

# Development Strategy of Micro, Small and Medium Enterprises (MSMEs) at Indonesian Airports

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**Abstract:** This research discusses the role of Micro, Small, and Medium Enterprises (MSMEs) in the Yogyakarta International Airport (YIA) area and their contribution to the local economy in Kulon Progo. The existence of MSMEs in the airport environment provides a great opportunity to introduce local products to a wider market, especially domestic and foreign tourists. This research highlights how MSME players utilize the strategic position in the airport area to develop their businesses, while facing challenges such as limited capital, simple business management, and competition with large capital businesses. Through an analysis of the strengths, weaknesses, opportunities, and threats faced by business actors, it was found that efforts to strengthen management, digital promotion, and support from the airport and local government are key in improving the competitiveness of MSMEs. The results show that MSMEs not only play a role in driving local economic activity, but also have the potential to grow sustainably if supported by appropriate development strategies.

**Keywords:** Airport; Management; Economy; MSMEs.

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## I. INTRODUCTION

Yogyakarta International Airport, also known as Yogyakarta International Airport (YIA), is an important airport serving the Yogyakarta and surrounding areas. The region is known for its rich culture and history. The airport plays a vital role in connecting Yogyakarta with domestic and international destinations. The airport at Yogyakarta International Airport (YIA) began operations in 2019. The airport is located in Kulon Progo Regency, about 45 km from the city center of Yogyakarta. YIA was built to replace Adisutjipto Airport which had served Yogyakarta previously. With an area of 2100 hectares, the airport is designed to handle up to 20 million passengers annually. Prior to YIA, Adisutjipto Airport had long been the main airport serving Yogyakarta. Adisutjipto Airport is located in Sleman Regency, on the outskirts of Yogyakarta, close to the Prambanan temple site. The airport used to be the main international airport serving the region before the expansion and construction of Yogyakarta International Airport. Adisutjipto Airport, also known as Adisucipto Airport, has a history as an important domestic airport on the Indonesian island of Java. The construction of this airport was controversial, especially the strong rejection by residents on the land affected by the construction, but in the end the government confirmed that the affected residents' land

would not be evicted, the government bought the land depending on the area needed for construction.

In addition, PT Angkasa Pura I (now changed to injourney airport) provides a 1,513 square meter gallery to accommodate 300 to 600 MSMEs at Yogyakarta International Airport (YIA) in Kulon Progo. This is done as a manifestation of the role of SOEs to contribute to economic development. Therefore, I am interested in researching how the economic impact on MSMEs at YIA airport, I want to understand how MSME players in the YIA Airport environment manage their business and the extent to which this has an impact on their business continuity and their contribution to the dynamics of the local economy in Kulon Progo.

## II. LITERATURE REVIEW

### A. MSMEs (Micro, Small and Medium Enterprises)

Locally and nationally, micro, small, and medium-sized enterprises, or MSMEs, are vital to the national and regional economy. Yogyakarta International Airport (YIA) is close to Kulon Progo, which has great benefits for MSME expansion. Examples of these opportunities include basic business management and product marketing. As the airport is a hub for transportation and economic growth, it has

particular potential to support the expansion of local businesses through commercial space management, business assistance and economic community empowerment. MSMEs at YIA not only offer products indigenous to Kulon Progo, but also create jobs, income and opportunities.

Creating jobs, income, and opportunities for management innovation in business management. For MSMEs to survive in the long term, effective marketing strategies, human resources, and financial management are essential. Therefore, this study examines not only the economic impact but also the management factors that influence the growth of MSMEs and the management difficulties they face in the airport environment. Law No. 20/2008 defines MSMEs as profitable enterprises that meet certain asset and revenue requirements and are owned by persons or business organizations. MSMEs increase employment, promote economic equity, and improve community welfare. Nonetheless, the success of MSMEs depends on management concepts such as financial control, operational management, business planning, and product innovation. In addition to providing transportation infrastructure, airports also serve as centers for regional economic development and management. The capacity of MSMEs to apply adaptive management techniques is a major factor in their performance around airports. All parties involved, including airport management, need training and mentoring to address issues such as inadequate human resources, limited access to funding, and poor marketing management.

