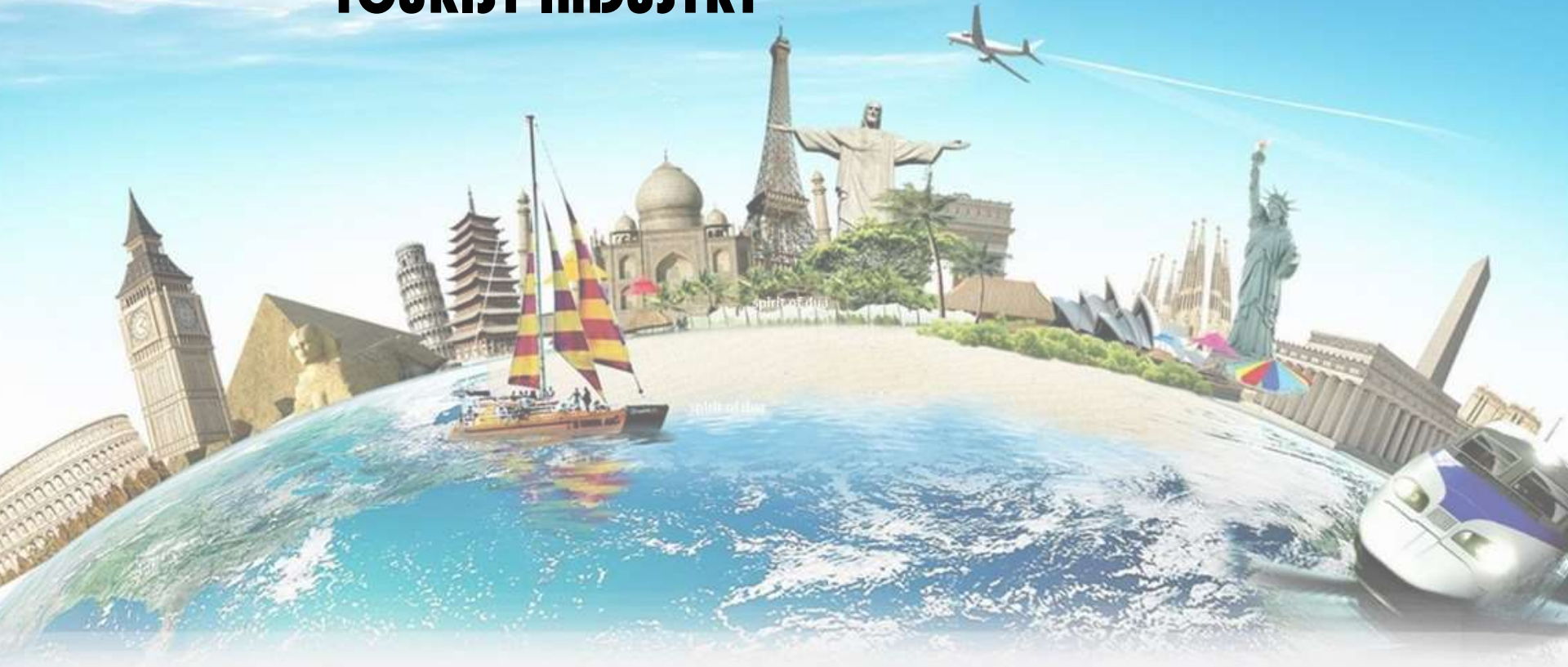


STRENGTHENING THE ROLE OF SMALL AND MEDIUM ENTERPRISE (SME) IN SUPPORTING THE TOURIST INDUSTRY



BACKGROUND

- In Indonesia, 64.2 million or 99% of the total business are Small and Medium Enterprises (SME)
- 61% of SMEs contribute to Gross Domestic Product (GDP)
- 97% of SMEs provide jobs and absorb labor
- There are around 213.000 SMEs in the Tourism and Creative Economy Sectors
- The tourism sector has contributed 4.3% of Indonesia's GDP
- Tourism is closely related to the Food and Beverage sector (F&B)
- The F&B industry contributes 37.77% of Indonesia's GDP

PROBLEM



- ## 1. Branding and Marketing
- Business owner's limited knowledge of branding
 - SMEs have not realized the importance of branding to build customer's trust in the products
 - In Indonesia, SMEs are still clueless and not familiar with the use of social media as a place for promotion
 - Uneven access to technology in remote areas

PROBLEM

2. Market Access and Market Development

- Limited infrastructure and government access related to licensing and bureaucracy
- There is trade liberalization, such as the implementation of the ASEAN- China Trade Area (ACFTA), which has been affective since 2010
- Poor information on market access
- Lack of institutions that can develop the SME market
- Low market penetration ability due to the limited number of products produced
- SMEs lacking legalities such as Tax Register Number, Business Registration Numbers, Intellectual Property Rights, and Permits for Export-Import Procedures.

