

Comparative Analysis of Independent Small Businesses and *Franchises* in Banjarmasin City

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ABSTRACT

This study aims to analyze the comparison between independent small businesses and franchises in Banjarmasin City in the context of management strategies, strengths, weaknesses, and development potential for the regional entrepreneurial ecosystem. The research approach uses a qualitative descriptive method by utilizing secondary data obtained from previous studies, reports, and scientific publications related to MSMEs and franchises in Indonesia. The results show that independent small businesses have the main characteristics of high flexibility, innovation based on local culture, and social proximity to consumers. These advantages enable independent small businesses to adapt to local market needs, despite facing limitations in capital, financial management, and access to digital technology. Meanwhile, franchises offer a stable business system with brand support, training, and clear operational standards. However, this model limits the scope for innovation for business actors and incurs license and royalty costs that can reduce profit margins. In the context of Banjarmasin, small businesses are more prominent in developing local products and preserving regional cultural values, while franchises are the choice for young entrepreneurs who want to run a business with a ready-made system and lower risk. This study concludes that both business models have complementary strategic values: small businesses excel in creativity and local adaptation, while franchises excel in efficiency and system stability. Therefore, synergy between local innovation and modern managerial systems is expected to strengthen the entrepreneurial ecosystem and drive regional economic growth in the city of Banjarmasin.

Introduction

Entrepreneurship and the growth of micro, small, and medium enterprises (MSMEs) are key drivers of regional economic development in Indonesia. MSMEs serve many functions, such as job creation, economic innovation, and economic equality. For example, a study titled "The Strategic Role of MSMEs in Driving Economic Growth" found that MSMEs play a significant role in distributing the fruits of development and strengthening the local economy.

On the other hand, franchising is a business model that can be used by other business people who use well-known and available brands and receive support from the franchisor or the party that owns the brand. Franchising is also growing rapidly, especially in the retail and culinary sectors. In the study "Franchise business sustainability model: Role of conflict risk management in Indonesian franchise businesses" (Prihandono, Wijayanto, & Cahyaningdiyah, 2021), the authors analyze how risk management and trust between

parties affect the sustainability of franchise businesses in Indonesia, with a sample of 204 franchisors and franchisees from the retail and F&B sectors. The results show that good risk management and partner satisfaction have a positive relationship with franchise survivability.

The city of Banjarmasin, as the economic center of South Kalimantan, has a unique local entrepreneurial ecosystem. Independent small businesses thrive through local innovation, such as Banjar culinary products, local handicrafts, or community services that are closely aligned with the needs of the city's residents. Independent businesses often prioritize flexibility in product adaptation, full control over business decisions, and adaptation to the local micro market.

However, independent businesses often face serious obstacles in terms of capital, financial management, and operational system support. Various studies on the challenges faced by MSMEs mention that limited capital, lack of access to formal financing, and weaknesses in management are the main obstacles to business development.

On the franchise side, brand support, system training, and operational standardization are attractive, especially for novice entrepreneurs or those who want to accelerate business growth. However, the franchise model also presents limitations, such as limited innovation for business people who use the franchise system. They also find it difficult to make decisions in terms of product development because they do not have full rights in the franchise. Additionally, they are obligated to pay royalties or license fees, which can burden their profit margins.

Against this backdrop, it is important to understand the context in which these two business models, namely independent small businesses and franchises, operate in cities such as Banjarmasin, including their advantages, challenges, and management strategies that are suitable for local conditions and entrepreneur characteristics.

This study has three main objectives that focus on a comparative analysis between independent small businesses and franchises in the city of Banjarmasin. These three objectives are designed to provide a comprehensive understanding of the characteristics, strengths, weaknesses, and appropriate business development strategies for local businesses.

a. Analyzing the characteristics and strategies of independent small businesses and franchises

The first objective of this study is to analyze the characteristics and management strategies of independent small businesses and franchises. Independent small businesses are generally run independently by individuals or families with limited capital, but they have high flexibility in innovation and adaptation to the local market. (Anggraeni, Hardjanto, & Hayat, 2019) state that MSMEs are dynamic in product and service development, but still face major obstacles in terms of financing, human resource management, and managerial capabilities. In contrast, franchises are a form of business that operates based on an agreement between the franchisor and franchisee, where the franchisor provides a ready-to-use business system, trademark, and training support. The success of franchising in Indonesia is highly dependent on conflict management systems, mutual trust between parties, and partner satisfaction in implementing established operational standards. (Prihandono, Wijayanto, & Cahyaningdiyah, 2021)

Through the analysis of these two models, the study aims to describe how differences in business strategies and management systems affect the competitiveness and sustainability of businesses in Banjarmasin, a city with great potential for local-based entrepreneurship.

b. Identify the strengths and weaknesses of each business model.

