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**MICRO, SMALL AND MEDIUM BUSINESS DEVELOPMENT (UMKM)  
AS A MEANING STRENGTH IN THE ECONOMIC PILLAR OF MEA**

Amin Sadiqin,

STIE Mahardhika Surabaya

**Abstract**

Indonesia has experienced an economic crisis that caused the collapse of the national economy. Micro, Small and Medium Enterprises (MSMEs) is one of the business sectors that can develop and be consistent in the national economy. In 2005, MSMEs in Indonesia were able to absorb 77,678,498 thousand people or 96.77% of the total workforce that was able to be absorbed by small, medium and large scale businesses (Sri Susilo, 2007a). Indonesia has entered the ASEAN Economic Community (AEC) since 2015 which has demanded the endeavors of the business world, including MSMEs. This type of research is a qualitative descriptive study of literature. Sources of data used were sourced from textbooks, journals, articles, literature reviews and statistical data that contained the concepts studied. Entrepreneurs / MSME owners with an entrepreneurial spirit and a spirit of innovation possessed, must be able to become a driving force to improve the competitiveness of the company. The role of the government is expected to be complementary to encourage various efforts that have been made by SMEs to improve their competitiveness.

**Keywords:** MSMEs, Strengthening, ASEAN

**INTRODUCTION**

Indonesia has experienced an economic crisis that caused the collapse of the national economy. Many large-scale businesses in various sectors including industry, trade, and services stagnated and even stopped their activities in 1998. However, Micro, Small and Medium Enterprises (MSMEs) can survive and become recovery of the economy amid the downturn due to the crisis monetary policy in various economic sectors.

Micro, Small and Medium Enterprises (MSMEs) is one of the business sectors that can develop and be consistent in the national economy. MSMEs are a good place for productive employment creation. MSME is a labor-intensive business, does not require certain requirements such as the level of education, expertise (skills) of workers, and the use of relatively little business capital and the technology used tends to be simple. MSMEs still play an important role in improving the Indonesian economy, both in terms of the number of businesses, in terms of job creation, and in terms of national economic growth as measured by gross domestic product.

Micro, small and medium enterprises (MSMEs) are one of the leading driving forces in economic development (World Bank, 2005). SMEs play a significant role in the economy. Contributions include including labor absorption In 2005, MSMEs in Indonesia were able to absorb 77,678,498 thousand people or 96.77% of the total workforce that was able to be absorbed by small, medium and large scale businesses (Sri Susilo, 2007a). In terms of the

number of business units and manpower that can be absorbed, the MSMEs are far greater than large businesses. On the other hand, in terms of creating added value for Gross Domestic Product (GDP), large businesses (UB) are far greater than MSMEs.

At present, we have entered the era of free trade. After passing through the ASEAN China Free Trade Area (ACFTA) in 2010, it has now entered the ASEAN Economic Community (AEC) in 2015 which demands hard work from the business world, including MSMEs.

Therefore, in an effort to strengthen MSMEs as the national economic fundamentals in the MEA era, it is necessary to create a conducive domestic investment climate in an effort to strengthen domestic and foreign markets so that SMEs can become a buffer of the national economy and can also compete with the State Another ASEAN. This strengthening of MSMEs is expected to be a pillar of building the nation's economy where Indonesia's economic fundamentals cannot yet be said to be built solidly, so it is necessary to build an economic structure by considering the existence of MSMEs and providing business opportunities for MSMEs in various economic sectors.

The development and role of MSMEs need to be continuously improved because of their resilience in dealing with various economic crises and many job openings which will certainly reduce unemployment.

## **LITERATURE REVIEW**

### **The concept of Micro, Small and Medium Enterprises (MSMEs)**

in Chapter I article 1 of Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), what is meant by Micro, Small and Medium Enterprises is:

1. Micro Business is a productive business owned by an individual and / or an individual business entity that meets the criteria for Micro Business as stipulated in this Law.
2. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branch companies that are owned, controlled, or become a part either directly or indirectly of Medium Enterprises or Large Enterprises that meet the Business criteria Small as referred to in this Act.
3. Medium Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branch companies that are owned, controlled, or become a part either directly or indirectly with a Small Business or Large Business with a net worth or annual sales proceeds as regulated in this Law.

Based on the above definition, in essence, Micro, Small and Medium Enterprises is a form of productive economic business carried out by individuals or individual business entities that meet the criteria of Micro, Small and Medium Enterprises.

