



# Strengthening the Creative Economy of Small and Medium Industries in Supporting the Tourism Potential in Surakarta

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**Abstract.** Surakarta occupies the entire administrative territory with an area of approximately 4,672 hectares. In the national development strategy and policy of the Provincial Government of Central Java, Surakarta completes its function as a tourism city. The existence of several cultural events held in Surakarta such as the Solo Batik Carnival is a special attraction for tourists. Apart from that, Surakarta is also known as a cultural city with tourism potential such as the palace and the presence of small and medium industries (SMI) whose products attract tourists. This study aims to determine the potential of existing SMI products as a tourist attraction and encourage tourism potential in the city of Surakarta. This study uses qualitative methods by observing, reviewing data, and making observations. The results of the study show six SMI Innovative Business sectors which are a priority to be built, developed, and managed in Surakarta, namely fashion, visual communication design, craft, culinary, performing arts, and visual. The leading SMI Innovative Business Centers are relatively spread across five sub-districts in Surakarta City, namely Jebres, Banjarsari, Laweyan, Pasar Kliwon, and Serengan. SMI centers developed to encourage tourism potential and advance the economy in Surakarta City. SMI also cooperates with cooperatives in providing access to capital and product marketing.

**Keywords:** Tourism · Small and Medium Industries · Cooperative

## 1 Introduction

Surakarta City occupies the entire regional administrative territory with an area of approximately 4,672 (four thousand six hundred and seventy-two) hectares located 110 45' 15"–110 45' 35" East Longitude and 70' 36"–70' 56" South Latitude with administrative boundaries include: Boyolali Regency and Karanganyar Regency to the north; Karanganyar Regency to the east; Sukoharjo Regency to the south and west [1]. Surakarta City is divided into 5 districts: Laweyan; Serengan; Pasar Kliwon; Jebres; Banjarsari.

The city of Surakarta, or better known as Solo, was founded on February 16, 1745. In its development, the City of Solo experienced developments in various fields, including culture. Culture thrives and is firmly rooted in Solo, including language, religion,

transportation, art, festivals and celebrations. Solo is the center of Javanese culture. This is reinforced by the condition of the people of Solo who still adhere to traditional values. This proves that Javanese culture has taken root in the life of the Solo people. Along with the rapid development of Information and Information Technology globally in Solo, it gives various influences on society. One of them causes the erosion of regional cultural values, especially teenagers and children. The traditional art culture that was once attached to early childhood as both a skill and a playing medium is now far from childhood.

Solo is a city of culture [2] which is known internationally [3]. Various cultural events have been held in this city and have succeeded in attracting the attention of the people of Surakarta, people outside the city, and even foreigners. This is because most of these events are international in scale [4], so it is not surprising that many foreign tourists take the time to witness the event. One of the international cultural events, namely Solo International Ethnic Music (SIEM), has become a topic of conversation in the public media, especially the people of Solo and its surroundings. Apart from that, there are also cultural events such as the Solo Batik Carnival.

Small and medium industries (SMI) have their own potential in attracting tourists to support tourism activities in the city of Surakarta itself. SMI empowerment is carried out through strengthening SMI centers and clusters, increasing the number and quality of field educators, and providing SMI development promotion centers. According to the RPJMD technocratic documents, the industrial development of Surakarta is focused the Small and Medium Industry category. The number of small and medium industrial companies (SMI) in Surakarta always increases every single year.

To increase the existence of products from the small and medium industrial sector so that they can be accepted by the public, the government annually holds production promotion exhibitions, both in carrying out its activities and sending them to events organized by other parties. However, regional capacity to facilitate SMI owners in these activities is still limited. On average per year, the number of SMI facilitated to take part in new product promotion exhibitions is around 1.7% of the total existing industries. The activities carried out are expected to be able to increase sales turnover of SMI products in Surakarta.

The percentage increase in sales turnover of SMI products from 2014–2018 fluctuated, it is necessary to strengthen this industrial group so that its turnover can increase, at least it has resilience in facing the influence of the global economy. The government has been involved in regular promotion, exhibition and coaching activities.

This study aims to determine the potential for the existence of SMI in supporting tourism activities in Surakarta and to determine the role of cooperatives in supporting the existence of SMI in Surakarta.

## 2 Method

This study uses a qualitative approach with the methods of observation, interviews, and review of existing data then analysis and conclusion are drawn. The research was conducted at the Surakarta Industry Office and the Surakarta Small and Medium Industry Cooperative Office. It uses three data collection techniques; observation, interviews, and distributing questionnaires.