The second objective is to identify the strengths and weaknesses of both business models. Independent small businesses tend to excel in flexibility, creativity, and adaptability to local conditions, such as in the regional culinary sector or community-based services. This is in line with Yolanda's (2024) findings, which confirm that MSMEs play a significant role in creating economic value through local innovation and strong social interaction with customers. (Yolanda & Hasanah, 2024)

It should be noted that small independent businesses often face challenges in the form of limited capital, access to technology, and a lack of institutional support. Meanwhile, franchises offer a stable business system, proven operational standards, and the support of a widely recognized brand. Franchisees in Indonesia benefit from the clarity of the system and regular training, but face limitations in innovation due to the need to comply with franchisor standards. (Adriel, Makatiningrum, & Sanny, 2021)

Thus, this study will reveal that the choice between independent business and franchising is not merely a matter of capital, but also leadership style, entrepreneur character, and market needs to be served.

Research Method

This study uses a qualitative descriptive approach using secondary data as the main source, namely data collected from previous research results, reports, and publications available on the internet. Secondary data is data obtained indirectly from the research object, but rather from documents, archives, or scientific publications that have been collected by other parties.

In this context, researchers utilized various sources such as Google Scholar, Garuda Ristekbrin, online journals, and university repositories to gather information about the characteristics of small businesses, the concept of franchising, and business management strategies. This method enabled an in-depth analysis of existing data, resulting in a systematic and measurable comparative understanding of the two business models.

Results

Small businesses are productive economic activities carried out by individuals or groups with limited assets and turnover, and are not subsidiaries or branches of medium or large businesses (Law No. 20 of 2008 on MSMEs). Small businesses are characterized by their own capital, a small workforce, and a local market reach that is closely linked to the needs of the surrounding community. The main advantages of small businesses lie in their flexibility for innovation and proximity to consumers, although they often face limitations in capital and access to technology. (Tambunan, 2019)

Meanwhile, a franchise is a business model in which the brand owner (franchisor) grants the right to use the trademark, operational system, and business support to another party (franchisee) based on a specific agreement and in exchange for a fee or royalty.

In Indonesia, the franchise system is regulated by Government Regulation No. 42 of 2007, which stipulates that franchises must have a unique business concept and be proven to be profitable. Thus, the fundamental difference between small businesses and franchises lies in the ownership of the system and freedom of innovation. Small businesses are independent and flexible, while franchises are bound by the systems and standards set by the franchisor.

Small independent businesses in Banjarmasin City play a strategic role in supporting the regional economy by providing employment opportunities, increasing family income, and preserving local products. The types of businesses that thrive in this region include the Banjar culinary sector, such as soto Banjar, kue bingka, and others. Service sectors such as home laundry and haircutting. As well as small retail businesses such as grocery stores and traditional market vendors. According to (Yolanda & Hasanah, 2024), micro and small businesses in the region have an advantage in adapting to the needs of the local community because they are driven by social proximity and an understanding of consumer culture.

From observations and literature studies, most small business owners in Banjarmasin start their businesses with limited personal capital and simple management systems. This is in line with Anggraeni's research, which states that the majority of MSMEs in Indonesia face limitations in capital, access to financing, and managerial capabilities, which are the main factors hindering business development. (Anggraeni, Hardjanto, & Hayat, 2019)

Nevertheless, small business owners continue to demonstrate high creativity in utilizing local raw materials and simple marketing strategies based on social relationships, such as word-of-mouth promotion or the use of local social media such as Facebook Marketplace and WhatsApp Business. In addition to using these strategies, small business owners also utilize banking services such as loans in the form of KUR, for example, to increase capital for their businesses. (Laksmana, 2024)

Another condition observed in Banjarmasin is that most businesses still focus on production and direct sales without long-term financial planning. In addition, limited infrastructure and a lack of local government support in terms of business assistance can slow down the development of small independent businesses.

However, there are still vast opportunities for development. With the increasing use of social media and public awareness of local products, small businesses in Banjarmasin have the opportunity to expand their market reach through digitalization. Entrepreneurship training programs initiated by local governments and educational institutions are also supporting factors in increasing the capacity of small businesses. In addition, well-known figures are promoting products on social media.

The success of SME development heavily depends on the synergy between business owners, the government, supporting institutions, and the role of community leaders in providing education and sustainable market access. (Nurwanti, Rosita, & Chainaris, 2022)

Overall, small independent businesses in Banjarmasin reflect a strong spirit of local entrepreneurship with great potential for growth if they receive adequate managerial, digital, and financial support. The main characteristics that stand out are independence, innovation based on local culture, and the ability to adapt to regional economic conditions. However, to achieve sustainability, strategies to strengthen capital, digital marketing training, and improved financial literacy are needed so that small independent businesses can transform into a competitive economic sector in the digital era.