### III. RESEARCH METHODOLOGY

Management is the main basis in this research to evaluate the function and contribution of MSMEs at YIA Airport in relation to business sustainability and competitiveness. Managerial practices carried out by MSME players at the airport including marketing strategies, financial management, and human resource (HR) development are studied using qualitative methods with SWOT analysis. The qualitative method is a method that describes, describes, and describes what is the case of the object under study based on the situation and conditions when the research was conducted (Sugiyono, 2017). Data is collected through interviews with relevant MSME actors, in order to obtain the data needed along with the management challenges faced by MSMEs in the airport ecosystem, as well as managerial trends faced by MSMEs in the airport ecosystem. airport ecosystem, as well as managerial trends that drive regional economic growth, are further analyzed.

The purpose of qualitative research is to fully understand the phenomena faced by research participants, including their behavior, perceptions, motivations, actions, and others. In addition, the purpose of qualitative research is to provide a linguistic explanation of these events, Moleong (2017). Qualitative research also seeks to provide linguistic explanations of these events. According to Hendryadi et al. (2019), qualitative research is a type of naturalistic research that tries to gain in- depth knowledge about social phenomena in a natural way.

### IV. RESULTS AND DISCUSSION

Research that has been conducted for approximately 1 month at Yogyakarta International Airport (YIA) for data according to the title of this research is based on interview data through 8 MSME players with 4 types of boutique businesses, 3 types of food/culinary businesses, and 1 type of skinckare business. From the interview results that I got through SWOT analysis, it will be discussed as follows:

#### A. SWOT Matrix

This SWOT matrix is used to develop an organizational or company strategy that clearly describes the opportunities and threats faced by MSMEs at YIA airport so that they can be adjusted to their strengths and weaknesses. From the results of the matrix that has been discussed, focusing on the management of MSME management at YIA airport, identified with four main strategy combinations namely SO, WO, ST, and WT strategies that allow MSMEs to make the right decisions in the face of competitive market dynamics and operational challenges in the airport environment. This matrix helps direct MSMEs to maximize strengths and opportunities, and overcome weaknesses and threats, especially in terms of business management, marketing, capital, and business legality. Thus, MSMEs in YIA are expected to not only survive, but also thrive through increased competitiveness, market expansion, and improved managerial efficiency.

Table 1 Swot Matrix

|   |                          |   |
|---|--------------------------|---|
| <div>INTERNAL</div> <div>EXTERNAL</div> | Strengths                | Weaknesses  |
|   | <div>Opportunities</div> | <div>SO Strategy</div> <div>Developing a strategy that utilizes strengths (S) to capitalize on opportunities (O)</div> <div>WO Strategy</div> <div>Developing a strategy that uses opportunities (O) to overcome weaknesses (W)</div> |
|   | <div>Threats</div>       | <div>ST Strategy</div> <div>Developing a strategy that utilizes strengths (S) to avoid threats (T)</div> <div>WT Strategy</div> <div>Developing a strategy that minimizes weaknesses (W) and avoids threats (T)</div>                 |

Table 1 source: <http://www.lppslh.or.id/artikel/analisis-swot/>

*B. Development strategy*

Table 2 The Swot Matrix Result

| Internal<br>External | Strengths (S)  | Weaknesses (W)   |
|----------------------|--|--|
| Opportunities (O)    | <b>S-O Strategy:</b> <ul style="list-style-type: none"> <li>- Utilize the strategic position of the airport for product exposure to tourists.</li> <li>- Use attractive packaging and digital promotions to attract consumers.</li> </ul>  | <b>W-O Strategy:</b> <ul style="list-style-type: none"> <li>- Organize managerial training (finance, human resources, production) from airport/government partners.</li> <li>- Use government financing programs to strengthen capital and production capacity.</li> <li>- Take advantage of digitalization for modern marketing without large costs.</li> </ul> |
| Threats (T)          | <b>S-T strategy:</b> <ul style="list-style-type: none"> <li>- Use the uniqueness of local products, especially those characterized by Kulon Progo, as an attraction to face competition from large branded products.</li> <li>- Maintain product and service quality to retain consumers when passenger flow decreases.</li> </ul> | <b>W-T strategy:</b> <ul style="list-style-type: none"> <li>- Reduce dependence on airport visitors by developing online sales.</li> <li>- Legality assistance (PIRT, NIB, halal certification) to develop stronger MSMEs to face legal or regulatory threats.</li> <li>- YIA airport social media development to promote local products.</li> </ul>             |

Table source: /notes

➤ *The results of the identification of strengths aspects*

Shows that the strategic location of MSMEs within the airport area provides its own advantages in the form of direct access to the domestic and foreign tourist markets. Specialty products such as batik, traditional food, and local skincare are able to attract the attention of consumers who have waiting time before departure. Businesses also utilize social media to promote their products, and create attractive packaging to increase product appeal.

