

Development of Business and Business Systems to Promote Investment Growth and Regional Economic Resilience: By Using Internet and Social Media

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ABSTRACT

The farmers are ironically living below prosperity despite the potential of fertile land and high productivity. The price of cassava keep falling because the farmers have inadequate bargain position; thus the price is controlled by the factory. The price keeps on below the expected price, even today's price reaches Rp. 900,-/kg. This price will not cover the break event point, implying the 11 months of working can't be sufficient for the farmers to pay their costs. The dependency of the farmer to the factory and market middlemen has worsened during the pandemic crisis. As the factories shutting down, the demand of cassava is highly decreased. These problematic situations encourage us to rethink the cassava cultivation in this area and improve Malang Regency in general, considering the strategic advantages of the rural areas could contribute better for the societal resiliency responding to the pandemic. This study aims to develop an applicable initiative framework of Investment Destination Rural Area. This study offers the perspective of optimizing local advantages through problem solving, value creation and collaboration. By restructuring the farmer businesses and establishing new SMEs, the supply side of the cassava production is expected to be absorbed better resulting better bargaining position for the farmers. This method of the study is qualitative with case study approach in Jabung of Malang, thus, meta-analysis elaborated. The findings propose that by optimizing local advantage, elaborating natural resource and people empowerment, a pull marketing magnet can be established without much push marketing. Internet has broken many barriers for business entry since people can make their own social media to promote any business. Experience sharing through social media is proven to be one pivotal support in this case because it is believed to be more trusted than any other means of advertisements.

Keywords: *Innovation, Business Development, Local Community.*

1. INTRODUCTION

Malang is one of the city and district that grows up in many located in East Java, where most of the population works. There are many things that they can actually upgrade their knowledge of, especially about SMEs. Where, it will be an additional income for the family, but this will be difficult if there is no balance between science and knowledge related to the digital market industry. Because, so far they have been demanding how to harvest crops and sell those directly to the market at a relatively stable price. Moving from the other side, technology learning must be maximized that can be obtained from the experts regarding the online market.

Agricultural sector is vital to the national sustenance and provided by mostly rural areas due to the natural advantages. Regardless the importance of the agricultural sector, the number of the farmer in the rural areas keep decreasing from year to year. The younger group of the farmer were only below 11 percent of the total farmer which proves the poor future for the agricultural sector (BPS, 2018). Human resources are one important aspect having a major role in sustainable agricultural development, but on the other hand, there is undeniable shifting trend of younger people on the rural areas that decided to move closer to the city. As reported by OECD (2006) globalization encourages rural communities to transform the farming-based way of life into another business activities that add more value to natural

products. Other industries, such as manufacturing and tourism, are beginning to form the backbone of rural income. Increasing the economic value of rural product commodities is expected to increase income opportunities, but it also introduces new challenges and threats.

The Malang Regency area is a fertile area with attractive panorama of beaches and mountains known as resourceful with fruits, vegetables and especially cassava. Prices of agricultural commodities experience the seasonal price cycle, depending on the harvest period of production. In particular, the price of cassava is continuously falling, whether it is the harvest peak price or not. The price of cassava keep falling because the farmers have inadequate bargain position thus the factory controls the price. Such conditions encourage to rethink the cassava cultivation system in this area and improve the natural wealth of Malang Regency in general.

In rural areas, the perspective of developing natural products from extracted products into capital that will passed through into capital accumulation cycle has been introduced. Slee (2003) describes the rural area development has implemented incremental capital development in rural enterprises through the integration of business activities under the auspices of the initiators of the rural area business development, as in this study is represented by Lembaga Kemitraan Desa Pengelola Hutan/LKDPH, a locally originated organization that responsible for the local business enterprise that maximizing the value and sustainability of the surrounding natural resources.

This independent initiative for empowering rural communities is expected to shape land and natural product management for sustainable business, both in terms of nature conservation and business resilience in encountering the business competition which is increasingly threatening local communities' bargaining power (CA, 2002). Furthermore, the "Eat the View" viewpoint encourages local rural communities to integrate the tourism sector and businesses in order to increase local commodities, such as selling traditional rural products as local souvenirs. The value-added business in the business value chain is expected to add value to the business individually and be realized as an integrated unit capable of meeting the needs of consumers across multiple lines.

An assessment of SMEs' business performance in terms of innovation is derived from the definition of

business innovation. Adopting from Porter (1990), SME bussines innovation attempts to create any competitiveness with perceive a new and good ways on completion for the business industry to bring out to the real emerging market.

