

INTERNATIONALIZATION OF SMALL MEDIUM ENTERPRISES: SUSTAINABLE STRATEGIC OF HUMAN RESOURCES DEVELOPMENT

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Abstract

The lack of solid economic fundamentals in Indonesia has prompted the government to build an economic structure by taking into account the presence of Micro, Small and Medium Enterprises (MSMEs) in the international market. This sector has been proven to provide jobs and provide opportunities for SMEs to develop in the community. The existence of MSMEs cannot be doubted because they have proven to be able to survive and become an economic driver, especially after the economic crisis. On the other hand, SMEs also face many problems, namely limited working capital, low human resources, and incompetent mastery of science and technology (Sudaryanto and Hanim, 2002). Another obstacle faced by SMEs is the relationship with unclear business prospects and unstable planning vision and mission. Provision of information and market networks, easy access to funding and assistance as well as capacity building for information technology are some of the strategies to increase the competitiveness of Indonesian MSMEs. Therefore, it is necessary to synergize all parties, especially between the government and microfinance institutions.

Keywords: *MSMEs, Empowerment Strategies, Increasing Competitiveness.*

1. INTRODUCTION

The development of Micro, Small and Medium Enterprises (MSMEs) in Indonesia cannot be separated from banking support in lending to MSMEs. Every year credit to MSMEs experiences growth and in general the growth is higher than total bank credit. MSME loans are loans to debtors of micro, small and medium enterprises that meet the definition and criteria of micro, small and medium enterprises as stipulated in Law no. 20 of 2008 concerning MSMEs. Based on the law, MSMEs are productive businesses that meet business criteria with certain limits on net worth and annual sales results.

In the Indonesian economy, MSMEs are the business group that has the largest number and is proven to be resistant to various kinds of shocks from the economic crisis. The criteria for businesses that are included in Micro, Small and Medium Enterprises have been regulated in the legal umbrella. Based on Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs) there are several criteria used to define the definition and criteria of Micro, Small and Medium Enterprises. Until now in Indonesia there is not even a specific definition of SMEs yet which can be used as a reference by the Agency Center for Statistics or economic researcher (Berisha & Pula, 2015). Understanding SMEs according to the Central Bureau of Statistics is different with Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, and Medium (UU 20/2008 MSMEs). The Central Statistics Agency (BPS) provides definition of MSMEs by number workforce (BPS, 2013). While UU 20/2008 MSME defines MSME based on net worth and results annual sales.

The success of Micro, Small and Medium Enterprises (MSMEs) in Indonesia is also inseparable from the support and role of the government in encouraging lending to MSMEs. Various credit/financing schemes for MSMEs were launched by the government related to tasks and economic development programs in certain business sectors, such as food security, livestock and plantations. The government's role in these MSME credit schemes is on the side of providing APBN

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funds for interest subsidies for the credit scheme, while all credit/financing funds (100%) come from banks appointed by the government as implementing banks. In addition, the government plays a role in preparing MSMEs so that they can be financed by the intended scheme, establishing policies and business priorities that will receive credit, providing guidance and assistance during the credit period, and facilitating relations between MSMEs and other parties.

The existence of MSMEs cannot be doubted because they have proven to be able to survive and become the driving force of the economy, especially after the economic crisis. On the other hand, MSMEs also face many problems, namely limited working capital, low human resources, and lack of mastery of science and technology (Sudaryanto and Hanim, 2002). Another obstacle faced by MSMEs is the relationship with unclear business prospects and unsteady planning, vision and mission.

In the face of an increasingly open and competitive market mechanism, market control is a prerequisite for increasing the competitiveness of MSMEs. In order to dominate the market, MSMEs need to get information easily and quickly, both information about the production market and the market for production factors. Information about the production market is needed to expand the marketing network for products produced by MSMEs. Production market or commodity market information needed, for example (1) what types of goods or products are needed by consumers in certain areas, (2) how is the purchasing power of the people for these products, (3) what is the prevailing market price, (4) consumer tastes in local, regional and international markets. Thus, MSMEs can anticipate various market conditions so that in carrying out their business they will be more innovative. Meanwhile, market information on production factors is also needed, especially to find out: (1) the source of the raw materials needed, (2) the price of the raw materials you want to buy, (3) where and how to get business capital, (4) where to get skilled labor. professional, (5) a decent wage or salary level for workers, (6) where to get the tools or machines needed (Effendi Ishak, 2005).

Complete and accurate market information can be used by MSMEs to make proper business planning, for example: (1) designing products that are liked by consumers, (2) determining competitive prices in the market, (3) knowing the target market, and many other things. other benefits. Therefore, the government's role is very necessary in encouraging the success of MSMEs in gaining access to expand their marketing network. In addition to having the convenience and speed of obtaining market information, MSMEs also need to have the convenience and speed in communicating or promoting their business to consumers at large, both at home and abroad.