PROBLEM

3. SMEs Capital

- Limited capital
- Bank's difficult administration request for SMEs to fulfill
- High loan interest for investment or working capital
- SMEs have poor bookkeeping, so it is difficult for banks to facilitate their business



THE ROLE OF SMEs ON TOURISM



Collaborate
Local Residents X
Tour Guides



Contribute
Technology and
Innovation



MVP
In The Country's
Economic
Development



Increase
The Level of Exports of
High-Value Products and
Services



CAUSES OF THE FAILURE OF SMEs ACCORDING TO EXPERTS

❖ Scarborough & Zimmerer mentions:

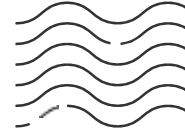
- Poor decision making ability
- Management in competence
- Lack of experience
- Weak supervision in financial control

❖ Brom & Longenecker states:

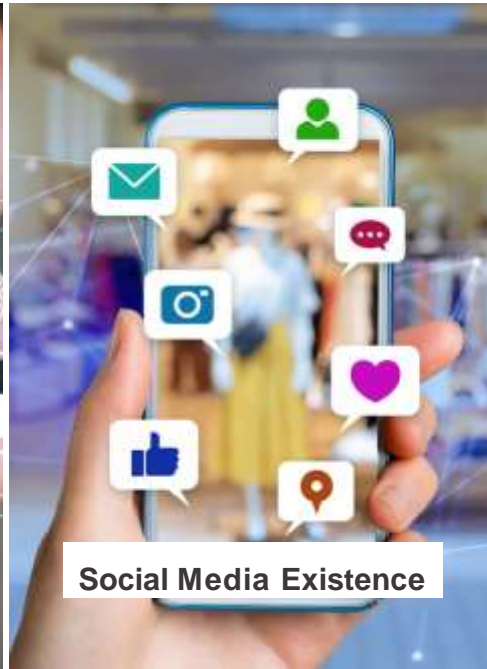
- Deterioration of working capital position
- Declining sales
- Declining profits
- Increasing debt

SMEs CHALLENGES

Build strong branding, so that brand awareness becomes high.



Digital Transformation

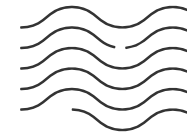


Social Media Existence



Human Resources

SMEs CHALLENGES



1. GBHN 1999-2004 contains several missions including: Empowering the community and all national economic forces, especially small, medium and cooperative entrepreneurs by developing a people's economic system
2. Ramli & Kuncoro (1997) describe the structure of the economy in Indonesia as "PYRAMIDA" where the top of the pyramid is controlled by large companies.
3. There are two different cultural patterns of society that often lead to untrue perceptions and myths according to Chambers & Nasution (1998)
4. There are many myths that often appear in the community related to community empowerment (Kartasasmita 1996)
5. The role of Microfinance Institutions whose function is to provide capital support for micro-enterprises to increase their business