In other sectors, like food processing, competitiveness might depend more on SMEs being able to maintain for a high level on flexibility to customer demands. There is developing about business skills to people slightly modified versions an existing local products or new business way on packaging. However, innovation for SMEs typically relies on incremental changes to their unique product portfolio and the way that presented to customers rather than fundamental business innovations or radical changes to the unique local product are produced in Indonesia or another country in the world by online technology platform.

According to the aforementioned background, this study aims to develop an applicable conceptual and initiative framework of Investment Destination Rural Area. This study offers the perspective of optimizing local advantages through problem solving, value creation and collaboration, and the agricultural way of life in rural areas.

2. THEORETICAL REVIEW

2.1. SMEs in the Different Types Between Production and Innovation Systems

According to Manor (1999) argued that a part the national based on innovation policy should carried out in the regional level. Where, a best knowledge on the variation of regional condition innovation can be secured as well. For the case, innovation activity is a territorial innovation phenomenon. This is like any stimulation by cooperation between local players and by placing specific resources. For instances, the rural area should establish platform of local wisdom and knowledge transfer, which enable to deliver unique experience being created in a best way to promote competitive for local firm or home based production.

2.1.1. Social Entrepreneurship

Social entrepreneurship is motivated by the desire to outperform financial expectations. Gaining income is realistically necessary for social entrepreneurs to survive in the fierce competition, but the wealth gained should serve as a means to achieve higher goals and have a prosperous and problem solving

impact on the larger community (Blount & Nunley, 2015). Social entrepreneurs enable rural areas to create individual welfare and the welfare of society side by side. Social responsibility should be viewed as a requirement that employers must meet to continue operating and as an effort to create a sustainable work environment. The long-term viability of a healthy business is determined by the community's and the natural environment's guaranteed welfare in order to keep the economic wheels turning. Business success in social entrepreneurship is determined by how well a company meets the triple bottom line of planet, people, and profit (Tu, 2016).

2.1.2. Collaboration

Collaboration does not occur unless the community takes the initiative to invite partners to collaborate. Collaboration should be based on trust, willingness to share, and respect for differences in interests, so that cooperation can accommodate various parties with diverse backgrounds and interests (Lee and Glad., 2011). Collaborations may be clumsy at first, and the collaborating parties may initiate unexpressed and isolated ideas at the outset, but once the initiated collaboration established, it will trigger a chain effect similar to an ocean wave, where one splash of a wave will trigger the arrival of another bigger tidal wave. Because humans have different focuses and perspectives, collaboration allows for the exchange of ideas that other parties have not considered. Collaboration can lead to perform better problem solving because it is born from multiple perspectives and a willingness to share as a cooperative entity (Lee and Glad, 2011).

2.1.3. Business Development

Business development is primarily concerned with efforts to increase business capacity to provide added value to the business in operation. Increasing profitability is the ultimate goal of business. However, it is viewed as a result of business development goals such as making more precise strategic decisions, expanding the business with calculated risks, and forging the integration of more resources, including strategic partnerships (Kim and Mauborgne, 2014). The scope of business development is very broad, ranging from ideas to seeking strategic alternatives to operational implementation. Business development can be approached from various perspectives, such as increasing the size and reach of the company, increasing the engagement of sales and offerings,

forming strategic partnerships, and improving cost and price margins for better profitability. Good business development should have a broad impact on the functions of the company's departments, whether it's HR, finance, marketing, operations, or strategic collaboration with stakeholders and vendors, because increasing value is a chain process of interconnected linkages. Ideally, business developers should reach out to potential opportunities so that they can grow their business in the long run, opening up opportunities for business expansion, additional sources of revenue, and forecasting competitor growths (Carroll & Shabana, 2010).

2.1.4. Government Position

The government can appoint a representative delegation to reach out to areas with a concerning level of public welfare due to an alarming unemployment rate. This should be the focus of the regional development orientation, which should not be limited to transforming local markets into businesses that appear more advanced and comfortable without significantly contributing to regional development and community empowerment. The revitalization of traditional markets without regard for the long-term viability of traders' businesses in them will result in ineffective regional development intervention decisions. Development funds and subsidies derived from public funds should positively impact society as a whole, rather than just a few businessmen and tourists (Choudrie *et al.*, 2005).

2.1.5. Entrepreneurs Finance Strategy

Dependable capital sources is not guaranteed for new businesses. Although new businesses are deployed on careful calculations, they are shrouded in uncertainty and matters beyond knowledge. This necessitates implementing more comprehensive supervision and control procedures by investors (Kaplan and Stromberg, 2001). Direct meetings between investors and managers are required for healthy coordination (De Clercq & Sapienza, 2006), but the most recent technology must be utilized allowing investors to stay in touch with them through remote coordination and adequate periodic reports (Shane and Cable, 2002; Cumming and Dai, 2010; Colombo *et al.*, 2019).

