

Tourist Destination based on SMEs Innovation: A Lesson from Madura Island, Indonesia

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Abstract : Tourism is a potential sector and can provide opportunities in improving the economics. One of the tourist attractions that can increase the tourist visits is the presence of SMEs. When tourists have an interest in tourist destinations, the tourism sector will have competitiveness. In order for tourism competitiveness to increase, SMEs must have an innovation. This study aims to provide a lessons about the SMEs innovative behavior in increasing tourism competitiveness in Madura. Primary data was collected through questionnaires to 33 SMEs in Madura Island who are engaged in the batik sector. The questionnaire design consists of 13 questions related with observed variables, namely innovation and tourist destinations. Secondary data were collected through observation and literature studies in which relevant to the research problem. Data collection techniques using surveys. The collected data will be analyzed with descriptive statistics. The results showed that the overall level of innovation of SMEs and tourist destinations on Madura Island was quite good. In addition, the results of statistical calculations show that the highest innovative behavior lies in the ability of batik SMEs to offer varied products and creating a product brand. Finally, the results of statistical calculations also show that the support from the community for the SMEs existence and the socialization of tourism objects has the highest value. Another finding from this study is that the existence of SMEs will have an impact on increasing tourist destinations.

Keywords: tourist destination, innovation, SMEs

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1 Introduction

In recent years, the tourism industry has development and is considered one of the sectors capable of contributing to the economy [1]–[3]. The increase of the economy as a result of the tourism industry can be identified from the presence of several factors, such private, government, retail businesses that have invested in the tourism area [4], [5]. When the investment has been made, the tourism industry will create jobs [5], [6], improve a society welfare [1] also that more important is to establish global connectivity [7]. The global connectivity of the tourism industry will have consequences. Several empirical studies explain that global tourism will have an impact on the higher level of competition [8], so it must create competitiveness by providing a difference between other tourist destinations [9].

In tourism industry, there's a complexity to create a competitiveness [3], [10], in which there are various interests that engage, such as economic, social, cultural, political and environmental terms

[11]. Therefore, tourism competitiveness is not only seen from the physical condition of tourist objects. Furthermore, in the tourism industry there is a business chain. In this context, industry competitiveness can be measured by several approaches, such as customer expectations, tourist satisfaction and value, tourist motivations and motives, destination branding, destination attractiveness, destination sustainability, and destination value [9]. In line with this argument, Goorochurn (2005) explains that tourism competitiveness can be measured from 8 main indicators, namely price, openness, technology, infrastructure, human tourism, social development, environment and human resources (p. 26). Differences in the measurement of tourism competitiveness cause this sector to require an approach that can be viewed holistically [12]. In principle, tourism competitiveness will involve several elements that can satisfy tourists.

Previous study has shown that tourism is associated with the hospitality industry [13], [14].

In the literature perspective, hospitality has a contribution in building tourism competitiveness [15]. However, another study explains that hospitality is not an absolute factor in increasing tourist destinations. Several empirical studies explain that the presence of SMEs in the tourism industry will be an attraction for tourists in determining the destination of tourist destinations [16]–[18]. Koh & Hatten (2002) explained that when SMEs cannot be identified and developed, the tourism industry becomes difficult to develop. In other words, the attractiveness of SMEs in the tourism industry needs to be improved in order to increase tourism destinations.

The efforts to increase an SMEs attractiveness is not an easy to do. Environmental changes and business complexity that have an impact on uncertainty are some of the inhibiting factors [20]. To overcome these obstacles, SMEs must find the opportunities by generating the behavior intended to ensure organizational viability and performance [21], [22]. Technically, the behavior of SMEs can be implemented in the skill improvement [23], [24], knowledge [25]–[27] and innovation [28]–[33]. However, several studies explain that SME knowledge will encourage innovation [28], [34], [35]. In addition, the search for opportunities to increase profits can be done with an innovative approach [36], [37]. In addition, several empirical studies also show that there are several limitations of SMEs in increasing innovation, such as products and services, information technology, relational networks, expansion of market access and financial administration [8], [31], [38]–[43]. This creates a gap that needs to be explored again about the extent to which innovations owned by SMEs can increase tourist destination.

