



The Potential of Local Wisdom Based MSMEs in Improving the Economy

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Abstract

This study analyzes the strategic potential of local wisdom based Micro, Small, and Medium Enterprises (MSMEs) in Palangka Raya City. This economic pillar accounts for 23.4% of the Gross Regional Domestic Product (Palangka Raya City Government, 2022). Despite having unique Dayak cultural assets, the synergy between the MSME economy and cultural assets has not been optimal due to operational challenges. This study fills this gap by mapping the potential and formulating development strategies. Using a descriptive analytical qualitative approach, data were collected through indepth interviews, observations, and documentation studies, and then analyzed thematically. The objectives to (1) map local wisdom SME products, (2) analyze business models and challenges, and (3) formulate a strategic model have been achieved. The results show great potential in Rattan Weaving and Speckled Thread Batik, but are constrained by traditional business models and the "authenticity commercialization paradox." A holistic development strategy model was formulated, focusing on capacity building, access to capital, digital transformation, and institutional strengthening.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) are empirically a fundamental pillar and the main driving force of the Palangka Raya City economy. The local government emphasizes this strategic role as the "backbone of the local economy" (Palangka Raya City Government, 2022; Sofyan, 2017). This statement is supported by data showing that more than 6,000 active MSMEs contribute around 23.4% to the Gross Regional Domestic Product (GRDP) (Palangka Raya City Government, 2022). This contribution is crucial for employment, income distribution, and economic resilience at the grassroots level (Aliyah, 2022; Ismail et al., 2023; Nst, 2024; Ramadani et al., 2025). At the same time, Palangka Raya City is a showcase for the rich local wisdom of Central Kalimantan, especially the culture of the Dayak tribe (Sartini, 2004), which is manifested in authentic products with high philosophical value, such as rattan weaving, which has penetrated the European market, and Batik Benang Bintik with the Batang Garing (Tree of Life) motif (Palangka Raya City Government, 2022). Despite having two fundamental assets dynamic MSMEs and authentic local wisdom the synergy between economic strength and cultural assets has not been comprehensively managed, thus requiring a concrete development strategy (Sutrisno et al., 2025; Dipotmodjo, 2025; Harahap et al., 2024; Fitri & Zaimsyah, 2025).

Previous research on MSME development, particularly those based on the creative economy (Howkins, 2001; Indonesian Ministry of Trade, 2008; Kemenparekraf, n.d.; UNCTAD, n.d.), has identified various challenges and strategies. A study by Gandhi (2019) on MSMEs in Jambi in the face of the 4.0 industrial revolution, for example, emphasizes the importance of digital

utilization as a key strategy (Gandi, 2019). Meanwhile, earlier research by Tri (2013) in Semarang identified fundamental problems that remain relevant in many regions, namely limited access to capital and the guaranteed availability of raw materials (Tri, 2013). These findings confirm that although SME challenges follow similar patterns nationally, effective solutions often need to be tailored to the regional context and specific challenges on the ground.

More specific studies on local wisdom based MSMEs show great potential for building competitive advantages. Research by Kalis et al. (2023) used SWOT analysis to formulate development strategies for weaving, rattan, and pandan MSMEs in Sambas Regency, West Kalimantan, highlighting the importance of analyzing internal and external factors. This is reinforced by Armanu et al. (2017), who conducted research on MSMEs in the religious tourism sector of East Java and concluded that local wisdom values can be transformed into significant resources for building business competitiveness (Armanu et al., 2017). This review shows that studies on local wisdom as economic capital have been extensively conducted (Azizah, 2017; Manongko & Palangda, 2025), but there remains a gap in the specific context of urban Dayak cultural interactions in Palangka Raya.