The franchise business in Banjarmasin City has experienced significant growth in recent years, especially in the culinary and beverage sectors, such as milk coffee, boba tea, and fast-food fried chicken. This business model attracts many young entrepreneurs because it offers a proven management system, clear operational guidelines, and the strength of a national brand that helps accelerate market penetration. The success of a franchise business is greatly influenced by clear operational standards, marketing support from the franchisor, and a structured training system for business partners. (Prihandono, Wijayanto, & Cahyaningdyah, "Franchise business sustainability model: Role of conflict risk management in Indonesian franchise businesses, 2021). In Banjarmasin, national brands such as Es Teh Indonesia, Janji Jiwa, and Rocket Chicken are examples of successful franchises because they are able to tailor their products to the preferences of local consumers in Banjar.

However, even though the franchise system offers advantages such as stability and brand support, franchisees often face challenges in the form of high licensing fees, limited room for innovation, and dependence on the policies of the central franchisor. It is known that the relationship between franchisors and franchisees is often marked by tension between compliance with standards and the need to innovate in local markets, especially in the face of dynamic regional business competition (Adriel, Makatiningrum, & Sanny, 2021). In Banjarmasin itself, several local franchisees revealed that although profits are stable, net profit margins tend to be smaller due to royalty deductions and national promotion costs.

Thus, although franchise businesses in Banjarmasin offer promising opportunities through strong system and brand support, their sustainability depends heavily on striking a balance between compliance with the central system and flexibility for local innovation in order to remain relevant to the characteristics of the Banjar market.

Discussion

The comparison between independent small businesses and franchises reflects two fundamentally different business approaches, in terms of ownership structure, management, and business development strategies. Independent small businesses are generally established by individuals or families with limited capital (), oriented towards local market needs, and relying on personal abilities to run all aspects of the business. The main characteristics of small businesses in Indonesia are high flexibility in product innovation and the ability to adapt to market changes. However, limited capital, low managerial skills, and lack of access to training and technology are often factors that hinder the growth of small businesses. (Tambunan, 2019)

In contrast, franchise systems stand out because of their standardized organizational structure and support from franchisors. Franchisors provide proven management systems, including standard operating procedures (SOPs), marketing strategies, and training support for franchise partners. This makes franchises easier to run for entrepreneurs who do not yet have strong managerial experience. According to Kotler & Keller in Marketing Management, franchising is an efficient expansion strategy because it utilizes the resources of other parties without losing control over quality and brand. However, this system also has weaknesses, particularly in terms of limited creativity, as franchisees cannot change products, prices, or promotions without permission from the franchisor.

Another fundamental difference lies in the source of capital and the level of risk. Small businesses usually rely on personal capital or small loans from microfinance institutions, so the level of risk is borne entirely by the business owner. Meanwhile, franchises do

require more capital to purchase a license, but the risk of failure is relatively smaller because the business system has been tested and is widely known in the market. In the context of entrepreneurship development in Indonesia, franchises are considered a safer alternative for novice entrepreneurs due to the guidance and clear business standards they offer, even though they provide less room for experimentation and local innovation. (Rahmawati, 2020)

In addition, market orientation and expansion patterns are also important differentiators. Small businesses usually focus on local markets with a strategy of personal relationships between business owners and customers. This makes small businesses more adaptable to local tastes, such as in regional culinary businesses or traditional products. Meanwhile, franchises rely more on brand strength and product consistency to reach a wider market, even across regions and nationally. The success of a business model is largely determined by the alignment between the characteristics of the business owner, the system used, and the market conditions in which the business operates. Therefore, the choice between a small business and a franchise must take into account local context and the business owner's ability to adapt.

In the context of Banjarmasin City, where local entrepreneurial culture is quite strong and the market is dominated by traditional products, small businesses have an advantage in creating product variations according to local preferences. Meanwhile, franchises are more suitable for young entrepreneurs who want to build a business with a mature system and national promotional support. Therefore, the main difference between the two is not only in the form of business, but also in the orientation of values and patterns of business independence. Small businesses are rooted in creativity and local uniqueness, while franchises rely on brand consistency and operational system efficiency.

Conclusion

Based on the results of literature reviews and contextual observations, it can be concluded that both independent small businesses () and franchises make an important contribution to strengthening the regional economy, particularly in the city of Banjarmasin. Independent small businesses excel in innovation flexibility, social engagement, and the ability to tailor products to local characteristics. Their main strength lies in the creativity of business owners and personal relationships with consumers, although they still face limitations in terms of capital, access to digitalization, and financial management.

In contrast, franchises offer a structured business system, strong brand support, and guaranteed training and marketing from the franchisor. This model is more stable and suitable for entrepreneurs who want to reduce the risk of failure, but it has limitations in terms of independence and product innovation due to operational standards.

Thus, there is no single business model that is absolutely superior; rather, both have different strategic values. Independent small businesses are more suitable for creative entrepreneurs who want to highlight local identity, while franchises are more suitable for business people who prioritize stability and system efficiency. Collaboration between the two through synergy between local innovation and modern managerial systems can be a sustainable strategy in strengthening the entrepreneurial ecosystem in Banjarmasin.

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