

# The Realization Of Economic Revitalization Through MSME

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## **Abstract**

*The direction of developing MSME will encourage the realization of economic revitalization which is expected to be more pro-people's economy. In essence, economic revitalization is a joint movement between the government and the people. Efforts to make the people's economy a pillar of the national economy found important momentum after the 1998 economic crisis at which time the concept of partnership which was an idea of the New Order era was difficult to materialize due to various obstacles such as the low quality of human resources, lack of technology and information, production factors, facilities and infrastructure, aspects funding and financing services that are not yet supportive, the business climate is not yet supportive, as well as coordination and guidance that have not been going well. MSMEs with their intrinsic characteristics and potential are vital elements of an economic system that can truly create people's welfare. The development of a people's economy requires side with the government. Partisanship does not mean to win over the weak, but so that competition can be healthy and balanced. The government takes sides in doing something so that the weak economic groups have sufficient power so that they can freely develop their businesses, if necessary, compete profitably with other companies. Referring to Article 33 of the 1945 Constitution, local governments need to develop their roles to jointly manage all natural wealth for the people's economic interests. It is hoped that the strengthening of the populist economic system will be able to stem and minimize the negative impacts that arise due to globalization.*

**Keywords:** economic revitalization, MSME, SME, government, globalization

## **1. INTRODUCTION**

Historical overview of the development of SMEs policy of pre-colonial era up to now shows that the SME sector is often just become an object to support the interests of the authorities. After the collapse of the New Order regime, there were actually efforts to give priority to the development of MSMEs. But unfortunately, the government seems not serious enough to make this happen. Inconsistency and policy synchronization are still obstacles in the development of MSMEs [1]. This problem does not only occur at the ministries at the central government level, but between the MSME development policies carried out by the central government and local governments, it is often inconsistent. In addition, in the era of democracy which is carried out by direct elections, the MSME sector is often only used as a political commodity for politicians and

political elites to embrace and legitimize their power. Many business associations have emerged, but they do not reflect a forum for social and economic struggle for MSME actors [2].

The MSME sector has great potential to be developed. Some of the great potentials of the MSME sector are:

1. Do not have much dependence on external factors, such as world economic turmoil, such as debt in foreign currencies and imported raw materials in carrying out its activities,
2. Production time ( time lag ) SMEs are relatively short,
3. The capital requirements of MSMEs, especially MSMEs, are relatively small,
4. Large SME business is a labor-intensive activity and are able to leverage the skill and semi-skill workers,
5. Creating jobs at a level low capital costs,
6. Capacity of the forward and backward linkage between the various sectors,
7. Having great opportunities in it for the development and adaptation of technologies,
8. Filling various niche markets are not efficient for large enterprises, and
9. Supporting the existence of large-scale enterprises.

Even though they have considerable potential, MSMEs have not been able to fully anticipate the challenges of businesses that move very dynamically. This condition makes MSMEs unable to play an optimal role as the backbone of the Indonesian economy. The main problems faced by MSMEs are capital, marketing, raw materials, technology, organization and management. Apart from that, there are still challenges that are more external in nature, including the insufficient climate conducive for the development of MSMEs [3]. One of the consequences is the inability of MSMEs to play a significant role in national exports. Large-scale businesses still play an important role in exports.

This inconsistency of policy was reflected in the emergence of policies that were oriented towards empowering MSMEs. However, often the government also raises policies that impoverish MSME actors. For example, after the fall of the New Order regime, the Micro, Small and Medium Enterprises (MSMEs) sector began to receive serious attention from the government. Various government policy programs were launched to support the development of this sector. In 2007, the government launched the KUR (People's Business Credit) program and the PNPM (National Community Empowerment Program) program as an effort to help small business capital and poverty alleviation. In addition, Presidential Regulation Number 112 was issued which regulates the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores. In that year, the government also issued Presidential Instruction Number 6 of 2007 concerning Policies to Accelerate Real Sector Development and Empowerment of MSMEs [4]. In 2008, the government issued a legal umbrella by issuing Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises. Then in 2009, the government plans to increase the KUR distribution allocation to IDR 20 trillion as part of an effort to save the national economy from the impact of the global economic crisis. The government also declared 2009 to be the year of Creative Indonesia by making 14 creative economy sectors the leading sectors, including fashion, crafts, crafts, film, animation, design, architecture and national music.

## **2. The Need for MSME Development Directions**

These policies need to be appreciated positively considering that for decades, MSMEs have tended to be neglected. Even so, these policies were carried out half-heartedly. On the one hand, the government is aggressively issued policies to encourage the development of SMEs, but in s other content, many other policies that actually inhibit the development of SMEs. The government looks serious in disbursing capital assistance, technology access assistance, and marketing assistance, but other policies are actually counterproductive to the development of MSMEs such as market liberalization, increases in fuel prices (BBM), many regional regulations / illegal fees that add to the burden. costs for small economic entrepreneurs, and the lack of restriction on expansion of modern markets [5].

