015); Gunartin (2017); Sumarni & Harjanto (2019)
2.	Factors for developing SMEs in Surabaya Metropolitan citRegency	4	Kirwani (2016); Hartono & Hartomo (2014); Avrizal, Haryadi, & Hidayat (2021); L & V (2019)
3.	Analysis of internal and external factors of SMEs in Surabaya Metropolitan city	17	Cahyawati (2019); Rosyafah (2017); Sofyan (2017); Ernawati (2021); Kristiyanti (2012); Oetarjo, Wachid, & Rizal (2019); Ariani & Utomo (2017); Abdiputra (2019); Anggrita, Aswara, & Hartini (2014); Alyas & Rakib (2017); Tambunan et al. (2019); Yusup, Bakar, & Kurniawan (2015); Anggrita et al. (2014); Purwanti & Suyanto (2021); Aslamiyah (2021); Sanjaya & Sari (2021); Margiono (2012); Mardiyono (2013)
4.	SWOT Analysis on SMEs in Surabaya Metropolitan city	8	Sianturi (2020); Dyson (2003); Amalia, Hidayat, & Budiarmo (2012); Prastika & Sadjiarto (2018); Inayati, Evianah, & Prasetya (2018); Ananda & Susilowati (2017); Istiqomah & Andriyanto (2017); P. Anggraeni, Sunarti, & Mawardi (2017)
5.	Strategy for developing SMEs in Surabaya Metropolitan city	26	Sedyastuti (2018); F. D. Anggraeni, Hardjanto, & Hayat (2013); Halim (2020); Umiyati & Achmad (2021); Pangestika, Santoso, & Astuti (2016); Rahmana (2009); Primadhita & Budiningsih (2020); Hamzah & Agustien (2019); Ramadhani & Arifin (2013); Ulza, Ferdiansyah, & Masri (2018); Falgenti (2011); Fawaid & Fatmala (2020); Hafiluddin, Suryadi, & Saleh (2014); Singgih, (2007); Soekiman, Baktiono, Damayanti, & Oetoro, (2018); Resmi (2011); Sudaryanto, Ragimun, & Wijayanti (2014); Suprayitno (2018); Andrianti & Oktafia, (2021); Hermanto, Tayibnapis, & Setyaningrum (2016); Hamid & Susilo (2011); Munir (2005); Tandy (2015); Imanudin et al. (2016); Putra (2016); Sugiri (2020); Anggraini, Suwarsono, & Aisha (2020)

Source: Processed by the Author (2021)

DISCUSSION

Business skills help individuals make effective use of opportunities in the environment. The information has a broad scope, which includes dimensional focus, time horizon, and quantification. According to Bagsten (2002), with the information that has a broad scope, managers Small and Medium Enterprises (SMEs) are the sector that absorbs the largest workforce in Indonesia up to 97%. SMEs are the most important part of the country's economy because SMEs are better at producing productive workers through investment and technological change, SMEs are also more flexible which is an advantage over large companies (Faqir, 2020; Mardiyono, 2013). Therefore, SMEs are very influential in improving people's living standards and are a sector that must be considered. It is recognized that the existence of small businesses cannot be separated from several problems. Sharma (2005) says, the survival of a business is determined by the success of the management in dealing with SME's strategies and objectives. The skill of managers, Bhagwati (2002) established that business skills need to be improvised for the effectiveness and efficiency of SMEs and to ensure that the business cop with the competition. Optimization of business in SMEs profitability increases effectiveness and efficiency. Also, the experience is vital in promoting profitability and enhancing of SME's activities (Verhees, 2014). Barriers and problems faced in developing businesses in SMEs are generally caused by internal and external factors.