Various studies in order to provide information to support the development of SMEs. Research activities are primarily directed at supporting the determination of Bank Indonesia's directions and policies in the context of providing technical assistance and also in providing useful information for the development of MSMEs. The research was adapted to the needs of MSME development and to explore the potential of the MSME sector in each region in Indonesia. In an effort to increase the role of MSMEs to encourage economic growth. Bank Indonesia conducted a study on the identification of central and regional regulations in the context of developing MSMEs as well as the study and implementation of a pilot project for the MSME development cluster.

2. IMPLEMENTATION METHOD

This study uses a descriptive exploratory approach by analyzing the strategy of empowering MSMEs in facing the international market. This scientific work was also developed using a literature

review or literature study approach. The theory/concept approach is carried out by referring to several sources, such as books, scientific journals, and the internet. All descriptions of existing ideas are combined in a single framework of thought.

3. RESULTS AND DISCUSSION

3.1 The Position of MSMEs in the International Market

In order to reach the international market, there are still many opportunities for MSMEs to gain market share and investment opportunities. In order to take advantage of these opportunities, the biggest challenge for MSMEs in Indonesia facing the international market is how to be able to determine the right strategy to win the competition. Currently, the export structure of Indonesian MSME products mostly comes from processing industries such as furniture, food and beverages, apparel or garments, wood and rattan industries, agricultural products, especially plantations and fisheries, while the mining sector is still very small (only related to rocks, clay and sand). In detail, the export goods of MSMEs include household appliances, apparel or garments, batik, other finished goods made of leather, handicrafts from wood, gold or silver jewelry, children's toys, wickerwork, rattan goods, fish processing, furniture, shoes. or leather footwear, wood/shell charcoal, snacks and embroidery products. Meanwhile, the raw materials used for the production of MSMEs are local raw materials, the rest are imported, such as plastic, leather and some chemicals.

Some of the obstacles faced by MSMEs in developing countries, including Indonesia, are the lack of raw materials that must be imported from other countries for the production process. Besides that, marketing of goods, capital, availability of energy, infrastructure and information are also problems that often arise later, including non-physical problems such as high inflation, skills, labor regulations and so on. MSMEs in countries in general also have the same problems in business development, including legal and government regulatory constraints, product quality and competitiveness, taxation, market information, quality of human resources, and expertise in marketing. Besides that, the highest is the difficulty of accessing loans or credit.

Figure 1 Barriers to Business Development in International MSMEs



3.2 The Importance of Empowering MSMEs

Indonesia's population of more than 240 million people (according to the 2010 census), it turns out that only 0.24 percent are entrepreneurs (interpreneurs), or only about 400,000 people who are

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involved in the business world or MSMEs. In fact, so that the Indonesian economy can develop faster, more than 2 percent of the population is needed as entrepreneurs or working in MSMEs. Singapore, a small country but has 7 percent of the population is entrepreneurial and has many MSMEs. Meanwhile in Malaysia, more than 2 percent of the population are entrepreneurs who are involved in various micro-enterprises.

It is undeniable that MSMEs also have a contribution to employment and state revenue, especially taxes. The development of tax revenues from 2005 to 2012 also continued to increase, with an average of more than 12 percent. The highest increase occurred in 2012 with a tax revenue target of 1016.2 trillion rupiah. Most of this tax revenue is from large enterprises, while the potential of MSMEs needs to be explored optimally.

3.3 MSME Strategy to Improve Industry Competitiveness to Face the International Market

1. The Role of the Government through Several MSME Empowerment Programs

At present the credit scheme that is very familiar in the community is the People's Business Credit (KUR), which is specifically intended for MSMEs with a viable business category, but does not have sufficient collateral in the context of banking requirements. KUR is Credit or financing to MSMEs and Cooperatives that are not currently receiving Credit or Financing from Banks and/or which are not receiving Program Credit from the Government at the time the application for Credit/Financing is submitted. The ultimate goal of launching the KUR Program is to improve the economy, reduce poverty and absorb labor. KUR is a loan provided by banks to MSMEs in the form of providing working capital and investment for productive businesses that are feasible but not yet bankable. The goal is the achievement of accelerated development of the real sector (especially the agricultural, forestry, marine and fishery as well as industrial sectors).

Bank Indonesia (BI) noted that credit distribution for Micro, Small and Medium Enterprises (MSMEs) was still very low, below 10% from January to May 2011. The central bank continues to direct banks to boost credit in the productive sector to prevent the economy from overheating. BI distinguishes between MSME and MKM loans because banks are currently classified as still distributing MSM credit which still smells consumptive when compared to productive MSMEs. MSMEs are purely used for business, in contrast to consumptive MKM, BI is now encouraging banks to distribute more to MSMEs.