The primary gap analysis addressed by this study is the "paradox between authenticity and commercialization" that hinders local wisdom based MSMEs in Palangka Raya. On the one hand, the main selling point of products lies in their authenticity and traditional processes; on the other hand, greater market demand requires standardization and larger production scale, which often sacrifices that authenticity. For example, the fact that part of the production process for high quality Batik Benang Bintik is carried out outside Central Kalimantan indicates a gap in local production capacity, resulting in economic value leakage (Palangka Raya City Government, 2022). Therefore, this study aims to: (1) identify and map the most promising local wisdom based MSME products in Palangka Raya City; (2) analyze in depth the business models, value chains, and challenges and opportunities faced by these MSMEs; and (3) formulate a comprehensive and applicable development strategy model for business actors and local governments.

Literature Review

MSMEs as Drivers of Local Economic Growth

MSMEs play a crucial role in both national and regional economic development. According to the Ministry of Cooperatives and MSMEs (2021), this sector contributes more than 60% to the national GDP and absorbs approximately 97% of the workforce. Tambunan (2019) emphasizes that MSMEs help reduce unemployment, promote income distribution, and strengthen local economic structures. With their flexible and adaptive characteristics, MSMEs form the backbone of regional economies, including in developing cities such as Palangka Raya.

Creative Economy and the Added Value of Local Culture

The creative economy relies on individual creativity, skills, and talents to generate economic value (Howkins, 2013). Local culture serves as a major source of inspiration in producing creative products with strong differentiation. Florida (2014) argues that the combination of creativity and culture enhances economic value, market attractiveness, and the unique identity of a region. Culturally based products, such as handicrafts and ethnic batik, often become leading regional commodities.

Dayak Local Wisdom as a Source of Product Innovation

Dayak local wisdom such as benang bintik motifs, rattan weaving, and other traditional symbols represents cultural assets that can be developed into high value economic products.

Rahmawati (2020) explains that local wisdom reflects the knowledge, values, and aesthetics inherited across generations. However, Setyawati (2021) finds that culture based MSMEs often face a dilemma between preserving cultural authenticity and adapting products to meet modern commercial demands, a challenge known as the authenticity commercialization paradox.

Challenges Faced by Culture Based MSMEs

Several studies indicate that culture based MSMEs encounter structural constraints. Yusuf (2018) reports that most MSMEs still rely on traditional business models and have not utilized digital technology optimally. Firdaus (2022) adds that limited access to capital is a major obstacle, particularly for artisans who lack collateral. Additionally, low human resource capacity especially in design, business management, and branding poses significant challenges (Nugroho, 2020). Suharto (2021) also highlights weak marketing networks, making local cultural products less competitive in the national market.

The Role of Digitalization in MSME Development

Digitalization has become a key factor in strengthening modern MSMEs. Prasetyo (2021) shows that the use of digital technologies such as marketplaces, social media, and electronic payments can increase MSME income by up to 40%. For culture based MSMEs, digital technology enables stronger cultural storytelling and significantly expands market reach. However, Hidayat (2022) notes that low digital literacy and limited access to technology remain obstacles in several regions, including Kalimantan.

Strategies for Developing MSMEs Based on Local Wisdom

Based on previous research, the development of MSMEs rooted in local wisdom should include several essential aspects: capacity building (design and management training), access to finance, digital transformation, and institutional strengthening (Etzkowitz, 2018). A collaborative quadruple helix approach engaging government, academia, businesses, and communities is considered the most effective in strengthening the ecosystem of culture based MSMEs and enhancing their long term economic sustainability.

Method

This study employed a qualitative descriptive-analytical design, guided by qualitative research principles (Moleong, 2016) and adapted to the context of local-wisdom-based Micro, Small, and Medium Enterprises (MSMEs) in Palangka Raya City. This design was selected because the research objectives required more than an inventory of MSME products or a description of numerical business indicators. The study sought to obtain an in-depth understanding of how business actors interpret and incorporate local cultural values into their products, organize their production processes and value chains, respond to market pressures, and negotiate the tension between cultural authenticity and commercialization. The descriptive component was used to map the products, actors, business practices, and institutional support, whereas the analytical component was used to compare patterns across business sectors and stakeholder groups and to formulate a context-specific MSME development strategy.

The three research objectives were operationalized into the following research questions:

RQ1: What local-wisdom-based MSME products have the strongest economic and cultural potential in Palangka Raya City?