This condition causes the policies to strengthen MSME by the government to be meaningless. Capital assistance becomes less meaningful when the government also increases

the price of fuel oil which causes production costs to rise. A survey by the Central Statistics Agency (BPS) states that the increase in fuel prices has an effect on the increase in the production costs of micro businesses by 34%, small businesses 24.6%, and medium enterprises 129.6%. The cost burden of MSMEs will be even higher when various regional regulations that hinder investment and various illegal fees are not eradicated [6]. There are no less than 200 regional regulations that hinder the development of cooperatives. In addition, there is no point in the government promoting a proud domestic product program when the government does not impose import restrictions on certain commodities. Likewise, MSMEs will find it difficult to develop if the government does not limit the expansion of minimarkets, supermarkets and other modern markets in rural areas [7].

This reality shows the inconsistency of empowering MSMEs carried out by the government. Empowerment of MSMEs tends to be done partially. The coordination between agencies is still low. Many UMKM empowerment programs are still overlapping. For example, the PNPM program, the KUR program, the KUBE strengthening programs by the Ministry of Social Affairs, and various programs to strengthen MSMEs through the company's CSR programs tend to run independently. Weak coordination across agencies in empowering Small and Medium Enterprises and the existence of laws and regulations that are inconsistent with the development efforts of Small and Medium Enterprises are examples of the unfavorable business climate. This problem is what keeps the internal problems of SMEs in Indonesia unsolved. About 90 percent of SMEs in Indonesia are still in informal status, which is one indication of the complexity and cost of business licensing procedures in Indonesia. If the inconsistency of this policy continues, until whenever MSMEs in Indonesia will never develop [8].

In this regard, a direction for the development of MSMEs is needed so that MSME development programs can be more focused. For this reason, a comprehensive and synergistic strategy and concrete steps for developing MSMEs are needed. Development with a strong sense of empowerment (empowerment) will be able to make this people's economic sector become the main pillar of strategic development. Higher education as a source of scientific development and human resource development is expected to be able to play a role in this empowerment effort.

A conducive business climate is an absolute prerequisite for the growth and development of the business world, including MSMEs. In simple terms, a conducive climate is defined as an environmental condition that provides an atmosphere for the security and comfort of business actors to conduct business and invest. A conducive business climate for MSMEs can also be simply illustrated as a condition that creates attractiveness and comfort in doing business, thus encouraging the growth of new businesses and expanding the capacity of existing businesses [9]. Thus, efforts to create a favorable climate is driving the support elements that can accelerate the rate growth and development of SMEs, as well as reduce the elements that may hamper it. Under such conditions, the production and distribution processes can run smoothly, safely and easily so that the business world can achieve the expected level of efficiency and productivity. The creation of a conducive business climate is closely related to changes in the external conditions of the business environment [10].

Considering that the conducive climate is dynamic, the government must continue to support MSMEs in managing various changes through the issuance of new policies, perfecting policies that do not fit, or removing policies that are deemed inappropriate. Nevertheless, creating a conducive business climate is not only the task of the government, but must become the business and responsibility of many parties, including the business world and all stakeholders [11]. From this point, the academics on higher education campuses who are believed to have better quality human resource assets have the responsibility to participate in the development of MSMEs. Furthermore, in developing MSMEs, it is necessary to unify conceptions and steps that are able to involve all stakeholders who are believed to play a role in driving the growth and development of MSMEs [12].

The basic policy for developing MSME must contain at least the following aspects.

1. Giving preference to small and medium enterprises in participating in all government tenders, participation in all fields of business and ownership of large and public companies and easy access to sources of business financing and licensing.
2. The government needs to establish more small and medium business financing institutions to expand services and financial support to the MSME sector.
3. Small and medium enterprises are fostered by the state with a proactive and educational guidance through an autonomous body specifically assigned to it.
4. The policy of giving low interest rates is protected by laws such as the reform of the Worker Ordinance 1926 which was implemented in the Dutch colonial era, where the highest interest rate that could be charged to small, medium and large businesses was 6%.
5. The linkage of small, medium and large businesses in the framework of fair and honest competition is regulated by law in order to create national synergy and efficiency and openness in the national economy which results in companies that are competitive.

This linkage between small, medium and large businesses will be able to lift the low business scale to a bigger one. This will strengthen the structure and resilience of a stronger national economy and in the long run will be able to benefit these business units both small and large scale [13]. Empirical experience shows that large business units that work alone in encouraging national economic growth are very vulnerable. Under these conditions, there needs to be efforts to build partnerships between small and micro businesses and larger, more resilient businesses. A partnership that is built is a partnership that is not forced, but a partnership that needs, strengthens and benefits each other. Under these conditions, partnerships can be formed efficiently.