### **The principle and the principle of empowerment**

Under the legislation of SMEs in the course of empowering its business based on the principles as follows:

1. Asas a family, that is the principle which underlies the effort to empower SMEs as part of the national economy which is organized based on economic democracy with the principles of togetherness, efficiency justice, sustainability and environmental friendliness, independence, balance, progress and unity of the national economy for the welfare of all the people of Indonesia.
2. Asas economic democracy, namely the empowerment of SMEs organized as a union of national economic development for the prosperity of the people.
3. Asas togetherness, namely asas encouraging the role of all SMEs and the business world together in its activities for the welfare of the people.
4. Asas efficiency of justice, namely asas the underlying implementation of the empowerment of SMEs by promoting efficiency of justice in an effort to create a fair business climate, conducive and competitive.
5. Asas sustainable, ie asasles that are planned to seek passage of the development process through the empowerment of SMEs on an ongoing basis so as to form a strong and independent economy.
6. Asas environmentally friendly, which is asas the empowerment of SMEs conducted by taking into account and give priority to the protection and preservation of the environment.
7. Asas self-reliance, ie the principle of empowerment of SMEs conducted by maintaining and promoting the potential, ability and independence of SMEs.
8. Asas the balance of progress, is asas the empowerment of SMEs that seek to maintain the balance of economic progress in the area of national economic unity.
9. Asas the unity of the national economy, is asas the empowerment of SMEs that are part of the development of national economic unity.

### **AEC and the Position of the Indonesian**

ASEAN Economic Community (AEC), are one of the 3 pillars of the concept of ASEAN Integration that was agreed upon by heads of state from 10 ASEAN member countries at a meeting in Bali in 2003, then confirmed through the Declaration of ASEAN Concord II or known with BALI Concord II.

The main concept of the AEC is to create ASEAN as a single market and unified production base where there is free flow of goods, services, factors of production, investment and capital as well as the elimination of tariffs for trade between ASEAN countries. It is hoped that through

strengthening this collaboration it can reduce poverty and the level of economic inequality between member countries through a number of mutually beneficial cooperation. A single market and production base are also expected to make ASEAN more dynamic, productive and make a stronger segment of the global supply chain, and ASEAN's bargaining position in the global economy stronger and more competitive.

Furthermore, what can be drawn from the agreement is the opportunity to obtain various business opportunities and cross-border employment opportunities in ASEAN.

During this time bureaucratic obstacles and tariffs have hampered the mobility of goods and services. In the future, it is hoped that it will be easier, cheaper and faster, so that economic activities between communities will become more open and expected to be mutually beneficial.

**Table 1. Economic Performance of ASEAN Countries**

Negara	PDB US\$ (Milyar)	Jumlah Penduduk (juta)	Pendapatan perkapita US\$	Rangking Daya Saing Global*)
Indonesia	540	237	2.278	38
Malaysia	192	27	7.111	24
Singapura	257,4	4,84	53.180	2
Thailand	264	67,4	3.916	37
Filiphina	161	94,6	1.701	59
Brunai	6,985	92.280	47.949	28
Vietnam	90,1	87,3	1.108	70
Kamboja	11,45	14,22	805	88
Laos	5,54	6,05	886	81
Myamar	28,67	61,19	468,6	139

Sumber: Diolah dari data statistik negara, IMF dan Bank Dunia, 2011 dan Tahun 2013/2104

Statistics(BPS) recorded that in 2014 the Human Development Index (HDI) score increased although it was thin to 68.90 from 68.4 in 2013; Malaysia has reached a score of 77.3. Indonesia's ranking compared to ASEAN countries is in fifth place below Singapore, Brunei, Malaysia, and Thailand although it is still better than Vietnam, Cambodia, and other countries

## RESEARCH METHODS

Type of research used is descriptive qualitative with studies literature. Qualitative research is a research method used to express problems in life that are temporary (tentative) and will develop after the field.

The literature study method is a series of activities relating to the method of collecting library data, reading and recording, and managing research material (Zed, 2008 in Diah Eka 2015). Sources of data used were sourced from textbooks, journals, articles, literature reviews and statistical data that contained the concepts studied. While according to Burhan Bungin (2014), the literature method is one of the data collection methods used in social research methods to trace data.

## DISCUSSION

### Business Obstacles

In the figure below identified 15 aspects that hampered the development of MSMEs based on the 2015 NUS survey. In all aspects surveyed as obstacles to business, Indonesia was identified as facing obstacles in all of these aspects. But this is not the case with other ASEAN countries, Thailand faces 13 obstacles, and Vietnam 12 obstacles. The lowest are Myanmar, Singapore and Malaysia, each of which faces only 4 obstacles.

Barriers to the Development of the SMEs Business	BN	CA	IN	LA	MA	MM	PH	SG	TH	VN
Law and regulation		✓	✓	✓	✓				✓	✓
Product quality	✓	✓	✓	✓		✓	✓		✓	✓
Taxation			✓				✓		✓	✓
Purchasing power of the consumer			✓				✓		✓	✓
Support from local authorities			✓	✓			✓		✓	✓
Image of the entrepreneurs			✓							
Procedural difficulties in starting a company			✓	✓			✓			
Difficulty in accessing to credit	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Qualified human resources	✓	✓	✓	✓		✓		✓	✓	✓
Government SME program			✓						✓	
Market information	✓	✓	✓	✓	✓		✓	✓	✓	✓
Management Skills	✓		✓	✓			✓	✓	✓	✓
Cost of production/management			✓				✓		✓	✓
Marketing skills	✓	✓	✓	✓	✓	✓	✓		✓	✓
Coordination between organizations supporting SMEs		✓	✓	✓					✓	✓