Factors that cause the decline in the existence of SMEs in Surabaya Metropolitan city

Limited Capital

The internal factor inhibiting the growth of SMEs in Surabaya Metropolitan city none other than the limited capital. Limited capital for SME owners makes it difficult for SMEs to develop. Capital for production costs, mostly SMEs use this private means for less production costs because they cannot meet consumer demand. In this case, SMEs owners mentioned the government's lack of attention to the development of local SMEs. SMEs owners admit, to get funds from the government requires a very long process and time. In addition, they are also constrained by the administration or the conditions required to obtain these funds. In essence, they experienced difficulties during the process of applying for funds. Whereas as we know, the existence of SMEs can provide employment opportunities for the surrounding community and have a significant impact on the economic growth of a region.

Raw Materials and Production Equipment

Raw materials are one of the important factors in the production process. The availability of raw materials will affect production activities in SMEs in Surabaya Metropolitan city, the occurrence of scarcity of production materials can lead to soaring prices of raw materials. This is one of the obstacles for SMEs to develop. The increase in raw material prices will affect the selling value of SME

products and have a direct impact on sales. In addition to the scarcity of raw materials, the lack of partners and suppliers of raw materials also affects the ability of SMEs to obtain raw materials. In addition, the increase in the price of the dollar also affects the price of raw materials. Unfavorable weather conditions are also a barrier for SMEs to obtain raw materials. The production equipment used by most SMEs is manual equipment that is still simple. Some of them do not use modern technology because of the belief that the results of ancient technology are better and more in line with what they want.

Bookkeeping Problems

Almost all SMEs actors in Surabaya Metropolitan city use a simple and manual bookkeeping system, and tend not to follow standard bookkeeping administration rules. Sometimes the bookkeeping is not upgraded so it is difficult to assess the work of the business. Even worse, there are still some SMEs who underestimate the bookkeeping. So some do not use financial bookkeeping in the business that has been run. Though financial processing is very important for business continuity. Because with bookkeeping, business people know the income and expenses of their business. Without bookkeeping or financial management, business people will not know the profits and losses that occur.

Limited Marketing

Limitations in marketing that are carried out personally and the lack of partner networks with marketers are one of the obstacles for SMEs. Some SMEs still use the traditional (offline) promotion or sales system. The inability of MSME actors to market their products online and the lack of a network of business partners makes the product not widely known by the wider community and causes SMEs to only have a few regular customers. Limited market access and lack of knowledge of technology mastery as a promotional tool so that the product is known by the entire community. In addition, there is no intention or awareness to expand the reach of marketing by learning to operate sales through E-commerce.

The Problem of Determining the Location and Layout of the Business

The location of the business is a factor that is no less important in influencing the existence of SMEs. A strategic location, namely a location close to the highway, close to markets or public facilities, and close to suppliers will make it easier for business actors to obtain raw materials or distribute their products, of course this factor can also minimize production costs. Some SME locations in Surabaya Metropolitan city are still far from the main road. This makes SMEs rarely known by the wider community, because locations that are too deep may come and those who know there are SMEs in the village are consumers who have become customers. And if there are people from outside the city who know that there are SMEs in the village, it might be because they have come to the village because there are events that keep stopping at

SMEs or get information about SMEs from people they know. In addition, the obstacle obtained from the location so far is the narrow parking area where the location in the alley is not wide enough to prevent consumers and employees from parking their vehicles in front of the shop. Public facilities provided by SMEs are no less important in influencing consumer interest in visiting or increasing the enthusiasm of employees to work. Not only that, the layout system or a stuffy place and limited air circulation make employees less guaranteed for their long-term health. The location of SMEs is also in the middle of housing or residential areas, so the noise caused by production activities is heard by local residents and this is still a weakness of SMEs because they have not found a solution to these problems.

Managerial Ability

Some SMEs actors do not have good managerial skills in leading their business well. They only have limited ability and knowledge in managing human resources, production management, financial management or other managerial activities.

Human Resource Management

The small number of workers makes production time limited, if the SMEs gets a large number of orders, it is possible that the worker will work more than working hours which is usually called overtime work. The limited number of workers is influenced by the low income of SMEs, so the ability of SMEs to pay workers is very limited. The limited ability of workers also affects the production process of SMEs. The unavailability of training for SMEs workers causes workers not to have more skills that can be applied to increase SME production.

