Advances in Social Science, Education and Humanities Research, volume 651
Proceedings of the 4th International Conference on Innovation in Engineering and Vocational Education (ICIEVE 2021)

Investment and Export of Micro, Small and Medium Enterprise Products in the Age of Digital Economy

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***Abstract*—-Indonesia's current and future economic development requires breakthrough policies and dynamic economic programs. The goal is to achieve equitable economic growth. The research method uses a qualitative descriptive method, one of the breakthrough elements in dynamic economic policies and programs, not only responding to the World Bank's notification entitled Global Economic Risks and Implications for Indonesia. The results of the study are useful for achieving sustainable and equitable economic development for all Indonesian people. The development of financial technology in Indonesia and developing countries continues to increase. MSME actors can take advantage ofaccess capital for business development. Conclusions from policy breakthroughs and dynamic economic programs to achieve quality and equitable economic growth. Investment is very important to increase quantity and quality. This sharia investment will not provide benefits for people who have excess funds, but also for people who do not have capital but have the ability to run a business. The collaboration of export products such as handicrafts with e-commerce has become a separate force for the economy, both locally and globally. Various digital technologies that are utilized can be a means of increasing exports.**

Keywords—investment, export, MSME products, economy, digital

I. INTRODUCTION

The Indonesian economy now and in the future requires breakthrough policies and dynamic economic programs to achieve quality and equitable economic growth. The dynamic economic policies and programs referred to are not only in response to the warnings conveyed by the World Bank through its report entitled "Global Economic Risks and Implications for Indonesia" [1], but also to achieve sustainable and equitable economic development for all Indonesian people. This means that the policy and program breakthroughs that have been determined can no longer rely solely on the wealth of natural resources and human resources, but also on the ability of science, technology and innovation to process the gift of resources that they possess in a relentless and equitable manner.

Indonesia's economy nears the start of the second period (2019-2024) President Joko Widodo is taking back the reins of government before warnings of a global recession. This warning was conveyed by the World Bank [1] through its report entitled Global Economic Risks and Implications for Indonesia. In the report, among others, the Indonesian economy is one of the economies that is vulnerable to economic growth. Apart from Indonesia, growth or the potential for a global recession has also occurred in large economies, such as the United States, Europe, and China, as well as other developing countries. Of the five developing countries which in 2013 were indicated by Morgan Stanley as vulnerable outside Indonesia, they were Turkey, India, South Africa, and Brazil [1].

The implications of the above conditions have prompted the World Bank to revise the forecast for world economic growth in 2019 from 3.5 percent to 3.2 percent. Likewise, for the Asia and Pacific region, economic growth is estimated to decline from 6.3 percent in 2018 to 5.8 percent in 2019. It is even estimated that in this region the slowdown in growth will continue in 2020 and 2021, respectively 5, 7 percent and 5.6 percent. For Indonesia, the World Bank also revised the second time regarding the projection of Indonesia's economic growth in 2019 to 5 percent and even below it at 4.6 percent from the previous projection of 5.2 percent [2]. Why is the Indonesian economy expected to experience a slowdown in economic growth?

Experience has shown that the economic policies and programs carried out have not been able to increase the targeted economic growth of 7 percent during 2014-2019. Based on data from the Central Statistics Agency [3], economic growth in 2014 was 5.02 percent, then dipped down to 4.88 percent in 2015. In 2016 and 2017, economic growth increased slightly to 5.03 percent, respectively. and 5.07 percent. Furthermore, in 2018 economic growth reached 5.15 percent. In 2019, economic growth is projected to reach 5.2 percent. This projection differs from the second projection by only 5 percent.

With the development of fintech, MSME actors can take advantage of fintech to access capital for MSME business development. This is because most of the MSME business actors are unbankable, do not have collateral and do not yet have well-organized financial reports. However, to optimize the presence of fintech, several advanced policies are needed. Among the various follow-up policies, the Financial Services Authority (OJK) must issue more comprehensive policies, including proposing a draft law on fintech to create a conducive climate for the development and support of the MSME sector. With this OJK policy, the presence of fintech is expected to provide benefits for MSMEs.

Digital technology that is utilized properly can indeed be a means to increase exports. In terms of markets and products, the parties who use it more are generally business actors, both in the realm of industry and trade. On the other hand, the state can also take on its role in determining its export strategy through maximizing the e-commerce concept.

II. METHODS

The approach used in this study is a qualitative descriptive method. Researchers collect and describe all the effects of the Indonesian economy, investment, MSME exports, fintech, e-commerce and their impact on the development of the Indonesian economy. The data collection technique uses documentation technique which is the author's way of collecting data from various reference sources. In addition, literature reviews and research articles, from journals and online news that aim to make conclusions and evaluations on the problems that the authors examine.

