



Obstacles Advancing Msmes in Indonesia's Coastal Areas to Support Economic Growth in the Digital Era

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Abstract. One of the ways to improve the economy in the digital era in Indonesia is the involvement of MSMEs. MSMEs (Micro, Small and Medium Enterprises) are the most significant part of the economy in Indonesia. Digitalization of MSMEs allows businesses to have a wider marketing reach and even reach remote parts of the country. Digitizing MSMEs can maintain productivity and also maintain income when the digital era is preferred by consumers in shopping and transactions. However, there are several obstacles in advancing MSMEs in Indonesia's coastal areas in this digital era. The government and related parties must be able to encourage digital transformation in order to accelerate global recovery. Digital transformation in Indonesia's coastal areas is one of the obstacles to advancing existing MSMEs. Lack of knowledge and ability to use digital services is one of the factors that makes it difficult for MSMEs to develop in the digital era.

Keywords: MSME · Economy · Digital · Coastal area

1 Introduction

The development of technology in the digital era is very influential for people's lives both as consumers and also as business actors. Technological advances have contributed to the development of the world economy. Lots of people use technology to market their products to the public because it is very easy to use. [1].

Revolution 4.0 is known as the industrial concept in the digital era or the era of information and communication technology, which is currently developing more rapidly and has a broad impact on all activity processes within the organization. The current rapid technological growth is not only due to the increasing number of ideas that are growing, but due to the faster exchange of information through search engines [2].

The development of RI 4.0 technology has had a major impact on business related to the economy, social and culture. This technology is disruptive (the process by which a product or service starts from a simple small market and then increases to a large or broad market so that it is able to shift conventional/established markets) that drastically changes the way companies run their business.

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Digital technology has an important role to play in making everyone's life easier and smoother nowadays. One of the parties that benefit from technological advances is MSMEs. Digitalization of MSMEs allows businesses to have a wider marketing reach and even reach remote parts of the country. Digitizing MSMEs can maintain productivity and also maintain income during the digital era.

Micro, Small and Medium Enterprises are always interesting to study, not only from the aspects of resilience, financing aspects, obtaining loans or from business managerial aspects. [3] The existence of these Micro Enterprises which are proven to be capable of being an economic boost during difficult times in Indonesia. MSMEs can be interpreted as being a savior in the current post-crisis economic development because micro-enterprises are able to reduce unemployment rates and can open jobs that play a role in the distribution of development results.

Increasing or decreasing economic growth in Indonesia is influenced by various factors, one of which is the involvement of MSMEs. In accordance with Article 33 paragraph 4 of the 1945 Constitution, MSMEs are part of the national economy that has an independent vision and has great potential to improve people's welfare. MSMEs have a significant role in the country's economic growth.

Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs currently reaches 64.19 million with a contribution to GDP of 61.97% or IDR 8,573.89 trillion. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97% of the total existing workforce and can collect up to 60.4% of the total investment [4].

The high number of MSMEs in Indonesia is inseparable from the various challenges and conditions that have driven changes in consumption patterns of goods and services to become a momentum to accelerate digital transformation.

Digital transformation is creating a more inclusive global economic recovery, especially through digital integration of micro, small and medium enterprises (MSMEs). In addition, expanding financial inclusion, accelerating digital literacy and skills, and governance reforms. MSME actors can save more on operational costs with the ease of technology. In addition, the development of the digital economy is also driven by a shift in people's behavior that tends to use digital platforms in various sectors of activity.

Now sellers can market their products through platforms or websites, this means liberalization. Everyone can take advantage of the convenience provided by digital technology and also expand marketing, MSMEs not only achieve on boarding targets, but also provide solutions to increase product capacity which is market demand.