Unfavorable Business Climate

One of the external factors that hinder the growth of SME centers in Surabaya Metropolitan city is the business climate that is not yet conducive, the number of competitors making similar products and having a higher competitive advantage. Deadly competition between businesses causes SMEs to not be able to read the existing business opportunities so that it becomes an obstacle for SMEs to develop.

Supply Chain and Inventory Problems

MSMEs cannot explain about the supply chain because in running SMEs themselves only traditionally without any supporting accounting or bookkeeping. The inventory process carried out by SMEs themselves, namely completing orders and working only when there is an order, so that the purchase of raw materials cannot be ascertained per month, this is also not supported by the absence of bookkeeping as evidence of calculating the inventory, so entrepreneurs only estimate the needs of SMEs.

Unavailability of Training and Guidance by the Government

The lack of attention in guiding and training SMEs to become

SMEs that are competitive to the international market is very much needed by SMEs in Surabaya Metropolitan city. The government held training only once a few months and even then only in one place. Training in improving the capabilities of its workers, training in the implementation of bookkeeping and marketing training is very much needed for the development of SMEs.

Distribution of Products from Producers to Consumers

Some SMEs experience problems in the delivery process to various regions in Indonesia and abroad, due to the lack of understanding of SME actors in determining distribution tools which is still low and creates a perception or thought that delivery is not safe so that it can damage product quality, which is the main reason why SMEs do not serve or market their products online.

No Production Transportation

Some SMEs do not have special transportation to buy raw materials from suppliers. In ordering raw materials, SMEs hire delivery services which of course consume more production costs.

SMEs Development Factors in Surabaya Metropolitan City

According to Kirwani (2016) and Hartono & Hartomo (2014) there are three main factors that are dominant in influencing the development of SMEs, namely as follows:

Capital

Capital is the main thing that must be there to do business. So without capital, the business will not be able to develop properly. This is in accordance with the results of research conducted by E. Purwanti (2012) that capital has a significant influence on business development, because the greater the capital used and the easier it is to get capital, the business carried out will experience an increase and business development.

Labor

Experienced workers will also affect the products produced. The higher the skill of the workforce, the better the product produced. A skilled workforce will also streamline production time and costs.

Marketing

Marketing is no less important in influencing business development where even though the business products produced are quite good, if they are not supported by good marketing, the products will not be sold optimally.

The Complexity of Business Licensing

Several SMEs admitted that due to the complexity of the licensing process, which took quite a long time and of course at a large cost, SMEs actors were reluctant to take care of their business permits.

Analysis of Internal and External Factors of SMEs in Surabaya Metropolitan City

Table 4. Analysis of Internal and External Factors

Internal Factors	External Factors
Strengths 1) Centralized and prospective superior products 2) Good product quality 3) Clear market segment 4) Pricing according to market	Opportunities 1) Good business opportunity 2) Increasing people’s purchasing power 3) Changes in people’s lifestyle 4) The development of science and technology 5) Cooperation with partners 6) Government assistance program
Weaknesses 1) Low availability of capital 2) Low availability of raw materials 3) The marketing network is not yet extensive 4) Traditional promotion system 5) Skills and knowledge of the workforce are still low 6) Manual and simple production process and tools 7) Low competitive motivation	Threats 1) Price fluctuation 2) Similar SMEs competitors 3) New arrivals 4) Imported products 5) Government policy

Source: Processed by the Author (2021)

