

## The Role of Ex-Industrial SMEs in Bringing Prosperous Economic Development for the Residents of Wedoro Village

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### Abstract

The problems experienced by SME actors often become obstacles in society to improve their economic business such as business licensing, limited capital, expansion in marketing, constraints during the production process, and management of financial management. This research uses a qualitative type with Parsons's AGIL theory. The aim is to find out the division of roles of recycling empowerment actors and to analyze the resilience of this community through AGIL analysis. The research location was chosen because the empowerment carried out through Ex-Industry SMEs was successful due to an equilibrium role distribution system. The research subjects were selected using a purposive method. Data was collected using two primary data types (observation and interviews) and secondary data (through digital libraries). The analysis used in this study is the AGIL scheme's structural functionalism analysis focusing on analyzing the roles of Ex-Industry SME actors and Wedoro Hamlet residents in carrying out economic activities. The data validity checking technique used is triangulation. This research shows that their adaptation is carried out by prioritizing products in terms of quality and expanding the market to be able to compete with Chinese-owned products, goal orientation is carried out through conducting market research, innovation and creativity, which are continuously updated to increase market turnover, the latency that is applied is the value of discipline and kinship to strengthen solidarity between employers and employees, and the integration that is built is to establish a sense of solidarity and employee welfare to maintain business continuity.

**Keywords:** social welfare; solidarity; business continuity; small business; structural functionalism

### INTRODUCTION

SME (Small and Medium Enterprises) entrepreneurs have provided significant roles and opportunities for local communities by utilizing the potential of existing resources (Alsos et al., 2014; Ansari et al., 2012). Their existence

helps improve the economy in Indonesia, especially in rural areas (Sedyastuti et al., 2021). However, the presence of SMEs has not yet fully developed because there are still obstacles, such as licensing a business, limited capital, expansion in marketing, constraints during the production process, and managing financial management (Dahliah, 2022; Rosyadi et al., 2020; Surya et al., 2021). Of the several barriers that often occur to SMEs, namely fixed capital in producing goods, especially the difficulty of obtaining credit funds in formal banking institutions, which are considered to carry out procedures, guarantees and conditions that are too burdensome (Taufiq, 2006). So, these SMEs prefer institutions that fulfill functions and requirements more quickly, even though the interest costs are much higher than formal banking institutions (Rosavina et al., 2019).

In addition to constraints due to limited capital to buy raw materials, competition is getting tougher with importers as experienced by SMEs in the sandal-shoe industry in Wedoro Village, Waru District, Sidoarjo Regency of East Java Province of Indonesia, having to compete with sandal and shoe products originating from China which have lower selling prices than they. It is not enough, the SMEs in the sandal shoe industry also have to replace the quality of raw materials, which are cheaper to reduce production losses so that they can compete healthily with other suppliers of goods so that what was originally made of raw materials is now replaced with a sponge material.

On the other hand, the environmental conditions of Wedoro village, which are far from the Garbage Disposal Site, make business actors have to dispose of residual production waste such as a sponge, cardboard, and plastic sold to a flea shop (buying and selling used goods) located in North Wedoro Hamlet, Alley VI A RW 02, Waru District, Sidoarjo Regency. The research team also saw that during the rainy season, which was quite heavy, the condition of the roads in this village and North Wedoro Hamlet also often experienced flooding because the river in Wedoro Village overflowed. After all, many residents threw garbage in the river and the condition of the road, whose height was still relatively parallel, even lower between residents' houses with sewer water. So often in this village, plastic waste floats and is scattered on the streets when it rains.

Previous research regarding the role of SMEs in supporting the community's welfare in Blora Regency explained that SME empowerment is essential to help the community's economy (Putra, 2016). This research focuses more on empowering SMEs, while this research examines the function or role of the community in the business sector of the economy (Song et al., 2020).

Other research on SMEs, namely in improving people's welfare, shows that the existence of micro, small and medium enterprises significantly improves the community's economy (Shofawati, 2019). These businesses (micro, small and medium) are considered capable of dealing with the problem of the monetary crisis and equalizing the level of income and social welfare. This research focuses more on SMEs' role in increasing interest, while this research divides the roles of recycling empowerment actors (Kadeni, 2020).

Research conducted by (Sulistiyawati & Suryani, 2022) used a functional structural analysis regarding character education in elementary schools. The research describes four crucial stages namely; *adaptation*, *goal attainment*, *integration*, and *latency*. The similarity of the research conducted by this research and research conducted by researchers lies in the use of Parsons's AGIL theory, but the substance of the research is different; where Sulistiyawati's research substance is about education, while the research substance is about economics.