Subject, place and time of research. The subject of this research is investment, exports, MSME products, e-commerce, the digital economy which influences the development of the Indonesian economy, the authors observe based on research articles and various research journals. The length of the research was carried out from July to September 2020. The research base was conducted in Malang City. The research method used is descriptive qualitative method, using secondary data sources from research results, references and online news that are directly related to this research. The data analysis method is in the form of secondary data in the form of qualitative and quantitative data from journals and online news. Secondary data is data that refers to information collected from existing sources, obtained from research results, references and online news. Secondary data sources are those related to research, for further analysis and conclusions drawn.

III. RESULTS AND DISCUSSION

The low source of growth originating from investment is partly due to the government's efforts to create a conducive investment climate that is still inadequate. There are at least three factors that cause the investment climate is not conducive. These three factors include the 3 L's, namely legal certainty, local regulation and labor rigidity [4]. As a result of these three factors, the trade war between America and China, which should have had positive spillover effects for the national economy, did not occur.

The wave of relocation of dozens of companies from China, Japan and South Korea as a result of the trade war between America and China, none of them chose Indonesia as a new location. Of the 33 Chinese companies affected by the trade war, 23 have chosen to relocate their investments to Vietnam, the rest to Cambodia, India, Malaysia, Mexico, Serbia and Thailand. In 2017, as many as 73 companies relocated industries from China, Japan, and Singapore to Vietnam as many as 43 companies, 11 to the Philippines, and only 10 to Indonesia [5]. In fact, various efforts have been made by the government to facilitate investment in Indonesia, both through infrastructure development and through 16 economic policy packages since 2015.

Investment in labor-intensive sectors was found to be limited. This condition has a serious impact on the level of employment. The causes of limited investment in the labor-intensive sector are due to the unfavorable investment climate, complicated regulations, long dispute resolution, the high cost of starting a business, the high cost of exporting and importing activities, the complexity of the tax system, and rigid labor regulations. Problems inhibiting investment entry are often grouped into 3 L's, namely legal certainty, local regulation and labor rigidity. Therefore, the following steps need to be taken by the Government so that real sector investment can enter and develop in Indonesia.

Labor-intensive investment: developments, constraints and solutions. The focus of the discussion on investment in the labor-intensive sector is motivated by at least the following reasons, the not yet optimal achievement of the results of government policies and programs in encouraging investment that is able to create jobs and high added value. Even though it is known that without investment contributions in the sector, efforts to increase quality economic growth are difficult to achieve [6].

In short it is intended to discuss and analyze the answers to the following questions. First, is the incoming investment dominated by investment in labor-intensive sectors? Second, how big is the level of labor absorption from the investment? Third, what are the obstacles faced by the labor-intensive sector in attracting investment?

Sharia investment and its benefits for society. It is important to discuss this topic in this article as a result of the booming growth of Islamic finance in Indonesia. This is indicated by the growth of Islamic financial assets in recent years. In 2016, for example, total Islamic financial assets reached Rp 889.28 trillion or around US$ 66.2 billion. The total value of these assets grew by 29.7 percent compared to the previous year. This total asset value allocation consists of (a) Islamic banking industry by 41.1 percent with a value of Rp. 365.65 trillion, (b) State sukuk and corporate sukuk by 47.6 percent with a value of Rp. 432.25 trillion, (c) Sharia mutual funds of 1.7 percent with a value of Rp. 14.91 trillion; and (d) sharia IKNB (sharia insurance, sharia financing, other sharia non-bank institutions) by 9.6 percent with a value of RD 85.48 trillion [7].

The development of this fairly large Islamic financial asset has placed Indonesia as the country with the 8th largest Islamic financial asset in the world, with total assets in 2018 of USD 82 billion. Nevertheless, Indonesia is still far behind neighboring Malaysia, which has total Islamic financial assets of USD 491 billion. Malaysia is a country that has the third largest total assets in the world. Meanwhile, the country with the first largest Islamic financial assets is Iran with total assets of Rp. USD 578 billion, followed by Saudi Arabia with total assets of USD 509 billion [8].

However, because the development of Islamic investment products in Indonesia is still relatively small in number when compared to conventional investment products, public awareness of Islamic finance needs to be grown. Moreover, Indonesia is one of the countries with the largest Muslim population in the world. For this reason, the government and related authorities need to carry out massive socialization to the public regarding Islamic finance in Indonesia. What is still releasing [8]. The development of this fairly large Islamic financial asset has placed Indonesia as the country with the 8th largest Islamic financial asset in the world, with total assets in 2018 of USD 82 billion. Nevertheless, Indonesia is still far behind neighboring Malaysia, which has total Islamic financial assets of USD 491 billion, Malaysia is a country that has the third largest total assets in the world. Meanwhile, the country with the first largest Islamic financial assets is Iran with total assets of USD 578 billion, followed by Saudi Arabia with total assets of USD 509 billion.