This study aims to explore the innovation of SMEs in increasing tourist destinations on Madura Island, Indonesia. Specifically, this research was conducted on batik SMEs. Logically, the determination of the object of research on batik SMEs in Madura island based on the fact that Madura batik is one of the elements of local wisdom that still has the potential to be developed [44]–[46]. Second, the number of batik SMEs in Madura Island has a tendency to increase every year. Based on data from Department of Cooperatives and SMEs, the average growth rate of batik SMEs is 0.04% annually from a total of 7,080 business units. Realizing this phenomenon, the local government provides facilitation to batik SMEs in Madura Island by integrating batik into the tourism industry, providing research and development centers and determining the minimum

wage for batik craftsmen [44]. However, this is not easy to imagined because many batik SMEs in Madura Island managed their business activities conservatively and tend to reject innovation. When they produce a products, batik SMEs in Madura still persist with striking colors, although the designs designed do not eliminate the characteristics of Madurese culture. Even the existence of the batik crafted which produced by SMEs in Madura is starting to be disturbed by the spread of batik printing which can be produced quickly with more innovative and varied designs [46]. Therefore, batik craftsmen in Madura Islands need to modify colors with attractive designs.

Beside product innovation, batik SMEs in Madura Island also need to adapt with technological developments. The use of technology, apart from being able to function as a means for production activities [47], it can also be used by batik SMEs in Madura to expand their marketing area [48]. But in reality, not all batik SMEs are able to adapt to technological developments. Some of them even still use conventional methods in expanding the marketing area. It is suspected that the weak innovative behavior of batik SMEs in Madura is due to the education gap [48] and skills [49].

2 Research Methods

2.1 Sample and Data Collection Procedure

The aim of this research is to explore the innovation of SMEs in improving tourist destinations on Madura Island, Indonesia. Data will be collected from 33 SMEs in Madura Island. Geographically, Madura Island consists of 4 regencies, namely Bangkalan, Sampang, Pamekasan and Sumenep. Among these districts, this research focuses on SMEs located in Bangkalan Regency.

In this study, 2 stages of data collection will be used. First, we collected a secondary data from the Central Bureau of Statistics, Bangkalan Regency. As a pilot project, we focus on SMEs that produce batik. In addition, these SMEs have manufacturing activities and do not only operate in trading activities. The determination of the SMEs criteria in the manufacturing sector based on the explanation that there are fundamental differences in the behavior of innovation in service and manufacturing businesses (Prajogo & Mcdermott, 2014, pp. 522). Based on these categories, there are 33 SMEs that can be confirmed. The distribution of

the number of batik SMEs in Bangkalan Regency is presented in Table 1.

Table 1. Number of Batik SMEs in Bangkalan Regency

No.	Districts	Amount
1	Arosbaya	0
2	Bangkalan	8
3	Blega	0
4	Burneh	6
5	Galis	0
6	Geger	0
7	Kamal	1
8	Klampus	0
9	Kokop	0
10	Komang	0
11	Kwanyar	0
12	Labang	0
13	Modung	0
14	Sepulu	0
15	Socah	0
16	Tanahmerah	0
17	Tanjungbumi	18
18	Tragah	0
Total		33

The next stage, the identified data will be confirmed with a field study approach. Confirmation on SMEs will involve 2 observational variables, namely innovation and tourist destinations. Data on 33 SMEs was collected using a survey method with closed questionnaires. A closed questionnaire was developed to get an insight of the observed variables. The structure of the questionnaire consists of 2 questions, namely the general identity of SMEs and the observed variables. Based on its objectives, the distribution of questionnaires to SMEs is used to descriptive analysis. To gain a valid data, questionnaires were distributed to SMEs owners. Institutionally, SMEs do not have a formal structure [50] so that the owner has the authority and power in making decisions [14], [39]. Included in the authority and power possessed by the owner regarding innovative behavior that can create change in SMEs.

2.2 Variable and Measurement

In general, there are several operationalization techniques that can be used for exploration, including the concept of innovation and tourism destinations. In summary, the variables and measurements are presented in Table 2. In this study, SMEs innovation defined by the ability to produce an innovative products and services, use technology, create new markets and products, establish relationships with suppliers, distributors and customers and allocate financial resources to innovative activities. From the 5 innovation indicators, we compiled 7 questions that will be operationalized. In measuring the innovative behavior of SMEs, we collaborate on the results of previous research, such as products and services, information technology, relational networks, expansion of market access and financial administration [8], [31], [38]–[42].