### 3 Result and Discussion

#### 3.1 SMI Potential in Surakarta and Tourist Attraction

Small and Medium Industries (SMI) are businesses that manufacture or manufacture products for living things, such as plants, animals and humans. Meanwhile, SMI is a business that only sells goods or services produced by SMI. In the opinion of Zahirul et al., (2021) [5] One of the roles of SMIs in the economy is as a driver of the economy and plays an important role in reducing the number of unemployed, social and economic development of a region or country. The existence of IKM in Surakarta has received serious attention from the local government. This can be seen from the arrangement of centers based on each region.

The development of IKM empowerment in Surakarta in 2021 can be seen in the Table 1.

Small and Medium Industry Centers (SMI) are places where small and medium industrial activities are concentrated that produce similar products, use the same raw materials, and/or carry out the same production process, along with supporting facilities and infrastructure designed based on the development of regional resource potential. And managed by professional managers. Based on the growth of centers in Surakarta City, there are twenty-four centers including Laweyan batik centers, Kauman batik centers, bird cage centers, patchwork centers, tofu and tempeh centers, sillcock centers, furniture centers, nature centers, colored batik centers, souvenir centers, and gems. Distribution data in Surakarta can be seen in the Table 2.

Furthermore, the Surakarta City Government through the Surakarta Regional Development Planning Agency (Bappeda) classified the 16 creative economy fields into several priority groups, as explained in the Surakarta Creative Economy Development Strategy study conducted in 2014. This effort was made to encourage SMI in Surakarta. Surakarta can grow and develop as an innovative business with the aim that its products can be accepted by the community, accessed by a wider market, and have better competitiveness.

The Table 3 presents 6 SMI Innovative Business fields which are priorities to be built, developed, and managed in Surakarta; fashion, visual communication design, craft, culinary, performing arts, and fine arts. Leading SMI Innovative Business Centers are relatively spread out in 5 sub-districts in Surakarta City; Jebres, Banjarsari, Laweyan, Pasar Kliwon, and Serengan. SMI is a strategic potential in Surakarta City which is determined as a priority component to ensure quality and competitiveness. This is in line with the opinion of Taufik and Retno (2022) [6] who argue that small industries in

**Table 1.** The empowerment of small and medium industries of Surakarta 2021.

| No | Instituional     | Amount |
|----|------------------|--------|
| 1  | Centre           | 24     |
| 2  | Promotion Center | 1      |
| 3  | Group            | 8      |

Source: The study of SMI center of The Agency of Trade and Industry 2021.

**Table 2.** Center data of SMI in Surakarta 2021

| No | Centres                               | Sub-District                            |
|----|---------------------------------------|---|
| 1  | 2                                     | 3                                       |
| 1  | Laweyan Batik Center                  | Laweyan                                 |
| 2  | Kauman Batik Center                   | Kauman                                  |
| 3  | Rounded-Bird Cage Center              | Ngampon RW IV,V,III, Mojosongo          |
| 4  | Squared-Bird Cage Center              | Kedungtungkul RW 7, Mojosongo           |
| 5  | Squared-Bird Cage Center              | Mertoudan RW IX, Mojosongo              |
| 6  | Squared-Bird Cage Center              | Tawang Sari RW 3, Mojosongo             |
| 7  | Squared-Bird Cage Center              | Kepoh RW 11, Mojosongo                  |
| 8  | Sarana Sejahtera Bird Cage Center     | Kadipiro                                |
| 9  | Patchwork Center Sumber Rejeki        | RW 13 Kelurahan Tipes                   |
| 10 | Pasori Patchwork Center               | RW 13 Kelurahan Tipes                   |
| 11 | Stamp Center                          | Jalan Kalilarangan Jayengan             |
| 12 | Tofu and Tempe Center East Solo       | Pucangsawit                             |
| 13 | Tofu and Tempe Center South East Solo | mojosongo                               |
| 14 | Tofu and Tempe Center North Solo      | Banyuanyar                              |
| 15 | Tofu and Tempe Center West Solo       | Sumber                                  |
| 16 | Tofu and Tempe Center Central Solo    | Kestalan                                |
| 17 | Tempe Center                          | Pajang                                  |
| 18 | Shuttlecock Center                    | Pringgolayan RT 3 RW 9, Serengan        |
| 19 | Mentari Furniture Center              | Gilingan                                |
| 20 | Natural-Colored Batik Center Semanggi | Semanggi                                |
| 21 | Souvenirs                             | Jagalan                                 |
| 22 | Household appliance Kabangan          | Ps Kabangan Jl. Radjiman 519 Sondakan _ |
| 23 | Gem Village Jayengan                  | Jl. Gatot Subroto 161, Jayengan         |
| 24 | Blangkon Center                       | Potrojayan RT 2 RW 6 Serengan           |

Source: The study of SMI center of The Agency of Trade and Industry 2021

Surakarta can absorb a workforce of 72,555 people, so the potential for development is quite large.

