



## The role of government towards MSMEs in domestic product trade

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### Abstract

Micro, Small, and Medium Enterprises (MSMEs) are one of the business sectors that have an important role in the Indonesian economy. Domestic product trade is one of the important economic activities for MSMEs. Domestic product trade can increase MSME sales, increase MSME profits, and create new jobs. This study examines the government's role towards MSMEs in domestic product trade. This research uses qualitative research methods. The data collection technique in this research uses the literature study method. The data that has been collected is then analyzed in three stages, namely data reduction, data presentation, and conclusion drawing. The results showed that the government is important in encouraging trade in domestic products by MSMEs. The government has provided various supports to MSMEs in domestic product trade, such as the establishment of policies that support domestic product trade, such as incentive policies and ease of export-import, providing assistance and training to MSMEs, such as capital assistance, marketing training, and technology training, and developing infrastructure that supports domestic product trade, such as logistics infrastructure development and promotion of MSME products. Appropriate government support can increase MSMEs' trade in domestic products and benefit MSMEs and the Indonesian economy as a whole.

**Keywords:** Government, MSMEs, trade, domestic products

### Introduction

Micro, Small, and Medium Enterprises (MSMEs) are one of the main pillars of the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs currently reaches 64.2 million, contributing 61.07 percent to the Gross Domestic Product (GDP), equivalent to a value of 8,573.89 trillion rupiah. MSMEs also play a role in the Indonesian economy by absorbing around 117 million workers, which covers around 97 percent of the total workforce and can collect around 60.4 percent of total investment in the first semester of 2021<sup>[1, 2]</sup>.

Trade in domestic products is an important economic activity for MSMEs. According to Law Number 7 of 2014, domestic trade is defined as buying and selling activities of goods and services carried out through the trade system in the territory of the Unitary State of the Republic of Indonesia (NKRI) without involving foreign trade<sup>[3]</sup>. There have been positive developments in domestic trade conditions in Indonesia in recent years. This development has contributed to reducing poverty and increasing employment in the official sector. In facing the global financial crisis, Indonesia tends to be more stable than neighboring countries, which opens up opportunities for increasing sales of domestic products<sup>[4]</sup>.

Domestic product trade has the potential to positively impact MSMEs by increasing sales of their products. In addition, this can result in increased profits for MSMEs, as they can more easily reach local markets, increase visibility, and gain greater sales opportunities. Through sustainable sales growth, MSMEs will have the opportunity to develop and create further and can even expand their business. As a result, this business expansion can help create new jobs and contribute to the local and national economy. Therefore, the role of the government towards MSMEs in trading domestic products is important to research.

Previous research by<sup>[5]</sup> shows that the role of the Mangkubumen Subdistrict Government in developing MSMEs is divided into three ways: enabling, empowering, and protecting. Enabling or growing the business climate is done by channeling BAZNAS funds and utilizing the Mangku Lawren program, assisting with facilities and infrastructure, disseminating business information, establishing partnerships with digital-based businesses, easing business licensing, and business promotion assistance. An indicator that has not been implemented is institutional support. Empowering or strengthening business potential through coaching and training in production and processing, marketing, human resources, design, and technology. Protecting or efforts to protect businesses are carried out by preventing unbalanced business competition. Supporting factors for developing MSMEs include a high entrepreneurial spirit, capital and equipment assistance, and government policies. Meanwhile, the inhibiting factors consist of a lack of capital and marketing.

Similar research by<sup>[6]</sup> shows that the competitiveness of MSME products must continue to follow current developments and market demand, especially in product quality and price, because MSMEs influence national growth and development. This development requires the participation of all parties, especially business actors and the government. Other research by<sup>[7]</sup> shows that in developing MSMEs in Kampung Kue, the Surabaya City Cooperatives, SMEs, and Trade Department have carried out their role well as measured through the indicators of stabilizers, innovators, modernizers, and pioneers. The role shown by the Surabaya City Cooperatives, SMEs, and Trade Department is an effort to develop MSMEs in Kampung Kue through various activities to progress, develop, and be highly competitive. This research examines the government's role in MSMEs in domestic product trade.

## Research Method

This study used qualitative research methods. Qualitative research methods are based on philosophy used to research scientific conditions (experiments) where the researcher is the instrument, data collection techniques are used, and qualitative analysis emphasizes meaning<sup>[8]</sup>. The data collection technique in this research uses the literature study method obtained from Google Scholar. The literature study method is a series of processes related to collecting information from various written sources, involving the processes of reading, recording, and managing research material. The research was conducted for three days, from November 2 to November 4, 2023. The type of data used in this research is secondary data. The data that has been collected is then analyzed in three stages, namely data reduction, data presentation, and conclusion.

## Discussion

An economy based on Micro, Small, and Medium Enterprises has many advantages, namely encouraging people to work hard, being highly disciplined, and increasing creativity and innovation for people who want higher incomes. Article 1 of Law Number 20 of 2008 concerning micro, small, and medium enterprises (MSMEs) explains that micro businesses are individual or individual business entities whose nature continues to develop to become more advanced. A small business is a business that, in its implementation, stands alone without any influence or role of other businesses in the continuity of business activities and whose perpetrator is an individual or business entity. A medium business is a productive business that, in its implementation, stands alone and whose perpetrator is an individual or a business entity. Does not include company branches or subsidiaries<sup>[9]</sup>.