Indonesia as the largest archipelagic country in the world which has 17,508 islands with a coastline of 81,000 km, has enormous potential for coastal and marine resources. The area of Indonesian waters is 5.8 million km² consisting of 3.1 million km² of Archipelago Waters and 2.7 km² of Indonesian Exclusive Economic Zone (ZEEI) waters or 70 percent of Indonesia's total area. The large potential of Indonesia's marine resources, the potential for marine fish resources in all Indonesian waters (excluding ornamental fish) is estimated at 6.26 million tons per year, reflected in the large biodiversity, in addition to the potential for coastal aquaculture in the sea and marine tourism [5].

As we know, Indonesia is experiencing differences in terms of obtaining technology. Indonesia's coastal areas experience extreme poverty which causes technological constraints for coastal communities. There are several obstacles in advancing MSMEs in Indonesia's coastal areas in this digital era. The government and related parties must be able to encourage digital transformation in order to accelerate global recovery. Digital transformation in Indonesia's coastal areas is one of the obstacles to advancing existing MSMEs. Lack of knowledge and ability to use digital services is one of the factors that makes it difficult for MSMEs to develop in the digital era.

Based on the description above, the following problem formulation is what are the obstacles in advancing MSMEs in Indonesia's coastal areas to support economic growth in the digital era?

2 Methodology

Approach and Type of Research. The method used in this study is a socio-legal approach because the problems studied are approached from the community, namely obstacles to advancing MSMEs in Indonesia's coastal areas and improving the economy in the digital era. While the specification of the research used is in the form of descriptive research, meaning that the procedure for solving the problem under study is to describe the object and subject of current law based on existing facts.

To obtain information or data that is accurate, related and relevant to the problems and completion of this research, the research location was chosen, namely Karawang. By conducting research in these locations, it will be very easy to access data for the accuracy of the preparation of this research.

The data to be collected are: Primary data, obtained directly from the field by conducting interviews with MSME actors in Karawang, especially coastal areas, village government, and also the community. Secondary data, the 1945 Constitution, the Civil Code, Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises and other implementing regulations. Tertiary data, namely literature, laws and regulations.

Data Collection Techniques To obtain the data needed to complete the research conducted, the authors use data collection techniques which are divided into: interviews, namely data collection techniques by asking questions directly to respondents, Literature Studies Literature studies in this data collection technique are secondary data types which is used to assist the research process, namely by reviewing and analyzing the literature on laws and regulations, as well as other data related to the issues discussed in this study.

Population and Sample The population in this study includes MSME business actors, village administrators and the community. The data analysis method used is a qualitative method, namely analysis that combines data in the form of observations, interviews, written materials in the form of books related to this research.

3 Literature Review

Economic growth over the past three decades is the ability of a country to increase or maintain a Gross Domestic Product (GDP) of between 5% and 7% more per year for a long period of time when the economic conditions were initially relatively static [6].

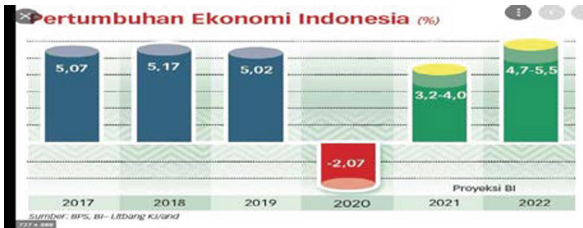


Fig. 1. Indonesian economic growth

The economic growth of a country is defined as an increase in the long-term capacity of the country concerned to provide various economic goods and services to its population. This increase in capacity is determined by technological, institutional (institutional) and ideological advances in various existing conditions [7]. In the view of economic experts there are four factors that affect economic growth, namely: population, total stock of capital goods, land area and natural wealth and the level of technology used. Although realizing that economic growth depends on many factors, classical economics mainly pays attention to the effect of population growth on economic growth. In growth theory, for example, the amount of land and natural wealth is fixed and the level of technology does not change. While based on classical growth theory, put forward a theory that explains the relationship between per capita income and population (Fig. 1).