The theory of structural functionalism used in this research is Talcott Parsons's theory with his AGIL scheme. Schematic explaining the four functional imperatives for the "action" system. AGIL consists of Adaptation, Goal attainment, Integration and Latency or maintenance. The essence of this parsons's AGIL scheme is that a system in order to survive needs to and even has to carry out the four AGIL functions (Ritzer & Goodman, 2012). (a) Adaptation. To survive, the system must cope with situational needs from outside. The system must adapt to the environment and adapt to the needs of the environment as well. (b) Achievement of Goals. To survive the system must be able to define, determine and achieve the goals of the system's formation. (c) Integration: To survive, the system must manage the relationships of the joined parts to become a unified whole. (d) Latency or Pattern Maintenance, to survive, the system must also complement, maintain, and update individual motivations and the cultural patterns that create and maintain that motivation (Ritzer, 2014). So if it is linked to the concept of gender awareness in this study it aims to determine the level of priority and the role of gender awareness within the scope of the organization and career (Huriani et al., 2021).

So, this research aims to determine the division of roles of recycling empowerment actors and to analyze the resilience of this community through AGIL analysis. Starting from the way of adaptation, the goals and future orientation to be achieved, the unity/integration that is formed, and the maintenance of patterns/habits. It is hoped that this research can provide benefits to add scientific references regarding the structural functional of Talcott Parsons and can become a model for SMEs/business actors who will set up a similar business.

## METHOD

This research uses a qualitative type intending to explain that in Parsons's structural functionalism such as a community institution that is able to meet the needs of life and maintain a social system. Parsons's theory of action systems includes four systems: the cultural system, the social system, the personality system, and the organism system. This is because each social institution has different functions and relationships between one another (Anwar Yesmil, 2013). So that through a qualitative type approach, it is expected to obtain a systematic and coherent understanding of the thoughts studied and provide a complete and comprehensive picture of the research topic (Manzilati, 2017).

The research location is in North Wedoro Hamlet Alley VI A RW 02. It is located quite close to the Gate of Wedoro Village, formerly the Central Center for Industry and Shoe and Sandal Shops such as the WTC (Wedoro Trade Center), nicknamed Wedoro Sandals Market and has now changed to guesthouse. Around the street area every morning it is always crowded with residents for shopping because it has changed to a traditional market. Dusun North Wedoro was chosen as the research location because the empowerment carried out through Ex-Industry SMEs was successful due to an equilibrium role distribution system. The research subjects were taken from key figures using a purposive technique: ex-recycling industry SMEs. The actors are residents of North Wedoro so local residents are empowered to fulfill subsystems/parts of community functions.

Data collection was carried out using two primary and secondary data types. Primary data collection was carried out through online in-depth observation and interviews. At the same time, secondary data was needed to build the initial construction of the research, which was then needed to assist interpretation in obtaining a comprehensive and in-depth understanding (Miles & Huberman, 2013). Secondary data was obtained from various searches of journal articles, books, and information through online; related to research substance. After all the data has been obtained, the researcher writes it down in field notes, interprets and categorizes it according to the research focus. Then related it to Talcott Parsons's AGIL structural functionalism theory and compiled the data analysis systematically, comprehensively, detailed and logically until a data conclusion was reached (Denzin & Lincoln, 2011).

The analysis used in this study is the structural functionalism analysis of the AGIL scheme. In Talcott Parsons's (Parsons, 1977) AGIL scheme there are four functional prerequisites in the "action" system. Parsons's AGIL concept consists of adaptation, *goal attainment*, integration and latency or maintenance. The four schemes become a requirement or function that must be carried out by each system in order to survive. The focus of this research is that researchers will analyze Parsons's structural functionalism action system between the roles of Ex-Industry SME actors and Wedoro hamlet residents in carrying out economic activities. The technique of checking the validity of the data used in this study is triangulation which aims to carry out the process of checking data obtained from one informant with data obtained from other informants through the results of in-depth interviews and several observations.

## RESULTS AND DISCUSSION

### Geographical and Social Conditions

Prior to setting up a recycling business, industry players explored the sandal industry first. However, due to limited capital to buy raw materials, compounded by increasingly fierce competition with importers, as experienced by SMEs in the sandal-shoe industry in Wedoro Village, Waru District, Sidoarjo Regency, they have to compete with sandal and shoe products originating from China, which have lower selling prices than they. It is not enough, the SMEs in the sandal shoe industry also have to replace the quality of raw materials, which are cheaper, to reduce production losses so that they can compete healthily with other suppliers of goods so that what was originally made of raw materials is now replaced with rubber soles with a sponge material.