SWOT Analysis on MSMEs in Sidoarjo Regency

Table 5. SWOT Analysis

Internal	Strengths (S) 1. Centralized and prospective superior products 2. Good product quality 3. Clear market segment 4. Pricing according to market	Weaknesses (S) 1. Low availability of capital 2. Low availability of raw materials 3. The marketing network is not yet extensive 4. Traditional promotion system 5. Skills and knowledge of the workforce are still low 6. Manual and simple production process and tools 7. Low competitive motivation
External		
Opportunities (O) 1) Good business opportunity 2) Increasing people’s purchasing power 3) Changes in people’s lifestyle 4) The development of science and technology 5) Cooperation with partners 6) Government assistance program	S-O Strategy 1) Innovate processed products. 2) Maintain product quality. 3) Collaborating with partners to expand the market.	W-O Strategy 1) Optimizing the provision of funds using government funding assistance (revolving credit). 2) Improve and expand the marketing system. 3) Carry out production technology development.
Threats (T) 1) Price fluctuation 2) Similar SME competitors 3) New arrivals 4) Imported products 5) government policy	S-T Strategy 1) Increase the competitiveness of local products. 2) Limiting excessive distribution of imported products.	W-T Strategy 1) Improving the facilities and infrastructure for the development of SMEs. 2) Increase promotion through events by highlighting product characteristics.

Source: Processed by the Author (2021)

SMEs Development Strategy for Surabaya Metropolitan city

Based on the problems of SMEs in Surabaya Metropolitan city which have been inventoried through the results of analysis from various sources of research journals on the factors that influence the development of SMEs businesses, in general the development strategy can be formulated as follows:

To overcome the problem of raw material difficulties for industries, especially home and handicraft industries, the government through the relevant agencies needs to facilitate the provision of raw materials by forming raw material procurement cooperatives that specifically carry out the task of collaborating with parties who can provide raw materials.

To overcome the shortage of skilled workers and require special expertise, through the relevant offices, they can conduct training or training with materials that are in accordance with the needs of MSMEs, and the participants are recruited from people who are interested in working in the business field as needed. This is important so that the training program carried out is not in vain.

Through the relevant agencies, it is necessary to open new access for market expansion and increase capital. Related parties entrusted with the development of MSMEs can cooperate with banks or financial institutions for access to capital and associations for market access and raw materials.

The need to improve managerial skills for MSMEs in developing their business. This can be done by collaborating with universities in conducting management training for MSMEs. Because universities also have Tri Dharma College activities, one of which is Community Service.

Providing easy market access for MSME actors. Market access can be done by holding regular bazaars or exhibitions.

Improving product quality by increasing operational efficiency, product quality and human resources.

Simplification of business licensing. Some MSMEs admit that they do not take care of their business licenses because the process is complicated, time-consuming and of course costs a lot of money. In this case, support and socialization about the ease of taking care of business licenses are very much needed so that MSME actors are willing to take care of their business licenses.

Training and Empowerment of SMEs is very much needed to develop SMEs. Support by the government will make SMEs able to survive even in difficult conditions to survive. Government support can be in the form of business capital loans or debriefing for SMEs actors. Capital is a crucial factor that greatly influences the development of SMEs. The provision of business capital loans by the government will greatly assist SME actors to maintain and develop their business. Not only that, the government must also be able to

mediate between SMEs actors and suppliers. For example, the government provides facilities that make it easier for SMEs to access raw materials from suppliers as well as access to reach the market. The location or layout in the business also needs to be arranged in order to facilitate production and not to cost a lot. Donations of the latest production equipment are also very much needed, there are still many SMEs who use makeshift equipment so that the amount of production and quality is not optimal. The government also has the right to regulate the business climate so that it remains conducive, so as not to harm other SMEs. This is necessary so that SMEs get good market opportunities and there are no big businesses that can kill the existence of SMEs nowadays. Now days, the increasingly fierce business competition, the training and development of human resources by the government is very much needed to create qualified and competent workers. This training is needed so that workers can carry out their duties properly and are trained. The training provided by the government can be in the form of managerial skills training, workforce training, bookkeeping or financial management, and entrepreneurship training.