Table 2. Variable and Measurement

Variable	Definition	Indicators	Reference
Innovation	The ability of SMEs to produce innovative products and services, use technology, create new markets and products, establish relationships with suppliers, distributors and customers and allocate financial resources to	1. Product and service 2. The used of technology 3. Create a new market and product 4. Relationship network between SMEs with suppliers, distributors, customers.	Ahokangas et al. (2021); Divisekera & Nguyen (2018); Goerzen (2018); Hisrich & Drnovsek (2002); Prajogo & Mcdermott (2014); Vaaland & Heide (2007); Verreyne et al. (2019).

	innovative activities.	5. Allocation of financial resources to innovative activities	
Tourism Destination	Tourist destinations according to the Law of the Republic of Indonesia no. 10 of 2009 is described as a geographical area located in one or more administrative areas in which there are tourist attractions, such as public facilities, tourism facilities, accessibility and communities that are interrelated and complement the realization of tourism.	<ol style="list-style-type: none"> 1. The existence of SMEs 2. SMEs product variation 3. Product quality 4. The offering a SMEs product price 5. Location Access to SMEs 	Kallmuenzer et al. (2019); Koh & Hatten (2002); Omerzel (2015); Stojanović (2018); Verreyne et al. (2019)

Ritchie & Crouch (2010) explained that tourism competitiveness can be viewed from the micro level, such as basic resources, attractiveness and supporting resources. High tourism competitiveness will be encourage an increase in tourist destinations. Tourist destinations are described as geographical areas located within one or more administrative areas in which there are tourist attractions, such as public facilities, tourism facilities, accessibility and communities that are interrelated and complement the realization of tourism. In this study, tourist destinations measured with the presence of SMEs, the product variety, product quality, prices and SMEs location accessibility [19], [24], [29], [31], [51]. Each of these indicators will be operationalized into 6 questions.

2.3 Data Analysis

All data that has been collected is measured using a Likert scale, ranging from strongly disagree to strongly agree. Data were analyzed using descriptive statistical analysis. Descriptive statistics were performed for comparisons of the means, standard deviation, skewness and kurtosis. Through descriptive analysis, it will provide an overview of the ideal profile of SMEs that show innovative behavior and can support the creation of tourist destinations. Description of the data related to the observed variable information.

3 Result

In this study, the amount of 33 questionnaires were given to the respondents. Overall, the questionnaire given to the respondents can be accepted. Furthermore, the results of the analysis in this study will be based on the data that has been collected.

3.1 Innovation

The results of the descriptive statistics analysis which include the mean, standard deviation, minimum and maximum, for the innovation variable are presented in Table 3. Overall, the mean value for each innovation variable ranges between the maximum and minimum values. This illustrates that the SME innovation is good. However, based on several confirmed questions, SMEs need to pay more attention to the importance of technology facilities and membership to customers. Even though both questions were included in the good category, the scores tended to be low.

To assess the innovation behavior of batik SMEs in Madura Island, it will be seen from the mean score and standard deviation. The result of statistical calculation shows that the mean value ranges from 1.58 to 3.52. The value of 1.58 indicates the question item about "To create a new market, technological means are needed". While the value of 3.52 relates to questions about "Product variety needs to be added". The biggest variation is in the question about "Product variety needs to be added" with a standard deviation value of 1.176. Meanwhile, the lowest standard deviation value was in the question item about "Customers need to be given special services, such as purchase discounts" with a value of 0.951. Overall, the data distribution can be concluded to be good because the standard deviation value is smaller than the mean value. This illustrates that the focus of innovative behavior in batik SMEs in Madura Island lies in the ability to produce a variety of products. On the one hand, batik SMEs in Madura Island still consider giving special discounts to customers, for example in the form of purchase discounts, not too important. This result does not illustrate that batik SMEs in Madura Island did not

use a price strategy to attract customers to buy. However, some of them still think that this cannot be done. Allegedly, this is because batik SMEs in

Madura Island are still in uncertain environmental conditions.

Table 3. Descriptive Analysis Results for Innovation

Variable	Question	Mean	Cut off point	Standard Deviation	Min	Max
Innovation	Brands have a role in developing a business	3.45	3	1.325	1	5
	Product variety needs to be added	3.52	3	1.176	1	5
	To create a new market, technological means are needed	1.58	2.5	1.091	1	4
	Customers need to be given special services, such as purchase discounts	2.97	3.5	0.951	2	5
	Customer has a membership	1.85	3	1.034	1	5
	SMEs make a survey to customers	2.18	3	1.158	1	5
	SMEs allocate a financial to produce an innovative services and products	2.42	3	1.173	1	5

From the 7 questions asked on the innovation variable, there are 2 questions with a mean value above the cut off value. The two questions are "Brands have a role in developing a business" with a mean value is 3.45 and a cut off value is 3. In addition, the question of "Product variety needs to be added" has a mean value is 3.52 with a cut off value is 3. This indicates that the two question items are able to contribute in creating an innovative behavior in batik SMEs in Madura island. Empirically, this results supported the arguments from previous researchers [48], [53], that public awareness of product brands can be used as an alternative strategy for batik SMEs in Madura Island. In addition, to maintain public awareness, batik SMEs in Madura Island can protect their brands. A further explanation that the brands protection can be done through increasing the degree of differentiation or associated with other functions [54].