Micro, Small and Medium Enterprises MSMEs are productive business units that stand alone, which are carried out by individuals or business entities in all economic sectors [8]. In principle, the distinction between Micro Enterprises (UMi), Small Enterprises (UK), and Medium Enterprises (UM) is generally based on the initial asset value (excluding land and buildings), the average annual turnover or the number of permanent employees. In Indonesia, the definition of MSMEs is regulated based on the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises. Definition according to Law no. 20 of 2008 are as follows:

1. Micro Business

Productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law. Small business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part of either directly or indirectly from medium-sized businesses or large businesses that meet the criteria of a small business. Small as referred to in the Act. Micro business is a business unit that has assets of a maximum of IDR 50,000,000 excluding land and buildings with a maximum annual sales of IDR 300,000,000.

2. Small Business

Small businesses are expected to be able to provide new jobs. If the growth in employment by the large and medium business sector is consistent, then the unemployment target

is even if the development of entrepreneurship and the growth of new business units is implemented optimally, open unemployment will be suppressed. It is difficult to make it happen when people live in poverty and high unemployment rates, the result is that the imbalance in the control of productive resources is still very real. Small businesses with an asset value of more than Rp. 50,000,000 up to a maximum of IDR 500,000,000 assets excluding land and buildings where the business has annual sales proceeds from IDR 300,000,000 to a maximum of IDR 2,500,000,000.

3. Medium Enterprises

Medium Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly with Small Businesses or large businesses with total net worth or annual sales proceeds as stipulated in the law. Medium business is a company with a net worth of more than IDR 500,000,000 up to a maximum of IDR 100,000,000,000 from annual sales of more than IDR 2,500,000,000,000 billion up to a maximum of IDR 50,000,000,000

4. Micro, Small and Medium Enterprises (MSMEs)

The definition of small businesses in Indonesia is still very diverse. According to the Ministry of Industry and Bank Indonesia (1990) define a small business based on the value of its assets, namely a business whose assets (excluding land and buildings) are worth less than IDR 600,000,000. Meanwhile, the Ministry of Trade defines small businesses as businesses with working capital of less than IDR 25,000,000. According to the Central Statistics Agency (BPS), small industries are industrial businesses that involve a workforce of between 5 and 19 people. Meanwhile, home industries are industrial businesses that employ less than 5 people.

In general, the definition of micro, small and medium enterprises (UMKM) is a business that produces goods and services using the main raw materials based on the utilization of natural resources, talents and traditional works of art from the local area. The characteristics of MSMEs are that raw materials are easy to obtain, use simple technology so that it is easy to transfer technology, basic skills are generally owned from generation to generation, are labor intensive or absorb quite a lot of labor, market opportunities are quite broad, most of their products are absorbed in local or domestic markets and some others are open to potential for export, certain commodities have characteristics related to local regional cultural works of art and involve the local economically and profitably weak community.

The Role of Economic Growth in the Growth of MSMEs Economic development based on micro, small and medium enterprises becomes a creative industry with potential innovative ideas that contribute to the development of goods and services. The creative industry offers services that can be used as input for the innovative activities of companies and organizations both within the creative industry and those outside the creative industry. The creative industry also uses technology intensively so that it can encourage innovation in the field of technology. The creative industry is described as an economic activity that is full of creativity. Rapid economic growth can only be achieved by focusing on creative



Fig. 2. The Role of Economic Growth on MSME Growth

business sectors, without having to be followed by the creation of adequate manpower. The development experience during the New Order provides a cursory illustration of how easy it is to trigger growth through this approach (Fig. 2).

The acceleration of MSME digitalization is carried out in order to expand market access and increase competitiveness. The hope is to encourage stronger MSMEs. Through the 3 Pillars of BI's MSME Development Program, namely increasing production capacity, cost efficiency, and market expansion. One of the program implementations of the three pillars of MSME development is through the UMKM Digitalization Program. The digitization of MSMEs is a step for BI in accelerating the development of digital MSMEs amid the rapid development of digital technology. The UMKM Digitalization Program includes e-Farming by utilizing digital technology in agriculture to increase production capacity and cost efficiency. e-Commerce includes strengthening capacity in digital marketing and marketing MSMEs to global markets through digital platforms. Supporting e-financing in the form of digital applications for SMEs (SI APIK). Also, digital payment facilities to facilitate MSME transactions (QRIS UMKM) [9].