RQ2: How do the business models and value chains of these MSMEs operate, and what challenges and opportunities affect their development?

RQ3: What development strategies are feasible for strengthening MSME competitiveness without weakening the cultural authenticity of their products?

The research used both primary and secondary data. Primary informants were selected using purposive sampling because the study required participants who possessed direct experience or institutional knowledge relevant to the research questions. MSME informants were selected according to the following criteria: (1) producing products that reflected local cultural knowledge, identity, techniques, or materials; (2) having operated their businesses for at least three years; and (3) being domiciled in Palangka Raya City.

The study involved 16 informants, consisting of 12 MSME owners from the rattan craft, Batik Benang Bintik, and Dayak culinary sectors, two officials from the Department of Trade, Cooperatives, SMEs, and Industry, and two academics or economic observers. The inclusion of different informant groups was intended to capture business-level experiences, government policy perspectives, and independent academic assessments. Secondary data were obtained from statistical reports, government performance and program documents, and relevant scholarly literature to provide economic, policy, and institutional context for interpreting the primary findings.

Table 1. Research Informant Profiles

Informant Category	Number of Informants	Focus of Information Gathered
Rotan Rattan Craft MSME Entrepreneurs	4 people	Production process, design innovation, raw material supply chain, marketing strategy, and challenges in artisan regeneration.
Batik Benang Bintik MSME Entrepreneurs	4 people	Philosophical meaning of motifs, production techniques, raw material sources, market segmentation, efforts to maintain authenticity, and branding.
Dayak Culinary MSME Entrepreneurs	4 people	Authentic recipes, availability of seasonal raw materials, and flavor Standardization, packaging strategy, business model.
Officials from the Department of Trade, Cooperatives, SMEs, and Industry	2 people	Government policies and programs related to guidance, training, capital facilitation, and promotion of MSMEs.
Academics/Economic Observers	2 people	Theoretical perspectives on the creative economy, market trend analysis, policy evaluation, and strategic recommendations.

Data collection was organized according to the three research questions rather than treating interviews, observations, and document analysis as generic qualitative procedures. Three complementary data-collection methods were employed: semi-structured in-depth interviews, non-participant observations, and documentary analysis.

Semi-structured interview guides were differentiated according to each informant category. MSME owners were asked about product identity, cultural meanings, production techniques, sources of raw materials, business models, value-chain activities, market channels, access to finance, digital practices, and constraints to business expansion. Government officials were

asked about MSME development policies, training and assistance programs, capital facilitation, promotional support, and interagency coordination. Academics and economic observers were asked to evaluate market trends, policy effectiveness, structural constraints, and the potential consequences of commercialization for cultural sustainability.

Non-participant observations were conducted at workshops, production sites, business premises, and sales outlets. The observations focused on production flows, tools and technologies, raw-material handling, quality-control practices, packaging, product displays, marketing practices, and the visible use of digital technologies. These observations allowed the researchers to examine whether the business practices described during interviews were reflected in actual operational conditions.

Documentary analysis included official statistics, government performance reports, MSME development program documents, policy records, and other relevant documents. These documents were used to verify factual and institutional claims and to provide contextual information that could not be obtained exclusively from interviews and observations.

The three methods were selected because each addressed a different dimension of the research objectives. Interviews were considered the most appropriate method for understanding the experiences, interpretations, cultural meanings, and strategic considerations of MSME actors and stakeholders. Observations were necessary to verify actual production and marketing practices, particularly practices that informants might not fully articulate during interviews. Documentary analysis was used to contextualize the findings and evaluate claims related to government policies, assistance programs, business conditions, and the broader MSME environment. The combination of these methods therefore enabled the study to connect subjective experiences with observable business practices and institutional evidence.