CONCLUSION

Surabaya Metropolitan city is one of the regencies in East Java province which has the largest number of SMEs in Indonesia and is referred to as the "City of Indonesian SMEs". However, the emergence of the Covid-19 pandemic not only caused the country's economy to sluggish, but also led to a decline in the production of SMEs in Indonesia, especially in Surabaya Metropolitan city. Several factors also influenced the development of SMEs in Surabaya Metropolitan city, including limited capital, expensive and scarce raw materials and simple and limited production equipment, book keeping problems, limited marketing, problems in determining the location and layout of the business, weak managerial skills, weak resource management. Human resources, unfavorable business climate, supply and supply chain problems, unavailability of training and guidance by the government, problems distributing products from producers to consumers, complicated business licensing processes and the absence of production transportation. Based on the results of the above analysis of several obstacles or obstacles that affect the development of SMEs in Surabaya Metropolitan city, it can be concluded that the role of the government is needed in this case to support, facilitate and or foster SMEs in Surabaya Metropolitan city which can be done through collaboration with Universities, Cooperatives Indonesia, Banks or other financial institutions and provide training to the workforce in order to create a skilled and expert workforce.

REFERENCES

1. Abdiputra, Y. (2019). Strategy of Development Bakery. *Proceeding National Conference UMAHA, 2662*, 131–136.
2. Alyas, & Rakib, M. (2017). Micro, Small and Medium Enterprise Development Strategy in Power Economic Development (Case Study on Maros Bread Enterprise in Maros District). *Sosiohumaniora, 19(2)*, 114–120.