Another finding that resulted from this study is there are 5 questions with a mean value below the cut off value. This indicates that the 5 items asked do not contribute to the behavior of batik SMEs in Madura Island. Logically, this illustrates the limitations of all the SMEs, including batik SMEs in Madura island. Carrying a business activities, batik SMEs in Madura Island have not optimized the technological factor in developing the market, do not provide special services, have not collected

data on customers in the form of membership, have not conducted surveys to customers and there is no budget allocation in developing services and products. However, some of these findings do not mean that they have not been carried out at all. The point is, batik SMEs in Madura island have carried out some of these activities, although the frequency is not often.

3.2 Tourist Destination

In the tourist destination variable, the results of statistical calculations show that the mean value for each variable observed ranges between the minimum and maximum values. The results of the descriptive analysis on the tourist destination variables are presented in Table 4. This illustrates that the level of tourist destinations is good. From the 6 questions asked, the results of statistical calculations show that the mean value is between 3.09 and 4.55. The lowest mean value is found in the question "The location of the business can attract visitors", while the highest is in the question "The support a society to the business". The biggest variation is in the question about "Access to business locations is easy" with a standard deviation of 1.55. Meanwhile, the lowest standard deviation value is in the question item about "Batik entrepreneurs have socialized to the tourists about tourism objects in Madura" with a score of 0.712.

Table 4. Descriptive Analysis Results for Tourism Destination

Variable	Question	Mean	Cut off point	Standard Deviation	Min	Max
Tourist Destiation	The location of the business can attract visitors	3.09	3	1.528	1	5
	Access to business locations is easy	3.82	3	1.55	1	5
	The government provides coaching	3.7	3	1.159	1	5
	The support a society to the business	4.55	4	0.794	3	5
	Public facilities can attract tourists to visit SMEs	3.7	3	1.237	1	5
	Batik entrepreneurs have socialized to the tourists about tourism objects in Madura	4.52	4	0.712	3	5

For all the questions asked, it can be concluded that the data distribution is very good because the mean value is greater than the standard deviation value. The results of statistical calculations indicate that community support for the existence of batik SMEs is able to encourage tourist destinations on Madura Island. The community support with the existence of SMEs will have an impact to the environment, whereby it make more secure and comfortable. In addition, the socialization carried out by batik SMEs also became a factor that supports the tourist visits. Batik SME owners realize that the business cannot operateing alone, because there are other factors that also determine the business sustainability.

Overall, the mean value for all questions asked on the tourist destination variable is above the cut off value. Normally it can be concluded that all indicators used are able to contribute to tourist destinations. Empirically, the results of this study support the explanation of previous researchers, that the factors in which determine business sustainability are the presence of the community and the facility attractiveness [10], [55], also location and the role of government [17]. When tourism has formed an industry, the role of the government becomes important [3]. Through policies that made by the government, batik SMEs and tourism in Madura Island can be carry out a business activities more regularly. In principle, some of these indicators do not apply to one

particular entity, so they include batik SMEs and tourism in Madura Island.

4 Discussion

This study focuses on how SMEs innovation helps to increases a tourism destination. To achieve the objective, this study uses 33 SMEs owners in Madura Island as a sample. By using a descriptive statistical approach, this study provides an insight of how the innovation behavior of SMEs. In general, SMEs in Madura Island have had an innovative behavior. They realize that the brand, good service to customers, variety of products and the use of technology are key factors in business development. This result seems a general and is not something new, both empirically and practically.

Nevertheless, there are interesting things that can be informed. With a limitations, as explained by Ahokangas et al. (2021; Divisekera & Nguyen (2018); Goerzen (2018); Hisrich & Drnovsek (2002); Prajogo & Mcdermott (2014); Vaaland & Heide (2007); Verreynne et al. (2019), some SMEs have allocated budgets to produce innovative products and services. When SMEs allocate a budget for a particular activity, then they have carried out investment activities. Theoretically, investment activities carried out by firm must go through the fundamental analysis stage and are not based on rumors or irrational information [56]. In addition, in investment there are funds that are not liquid, both in the short and long term [57], so that SMEs owners must be able to allocate the budget to

other activities [58]. In our opinion, this requires an innovative thinking.