Table 2. Alignment of Research Questions, Data Collection, and Analysis

Research question and purpose	Primary data sources and collection methods	Analytical procedure and expected output
RQ1: Identify and map products with strong economic and cultural potential	Interviews with 12 MSME owners; observations of products, production sites, and sales outlets; official and supporting documents	Coding of product types, cultural attributes, production characteristics, market potential, and product differentiation, followed by cross-sector product mapping
RQ2: Examine business models, value chains, challenges, and opportunities	Interviews with MSME owners; observations of business processes; interviews with government officials and academics; government program and policy documents	Business-process and value-chain coding; within-sector and cross-sector comparisons; thematic identification of constraints, opportunities, and authenticity-commercialization tensions
RQ3: Formulate feasible development strategies that preserve cultural authenticity	Integrated evidence from all informant groups, observations, and documentary sources	Triangulated thematic synthesis; classification of validated findings into SWOT factors; formulation of strategic pillars and policy recommendations

Data analysis was conducted iteratively alongside data collection. Interview notes and transcripts, observation records, and documentary evidence were organized in an evidence matrix according to the research question, MSME sector, informant category, and data-collection method. This structure created a traceable connection between the research questions, the evidence collected, and the resulting findings.

During the first coding stage, the data were coded using categories derived from the research questions. These categories included product characteristics, local-wisdom attributes, cultural meanings, business models, value-chain activities, resources and capabilities, marketing practices, digital adoption, access to finance, institutional support, constraints, opportunities, and authenticity-commercialization tensions. Additional codes were developed inductively when recurrent issues emerged from the interviews, observations, or documents.

The codes were subsequently grouped into broader themes. The themes were compared within each MSME sector and across the rattan craft, Batik Benang Bantik, and Dayak culinary sectors. Comparisons were also conducted across informant categories to identify areas of convergence, contextual variation, and disagreement. The findings were then presented in narrative and matrix form.

For RQ3, the themes that had been supported through the triangulation process were classified into internal strengths and weaknesses and external opportunities and threats. A factor was included in the SWOT analysis when it was supported by more than one data source or data-collection method. A factor could also be retained when it was directly observed and supported by relevant documentary or contextual evidence. The evidence-based SWOT synthesis was subsequently translated into the proposed MSME development strategy model.

Triangulation was applied as an explicit process of comparing and evaluating evidence rather than merely collecting data from different sources. Two forms of triangulation were employed: source triangulation and method triangulation.

Source triangulation was conducted by comparing information provided by MSME owners within the same business sector, comparing findings across the rattan, batik, and culinary sectors, and comparing business actors' accounts with the perspectives of government officials and academics. For example, MSME owners' statements regarding limited access to capital, low digital adoption, unstable raw-material supplies, and difficulties in artisan regeneration were compared with government officials' explanations of existing assistance programs and academics' assessments of structural business conditions.

Method triangulation was conducted by comparing interview statements with field observations and documentary evidence. Claims regarding traditional production processes, limited technology use, conventional marketing channels, raw-material constraints, and the use of production facilities outside Central Kalimantan were not accepted solely based on interview testimony. These claims were examined against conditions observed at production and sales locations and against available official or supporting documents.

Differences between data sources were treated as analytically meaningful rather than removed to create artificial agreement. Each discrepancy was recorded in the evidence matrix together with its source, context, and supporting or contradictory evidence. Differences were evaluated by considering four criteria: the informant's direct knowledge of the issue, consistency within and across informant groups, support from observations or documents, and whether the different accounts referred to different periods, business scales, sectors, or types of government assistance.

For example, when government officials reported that capital assistance or digital training programs were available but some MSME owners stated that they had not benefited from such programs, the difference was evaluated by examining program documents, participant coverage, eligibility requirements, and the informants' business characteristics. The difference was therefore interpreted not simply as conflicting information but as possible evidence of gaps in program coverage, communication, accessibility, or implementation.

When differences could be explained by variations in business sector, business scale, experience, or stakeholder perspective, they were reported as contextual variations. When a discrepancy could not be resolved using observation or documentary evidence, it was retained as a divergent perspective and was not presented as a definitive finding. This procedure established a clear chain of evidence connecting each research question with the data-collection methods, analytical themes, SWOT synthesis, and strategic recommendations, thereby strengthening the credibility and dependability of the findings.