Challenges To Be Solved



Learning Technology



Build A Strong Brand



Implementing Digital Transformation



Studying The Law

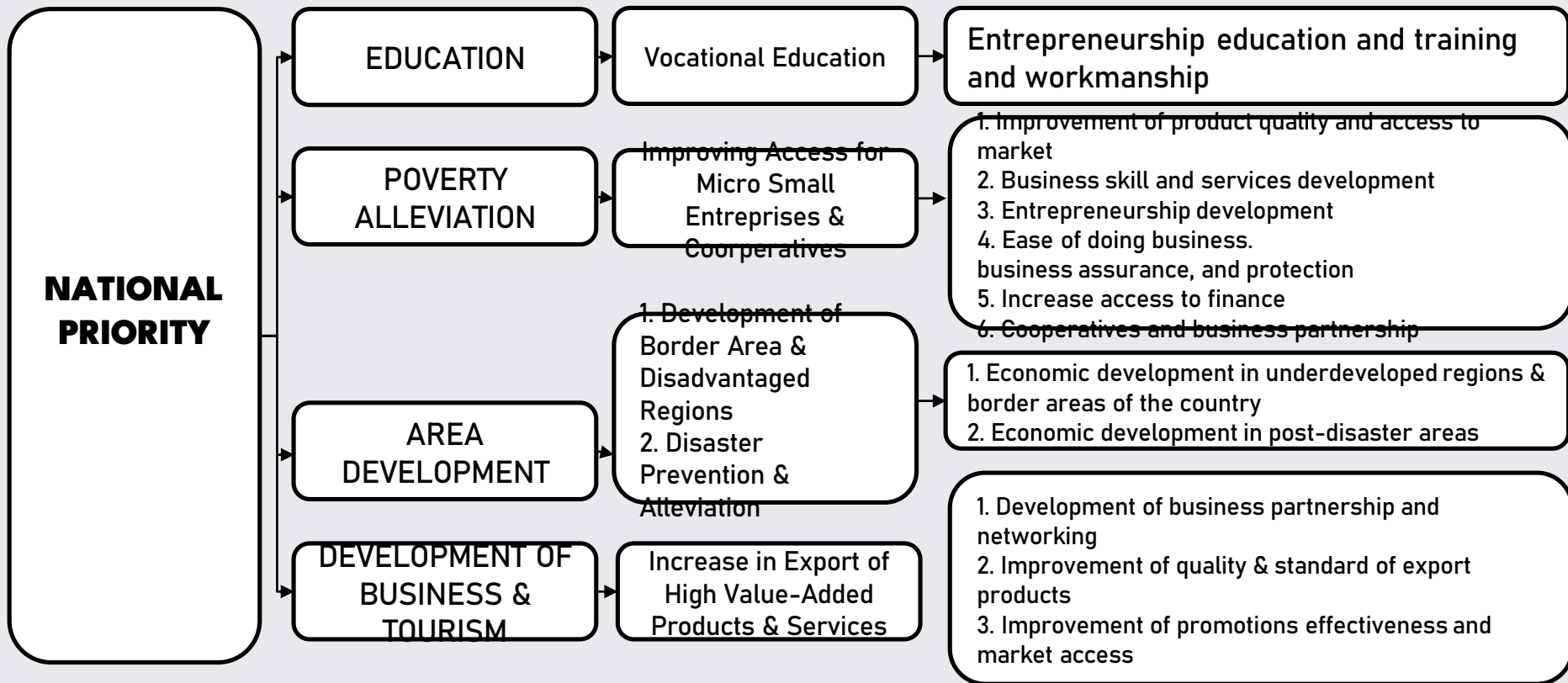


Effective Bookkeeping



A Strong Team of Professionals

NATIONAL PRIORITY AND PROGRAM 2018 RELATED TO MINISTRY OF COOPERATIVES & SMEs



THE POLICY FRAMEWORK



1. Improving rules and regulations or deregulation in order to promote conducive-business environment :
 - Renewal of the law no. 25 of the year 1992 for cooperative development and its bylaws
 - Promoting one stop services simplification for licensing of SMES.
2. Providing facilities in order to improve productivity of SMEs and cooperatives.
 - Appropriate technology provided for cooperatives and SMEs with guidance and technical know-now to utilize the supportive technology.
3. Promotion, both locally/nationally and internationally in order to improve access to the products produced by SMEs and cooperatives. both for national and international
4. Promoting financial institutions. including credit guarantee corporation at local level is dedicated to improve financial access or MEs and cooperatives
5. Revitalization of cooperatives to strengthen and improve self-reliance of cooperatives.
 - Human resources development for cooperative members and managers
 - improving business system
 - business networking amongst cooperatives

ROLES OF CENTRAL AND LOCAL GOVERNMENT



Based on the **Law No. 23 of 2014** concerning Local Government, the division of government in term or cooperatives. small and medium enterprises are as follows:

1.The roles of the Central Government including:

- Providing Cooperative Law and SME Law
- Formulating policies and programs related with Cooperatives and SMEs

2.Shared responsibility between the Central Government, Provincial Government and Local Government District/City are:

- Empowerment of medium enterprises is the duty of the Central Government.
- Empowerment of small enterprises is the duty of Provincial Government.
- Empowerment of micro enterprises is the duty of District/City Government.

INTER-MINISTERIAL SYNERGY ON SME DEVELOPMENT

NAWA CITA PRESIDEN

- Promoting Productivity and Competitiveness in International Market
- Promoting economic independence by developing domestic strategic sectors

SME POLICY

- Improving SME rules and regulation
- Improving SME and cooperatives productivity
- Promoting market access for SME and cooperatives
- Increasing access to finance
- Improving self-reliance of cooperatives

ASEAN SAP SMED 2015- 2025

- Promote Productivity Technology & Innovation
- Increase Access to finance
- Enhance Market Access & Internationalization
- Enhance policy & Regulatory Environment
- Promote Entrepreneurship & Human capital

1. Ministry of Agriculture
2. Ministry of Marine Affairs and Fishery

1. Central Bank (BI)
2. Financial Service Authority (OJK)
3. Ministry of Finance
4. Lembaga Pengelola Dana Bergulir (LPDB)
5. Jamkrindo

1. Ministry of Industry
2. Ministry of Trade
3. Ministry of Village, Development of disadvantage region and transmigration
4. Investment Coordinating Board (BKPM)
5. Economic Creative Agency (BEKRAF)
6. Lembaga layanan pemasaran
7. BSN

1. Ministry of Home Affairs
2. Ministry of Law and Human Rights

1. Ministry of Manpower
2. Ministry of Youth and Sports
3. Ministry of Environment and Forestry

1. BAPPENAS
2. Coordinating Ministry of Economic Affairs
3. Ministry of Cooperatives and SMEs
4. Statistic Indonesia (BPS)

IMPROVEMENT



- Improvement of coordination on policy framework development from central to local government with all stakeholders involvement
 - > Create wider spectrum on cooperative and SME development
 - > Make clearer on roles and functions on every policy and program implementation (less duplication)
 - > Create the same perspective on cooperative and SME development, especially on productivity improvement
- Monitoring and evaluation to identify the progress and impact

CONCLUSION

The COVID-19 crisis has caused behavioral changes, which affect entrepreneurship, and particularly SMEs.

SMEs are navigating through the crisis into their creativity and innovation. Their capability to respond to these changes depends on the entrepreneur's resilience to continue with creative and innovative ideas and government growth-oriented economic and policy.



THANK YOU!