➤ *Results of identification of weakness aspects*

It was found that the majority of MSMEs are still managed very simply. Financial recording activities are still carried out manually, and only a small number of businesses have cash flow reports or simple balance sheets. Some MSMEs also do not have complete business licenses such as NIB or PIRT. Constraints in accessing financing and management training are the main obstacles to their business development.

➤ *Results of identification of opportunity aspects*

The airport manager through injourney (whose previous name was PT Angkasa Pura 1) has provided special MSME business space facilities at the malioboro monument and departure lounge. Local government support in the form of training, digital promotion, and facilitation of financing through cooperatives and microfinance institutions also opens opportunities for MSMEs to upgrade. The potential for collaboration with other business actors in the airport area, such as restaurants or large souvenir shops, is also a strategic opportunity that has not been optimally utilized.

➤ *The results of the identification of threats*

MSMEs in the YIA environment are faced with intense competition, both among local actors and with big brands that have higher capital and production capacity. A decrease in the number of passengers due to external factors

such as a pandemic, changes in travel regulations, or the off-season also has a direct impact on the decline in sales.

Requirements from airport managers related to product quality standards and business legality are also a challenge for MSMEs that are not yet fully formalized. Through the SWOT Matrix that has been compiled, four main strategy combinations can be formulated:

- The S-O strategy encourages businesses to maximize their internal strengths (location, signature products, and digital promotion) in capturing external opportunities (facilities from the airport and access to the tourist market).
- The W-O strategy directs MSMEs to overcome their internal weaknesses by taking advantage of opportunities such as training, capital assistance, and digitalization from external agencies.
- The S-T strategy emphasizes the importance of maintaining product quality and uniqueness to compete and adapt in a situation of declining passenger traffic.
- The W-T strategy encourages institutional strengthening such as the legality of airport MSME businesses to avoid legal and regulatory threats, reduce dependence on one market source, actively encourage the use of digital marketing.

Thus, the results of this discussion show that the existence of MSMEs in the YIA Airport area has a real contribution to the local economy of Kulon Progo. However, in order for this contribution to be sustainable and increase, there needs to be strengthening in terms of business management and strategic interventions from stakeholders, both the government, airport managers, and MSME development institutions.

## V. CONCLUSIONS

According to the results of research on eight MSMEs operating around Yogyakarta International Airport (YIA), the local economy in Kulon Progo has benefited greatly from the presence of MSMEs in the airport area. The airport's status as a global transportation hub has provided extensive market access for MSMEs, especially in terms of promoting local products to domestic and international customers. Attractive product packaging and social media-based marketing techniques support this.

Nonetheless, a key issue in enterprise development is a number of management barriers. Lack of managerial training, limited access to financing and unsystematic financial management are structural weaknesses that can hinder the expansion of MSMEs. In addition, a more flexible business plan is needed to anticipate the challenges of intense competition in the airport sector and variations in passenger volumes.

Four strategies have been developed using the SWOT method to assist MSMEs in making the best decisions to improve competitiveness and long-term viability. Using airport locations and facilities, management training, digitalization marketing, and strengthening institutions through certification and business cooperatives are some of these tactics. MSMEs in the YIA region have the potential to grow and increase their contribution to regional economic growth in addition to being able to survive with the right approach.

## SUGGESTIONS

It is recommended that the development of MSMEs in the Yogyakarta International Airport (YIA) area be carried out in a more integrated manner through active cooperation between business actors, airport managers, and local governments. MSME actors need to receive continuous assistance in managerial aspects, such as financial management, digital marketing strategies, and human resource development in order to be able to face competition and maximize market opportunities. On the other hand, airport managers are expected to continue to provide conducive business space for MSMEs, as well as facilitate integrated training and promotion through official airport platforms. The local government also has an important role in expanding MSME access to capital, business legality, and entrepreneurship training so that MSMEs can grow into independent, competitive business entities, and contribute significantly to the local economy of Kulon Progo in a sustainable manner.

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