The substance of democratic economic democracy includes three things, namely:

1. Participation of all members of society in the process of forming national production. The participation of all members of society in the process of forming national production occupies a very important position in the people's economic system.
2. Participation of all members of society in enjoying the results of national production. In the framework of a populist economy, there must be a guarantee that every member of society will enjoy the national production.
3. The activities for the formation of production and the distribution of national products must take place under the leadership or supervision of community members. That is, in the framework of a populist economy, members of the community must not only become objects of economic activity, but must become subjects of that economic activity. Thus, although foreign investors can carry out activities for the formation of national production, the implementation of these activities must remain under the leadership and supervision of community members.

Based development people's have a sense that economic development oriented towards people's welfare. If most of the economic activities are organized by small and medium enterprises that accommodate a large number of workers, the medium and small sectors should get more attention [14]. However, this does not mean that economic development is only aimed at improving small and medium enterprises. Big efforts are still being made as long as they do not interfere with economic concentration. The concentration on developing small and medium enterprises is better able to answer poverty and income inequality. In more specific terms, the assessment of the success of community-based development is not only based on the ability of development to provide overall welfare. In short, growth accompanied by improved equity is a core element of development with a populist dimension [15].

Emphasis on the people's economy needs to be directed towards building a just and equitable national economy so that its development needs to be directed towards a pro-cultural attitude to encourage structural change by strengthening the position and role of the people's economy within the framework of the national economy. Therefore, prerequisites are needed which encourages in that direction, namely the allocation of resources, strengthening of institutions, mastery of technology and empowerment of human resources. The strategy that needs to be developed to empower the people's economy is to place potentials that have not been exploited or explored more seriously in a broader economic perspective. Empowerment of

national potential such as agribusiness, marine potential, agriculture and plantations, agro-industry and empowerment of cooperatives [16].

The implementation of the populist economy demands an increase in the capacity of the national economy in creating added value to natural resources and other national production by reducing the dominance of imported goods and by reducing dependence on foreign debt and the presence of foreign capital.

The people's economy which is proven to have high resilience in facing economic crises provides a lesson that the government and our economists are serious about making strengthening the role of the people's economy as the big agenda for the nation's economic development. Distrust of the people's economy, which is actually a manifestation of self-distrust, is an obstacle for the Indonesian nation to truly escape its economic dependence on external countries / institutions such as the IMF. This also encourages the dominance of policies that are oriented towards stimulating the entry of foreign investment by forgetting the investments that have been made by small-scale economic actors, but the total value is very large [17].

Through the revitalization and empowerment of the people's economy it is hoped that economic democracy will be realized, namely economic activities carried out by the people, by the people, and for the people who prioritize the prosperity of the community, not the prosperity of each individual. The people's economy revitalization is an absolute necessity and deserves priority handling. Government policies need to be continuously pushed to increase the capacity of small and medium enterprises to become pillars of the national economy, while revitalizing cooperatives must be supported by providing the widest possible business opportunities in various sectors of economic activity. The provision of this opportunity is related to a supportive climate and capital assistance. For the development and protection of people's businesses organized in a cooperative, there must be restrictions on business fields that are only managed by the cooperative. In the context of populist economy or economic democracy, production and consumption activities are carried out by all members of the community and for members of the community, while their management is under the leadership and supervision of members of the community themselves.

In this context, universities can contribute to the development of the MSME sector. Some of the roles that can be done for example, is developing a Business Development Services Provider, research and preservation program for the development of SMEs and entrepreneurship development programs.

## **CONCLUSION**

Efforts to promote development in favor of the people's economy are indeed not an easy problem because the political elite in this country has been dominated by the domination of neoliberal thinking and their limited perceptions of growth and equity. The criticisms that have emerged are first, siding with the people's economy is interpreted as only emphasizing equity and ignoring growth. This perception must be criticized. At present, an in-depth study of development issues has led to the conclusion that the relationship between growth and equity is not in the form of trade offs, but rather mutual requirements. To be able to continue economic growth, it must start paying attention to the variables of distribution that can create a broad based growth. Then, the second critique, the assumption underlying the growing perception that the people's economic sector is a weak, traditional, incapable, uncompetitive sector and therefore to empower this sector will require a very large allocation of resources and time. In connection with this assumption, there are two attitudes, namely first, if to empower the people's economy requires a large allocation of resources and time, this is something that is appropriate considering that the people's economy is a sector where most of the economic actors are located and affects the largest part of society. Second, in reality the people's economy has lived and developed in a situation of depression, weakness and disadvantage. Therefore, fair and proportional treatment is sufficient to encourage the growth and development of the people's economy. This kind of treatment can be started by involving the people's economic sector in the decision-making process of national economic policies.

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