The fashion industry is quite prominent in Surakarta, especially batik. This can be seen from the holding of Solo Batik Fashion and Solo Batik Carnival which have become an annual agenda in Surakarta. However, even though batik is quite prominent, it must be admitted that Surakarta batik is a classic batik that is closely related to Javanese culture. Therefore, batik entrepreneurs from outside Java tend to choose the Pekalongan batik industry as their business partners because Pekalongan batik is richer in colors and

**Table 3.** The SMI Priority Innovative Business Based on Surakarta Roadmap 2016–2021

| No | SMI Priorities              | SMI Centers                                |
|----|-----------------------------|--|
| 1. | Fashion                     | Banjarsari, Laweyan, Pasar Kliwon.         |
| 2. | Visual communication design | Banjarsari, Serengan, Laweyan.             |
| 3. | Craft                       | Banjarsari, Jebres, Laweyan, Pasar Kliwon. |
| 4. | Play                        | Banjarsari, Jebres, Serengan.              |
| 5. | Art                         | Banjarsari, Jebres, Laweyan, Pasar Kliwon. |
| 6. | Culinary                    | Jebres, Laweyan, Pasar Kliwon.             |

motifs. SMI's fashion centers in Surakarta are located in Banjarsari, Laweyan and Pasar Kliwon.

The craft industry is an art industry that is made by hand without reducing its functional aspects. Therefore, craft is called a complete art because it fulfills not only needs but also beauty. The benefits of this craft are not only applied or ready-made but can also be used as decoration and toys. The craft industry in Surakarta is relatively well developed. This can be seen from the growth of handicraft industry centers in Surakarta, such as the Furniture Factory Industrial Market and Tourism Villages. SMI centers in Surakarta are located in Banjarsari, Jebres, Laweyan, and Pasar Kliwon.

The fine arts industry in Surakarta is also a priority for SMI because this industry is relatively developed with its unique products, such as Wayang Beber paintings, ceramic paintings, handicrafts, and so on. The ability of SMI owners in Surakarta to produce new products, in terms of design, raw materials, finishing, and so on, is the selling point of fine art products produced by this small and medium industry. Fine arts SMI centers in Surakarta are located in Banjarsari, Jebres, Laweyan, and Pasar Kliwon.

The culinary industry is one of the priority industries in Surakarta City. The reason is, some foods are very synonymous with the city of Surakarta, for example Tengkleng, Solo Strait, Nasi Liwet, Timlo Solo, Sosis Solo, and Srobi Notosuman. Although there are many similar foods elsewhere, Indonesians generally call this food authentic cuisine from Surakarta. This food has become a brand for the city of Solo in the culinary field.

Development by empowering local potential based on creative tourism and sustainable development based on industry (small and medium enterprises/SMI), buildings and the environment, history, and socio-cultural traditions can elevate places to be more creative. The realization of creative facilitation will be one of the generators driving the development of cities into creative cities. Creative tourism will accelerate the urge for a place to be more creative. Creativity-based tourism is tourism that involves local communities as a source of inspiration and is involved in the creative process of a tourist visit. In this case, creative tourists can be individuals or groups who travel to develop creativity. Creative tourists are not included in the category of mass tourists which only lead to recreational tourism.

### 3.2 Synergy of Cooperatives and SMI to Advance Business and Product Promotion

In Indonesia it is known that the composition of entrepreneurial activities is dominated by small and micro businesses. Judging from the structure of the economy as a whole, of the 39.72 million existing entrepreneurs, around 39.71 million or 99.97% are micro, small and medium entrepreneurs. Furthermore, around 98% of this number is dominated by micro entrepreneurs [7]. As time goes by, SMIs need to receive more attention from the government, especially because their role in developing Indonesia’s national economy is getting bigger. Even when the 1998 economic crisis occurred in Indonesia, cooperatives and small and medium enterprises were still able to survive compared to other large companies which experienced a collapse [8]. Based on observations obtained through questionnaire analysis, the following graphs are obtained (Fig. 1).