Result and Discussion

As a contextual basis, it is important to understand the scale and distribution of MSMEs in Palangka Raya City. According to data from the Palangka Raya City Government (n.d.), as of August 2025, more than 3,800 small and medium industries (IKM) were actively operating in the city. This figure shows positive growth and confirms the vital role of this sector in the local economic structure.

The results of the study confirm that Palangka Raya City has a portfolio of MSME products based on local wisdom with substantial economic potential and cultural narratives. The three main categories identified as having the highest potential are crafts, fashion, and culinary. In the handicraft sector, rattan weaving stands out for its quality, which has penetrated the European export market, while Talawang shields have been transformed into premium decorative products (Palangka Raya City Government, 2022). In the fashion sector, Batik Benang Bintik is a leading product imbued with Kaharingan philosophical values, such as the Batang Garing motif, which gives it strong storytelling power (Palangka Raya City Government, 2022). In the culinary sector, processed products such as Keripik Kelakai (a type of fern) and Wadi (fermented fish) have great potential as souvenirs if supported by standardization and modern packaging.

Despite the substantial economic and cultural potential of these products, the analysis of business models and value chains revealed several interconnected structural challenges. These challenges were not merely operational problems but reflected weaknesses in managerial capacity, business formalization, production systems, market access, and institutional coordination. Most of the MSMEs studied continued to rely on owner-centered and family-based business models in which production, financial management, marketing, and strategic decision-making were concentrated in a limited number of individuals. Business and financial records were generally incomplete or not systematically maintained, while production decisions were often based on immediate orders rather than medium- or long-term business planning (Ghobakhloo & Fathi, 2020; Wu & Pagel, 2020; Dekkers, 2011).

The underlying causes of these conditions included limited managerial literacy, insufficient exposure to modern business practices, low adoption of production and information technologies, and the absence of specialized personnel for finance, marketing, and product development. As a result, MSME owners had difficulty separating household and business finances, calculating production costs accurately, preparing bankable business proposals, and evaluating the profitability of individual products. These weaknesses reduced their capacity to

access formal financing because financial institutions generally require evidence of stable cash flows, business records, collateral, and clear repayment capacity. Consequently, many business actors remained dependent on personal savings or informal loans, which limited their ability to invest in machinery, product development, packaging, and market expansion.

These managerial constraints directly affected MSME performance. Weak cost calculation could lead to inappropriate pricing, in which products were either sold below their actual economic value or priced too high for the intended market segment. Limited working capital restricted the purchase of raw materials in sufficient quantities and made it difficult for MSMEs to accept large or continuous orders. The absence of systematic production planning also contributed to inconsistent delivery times, fluctuating product quality, and difficulty meeting standardized market requirements (Dekkers, 2011; Mohammed & Mandal, 2023; Kanike, 2023). Therefore, the traditional business model did not only limit business growth but also reduced reliability in the eyes of distributors, institutional buyers, tourism businesses, and consumers outside Palangka Raya.

The limited use of digital technology was similarly associated with more fundamental constraints than the availability of digital platforms alone. Several MSMEs lacked the skills required to produce attractive visual content, communicate the cultural meaning of their products, manage online transactions, and respond consistently to customers. In some cases, digital marketing was treated as an occasional promotional activity rather than an integrated part of business operations. This limited approach reduced market visibility and prevented MSMEs from using cultural storytelling as a source of product differentiation. Consequently, products with strong cultural value continued to compete primarily within local markets and were unable to fully capture the price premium associated with authentic cultural products.

Value-chain problems further weakened business performance. The availability and price of raw materials, particularly rattan and certain culinary ingredients, were affected by seasonality, supply fragmentation, and dependence on individual suppliers. Because MSMEs generally purchased raw materials independently and in relatively small quantities, they possessed limited bargaining power and were more vulnerable to price fluctuations. At the production stage, dependence on a small number of experienced artisans created bottlenecks and restricted the ability of enterprises to increase output. At the marketing stage, the absence of collective branding and coordinated distribution limited access to larger markets. These findings indicate that the business constraints were mutually reinforcing: limited capital restricted technological investment, limited technology reduced productivity, low productivity restricted market expansion, and limited markets weakened the incentive and financial capacity to modernize business operations.