Currently the government is working to improve access and transfer of technology to develop innovative MSME entrepreneurs or actors by utilizing information and communication technology so that they are expected to be able to compete with foreign MSME business actors. In Indonesia, the implementation of the use of digitalization technology for MSMEs is still relatively low, many small and medium-scale MSMEs have not maximized their use of digitalization technology, even though the number of MSME businesses in Indonesia has increased sharply (Fig. 3).

4 Analysis and Discussion

Digitalization of MSMEs allows businesses to have a wider marketing reach and even reach remote parts of the country. Digitizing MSMEs can maintain productivity and also maintain income when the digital era is preferred by consumers in shopping and transactions. In order to accelerate the recovery of the national economy which is dominated by Small, Micro and Medium Enterprises (MSMEs), the Government seeks to optimize the potential and productivity of MSMEs by encouraging digitization or onboarding for offline MSMEs and providing various stimuli for MSMEs that have been digitized.



Fig. 3. Bank Indonesia MSME Digitalization Program

The government has initiated the Proudly Made in Indonesia National Movement, in which millions of MSMEs are on board various e-commerce platforms and are given stimuli such as coaching, promotions, lending from the State-Owned Bank Association (Himbara), as well as placement in government procurement e-catalogs. However, there are several obstacles in advancing MSMEs in Indonesia's coastal areas in this digital era. The government and related parties must be able to encourage digital transformation in order to accelerate global recovery.

The existence of MSMEs cannot be eliminated or avoided from the current nation's society. Because its existence is very useful in terms of distributing people's income [10]. However, MSMEs in coastal areas experience obstacles in the current digital era. Change in the digital world is constant and happening faster than ever. If you don't move quickly, your organization will experience digital disruption [11].

Barriers to advancing MSMEs in Indonesia's coastal areas to support economic growth in the digital era include:

1. Knowledge of Technology is Still Low

The first challenge that often hinders MSME actors from going digital is their limited ability and knowledge in utilizing technology and digital platforms. MSME players generally don't know how to download applications to sell, upload information and photos related to their products on e-commerce sites, and maximize the variety of features offered by online sites. To overcome these problems, business actors must learn gradually. This learning process can be carried out starting from joining the MSME community, looking for a mentor, to participating in various online classes or webinars.

2. Finding Digital Platforms

When carrying out digital transformation, businesses are often confused about which platform they should use to reach a wider audience.

However, before determining the digital platform to use, businesses must first determine their target consumers. This is often called looking for the right persona (profiling persona) to target.

With a persona, business actors can find out various information about their target market, starting from their gender, age, location, habits, to their income. This information can help MSMEs determine which digital platform to use, such as email, telephone, blog or social media.

3. Digital Marketing Strategy

Digital marketing strategy or digital marketing is also one of the challenges that must be faced by MSMEs in their transformation journey.

Digital marketing is the activity of promoting and finding markets through online digital media using various means such as social networks [12].

The development of digital technology has made it possible for MSME players to market their products online, and this has changed the marketing of MSMEs which was originally carried out conventionally to digital by utilizing the use of digital technology such as the use of social media and websites to market products.

In fact, if business actors already have more knowledge of technology and have determined the digital platform to use according to the persona of their consumers, it will be easier for them to determine marketing strategies.

MSME actors must be able to compete in the international market so they are not oppressed. Moreover, in this era of competition, MSMEs should be literate in information technology (IT) so that it makes it easier to market their products. Digital marketing is one of the media that is often used by business people because of the new ability of consumers to follow the flow of digitalization, some companies are gradually starting to leave the conventional marketing model and switch to modern marketing.

5 Conclusions

Obstacles to advancing msme in indonesia's coastal areas to support economic growth in the digital era, namely the lack of knowledge and skills in using digital services both in terms of technology knowledge, finding digital platforms and conducting digital marketing.

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