With the enactment of Law Number 23 of 1999 concerning Bank Indonesia as amended by Law Number 3 of 2004, Bank Indonesia's policy in assisting the development of MSMEs underwent a fairly basic paradigm shift because BI could no longer provide financial assistance or credit. Bank Indonesia Liquidity (KLBI) so that the role of Bank Indonesia in developing MSMEs has changed to be indirect. The approach used for MSMEs shifts from a development role to a promotional role. The approach that provides credit subsidies and low interest rates has shifted to an approach that focuses more on training activities for bank officers, research and providing information.

Sabirin (2001) explains that to empower people from the economically weak or the small business sector is to provide affordable sources of business financing. One of the financing strategies for this group is micro credit business. Microfinance institutions are institutions that provide financial services for people who have low incomes and are included in the poor group. This microfinance institution is specific because it meets the demand for funds of the poor on the availability of funds. For formal banking financial institutions, the poor will not be served because the success of empowering MSMEs will be realized if all stakeholders play a role together according to their

respective roles. Both regulators including local governments, MSME actors and the banking world who can work in accordance with their duties and functions, then the success and progress of MSMEs will be implemented quickly. So that in the end the increase in tax revenue from the side of extracting new taxpayers and the value of the tax will continue to increase.

2. Expanding Access to Marketing Network Information for MSMEs

In the face of an increasingly open and competitive market mechanism, market control is a prerequisite for increasing the competitiveness of MSMEs. In order to dominate the market, MSMEs need to get information easily and quickly, both information about the production market and the market for production factors. Information about the production market is needed to expand the marketing network for products produced by MSMEs. Production market or commodity market information needed, for example (1) what types of goods or products are needed by consumers in certain areas, (2) how is the purchasing power of the people for these products, (3) what is the prevailing market price, (4) consumer tastes in local, regional and international markets. Thus, MSMEs can anticipate various market conditions so that in carrying out their business they will be more innovative. Meanwhile, market information on production factors is also needed, especially to find out: (1) the source of the raw materials needed, (2) the price of the raw materials you want to buy, (3) where and how to get business capital, (4) where to get skilled labor. professional, (5) a decent wage or salary level for workers, (6) where to get the tools or machines needed (Effendi Ishak, 2005).

In addition to having the convenience and speed of obtaining market information, MSMEs also need to have the convenience and speed in communicating or promoting their business to consumers at large, both at home and abroad. So far, the promotion of MSMEs is mostly done through joint exhibitions in a limited time and place, so that relationships and transactions with consumers cannot be guaranteed for continuity. This can be caused by long distances or lack of communication intensity constraints. In fact, the communication factor in running a business is very important, because communication will create a strong emotional bond with existing customers, as well as allow new customers to come.

3.4 MSME Strategy to Improve Human Resources to Face the International Market

1. Strengthening partner institutions through Capacity Building

Setyobudi (2007) stated that Bank Indonesia is more focused on strengthening MSME assistance institutions through increasing capacity building in the form of training and research activities that support lending to MSMEs. Some of the efforts made include:

- a. Trainings for MSME counterpart institutions, in order to improve MSME credit capabilities.
- b. Establishment of the SME Assistance Development Center (P3UKM), as a pilot project. P3UKM, among others, is tasked with conducting training and accreditation of SME companions.
- c. Development of the Integrated Small Business Development Information System (SIPUK) as a means to more quickly disseminate research results and various other information.

2. Development of Human Resources in MSMEs through IT

Information technology is a form of technology used to create, store, modify, and use information in all its forms. Through the use of this information technology, micro, small and medium enterprises can enter the global market. Initially small companies such as Amazon bookstore, Yahoo portal, and simple auction company Ebay, the three have now become giant companies in just a short time because they use information technology to develop their business.

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Utilization of information technology in running a business or often known as e-commerce for small companies can provide flexibility in production, enable faster delivery to customers for software products, send and receive offers quickly and efficiently, and support fast paperless transactions. Utilization of the internet allows MSMEs to do marketing with the aim of global markets, so that the opportunity to penetrate exports is wide open.

4. CONCLUSION

The strategy to develop Micro, Small and Medium Enterprises (MSMEs) in Indonesia cannot be separated from banking support in lending. Currently, the credit scheme that is very familiar in the community is the People's Business Credit (KUR), which is specifically intended for MSMEs with a viable business category, without collateral. In addition, the strengthening of MSME assistance institutions can be carried out through easy access and increased capacity building in the form of training and research activities that support the provision of credit to MSMEs.

The strategy to anticipate an increasingly open and competitive market mechanism in the international market is market control, which is a prerequisite for increasing the competitiveness of MSMEs. In order to dominate the market, MSMEs need to get information easily and quickly, both information about the production market and the market for production factors to expand the marketing network of products produced by MSMEs. The application of information technology to micro, small and medium enterprises will make it easier for MSMEs to efficiently expand markets both domestically and overseas. The establishment of an IT-based MSME Development Center is considered capable of encouraging the growth and development of micro, small and medium enterprises in the current era of information technology.

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