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Business Policies in the Competition of Micro, Small and Medium enterprises in the production sector in Indonesia

Muh. Rizal S^{1*}, Arismunandar², Rifdan³

¹ *Departement of Business Administration, Makassar State University.*

² *Departement of Administration Eeducation, Makassar State University.*

³ *Departement of Administration Public, Makassar State University.*

*Correspondence Author Email: rizalsuyuti@unm.ac.id

ABSTRAK

Business policy is a decision or action taken by an individual or group in an attempt to a specific goal that focuses on a business area without involving the government in decision-making. The purpose of this study is to examine how Indonesian small, medium, and microbusinesses compete with one another in the production sector. A qualitative approach to the idea of literature was adopted as the study methodology. Observations, interviews, and documentation are utilized as data collecting methods. The results of the research are to develop UMKM's efforts to succeed in competition, among others: creating product innovations, developing product marketing, using digital marketing in developing markets and developing the digital economy. The Indonesian government has also initiated policies to enable entrepreneurs to run and develop sustainable business through government programmes such as infrastructure assurance, enterprise capital assistance and developing coordination with other enterprise partners. With the policy of the program, the Indonesian government must have a goal as an effective solution to the problems that business operators often face, especially in the legality of business permits, financing as well as the ability of the entrepreneur in producing business and conducting marketing business based on digitalization.

Keywords: Business Policy, Competition, Production

I. INTRODUCTION

Business competition policies include a set of rules and regulations made by governments to promote healthy competition and protect consumers and companies from unfair or harmful business practices. A policy is a set of decisions taken by individuals or political groups in an attempt to identify a goal and the means to it. [1]. Public policy is an attempt to understand and understand what the government does or does not do. [2], From the above explanation it can be concluded that business policy is a decision for management in the pursuit of achieving goals and goals.

According to information made public by the Ministry of Cooperation, Keci, and Medium Enterprises, there were 64.2 million UMKM violators in 2021, or 99.99%, and in 2022 The figure was 62.8 million, or 98.76% of all Indonesian businesses combined. [3] The

capability of UMKM to absorb employees is up to 117 million, or 97 percent, On the other hand, it is also noted that UMKM's contribution to the national economy (PDB) is 61.1 percent, with major entrepreneurs accounting for the remaining 38.9 percent while making up just 5.550 or 0.01 percent of all entrepreneurs. The data showed that the rate of UMKM construction in Indonesia was estimated to be relatively decreasing from the previous year in the same category of micro and small enterprises, which overall did not experience any improvement in quantity or quality of the enterprises carried out by the entrepreneurs [4].

According to the aforementioned facts, Indonesia has the potential for a strong national economic foundation due to the vast number of UMKMs, particularly micro companies, and the country's high labor force

absorption. The class of micro-firms must be elevated to medium-sized enterprises by governments and businesspeople. This commercial foundation has also demonstrated its resilience in the face of the financial crisis. Micro-enterprises are in touch with the basic requirements of society, use domestic production, and have a quick turnover of transactions. The government has adopted a strategy in recent years to boost the ability of micro and small businesses so that they may become middle-class since it is aware of the potential of UMKM.

In a business or business context, corporate policy is a decision or action taken by an individual or group in an attempt to a specific goal that focuses on a business area without involving the government in decision-making. The government is only engaged in making rules or regulations in trying to hope that the rules and regulations that all entrepreneurs can follow so that a healthy business competition climate can be created. According to the Government, great attention is paid to guaranteeing healthy and fair competition for enterprises, both micro, small and medium-sized, so as not to cause inequalities and monopolies in the conduct of such enterprises. The growth of the UMKM sector may be significantly influenced by special business policies for small company owners in the production sector [5].

The President of the Republic of Indonesia in his direction stressed the need to carry out development so that UMKM up class and carry out modernization of the Cooperation. With the number of as much as 99% of the total unit of UMKM enterprises accounted for 60.5% of GDP and against the absorption of labour is 96.9% of the overall absorptions of the national labour force. Some common corporate policies in corporate competition include: Anti-monopoly and Anti-oligopoly: These policies aim to prevent the occurrence of market domination by one or more large companies so that no other competitors can compete at a reasonable price and hinder the creation of innovation in the industry. Anti-monopoly and Anti-deal: This policy aims to prevent companies in an industry from cooperating in order to raise prices or limit supply to their own advantage and to the detriment of consumers.