The survey results show that only 60% of cooperatives provide raw materials for SMI needs in Surakarta. The rest of the SMI owners rely more on procuring business raw materials independently (direct imports without the help of cooperatives). For access to capital, almost all cooperatives generally provide access to capital for SMI. There, 80% of cooperatives provide capital services for SMI, with a low-interest loan system and a repayment period agreed by both parties. For product marketing, only 70% of cooperatives provide SMI product marketing services. Marketing is the main key for an entrepreneur, limited access to marketing methods makes the business less developed [9]. This is because many SMIs carry out promotions or marketing through online media such as WhatsApp, Instagram, Twitter and Facebook. SMI owners think that doing online marketing can increase buyer interest, especially if product photos are made as attractive as possible along with tempting promotional sentences. This is in line with the opinion of Andjarwati and Wulan (2021) that digitizing business will make it easier to market products [10].

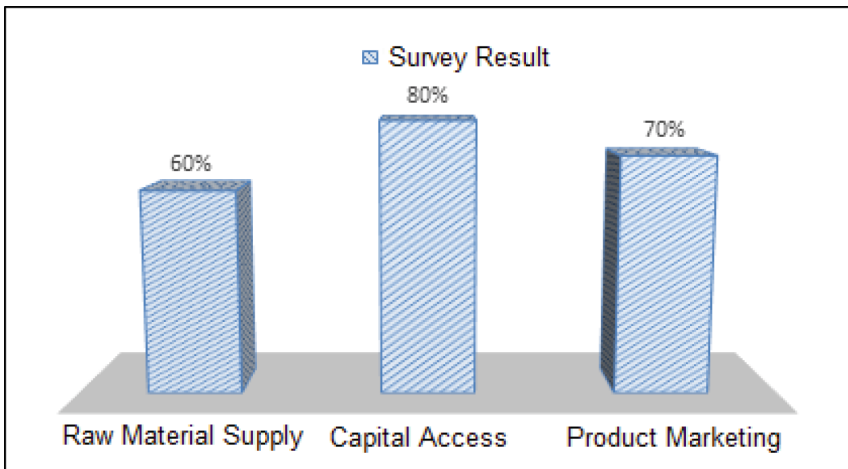


Fig. 1. Diagram of survey results of cooperative facilities on the needs of SMI

Cooperatives and SMI are types of businesses that have an important role in increasing a country's GDP (Gross Domestic Income), especially in Indonesia in facing the Industrial Era 4.0. According to Wikipedia, Industry 4.0 is the automation of production systems by utilizing technology. Industry 4.0 uses computers and robots as its basis, so that the progress that emerged in this era is mainly related to computers, namely the Internet of Things (IoT), Big Data, Cloud Computers, Artificial Intelligence (AI), and Machine Learning.

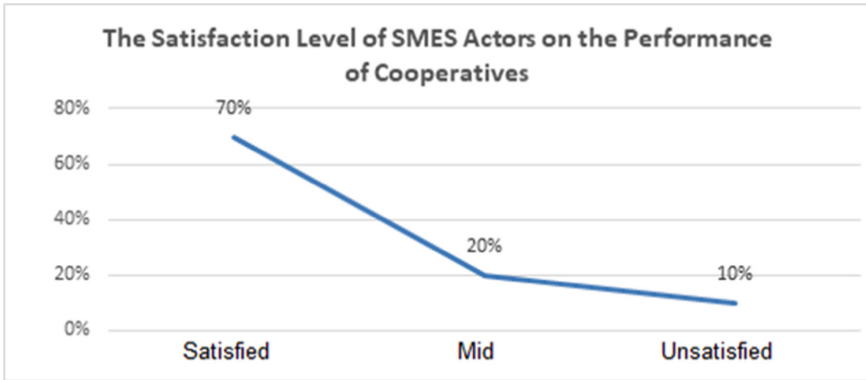
From an empowerment perspective, the existence of small and medium enterprises with all their characteristics is needed to seize opportunities in very difficult economic situations such as during the Covid-19 pandemic [11], high flexibility, and with adequate management support. in producing products and service. In general, several characteristics of SMIs can be stated, including (a) The production process and its products use medium and simple technology, (b) Absorb labor (labour-intensive) and do not require special skills, (c) Tend to develop in groups to form centers according to its type, (d) Growing and taking root from a talent into a hereditary skill.