Furthermore, this paper also findings that there is a positive response from SME owners on Madura Island to improve tourist destinations through their existence. They realize that tourism cannot be separated from SMEs, and vice versa [59]. This finding further illustrates that SMEs are included in the structure and become a special feature of the tourism industry [22], [51], [60]. One of the efforts made by SME owners to improve tourist destinations is to inform customers about tourism objects on Madura Island. In fact, the SMEs efforts in informing tourism objects on Madura Island have received support from several elements, such as the community and the government. In line with this fact, [61] explained that SMEs can improve performance if supported by the government through political policies.

In addition, it's interesting to find the entrepreneurial response related to the attractiveness of customers to the firm location. Statistically shows that the location becomes an attraction for customers to make a visit. However, among several questions asked showed that the score on this item was the smallest. On the one hand, several SMEs locations on Madura Island are already in cluster areas. This means that geographically, SMEs have actually formed a community. In business activities, some SMEs owners may think that others are not competitors, but as a partners. Empirically, the concept of community in SMEs has been explained by several researchers, such as [22], [59], [62]–[64]. Furthermore, it's explained that the community will play an important role in shaping the socio-economic and socio-cultural aspects. Several studies also explain that the presence of local communities in SMEs will increase sustainability [65]. In this regard, perhaps the community that has been formed can be made more formal. With the legality of the community, the SMEs who are members will have stronger bargaining with stakeholders, such as the government and the private sector. The government can play its role as a regulator, while the private sector will collaborate in other forms, such as funding or mentoring [22], [58], [66].

5 Conclusion

In the end, the objectives of this study can be achieved. We provide a lessons on how the innovative behavior of SMEs in Madura Island and the perception of tourist destinations from an

entrepreneurial perspective. SMEs innovation will be an input in the tourism industry model and will trigger tourist destinations. In other words, when SMEs have innovative behavior it will increase tourist destinations. This finding is also an alternative for related parties in tourism development, especially on Madura Island. Given that the role of SMEs is considered very important, it needs support from several parties, such as the government, the community and the private sector. Business induction played by the private sector is expected to increase SMEs innovation. This of course must be encouraged by the government through political policies. Thus, the concept of the hospitality industry will be attached to the tourism industry.

This study makes a slightly different contribution to the theory of innovation and tourist destinations. Generally, perceptions about tourist destinations will be confirmed from users or tourists. On the one hand, SMEs innovation will focus on activity units that have been carried out by entrepreneurs. We offer an alternative, where the two variables observed are focused on one source, namely SMEs. Several confirmations such as support from the government and the community, efforts made by entrepreneurs to improve tourist destinations and facilities that can be used as attractions for tourists, are the focus of this research.

This study has several limitations. The scope of this research is on SMEs in Madura Island. However, as a pilot project, this research only focuses on SMEs in Bangkalan Regency as many as 33 units. Based on the amount, the 33 confirmed SMEs may be too few to generalize. However, we have anticipated this condition, where the problems faced by SMEs are related to innovation. In addition, there are almost similarities in the characteristics of SMEs throughout Madura Island, such as culture, skills and knowledge. Therefore, at the beginning, we emphasized that this research is a pilot project that can be continued in the future.

Second, this study only uses a descriptive statistical approach. Through this approach, we only confirm about how innovative behavior and entrepreneurial preferences in improving tourist destinations. We did not explore the causal relationship between the two observed variables. However, at least these findings can be used as a basis for future researchers to test the relationship. Finally, in this study, the concept of the hospitality industry is explained partially and not holistically. How the role of the government, the private sector, community, society and so on, is not explained in

depth to improve tourist destinations. This research focuses on only one element that determines the attractiveness of a tourist destination, such as SMEs, may be considered too premature. Nevertheless, we refer to some preliminary studies that SMEs are one of the factors that can stimulate the tourism industry.

Based on these limitations, we can provide recommendations both practically and empirically. Practically, the findings of this study are expected to be used as a basis for decisions for related parties, such as the government, private parties and the community, in increasing innovation for SMEs to improve tourist destinations. Empirically, further researchers can further develop the concept of the hospitality industry by incorporating several elements that determine tourism attractiveness. Furthermore, the development of indicators and variables can be carried out to produce more in-depth findings. This includes the perspectives used to explain innovation theory.

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