On the other hand, the environmental conditions of Wedoro village which are far from the location of the Garbage Disposal Site make business actors have to dispose of residual production waste such as pieces of sponge, cardboard, and plastic were sold to a flea shop (buying and selling used goods) located in North Wedoro Hamlet, Alley VI A RW 02, Waru District, Sidoarjo Regency. The research team also saw that during the rainy season which was quite heavy, the condition of the roads in this village and North Wedoro Hamlet also often experienced flooding because the river in Wedoro Village overflowed. After all, many residents threw garbage in the river and the condition of the road, whose height was still relatively parallel, even lower between residents' houses with sewer water. So often in this village, when it rains, plastic waste floats and is scattered on the streets.



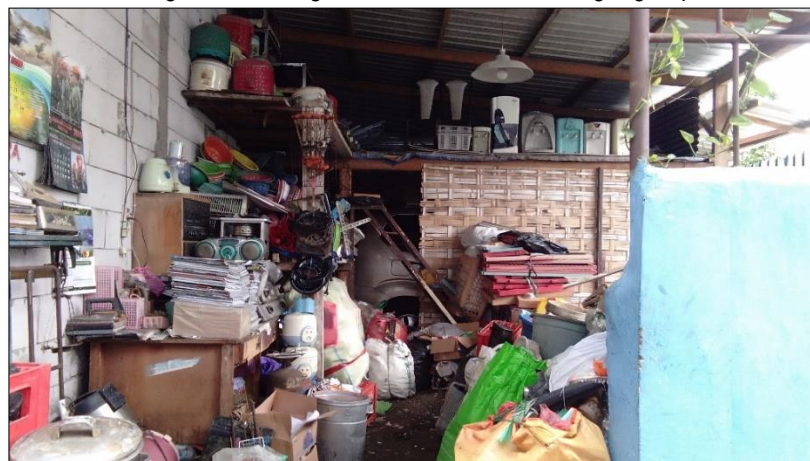
Figure 1. Road Conditions in North Wedoro Hamlet



Figure 2. Location of the target group in North wedoro Hamlet



Figure 3. Used goods collectors for the target group



North Wedoro Hamlet Alley VI A RW 02 is located quite close to the Gate of Wedoro Village which was formerly the Center for Industry and Shoe Shops and sandals like the WTC (Wedoro Trade Center) which has even been called the Wedoro Sandals Market and has now changed to Wisma 88 and around the street area every morning it is always crowded with residents for shopping because it has changed to a traditional market. North Wedoro hamlet was chosen

as the target location for the empowerment because this hamlet used to be a sandal production site where most of the residents worked as sandal and shoe artisans. However, since the last six years this production site (2012) has been closed because it cannot produce again as a result of not being able to overcome the obstacles that have occurred, one of which is being unable to compete in the quality and motives of the goods produced with other importers.

Figure 4. The WTC that changed to Wisma 88



Figure 5. The former sandal and shoe production site in North Wedoro Hamlet



So this also impacted the sandal and shoe production factory employees who had to be laid off due to the closure of the production site in North Wedoro Hamlet. In the past, residents, regardless of the minimum education, could work wholesale at home as housewives, gentlemen, teenagers, and hundreds of thousands of rupiahs. However, now the residents can only rely on salaries as factory workers or trading results because several in North Wedoro Hamlet have opened many grocery store stalls and coffee shops (Warkop).

Figure 6. Livelihoods of some residents of North Wedoro Hamlet



Demographics of the village population, of the total population, there are 14,585 people, of which the whole male population is 7,210, and the female population is 7,374 people, the majority of whom work as factory/private laborers of 3,166 people and 834.35 people as traders (Waru District Office: 2018). It is clear that most of Wedoro Village work as factory workers and are dominated by women.

However, during the Covid-19 pandemic, the government decided to carry out *work from home* and limit activities outside the house for workers. Still, this policy did not apply to workers working in factories because they were actually affected by the emergence of this covid-19, namely being laid off. from the company due to a decrease in the amount of production and demand for goods by consumers. As a result of limited activities outside the home and reducing the high chain of spread of the Covid-19 virus, entering the middle of 2022, people have started to get used to the presence of a pandemic and economic accessibility has been relaxed within the framework of the G20. Thus, people began to adapt to build the economy.