The most important analytical finding was the authenticity–commercialization paradox. This paradox reflects the tension between preserving cultural authenticity, which constitutes the principal source of product distinctiveness, and meeting commercial requirements for speed, consistency, affordability, and production volume. The evidence suggests that authenticity and commercialization should not be understood as completely opposing choices. Rather, the central challenge lies in determining which elements of production can be modernized and standardized without weakening the cultural meaning, craftsmanship, and identity embedded in the product.

For Batik Benang Bantik, cultural value is derived not only from visual motifs but also from the meanings associated with Dayak symbols, the knowledge of motif selection, and the narrative connecting the product to Central Kalimantan. However, producing traditional batik manually requires considerable time, specialized skills, and higher costs. When demand

exceeds local production capacity, some business actors respond by outsourcing parts of the production process outside Central Kalimantan. From a short-term business perspective, outsourcing can reduce costs, accelerate production, and improve consistency. Nevertheless, this response has several long-term implications.

First, outsourcing may create economic leakage because part of the production value, employment, and technical learning is transferred outside the region. Second, continuous dependence on external producers may prevent the development of local technological and production capabilities. Third, if consumers perceive that products promoted as culturally authentic are predominantly manufactured outside their place of origin, trust in the authenticity claim may decline. Fourth, excessive standardization may gradually reduce the uniqueness of motifs, craftsmanship, and production narratives that distinguish Batik Benang Bintik from mass-produced textile products.

Conversely, maintaining completely traditional production methods without improving productivity may also threaten business sustainability. Limited production capacity can cause enterprises to reject larger orders, experience long delivery times, and lose customers to competitors that can supply products more consistently. High production costs may also restrict the product to a narrow premium market, limiting income growth for artisans and reducing the attractiveness of the occupation to younger generations. Therefore, both excessive commercialization and rigid preservation carry risks. Excessive commercialization may weaken cultural differentiation, while rigid preservation may reduce economic viability.

The long-term competitiveness of local-wisdom-based MSMEs therefore depends on a selective modernization strategy. Core cultural elements—including motif meanings, traditional knowledge, cultural narratives, and the role of local artisans—should be protected as the principal value proposition. At the same time, supporting activities such as financial management, inventory control, packaging, quality assurance, digital marketing, customer service, and selected production stages can be modernized. This approach allows MSMEs to improve efficiency and market responsiveness without transforming culturally distinctive products into generic mass-market commodities.

The statement of a Batik Benang Bintik entrepreneur illustrates this strategic dilemma:

“We are at a crossroads. On the one hand, buyers are looking for the authenticity of our hand-drawn batik, where each motif has a story. However, the process is long. On the other hand, demand from outside the city is very high, and they need it fast. In the end, many are forced to print their motifs in Java to be faster and cheaper. This is a dilemma between preserving the ‘spirit’ of Benang Bintik and pursuing profit.”

This quotation should not be interpreted only as a personal concern regarding production speed. It demonstrates a mismatch between market demand and local production capacity. The reference to the “spirit” of Benang Bintik indicates that authenticity is perceived by business actors as an intangible economic asset consisting of cultural meaning, place of origin, production knowledge, and emotional attachment. At the same time, the decision to process products outside the region represents an adaptive business response to cost and delivery pressures. This finding directly addresses the second research objective by revealing how business models and value chains respond to commercialization pressures. It also informs the third research objective because the appropriate strategy is not simply to prohibit outsourcing but to strengthen local production capabilities so that efficiency can be achieved within the regional cultural ecosystem.

A rattan craftsman similarly stated:

“Our biggest challenge now is raw materials and successors. Young people today are more interested in office work than weaving. This skill could disappear if no one is willing to teach it anymore.”