Protecting customers against unfair or deceptive business activities, such as fraud,

forced sales, or other tactics that are harmful to consumers, is the goal of this policy. The purpose of this policy is to safeguard the owner of intellectual property rights, including patents, trademarks, copyrights, and industrial designs. in order to benefit from his/her work and prevent infringement of the copyright by others. Environmental regulation: This policy aims to regulate and limit the use of natural resources and waste management by companies so that the environment remains awake and there is no environmental damage that is detrimental to society.

These policies play an important role in creating healthy and profitable competition for all parties in an industry. In addition, compliance with these policies can also help build a good image and reputation for the company, so that consumers will prefer to do business with the company. Another view according to [6] Small and medium-sized enterprises (SMEs) play an important role in economic recovery and growth, not only in developing countries, but also in developed countries. Because UMKM does not have a significant ability to compete with large firms, the exception for small enterprises provided for in article 50 [7] is permissible. This is due, among other things, to the weak funding of UMKM and their very limited human resources (HRM) capabilities.

II. METHODE

A qualitative technique is employed since the data collected is in the form of words or descriptions in this sort of research, which is also known as library research or literary study. [8] Research is defined as an investigation of a library or a body of books. Utilized data collecting methods include documentation, interviews, and observations. After gathering a variety of research-related literature, UMKM's business competitiveness policy was gathered.

III. RESEARCH DOCUMENTS

The development of UMKM in Indonesia has not been without heavy pressure, especially in the era of the new order, that is, in a time of market competition is very unhealthy, because the practices of monopoly and oligopoly by a number of large enterprises generally called conglomerate companies in almost all sectors of the economy spread and if

it were still going on to this day by means of practices of monopoly and unhealthy competition of enterprises in various other forms that suppress the growth of UMKM [9]. So the policies related to UMKM have been established including one of them is the competition policy of enterprises.

It is anticipated that the competition policy, which aims to promote the establishment of equitable chances among UMKM players, would be able to help UMKM gain access to markets, finance, and technology. One of the objectives of the implementation of the Act No. 5 of 1999 is to create a favourable business climate through a healthy business competition arrangement, thus guaranteeing a certainty of equal opportunities for big business operators, Medium-sized businessmen, and small businessmen. (Huruf 3 Pasal B UU No. 5 Tahun 1999). Small businesses are given special treatment under Act No. 5 of 1999; this special treatment is an exemption to the Act's rules. (Huruf Pasal 50 UU No. 5 Tahun 1999) [7].

In enhancing the opportunities, capabilities, and protection of UMKM, a variety of policies have been established regarding the planning, financing, and development of the UMKM but are not optimum. It is because the policy has not been able to provide adequate protection, security, and facilities for the empowerment of the UMKM. In this connection, UMKM needs to be enabled in the following ways: a. growth of the business climate that supports the development of UMKM; and b. development and construction of the UMKM.

Given the importance of the role of UMKM in Indonesia inining economic stability and achieving consistent economic growth, a competitive business climate must be preserved. According to [10], The concept of corporate competition is the freedom of enterprise of all individuals in developing their enterprise without the presence of any obstacle to entry into the market.

Given that Indonesia's current enterprise rate of 3.47% is lower than that of its neighbors Singapore, Thailand, and Malaysia, which have enterprise rates of 8.5%, 4.5%, and 4.5% respectively, respectively, the growth of entrepreneurship in Indonesia has become a problem. It takes at least 4% of the population to be a developed

country. The Indonesian demographic bonus that will peak by 2030 needs more young entrepreneurs. Given that every year there are 2.9 million newly-employed people or young people entering the labour market, of course the need for new jobs must be prepared and the development of entrepreneurship is the answer, [11]. With 62 million UMKM perpetrators, or around 98% of all national entrepreneurs, the employment absorption rate by UMKM is likewise quite strong and continues to rise to 96.99% - 97.22%. The important role of UMKM in the national economy is indeed reflected in the important role that UMKM plays in achieving the Sustainable Development Goals (SDGs) in Indonesia. [12]

Some of the strategies that entrepreneurs can implement in developing UMKM enterprises to succeed in competition, include: creating product innovations, developing product marketing, using digital marketing to develop markets and developing a digital economy. In the era of technology, UMKM gains considerable benefits, [13] for example in the development of the market with digital marketing efficiently. Market penetration can be done easily and efficiently even without any marketing costs at all through electronic media such as instagram, messengers, emails and so on. Why could a developed country have a fairly terrible economic power in normal times without a natural resource as abundant as Singapore? One of them is Singapore's ability to empower the soft skills he has. The service sector has become a key component of the developed countries to drive significant economic growth [14]

In today's digital age, digital skills and literacy become a must, as stated by Rizal, dkk (2020) that the advancement of information technology plays a crucial role in human life. By mastering information technology, mankind has enough capital to be a winner in global competition. Information is the main capital of the development of science and technology which is the primary weapon for building a state one in the field of economics. In addition, the development of online media opens up increasingly creative activities among UMKM perpetrators and other organizations to take advantage of advances in mobile technology in running various online.