According to the 1945 Constitution of the Republic of Indonesia, article 33, paragraph 4, MSMEs are national economic assets with an independent perspective and great potential to improve community welfare. MSMEs also have a large role in economic growth in Indonesia. MSMEs can provide real economic growth to revive the economy in Indonesia. The opportunities, prospects, and potential of national MSMEs are very large and promising. Empowering MSMEs is a great strength and potential for the future economy and needs to be developed<sup>[10]</sup>. MSMEs play an important role socially and economically for several reasons, including (1) wide distribution throughout rural areas so that they can support village economic development, (2) increasing the number of workers, (3) the role of MSMEs in increasing business and entrepreneurial skills, (4) as a source of business for women<sup>[11]</sup>. Seeing the various benefits that MSMEs will provide to the region, the role of the Regional Government in encouraging the development of MSMEs is something that needs to be done so that MSMEs in the region can further develop and contribute well<sup>[7]</sup>. Various parties have acknowledged that the role of MSMEs is quite large in the national economy. Several important roles of MSMEs, according to Bank Indonesia in Purba<sup>[12]</sup>, include: a) 1. The numbers are large and found in every economic sector. b) Absorbs a lot of labor and creates job vacancies. 3. Can utilize local raw materials and produce goods and services the wider community needs at affordable prices.

Based on the report of the Small and Medium Enterprises (UMK) Expert Group in Sofyan<sup>[13]</sup> in Indonesia 4 (four)

groups of MSEs have been identified in the APEC environment, namely: a) Group A is a group of MSEs that have entered the global market. This business group has become a subcontractor to multinational companies, especially in the automotive and electrical sectors; b) Group B are MSEs that have entered the international market. The group has been able to export based on foreign orders and not on aggressive marketing efforts; c) Group C is a group that has never made transactions overseas but has great potential; d) Group D is a group of MSEs not oriented towards foreign markets. This group is the dominant group in Indonesia.

The government pays great attention to developing the national economy through the Micro, Small, and Medium Business sectors, often called MSMEs or small businesses. It prioritizes development and development to strengthen the national economic structure<sup>[14]</sup>. There is a need for government intervention in organizing strategies to increase the role of SMEs as a cornerstone of the country's economy<sup>[15]</sup>.

Appropriate government support can increase MSMEs' trade in domestic products and benefit MSMEs and the Indonesian economy as a whole. The government has a special policy direction in regulating the domestic trade sector. The policy direction of the domestic trade sector has been regulated in Law Number 7 of 2014, Article 5, Paragraph 3. In this article, there are several policy directions for the domestic trade sector, including Arranging licensing procedures for the smooth flow of goods, Providing facilities for developing trade facilities, Harmonizing activity regulations for inter-regional trade Fulfillment of the availability of basic community goods, and so on<sup>[16]</sup>.

Indonesia has a lot of local products, which, of course, have a quality that is no less good than foreign products that are currently coming into our country due to globalization and the needs of each country that requires products from abroad. Pride in using domestic products will benefit the local economy because there are still buyers who buy products and understand the meaning of nationalism<sup>[17]</sup>. The government must also start by instilling a love for Indonesian products, not only through invitations but also through policies and regulations. Requiring and making it easier for citizens and government agencies to use domestic products<sup>[18]</sup>. The following is the government's role in MSMEs in domestic product trade.

Trade Legislation - It has been shown by Law Number 7 of 2014 that the definition of domestic trade is a process of buying and selling goods and services using a trading system that only covers the territory of the Republic of Indonesia and does not include foreign trade; b) Providing Funds and Credit; c) Training and Skills Development. Several priority strategies that should be developed to ensure the effectiveness of skills training activities to encourage the development of new entrepreneurship in the coming years are, First, efforts to develop new entrepreneurs, apart from requiring technical skills training, what is no less important is how to build construction and understanding of participants about aspects of economic sociology in product marketing. Second, efforts to deal with unemployment, poverty, and entrepreneurship development. Third, efforts to develop entrepreneurship and independent businesses for the unemployed, either through low-interest business capital assistance, mentoring processes, developing

alternative skills, or through business development programs that are more oriented towards developing product diversification and business diversification rather than simply growing a single business that is prone to collapse. Fourth, to increase coverage and greater support from all relevant stakeholders in dealing with unemployment, poverty, and entrepreneurship development, it would be a good idea to develop cooperation and partnership programs with various parties <sup>[19]</sup>; d) Marketing Access - The government can help MSMEs develop their businesses to access local and international markets; e) Consumer Protection - Legal protection is the right of every citizen, and on the other hand, it is an obligation of the state itself. Therefore, the state is obliged to provide legal protection to its citizens. Business actors are also regulated in the UUPK, namely Article 1 number 3, which states that business actors are every individual or business entity, whether in the form of a legal entity or non-legal entity, which is established and domiciled or carries out activities within the legal territory of the Republic of Indonesia, whether alone or together through agreements on the implementation of business activities in various economic fields <sup>[20]</sup>; and f) Collaboration with the Private Sector - The research results show that the government is important in encouraging trade in domestic products by MSMEs. The government has provided various supports to MSMEs in trading domestic products, such as establishing policies that support trade in domestic products, such as incentive policies and facilitating export-import, providing assistance and training to MSMEs, such as capital assistance, marketing training, and technology training, and developing infrastructure that supports domestic product trade, such as developing logistics infrastructure and promoting MSME products.

### Conclusion

The government is very important in encouraging trade in domestic products by Micro, Small, and Medium Enterprises (MSMEs). These efforts manifest in various forms of support to MSMEs in trading local products. One way is by forming policies that support trade in domestic products, including incentives and convenience in exporting and importing. In addition, the government provides assistance and training to MSMEs, such as capital assistance, marketing training, and improving technological skills. Infrastructure development is also the government's focus in supporting domestic MSME product trade, such as building logistics infrastructure and promoting MSME products. Appropriate government support in these various aspects can positively impact trade in domestic products by MSMEs and provide broad benefits for MSMEs and the Indonesian economy.

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