3. Amalia, A., Hidayat, W., & Budiarmo, A. (2012). Analysis Strategy Development for SMEs Batik Semarang in Semarang city. *Jurnal Ilmu Administrasi Bisnis*, 1–12.
4. Ananda, A. D., & Susilowati, D. (2017). Development of Micro Small and Medium Enterprises about Creative Industry in Malang city. *Jurnal Ilmu Ekonomi*, X, 120–142.
5. Andrianti, F., & Oktafia, R. (2021). Development of Micro Small and Medium Enterprises about Media online in Krian village. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 8(1), 43–54. <https://doi.org/10.20473/vol8iss20211pp43-54>
6. Anggraeni, F. D., Hardjanto, I., & Hayat, A. (2013). Development of Micro Small and Medium Enterprises with External potential. (Study Case in Malang city). *Jurnal Administrasi Publik (JAP)*, 1(6), 1286–1295.
7. Anggraeni, P., Sunarti, & Mawardi, M. K. (2017). Analysis SWOT for SMEs for the power of competitiveness. *Jurnal Administrasi Bisnis (JAB)*, 43(1), 104–113.
8. Anggraini, R. D., Suwarsono, L. W., & Aisha, A. N. (2020). Development of Micro Small and Medium Enterprises about Human Resources with SWOT and Benchmarking. *International Journal of Economics and Management Studies*.
9. Ariani, & Utomo, M. N. (2017). Development Strategy of Micro Small and Medium Enterprises of Tarakan City. *Jurnal Organisasi Dan Manajemen*, 13(2), 99–118.
10. Aslamiyah, S. (2021). Development Strategy of Micro Small and Medium Enterprises to increase the power of competitiveness during the Pandemic Covid-19. *Jurnal Manajerial*, 8(1), 102–117.
11. Avrizar, Haryadi, & Hidayat, S. (2021). Development Strategy of Micro Small and Medium Enterprises in Pondok Pesantren Jambi City. *Jurnal Paradigma Ekonomika*, 16(2).
12. Cahyawati, A. N. (2019). Strategy for defining Micro Small and Medium Enterprises of IE Matrix Method. *Seminar Nasional Inovasi Dan Aplikasi Teknologi Di Industri 2019*, 172–175.
13. Dyson, R. G. (2003). Strategic Development and SWOT Analysis at The University of Warwick. *European Journal of Operational Research*, 152(2004), 631–640. [https://doi.org/10.1016/S0377-2217\(03\)00062-6](https://doi.org/10.1016/S0377-2217(03)00062-6)
14. Ernawati, S. (2021). Development Strategy of Micro Small and Medium Enterprises of Bima City. *Prosiding Seminar Nasional Ekonomi dan Bisnis 2021*, 190–197.
15. Falgenti, K. (2011). Transformation SMEs to Business Online with Internet Marketing Tools. *Jurnal Ilmiah Faktor Exacta*, 4(1), 62–73.
16. Gunartin. (2017). Strength of UMEs for Economic development. *EDUKA : Jurnal Pendidikan, Hukum, Dan Bisnis*, 2(2), 46–55.
17. Hafiluddin, M. R., Suryadi, & Saleh, C. (2014). Empowering of SMEs with Community Based Economic Development. *WACANA*, 17(2), 68–77.
18. Hafni, R., & Rozali, A. (2015). Analysis about SMEs toward labor needed in Indonesia. *Jurnal Ekonomikawan*, 15(2), 77–96.
19. Halim, A. (2020). Influence of SMEs growth toward Economic Growth in Mamuju city. *Jurnal Ilmiah Ekonomi Pembangunan*, 1(2), 157–172.
20. Hamid, E. S., & Susilo, Y. S. (2011). Development Strategy of Micro Small and Medium Enterprises of Yogyakarta Special city. *Jurnal Ekonomi Pembangunan*, 12(1), 45–55.
21. Hamzah, L. M., & Agustien, D. (2019). Influences of Small and Medium Enterprises toward National input in SMEs in Indonesia. *Jurnal Ekonomi Pembangunan*, 8(2), 215–228.
22. Hartono, & Hartomo, D. D. (2014). Influences factors for development SMEs in Surakarta city. *Jurnal Bisnis & Manajemen Jurnal Bisnis & Manajemen*, 14(1), 15–30.
23. Hermanto, A., Tayibnapi, A. Z., & Setyaningrum, I. (2016). Development Strategy of Micro Small and Medium Enterprises of East of Java Period 2010-2014. *Ekonomi Dan Bisnis*, 20(2), 93–106.
24. Imanudin, A. F., W.P.S.N., & Puspitasari, D. (2016). Planning to Strategy of SMEs in Mebel Bambu in Purworejo city. *Industrial Engineering Online Journal*.
25. Inayati, T., Evianah, & Prasetya, H. (2018). Analysis SWOT for SMEs in Shoes Industry in Mojokerto. *Seminar Nasional Manajemen Dan Bisnis Ke-3*, 217–231.
26. Istiqomah, & Andriyanto, I. (2017). SWOT analysis for strategy to Development of Micro Small and Medium Enterprises in Kudus city. *Jurnal Bisnis Dan Manajemen Islam*, 5(2), 363–382.
27. L, S., & V, D. (2019). Analysis of Factors That Influence the Sustainability of Businesses of Micro Small and Medium Enterprises (MSMEs). *International Journal of Economics and Management Studies*, 6(10).
28. Mardiyono, A. (2013). External Business and internal environment for SMEs Strategic planning to increase performance enterprises in Semarang city. *Serat Acitya*, 60–72.
29. Margiono, A. (2012). System Management of Organizational, Human resources. *JRMB*, 7(2), 125–138.
30. Munir, M. (2005). Role of SMEs for new business. *Jurnal Ekonomi MODERNISASI*, 1(2), 120–127.
31. Niode, I. Y. (2009). UMSe in Indonesia: Profile, Problem and Empowering. *Jurnal Kajian Ekonomi Dan Bisnis OIKOS-NOMOS*, 2(1).

32. Oetarjo, M., Wachid, A., & Rizal, A. (2019). SMEs for increased visiting tourism in Sidoarjo. *Seminar Nasional Ekonomi & Bisnis Dewanatara*, 131–136.
33. Pittaway, L., & Cope, J. (2007). Entrepreneurship Education: A systematic Review of The Evidence. *International Small Business Journal*.

Citation: Waspodo Tjipto Subroto, "SMEs Development during the Covid-19 Pandemic: SWOT Analysis of Surabaya Metropolitan City", *Universal Library of Innovative Research and Studies*, 2024; 1(2): 28-37. DOI: <https://doi.org/10.70315/uloap.ulirs.2024.0102005>.

Copyright: © 2024 The Author(s). This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.