Referring to its characteristics, Small and Medium Industries (SMI) describe several limitations in the form of weak ability to access sources of business progress. Constraints in the form of low capacity and access in these SMIs include:

- (1) Low ability to access sources of information.
- (2) Low ability to increase market access and opportunities.
- (3) Low capacity and access to sources of capital, including banking.
- (4) Low ability to master and utilize technology.
- (5) Low ability to develop organization and management.
- (6) Weak establishment of business networks or partnerships between small and large businesses

Even though the potential is enormous, the problem of capital is still the main obstacle for SMIs to grow and develop. Fundamental problems that cause difficulties for SMIs in business financing; First, the problem of collateral / collateral. Almost all SMIs complain that it is difficult to get financial assistance from banks because of the guarantee provisions. As a result, SMI's capital is highly dependent on very limited self-financing. Second, the problem of loan interest in the SMI sector is still very high. In terms of financing, there are at least two types of SMI groups. The first group is bankable SMI which is characterized by (1) having adequate formal legal instruments; (2) tidier management; (3) adequate marketing access; (4) the presentation of financial information is acceptable according to the bank's technical requirements; (5) access to information and knowledge of banking products is quite broad; and (6) collateral (collateral) can meet the bank's technical requirements. The second group is the unbankable SMI group which is characterized by (1) not having adequate formal legal instruments; (2) untidy management; (3) limited access to marketing; (4) the presentation of financial information does not meet the technical requirements of the bank; (5) limited access to information and knowledge of banking products. And (6) requires the role of cooperatives as liaisons and partners in building relationships with banks (Fig. 2).

Based on the graph above, it can be seen that SMIs tend to be satisfied with the performance of cooperatives related to their business. As many as 70% said they were



**Fig. 2.** SMI Satisfaction Level on Cooperative Performance in the Surakarta Region.

satisfied, and only 10% said they were not satisfied. Cooperatives, micro, and small businesses in Indonesia are an important part of the national economic system because they play a role in accelerating economic growth through the mission of providing business and employment opportunities, increasing people's income, and playing a role in earning the country's foreign exchange. And strengthening the national business structure. The development of SMIs is in line with the development process which prioritizes efforts to develop a pattern of national economic management that is based on the strength of the community in carrying out economic activities. Likewise, the demand for development in the current era of autonomy is increasingly pressing to be able to strengthen the structure of the national economy. To be able to play an optimal role, the challenge for business actors is how to create business actors for the benefit of economic growth. Economic growth is important in the context of the economy because it can be a measure of the achievement of a nation [12].

The results of the study above show that SMI actors and cooperatives synergize with each other. Achmad and Anniza (2020) [13] state that cooperatives play an important role in supporting economic progress, especially when synergizing with small and medium businesses. In discussing the opportunities for cooperatives to become alternative institutions for empowering SMI it is also necessary to study the relationship between cooperatives and SMI members. In this case, one of the interesting aspects to pay attention to is the "glue factor between cooperatives and their members and between members in cooperatives", namely the homogeneity of economic interests. Furthermore, it is also necessary to think about what if the success of cooperatives has been able to improve a person's economy, so that person feels that he does not need cooperatives anymore. In this case, it is necessary to realize that increasing one's economic capacity can cause people to change their interests. So it is possible that the person can move on to another cooperative that can fulfill his interests. In other words, the homogeneity of member interests is the keyword in building a cohesive factor in cooperatives.



## 4 Conclusion

Surakarta City has enormous tourism potential, this is supported by the existence of Small and Medium Industries (SMI) whose products can be used as tourist attractions. Six areas of IKM Innovative Business are a priority to be built, developed, and managed in Surakarta, namely fashion, visual communication design, craft, culinary, performing arts, and visual. The leading SMI Innovative Business Centers are relatively spread over 5 sub-districts in Surakarta City, Jebres, Banjarsari, Laweyan, Pasar Kliwon, and Serengan. The survey results show that only 60% of cooperatives provide raw materials for SMIneeds in Surakarta. The rest of the SMI owners rely more on procuring business raw materials independently (direct imports without the help of cooperatives). For access to capital, almost all cooperatives generally provide access to capital for SMI. There are 80% of cooperatives providing capital services for SMI, with a low-interest loan system and a repayment period agreed by both parties. For product marketing, only 70% of cooperatives provide SMI product marketing services. As many as 70% of SMIs in the Surakarta area stated that they were satisfied with the performance of the cooperative, and only 10% stated that they were dissatisfied.

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