This statement reveals that artisan regeneration is both a labor-market problem and a cultural sustainability problem. The low participation of younger generations may be caused by uncertain income, the length of time required to master weaving skills, limited social recognition, and the perception that craft-based work offers fewer career opportunities than formal employment. The impact extends beyond the current shortage of workers. If intergenerational knowledge transfer is interrupted, MSMEs may lose their ability to reproduce authentic products in the future. The disappearance of artisanal skills would also weaken product differentiation because traditional techniques cannot easily be replaced by machinery without changing product characteristics.

The quotation therefore contributes to the first research objective by demonstrating that the economic potential of rattan products depends on the continued availability of cultural knowledge and skilled artisans. It also contributes to the second objective by identifying human-resource regeneration as a critical weakness in the value chain. For the third objective, it indicates that training programs should not be limited to technical workshops but should improve the economic attractiveness of artisan occupations through apprenticeships, production incentives, design innovation, certification, and access to markets.

The SWOT analysis summarized these interconnected findings by distinguishing internal capabilities from external market and institutional conditions. However, the importance of the SWOT analysis lies not merely in listing strengths, weaknesses, opportunities, and threats. Its analytical value is derived from explaining how these factors interact and how the interactions justify the proposed development strategies.

The principal strengths of the MSMEs were product uniqueness, strong cultural narratives, and the use of local materials. These strengths created the potential for differentiation and premium positioning. Nevertheless, they did not automatically produce a sustainable competitive advantage because they were constrained by weak business planning, low production capacity, limited access to finance, and insufficient digital marketing. In other words, the MSMEs possessed valuable cultural resources but lacked some of the organizational capabilities required to convert those resources into consistent economic performance.

External opportunities included tourism growth, increasing consumer interest in ethnic and authentic products, government support, and the possibility of positioning Palangka Raya as a center of Dayak culture. However, these opportunities could only be utilized if MSMEs improved product availability, quality consistency, packaging, digital visibility, and collective promotion. Without these improvements, growing demand might be captured by intermediaries or mass producers rather than by local artisans.

The main threats, authenticity degradation, competition from cheaper mass-produced goods, artisan regeneration problems, and raw-material instability were closely related to the identified internal weaknesses. For example, low production capacity encouraged outsourcing, which could increase the risk of authenticity degradation. Weak digital branding made it difficult to distinguish authentic products from imitations. Limited bargaining power increased vulnerability to raw-material price fluctuations. The lack of structured regeneration programs intensified the risk of losing traditional skills. The SWOT factors therefore show that

weaknesses and threats could reinforce each other unless addressed through coordinated intervention.

Table 3. Strategic Interpretation of the SWOT Findings

Key SWOT relationship	Critical interpretation	Strategic implication	Proposed strategic pillar
Strong product uniqueness and cultural narratives, but weak branding and digital capability	Cultural value exists but is not consistently communicated or converted into higher market value	MSMEs require digital storytelling, brand development, product certification, and access to online markets	Digital transformation and marketing
Use of traditional skills, but limited artisan regeneration and production capacity	Authenticity depends on human knowledge that may disappear without intergenerational transfer	Apprenticeships, youth artisan programs, technical training, and incentives are required to maintain skills and expand production	Capacity and skills building
High market potential, but weak financial records and limited formal financing	Business expansion is constrained because cultural assets are not supported by bankable business management	Financial literacy, bookkeeping assistance, business planning, and flexible financing schemes are needed	Access to capital and financial inclusion
Local raw materials and product clusters, but fragmented suppliers and weak bargaining power	Individual MSMEs remain vulnerable to raw-material shortages and price fluctuations	Collective purchasing, cooperatives, supplier agreements, and sector-based production clusters should be developed	Value-chain and institutional strengthening
Tourism and ethnic-market opportunities, but weak coordination among stakeholders	Market opportunities cannot be fully captured through isolated business interventions	MSME development should be integrated with tourism promotion, cultural events, research institutions, and regional branding	Policy support and cross-sector synergy
Pressure to increase volume, but risk of authenticity degradation	Modernization without cultural safeguards can weaken differentiation, while complete resistance to modernization can restrict growth	Selective modernization and authenticity standards are required to distinguish cultural elements that must be protected from activities that can be standardized	Integrated across all five pillars

Based on this interpretation, the proposed development strategy consists of five mutually reinforcing pillars. These pillars should not be implemented as separate programs because the underlying business constraints are interconnected.