From these problems, the Research Team chose the target group of women, especially homemakers and women laid off as the primary data source. The reason is, besides that women dominate the population of Wedoro Village, researchers assess women who have greater potential in processing waste to create a skilled and creative community through creative economic activities which are expected to be processed into goods of high use value as well as to be able to create an environment free of plastic waste. So in the empowerment program during the Covid-19 pandemic, it is also possible to minimize activities outside the home. If you have to leave the house, participants and empowering groups may only look for raw materials and market the resulting products to be offered to kiosks or shops. The shop is a medium of introduction to the surrounding community so that the target group has jobs, skills, and additional income and is more economical in using plastic.

### Structural Functional Analysis

The theory of structural functionalism that will be used in this research is Talcott Parsons's theory with his AGIL scheme. Schematic explaining the four functional imperatives for the "action" system. AGIL consists of Adaptation, Goal attainment, Integration and Latency or maintenance. The essence of this Parsons's AGIL scheme is that a plan to survive must even carry out the four AGIL functions (Ritzer, 2014).

- a. Adaptation To survive, the system must cope with situational needs from outside. The system must adapt to the environment and adapt to the needs of the environment as well. The world market greatly influences business actors' development and future orientation. The market, opportunities and competition significantly affect the adaptation made by industrial actors. It has been proven that in the past, he was a sandal industry business actor and experienced a setback due to prices that were less competitive with Chinese production. This can happen again when the recycling business cannot find a market/expand it. Times are getting more sophisticated, uniform, practical, and cheap. Competing in terms of quality and the economical price is not easy. Thus, efforts are needed to prioritize products in terms of quality and expand the market.
- b. Achievement of Goals, to survive the system must be able to define, determine and achieve the goals of the formation of the system. The orientation in maintaining a business is by thinking about product development, market opportunities, and people's preferences. Without innovation and creativity that is continuously updated, products can be out of date so that they are no longer in demand, and the results certainly affect turnover.
- c. Integration, to survive, the system must manage the relationships of the joined parts to become a unified whole. Business owners cannot possibly walk alone to maintain their business. Of course, the division that has been formed must carry out its role optimally. It is not that easy, to coordinate human resources. Solidarity and employee welfare must be formed and maintained to maintain business continuity.
- d. Latency or Pattern Maintenance, to survive, the system must also complement, maintain, and update individual motivations and the cultural patterns that create and maintain that motivation. After solidarity is formed, the rules that apply will be implemented without intimidation or fear. Discipline, kinship can be achieved if these values can be instilled in the mindset of employers and their employees. For example, giving leave at a certain time, bonuses, joint holidays, etc.

### Distribution of Economic Roles

The wheel system of the economy functions because of the division of roles for each element of society that functions in each section/sub-section (Sahasranaman & Prasad, 2014). The division of labor in implementing the recycling industry is divided into processing, sales, packaging, and administration (Ncube et al., 2021). The processing



division is subdivided into raw material supply and quality, production, and quality inspection (Wang et al., 2021). The sales division is divided into digital marketing and direct field promotions (Cimpan et al., 2021). The packaging division is the simplest because it is not divided into smaller parts (Guarnieri et al., 2020). The processing division is in charge of providing still good plastic that can be recycled and is tasked with recycling plastic materials (Hidayat et al., 2019). The sales division functions in marketing and bidding so that goods are sold and can compete in the market. The packaging division is responsible for packing finished goods and delivering goods (Rutkowski, 2020).

Finally, the administrative division consists of financial records, material stock inventory, and production (Abd Karim et al., 2018). All of these divisions are under the supervision and control of the business owner (Hossain et al., 2022). Business owners have a role in managing human resources, namely residents of the Wedoro area, to carry out their part to achieve the goal of empowering the community economically and contributing to reducing plastic waste to support the environment. To maintain solidarity and integration to maximize the role between divisions, as a business owner, control human resources by directly participating in supervising the stages of selecting materials, production, and selling them. In addition, permits related to leaving or attendance are tightened using a system of shifts/working hours shifts.

## CONCLUSION

As a rising new enterprise, this young business is still vulnerable to economic competition. The obstacle that is often found is the problem of declining sales from time to time. The sales division accounts for this dysfunction, but other parts are also not running optimally. For example, a processing division creates production results that are not as superior as competing for products/outside products. The effort has met the adaptation, integration, and latency requirements. However, for the conditions for achieving the needs, they lack orientation. It is evidenced by the limited thinking to develop products and expand market reach.

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