Micro, Small and Medium Enterprise strategy to improve competitiveness in the era of the ASEAN economic community (AEC)

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Abstract. The Asean Economic Community or AEC in Indonesia has been in effect since 2015. The establishment of the MEA itself is carried out in order to increase ASEAN's competitiveness and be able to compete with China and India to attract foreign investment. This foreign investment is needed to increase employment and improve welfare. MEA, the goal to be achieved is the free flow of goods, services, and trained labor, and a freer flow of investment.

With the enactment of the AEC in Indonesia in 2015 will provide some challenges both at home and competition with fellow ASEAN countries and other countries outside ASEAN such as China and India. This competition will have an impact on competitive prices as well, not only the superior commodities / products / services of large industries (UB), but also the Micro, Small and Medium Enterprises (MSME) sector.

1. Introduction

According to Pratama (2015) [1], in the development of the national economy in Indonesia, the priority is Micro, Small and Medium Enterprises (MSME). UMKM is the backbone of the people's economic system to reduce poverty problems and its development is able to expand the economic base and can make a significant contribution in improve the regional economy and national economic resilience.

In the midst of globalization and the high competition of MSMEs, they must be able to meet global challenges, such as increasing product and service innovation, development of human and technological resources, and expansion of the marketing area. This needs to be done to increase the selling value of MSMEs themselves, especially in order to compete with foreign products that are increasingly flooding the industrial and manufacturing centers in Indonesia, given that MSME is an economic sector that is able to absorb the largest workforce in Indonesia [2].

Based on data from the Indonesian Statistic Agency, MSME have a big contribution to state revenue by contributing 61.9 percent of gross domestic product (GDP) revenue through tax payments, which are described as follows: the micro business sector contributes 36.28 percent of GDP, the small business sector 10.9 percent, and the medium business sector 14.7 percent through tax payments. Meanwhile, the large business sector only contributed 38.1 percent of GDP through tax payments [3].

In its development there are still various problems faced by SMEs, these problems can differ from one region to another or between companies in the same sector. Kuncoro in Pratama (2015) [4], stated the challenges faced by MSMEs to strengthen the structure of the national economy are quite heavy. The development of MSMEs is more directed at increasing the ability of small entrepreneurs to become medium entrepreneurs and micro entrepreneurs into small entrepreneurs. such as abilities, skills, expertise, human resource management, marketing and financial information. Weak managerial and human resource capabilities result in small businesses being unable to run their businesses well.

More specifically, the basic problems faced by MSMEs are, first, weaknesses in gaining market opportunities and enlarging market share. Both are weaknesses in the capital structure and limitations in obtaining adequate sources of capital. Third, weaknesses in the field of organization and human...
resource management. Fourth, the limitations of the business network of cooperation between small entrepreneurs (marketing information systems). Fifth, the business climate is less conducive, due to the mutually deadly competition.

With the enactment of the ASEAN Economic Community (AEC) in 2015, it will be an opportunity as well as a challenge for products produced by MSMEs in Indonesia. In this case increasing MSME competitiveness is a key factor in being able to face challenges and take advantage of opportunities from the AEC [5]. Based on the above problems that MSMEs are important actors for the development of the Indonesian economy, therefore MSME competitiveness needs to be improved in the MEA free market era with the aim that products produced by MSMEs can compete and be able to penetrate global markets [6].

2. Method

2.1. The role of micro, small and medium enterprises in the Indonesian Economy

The role of MSMEs is quite clear after the economic crisis, which can be seen from the magnitude of the increase in the value of GDP, in the 1998-2002 period which was relatively neutral from government intervention in the development of the economic sector due to the relatively limited capacity of the government, the sector that showed the largest increase in GDP came from small industries, then followed by medium and large industries [7]. This indicates that SMEs are capable and have the potential to realize economic growth in the future.

From the aspect of employment, the agricultural sector absolutely has a greater contribution than the mining sector, the manufacturing sector and the service industry sector. This direction of economic development will create a deeper income gap between sectors that produce higher economic growth and absorb less labor.

Micro, Small and Medium Enterprises (MSMEs) have become the backbone of the Indonesian economy [8]. History proves, when the monetary crisis occurred in 1998 many big businesses collapsed because of the crisis, but MSMEs still exist and sustain the continuation of the Indonesian economy. Noted, 96% of MSMEs in Indonesia have survived the crisis shock. The same thing happened in 2008-2009. When the crisis came and resulted in a slowdown in economic growth, MSMEs again became the saviors of the Indonesian economy [9]. Micro, Small and Medium Enterprises also play a role in expanding employment and providing broad economic services to the community, and can play a role in the process of equity and increasing people's income, encourage economic growth, and play a role in bringing about national stability [10]. Based on BPS data (2003), the population of small and medium enterprises (SMEs) reaches 42.5 million units or 99.9% of all business people in the country. MSMEs make a significant contribution to employment, amounting to 99.6 percent. Meanwhile, the contribution of MSMEs to Gross Domestic Product (GDP) was 56.7 percent. This number continues to increase along with the growth of MSMEs from year to year.