The first pillar is capacity and skills building. This pillar responds to weaknesses in managerial capability, production planning, product development, and artisan regeneration. Training should be adapted to the actual scale and needs of MSMEs rather than delivered as general classroom instruction. Business actors require practical assistance in calculating production costs, setting prices, managing cash flows, maintaining inventories, ensuring quality consistency, and planning production. Technical programs should also support more efficient production methods without removing the cultural features that constitute product authenticity. Artisan regeneration should be addressed through structured apprenticeships involving senior craftspeople, schools, universities, and younger community members.

The second pillar is access to capital and financial inclusion. The findings indicate that access to finance is not solely restricted by the availability of credit but also by weak business records and limited financial readiness. Financing programs should therefore be combined with bookkeeping assistance, preparation of business plans, financial mentoring, and mechanisms that recognize the characteristics of creative and culture-based enterprises. Flexible financing could be directed toward production equipment, working capital, packaging, certification, and local technological capacity.

The third pillar is digital transformation and marketing. This pillar uses the strengths of product uniqueness and cultural storytelling to capture opportunities in tourism and ethnic markets. Digitalization should extend beyond opening social-media accounts. It should include brand positioning, professional product photography, narrative content, online catalogues, customer-data management, electronic payments, marketplace participation, and the ability to manage online orders. Cultural storytelling is especially important because it allows MSMEs to compete on meaning, authenticity, and identity rather than on price alone.

The fourth pillar is value-chain and institutional strengthening. This pillar addresses fragmented raw-material supply, limited bargaining power, production bottlenecks, and inconsistent market access. Sector-based clusters or cooperatives can support collective purchasing, shared production facilities, quality standards, product aggregation, and coordinated distribution. For rattan MSMEs, collective mechanisms could improve raw-material stability and support artisan regeneration. For Batik Benang Bantik, shared production and design facilities could reduce dependence on producers outside Central Kalimantan. For culinary MSMEs, collective support could facilitate food-safety compliance, standardized packaging, and distribution.

The fifth pillar is policy support and cross-sector synergy. Government intervention should connect MSME policy with tourism, cultural preservation, education, finance, and regional branding. For example, the creation of craft-tourism routes could enable tourists to visit production centers, observe production processes, purchase products directly, and understand their cultural meanings. Such an approach would generate market opportunities while strengthening the connection between authenticity, place, and producer identity. Universities could contribute through design assistance, business incubation, digital training, and documentation of traditional knowledge.

Overall, the SWOT analysis supports a strategy of selective modernization rather than uniform industrialization. The objective is not to transform local-wisdom-based MSMEs into mass-production enterprises, but to improve the efficiency of their supporting business systems while protecting the cultural elements that create differentiation. The five strategic pillars are therefore designed to balance economic expansion, cultural preservation, local value creation, and long-term competitiveness.

Conclusion

This study concludes that local wisdom based MSMEs in Palangka Raya City have significant strategic economic potential, especially in leading products such as rattan weaving, batik benang bintik, and culinary specialties, which are supported by a strong Dayak cultural narrative. The main findings of this study identified the core challenges that hinder business scalability: the "authenticity commercialization paradox." This paradox creates a dilemma for business actors between maintaining traditional methods that are high in value but low in volume, or pursuing commercialization that risks degrading authenticity and causing economic value leakage. To address this gap, this study successfully formulated a holistic development strategy model based on five integrated pillars: capacity building, access to capital, digital transformation, value chain strengthening, and cross sector policy synergy. The practical implication of these findings is a recommendation for the Palangka Raya City Government to adopt this model as a policy foundation, particularly to enhance local technological capacity and to synergistically integrate local wisdom based MSMEs into the city's tourism ecosystem.

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