The development of financial technology or fintech for short in Indonesia and developing countries will continue to increase. Several factors that encourage the development of fintech include: (1) young people who have access to mobile devices; (2) approximately 60 percent of the world's population will be located in Asia by 2030; (3) financial and capital market inefficiencies in creating opportunities for informal activities, 4) lack of physical infrastructure from banks; (5) the tendency of behavior that emphasizes practicality rather than agreement; (6) untapped market opportunities and (7) data protection and unfair competition.

The development and potential of fintech and its role in MSMEs. The importance of this discussion regarding digital financial technology is because this technology has radically changed and disrupted the format of life behavior and the economy of almost all countries. As stated by Devezas et al. [9]:

"We have now a very different reality, strongly based on the virtual cyber-physical systems world, which carries with itself the necessity of a profound structural change of production means, trade, education, and social organization. Governments, entrepreneurs, businesses, and the ordinary people need to adapt to this "brave new world" in the scope of a new digital landscape" [9].

One form of radical change from the presence of digital technology in Indonesia is the emergence of the financial industry through financial technology or better known as financial technology. According to Ozili [10], the positive impact of fintech is its impact on financial inclusion, which has been a problem for developing countries so far. This is because consumers of financial service activities targeted by fintech are people who do not have access to banking or are often referred to as underbanked society [10].

MSMEs as business actors with a percentage of more than 95 percent of the total business actors in Indonesia will certainly be affected by the presence of the fintech. The reason is, most MSMEs still have business characteristics that are weak in capital, limited business capacity, unbankable, on average MSME actors do not have collateral and do not have well-organized financial reports.

The rapid development of e-commerce in the current era has changed people's shopping patterns from those initially using conventional methods to shopping by conducting digital transactions. For this reason, it is important to strengthen the economic sector by utilizing digital technology. The collaboration between export product businesses such as handicrafts and e-commerce has become a separate force for the economy, both locally and globally.

Digital technology that is utilized properly can indeed be a means to increase exports. In terms of markets and products, the parties who use it more are generally business actors, both in the industrial and trade realms. On the other hand, the state can also take on its role in determining its export strategy through maximizing the e-commerce concept.

However, because the products sold through e-commerce are still dominantly imported from other countries, a policy is needed to create justice between domestic buying and selling transactions and import transactions as well as protecting local sellers. The policy can be in the form of determining Value Added Tax (VAT) of 10 percent for all transaction values without any minimum limit.

Likewise, to curb the pace of imports through e-commerce which is growing rapidly in order to protect domestic sellers, the government should apply a quota or limit on the accumulation of import value in a year. This is also to avoid the practice of splitting transactions into multiple invoices (split shipments). This means the revision of the Minister of Finance Regulation (PMK) No. 12 of 2018 concerning Amendments to PMK 182 of 2016 concerning Provisions on Import of Goods. It is absolutely necessary for shipments to use e-commerce in encouraging handicraft export activities. Just as the discussion of the rapid development of information and communication technology (ICT) has created a radical change in the structure of the national economy. In addition to the development of the use of fintech, the development of e-commerce cannot be denied. It also has an impact on the Indonesian economy. For formal e-commerce (such as Tokopedia, Bukalapak, and the like), Bank Indonesia noted that the transaction value reached more than IDR 77 trillion in 2018. This achievement increased 151 percent from the previous year [11]. Interestingly, the transaction value is only 2.4 percent of total retail sales transactions [12]. From this figure, McKinsey and Company in its report, projects that by 2022 the value of e-commerce transactions will increase more than eight times to reach IDR 778-920 trillion [13, 14]. In addition, in terms of employment, e-commerce is able to absorb 4 million workers and is expected to increase to around 26 million by 2022.

Unfortunately, about 90 percent of the products sold in Indonesian e-commerce are goods imported from other countries [15]. There are at least three major marketplaces in Indonesia that provide facilities for sellers from China to sell their goods through their platforms. Lazada, for example, has a dedicated platform that allows shoppers to buy directly from China's largest e-commerce giant, Taobao. Similar facilities are also provided by Shopee with its global platform JD.ID in collaboration with Jindong. In addition, the BUMN marketplace, Belanja.com, also facilitates Indonesian buyers to shop on E-Bay in the United States through their platform. Even without Indonesian facilities and marketplaces, individual Indonesian buyers can import foreign products directly from foreign e-commerce platforms such as Aliexpress, Taobao, and Banggood from China, Amazon and E-Bay from the United States, Rakuten and Amazon from Japan, as well as some e-commerce platforms from other countries.

IV. Conclusion

The Indonesian economy now and in the future requires policy breakthroughs and dynamic economic programs to achieve quality and equitable economic growth. As stated above, investment is one of the sources of economic growth that must be a serious concern for improvement. Of the various types of investment, it is absolutely important to increase the quantity and quality, namely government investment in the financial sector. Government investment in the financial sector is intended not only to obtain economic benefits or gains, but also for other non-economic purposes.

Acknowledgment

The author would like to thank the Entrepreneurship Research Group of the Faculty of Computer Science which has supported and assisted in providing data and information for the purposes of this research**.**

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