If this digital economy capability can be developed by the UMKM sector, in 10 years Indonesia will be able to equal the financial capabilities of developed countries like Singapore. The digital economy is a new phenomenon that becomes a reservoir of new economic activity. From the concept of the internet of things, big data, mobile devices, interconnectivity and so on have transformed traditional economic activity into modern. Fields of scope of the digital economy include digital marketing, mobile-based application development, provision of online consulting services, development of artificial intelligence-based applications in support of the business sector, and so on. [15]

It is anticipated that the competition policy, which aims to promote the establishment of equitable chances among UMKM players, would be able to help UMKM gain access to markets, finance, and technology. In enhancing the opportunities, capabilities, and protection of UMKM, a variety of policies have been established regarding the planning, financing, and development of the UMKM but are not optimum. It is because the policy has not been able to provide adequate protection, certainty of effort, and facilities for the empowerment of UMKM.

Numerous innovative government policy initiatives are being made to support the growth and empowerment of micro, small, and medium-sized companies (UMKM). Based on the factual circumstances of the different issues that the government and business owners confront, these circumstances are crucial for the global economy because UMKM serves as a nation's foundation for the global economy. One of the pillars of the national economy is Micro, Small, and Medium-Sized Enterprises (UMKM). A number of centralistic government policies have been carried out in order to empower UMKM in Indonesia is :

1. 1. Adequate infrastructure development will help and accelerate for UMKM in improving operational efficiency and will expand the market. Digital connectivity infrastructure development efforts are also being innovated to be held such as Palapa Ring Satellite and Base Transceiver Station, so that businessmen who are in remote areas will be connected digitally.

2. There are about 18 million of UMKMs that have not yet had access to mobility to formal financing and about 46 million still need additional labour capital and investment. The government therefore provides support through the KUR program and Ultra Micro funding that can be obtained through flight.
3. UMKM digitization, digitization can provide many benefits for UMKM, including operational efficiency, increased productivity, Expanding market reach, and increasing competitiveness. By January 2022, a total of 17.2 million UMKMs have been digitized. The target, 40 million UMKms will be digitized by 2024.
4. Synergy Coordination, enhanced synergies and coordination with the public sector, academia, and also the private sector, Improving the empowerment of micro, small, and medium-sized firms (UMKM) requires learning how to create a sharia finance plan for UMKM.

The enterprise policy as an effort for the Indonesian government as one of the sectors expected to contribute has prepared to encourage competition for entrepreneurs who can grow and develop significantly as well as enterprises that have an impact on the environment [11] This was marked by the launch of the road map making Indonesia towards the industrial era 4.0 by the Ministry of Industry of the Republic of Indonesia with an emphasis on driving the competence of industrial human resources.

One of the real contributions to boosting economic growth as an attempt to eradicate and increase people's incomes, the creation of labour force as well as in order to suppress poverty is through Micro-Initiative, the Law of the Republic of Indonesia No. 20 Year 2008 on Micro Enterprises, which establishes the importance of small and medium-sized businesses (SMEs). Chapter II of Article 2 of Basic and Laws that are directly related to the adoption of sustainable finance in Indonesia are included in Objective Regulations that Micro, Small and Medium-Sized Enterprises are Environmentally-Oriented.

This indicates that "environmentally-conscious foundations" are the cornerstone of enabling micro, small, and medium-sized businesses that give continual thought to and

importance to the preservation of the living environment.

CONCLUSION

The competition policy of the enterprise is aimed at encouraging the creation of opportunities between UMKM actors in the hope of developing the UMKM enterprise to succeed in the competition of its enterprise, among others: creating product innovation, developing product marketing, using digital marketing in developing markets and the development of the digital economy.

The Indonesian government has also initiated policies to enable entrepreneurs to run and develop sustainable business through government programmes such as infrastructure assurance, enterprise capital assistance and developing coordination with other enterprise partners. The problem of UMKM in Indonesia is often faced by entrepreneurs especially in the legality aspects of business permits, financing as well as the ability of the entrepreneur in producing enterprises and conducting marketing business based on digitalization. Therefore, the role and strategy of both parties in making policy is vital for all regulations that govern the order of the UMKM that does not hinder for the perpetrators of UMKM to grow and develop sustainably.

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