However, MSMEs also still have some obstacles including in terms of production and processing, marketing, human resources, design and technology, capital, and business climate. In the 2013 APEC meeting, Indonesian Ministry of Micro, Small and Medium Enterprises, Syarif Hasan revealed 3 obstacles faced by the SMEs, namely capital, technology, and marketing. So that these obstacles do not continue, it is necessary to make efforts to empower MSMEs. In the context of empowering MSMEs, stakeholder involvement will determine its success. So far the involvement of MSME stakeholders includes, among others, government agencies, educational institutions, NGOs, cooperatives, banks and business associations.

2.2. Development of micro, small and medium enterprises in Indonesia

The development of Small and Medium Enterprises (SMEs) in Indonesia is increasing and now reaches 55.2 million spread throughout Indonesia. Minister of Cooperatives and Small and Medium Enterprises, Syarif Hasan said that of the tens of millions of SMEs currently representing more than 90 percent of
businesses in Indonesia and contributing 57 percent to the Gross Domestic Product (GDP) in Indonesia. According to Syarif, SMEs in the Asia Pacific region can make a significant contribution to the local economy. Not only that, by planting information technology or the internet in marketing its products, it is believed that SMEs will soon develop to the international level. SMEs are not affected by the economic crisis that occurred in 1997 and the economic crisis of 2008. UKM has an important role in Indonesia's economic growth and the government is committed to continuing to support SMEs. Some of the challenges facing SMEs such as internet access are still limited, especially in rural areas.

The unavailability of online payments and the potential for regulations that can prohibit small companies from doing digital hosting, causing limited e-commerce activities. That is the main challenge for developing information systems and the internet in order to develop online marketing systems. According to him, with internet services, it is possible for SMEs to have an online store that is able to reach sales at the international level. Now only some of the SMEs have websites so that it becomes a great opportunity to develop business online, along with the increasing use of the internet in Indonesia and the Asia Pacific region.

2.3. Micro, small and medium enterprise strategies in increasing competitiveness in the face of ASEAN Economic Community (AEC)

The definition of competitiveness according to the World Economic Forum (WEF) is as the ability of the national economy to achieve high and sustainable economic growth. The indicator of global competitiveness is measured by the macroeconomic, bureaucratic, and technological conditions of a country. Competitiveness according to Michael Porter is productivity which is defined as output produced by labor. Porter's understanding of competitiveness refers more to the competitiveness of companies in the industry.

Specifically, several things that need to be addressed to improve the competitiveness of MSMEs are:

1. Productivity and Innovation
   Increased productivity is done by improving the level of education and managerial expertise.

2. Ease of Doing Business
   The government has provided licensing facilities for MSMEs and fee waivers. Another effort is the exemption of MSMEs from income tax for the first 2 years and facilitating access to low-cost tax consultant services.

3. Access to Capital (Access to Finance)
   The government has a People's Business Credit program to encourage the distribution of MSME loans guaranteed without requiring additional collateral with a subsidized interest rate of 12% per year. In addition, the government through LPEI provides export credits for MSMEs with a minimum requirement of 50 workers.

4. Market Access
   By conducting programs that support aspects of MSME marketing in the domestic market and export promotion programs with a more market-oriented perspective.

5. Infrastructure Support
   Repair and development of new infrastructure has now become the focus of the Indonesian government, and is expected to have a positive impact on business growth in Indonesia.

6. Business Cycle
   The impact of the financial crisis caused a decrease in global demand ideally to be used to increase the productivity and expertise of MSME players so that when demand began to rise, Indonesian MSMEs had better competitiveness.

3. Conclusions
The role of MSMEs on employment is quite large. So that the development of SMEs is a strategic step in improving the welfare of the Indonesian people and national economic growth, especially in dealing with the ASEAN free market.
• The ability of MSMEs to cope with the current global competition needs to be considered further in order to remain able to survive for the stability of the Indonesian economy.

• To face the ASEAN free market competition, of course all segments must get the attention of the government, but what needs to be taken into account is of course the most important is the quality of human resources from MSME and Cooperative actors. This segment is the main factor determining the success of a business unit in increasing product competitiveness in the face of asean free market competition from other countries.

• The role of MSME is very important in creating employment opportunities for the community and contributors to the export of non-oil and gas products which can increase the country's foreign exchange income.

• Strategies undertaken by MSMEs and cooperatives in order to improve competitiveness in the face of the ASEAN free market, among others, by conducting partnerships in terms of capital, digital technology and training as well as coaching both workers and business people.

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