New business, especially the SMEs are vulnerable to financial crisis events due to fluctuating available funding sources (Gompers *et al.*, 2008). To address these risks, investors must specialize in capital

transactions, allowing them to be more flexible in responding to the volatile business environment in the newly emerged businesses. In the midst of a dynamic SMEs climate, the behavior of investors who are sensitive to the business cycle leads to effective deals (Litzky *et al.*, 2020).

3. METHODOLOGY

This research used a qualitative method with case study approach in Jabung District of Malang Regency, thus meta analysis elaborated. Meta analysis is an analytical technique that combines multiple primary studies' findings (Fisher & Stuhmacher, 2011). In that case, any substantial also contained and could be explored in depth research (Yin, 2009). This research paper explored how many local communities in Malang that could be set up many more short-term and long-term goals with business drives to achieve great ideas. This way, the rural business development would create innovations and enable value added creation within the organization. Whereas, an extent to sharing and tracking for change occasionally

informations need to be identified, collected, and finally establish integrated communication, creativity and collaboration of the local communities.

4. RESULT AND DISCUSSION

Local farmers of Jabung District have been relied on the market middlemen for long time. In one hand, the situation limits the local farmers to improve their earn-ings since what they only know is the market price that often merciless, but in the other hand, local farmers need the market middlemen to guarantee the reliable selling for their commodity and better access to the market. Farmers need to sell their agriculture products on time since they got limited capacity on warehousing meanwhile their products are prone to the spoilage.

In order to achieve proper area development and design business system and growth system, rural area development should undergo multistage of process. Here is the process applied in dusun Begawan Jabung District:

Table 1. Area Development and Business Growth System Multi Staged Process

Stage 1 : Initiating Area Development	Stage 2 : Initiating Tourist Destination Area Development Construction and Establishment	Stage 3 : Initiating Investment Destination Area Development	Stage 4: Initiating Investment Destination Area Development
<i>Focussed Group Discussion (FGD)</i> a. Collect information about the societal needs b. Collect information about what the variety of crops needed c. Initiating Collaboration with Existing Local Community	<i>Construction and Establishment</i> a. Telaga Sari Garden Construction b. Taking care of permits c. Initiating Collaboration with Local Institutions	<i>Launching</i> a. Developing Coffee Cultivation b. Developing Later Priority Crops Cultivation c. Expanding TSG d. Societal Development e. Promoting Warung Kuliner (local culinary food stalls)	<i>Operational</i> a. Installing electricity (PLN) b. Installing telecommunication and internet infrastructure (Telkom) c. Establishing Agricultural Factory d. Building Network e. Establishing Cooperative Venture

Source: Processed data

In order to survive at disadvantage and lack of bargaining position, local farmers in Malang Regency encouraged to unite under the local community intended to manage local forest area named LKDPH. This community encourages farmers to look for another possible agricultural alternatives and protecting the natural habitat at the same time. Coffee is one of the favorable option to cultivate for its ability

of water conservation and increasing market value. In the short run, farmers increase the bargaining by switching the variety of plants based on market timing, such as switching plant from cassava to sugar cane or vice versa.

This village ever automatically went viral by introducing Kopi Keceh, or experience enjoying

coffee when dipping the feet gently to the river stream. Telaga Sari Garden was so famous, so attracted customer queueing for 3km long (NewsMalangPos.id, 2021). This has proven that by optimizing local advantage, elaborating natural resource and people empowerment, pull marketing magnet can be established without much effort of push marketing. The practice of sharing one's enjoyment of a product via social media is considered as more genuine advertisement than any other conventional advertisements. Consumers who use social media voluntarily and honestly avoid the impression of shared experiences being made up (Olbrich and Holsing, 2011).

Referring to the rural need to revitalize business processes to be more oriented toward creating added value rather than extracting natural wealth alone, more progressive village development is required to overcome the existing limited access to funding, quality human resources, or science and technology to produce effective strategies. This encourages regional development to take regional contingencies into account in order to effectively place local potential with superior competitiveness. The traditional view of the agrarian village must be replaced by a more advanced concept of village development encompassing the local wisdom (OECD, 2006).

5. CONCLUSION

This research paper a slightly ahead with conceptual framework between innovation, business development, and current digital consumer behaviour on SMEs. Local industry can be assimilated with obtain collective strengthening by networking and optimizing local advantage of natural resources and objects. In order to survive at disadvantage and lack of bargaining position, local community should be established so they able to create creative problem solving such as demonstrated by the findings in this study. From switching from one to another variety of plant, establish sustainable farming, shifting old agriculture paradigm into advanced agribusiness mindset and finally find the best fit attracting customers by pull marketing as well as gaining new investors.

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