Figure 2. Obstacles to Building MSME Enterprises in ASEAN Countries

### Strengths and Opportunities

Indonesia still has the strength to be able to develop the economy in the AEC arena. Its strengths include:

1. Total population of 237 million people, representing 40% of the total population in Southeast Asia, a large number for the emergence of a prospective market;
2. Indonesia's growing middle class, from only 37.7% in 2003, to 56.6% in 2010 or reaching 134 million people (World Bank),
3. Indonesia's largest total GDP in ASEAN and 16th in the world (the only ASEAN member who is a member of the G20).
4. Indonesia is the destination of ASEAN investors, the proportion of ASEAN investment in Indonesia reaches 43%, or nearly three times that of ASEAN investment in other ASEAN countries at 15%;
5. Indonesia has the potential to become an exporting country. Currently, the number of Indonesian exports to ASEAN countries only 18-19% only, while the rest by 80-82% to external ASEAN'si.
6. A demographic bonus that makes Indonesia's productive age as much as 38%, of the ASEAN population.

In addition to the above powers, Indonesia is ranked first in ASEAN countries capable of giving birth to rich people. The data from Forbes magazine (2014) shows that Indonesia has succeeded in giving birth to the most large millionaires or conglomerates in ASEAN, namely as many as 19 people. has only 16 conglomerates, and is in second place as a millionaire printer in ASEAN.

Forbes collects data in the form of, personal assets including share ownership in private and state companies, real estate, cruises, artwork and cash. In addition, the debt estimate is also accumulated on the total wealth of the big millionaire.

Then according to the 2015 Global Wealth Report compiled by Credit Suisse estimates the number of millionaires in Indonesia in 2020 will reach 151,000 people or an increase of 54 percent from the number of millionaires who reached 98,000 in 2015. This means, the potential for middle class growth is so wide open and become a common hope to become a locomotive of national economic growth.

## **UMK Development Strategy for UMK**

### **1. Cooperation**

Since the beginning of the MEA it was planned as a form of economic cooperation, so for a long time the countries belonging to ASEAN agreed on the importance of developing a policy index in developing MSMEs in each country, to monitor performance in terms of developing MSMEs through the ASEAN Policy Index for Small Medium Enterprises (SMEs) Development.

In order to realize the ASEAN Policy Index for Small Medium Enterprises (SME's) Development, it is preceded by an equalization of the Key Performance Indicator (KPI) for the

development of MSMEs for each ASEAN member country. The pattern used most likely refers to the OECD (Organization for Economic Conference and Development) which has run the MSME policy index. So far, the OECD has an index to monitor every government policy in each of its member countries, called the OECD Policy Index and has managed to manage business participation in each of its member countries.

## **2. The Role of Government**

In the context of increasing MSME competitiveness, there are important things that must be done by the government. The tasks of the government are included in (Tambunan, 2008b): (1) Removing all obstacles that are artificial to the growth of MSMEs, for that the government policy must be neutral towards all types or scale of business. (2) There is nothing wrong with the government implementing a protection policy for small-scale business which is just growing, but the time period must be clear and not long and this policy must be of a learning nature. Related to the learning process, the government can help improve the competitiveness of MSMEs through the process of capacity building. This is related to determining the competitiveness of the company is the company itself and the key actors are employers and workers. In MSME the entrepreneur or owner is the main driver of the company. In this case the creativity, entrepreneurial spirit, and innovative spirit of entrepreneurs supported by the expertise or skills of the workers are the main source of increasing the competitiveness of MSMEs. In order for MSME entrepreneurs and workers to play an optimal role, there are at least 5 main prerequisites namely that they fully possess (Tambunan, 2008a; Tambunan, 2008b): (1) education, (2) capital, (3) technology, (4) information, and (5) other crucial inputs.

## **CLOSING**

implementation of the MEA has been carried out since 2015. In order to remain able to survive and be able to take advantage of opportunities, MSMEs must improve the competitiveness of the company and the competitiveness of its products. So that the competitiveness of MSMEs can improve, the main key is to MSMEs themselves, especially MSME entrepreneurs / owners with the support of their workers. Entrepreneurs / MSME owners with an entrepreneurial spirit and a spirit of innovation possessed, must be able to become a driving force to improve the competitiveness of the company. From increasing the competitiveness of companies, in turn will encourage the creation of product competitiveness. Another thing that should be prioritized for MSMEs is to increase cooperation between MSME units or MSME centers and also improve cooperation networks with stakeholders.

The role of the government is expected to be complementary to encourage various efforts that have been made by SMEs to improve their competitiveness. With a conducive business climate created by the government, it will make it easier for MSMEs to increase competitiveness, both the competitiveness of companies and the competitiveness of products produced.

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