

COMPETITIVENESS OF MICRO, SMALL AND MEDIUM ENTERPRISES IN TOURISM SERVICES BASED ON LOCAL WISDOM

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Abstract

Micro, Small and Medium Enterprises (MSMEs) are one of the cornerstones supporting national economic developing. The tourism service enterprise has become an actual issue in Indonesia in national economic development, especially in certain areas that place tourism as a source of people's economic dynamics, especially Bali. The comprehensive idea that emerged was to make local MSMEs in tourism areas, especially Bali, have strong competitiveness in facing various obstacles in their development. This issue leads to the nature of local MSMEs in their existence in Bali, which is actually a cultural-based tourism destination. Local MSMEs confront variety resistance in their progression and developing and are related to the underlying legal basis so that it is necessary to solidify the competitiveness of local MSMEs in Bali. This research uses normative legal research methods. The approach application in this studies the statute approach and the conceptual approach. The legal substances application in this studies are primary legal materials and secondary legal substances. The techniques application in accumulate legal substances in this research is document study by taking an inventory of existing legal materials. The results show that the competitiveness of local SMEs is determined by a conducive internal and external environment. The internal environmental includes facets of the grade of human resource, mastering of technology and information, organizational structure, management system, enterprise culture/culture, financier force, enterprise network with external side, and rate of entrepreneurship. Meanwhile, the externally environmental is relevant to existing authorities' policies, legal facets, market competitive circumstance, economic-social-social circumstance, infrastructure circumstance, public education rate, and changes/growth of the global economy. In additional, the inability of MSMEs to compete is caused by several factors, including capital, the incapacity to enhance the quality of both the quality of human resources, management quality, and product quality, quality use of technology, market access to information seeking and the absence of new innovations from MSMEs themselves.

Keywords: Competitiveness, SMEs, Local Wisdom

1. INTRODUCTION

1.1 Background of the Problem

One of the pillars supporting nationally economy development that has a very strategically role in supporting national economic development is MSMEs. Likewise, local MSMEs in the tourism sector, especially those related to the tourism service business, are a big capital in supporting tourism development and national economic development in general.¹ Micro, Small, and Medium Enterprises (MSMEs) are one of the primary cornerstones of the national economic with an insight of independence that has great potential to improve people's welfare, without ignoring the role of huge businesses, cooperatives, and state-owned company.² MSMEs have great potential in improving the standard of living of many people. This is shown

by the existence of MSMEs which have reflected the real manifestations of social and economic life which constitute the largest part of the Indonesian people.³

The existence of MSMEs as a pillar of the national economy in terms of quantity has not been adjusted by adequate quality improvements. The problems faced are low productivity and competitiveness, market access, MSME management, human resources, and technology mastery for MSMEs, causing a large gap between MSMEs and large-scale businesses. Increased productivity is urgently needed in order to encourage increased competitiveness of MSMEs to be competent, both in the domestic economy and in global economic development. Weak empowerment of MSMEs as one of the pillars of national economic development, causing them not being able to compete or not being able to develop optimally.

MSMEs as well play an importance contribute in the tourism service business which includes variety component, such as: enterprise actors, shape of service, consumer services, and transaction services that connect service suppliers and service consumers.⁴ Business development in the era of globalization is growing so rapidly in aligns with the developing of science and technology, so that it will greatly impact enterprise actors in carrying out their enterprise activities.

Business competition is the heart of a free market economy characterized by competition, free from all obstacles, optimal availability of resources, so that business actors are forced to produce quality products. Competition in today's business world is very open and requires fair business competition so as not to harm other parties. Tourism activities in the era of globalization have inevitably brought positive impacts in the form of benefits in the economy, in various sectors such as revenue from the taxes sector and extension of job occasion, mainly for country that are tourist destination. But on another hand, tourism also can have a negative impact, on environmental malfunction, community structures and cultural grades that are the spirit of Indonesian tourism. The tourism service business engage variety facets. These facets consist of economic, cultural, social, religious, environmental, security, and another facets. The facets that got the most concern tourism development is the economic facets.

The economic facets in tourism development has a very important role because tourism activities can be regarded as a business activity oriented in providing services for tourists. Indonesia, especially the island of Bali or commonly referred to as the Island of the Gods, is a foreign tourist destination. Bali is known as a tourism area that offers a variety of arts and culture.⁵ Culture is a crystallization of the value of local wisdom as an asset as well as the identity of tourism in Bali. Tourism in Bali has a very large influence on the community's economy, because tourism has a positive role in creating income for the community, creating jobs, as a source of foreign exchange income, encouraging exports (especially goods from the handicraft industry) and changing the structure of the economy in a positive direction more balanced.⁶ In the implementation of tourism, the government needs to provide impulse so that enterprise events in the tourism sector can supply occasion in enablement the people's economy.⁷ If MSMEs as a form of people's economy are not provides occasion and are less powered, then they will not have competitiveness when faced with global economic strength. As a major tourist destination in Indonesia with a leading tourism sector, Bali has experienced

an economic crisis, such as at the time of the bomb explosion on Jl. Legian Kuta in 2002 and at Jimbaran in 2005, as well as the Covid-19 pandemic situation as it has occurred since 2019 until now, has devastated the economy in Bali. Corporate, hotels, restaurants, travel agencies and tourism activities are paralyzed. But on the other hand, MSMEs were able to survive in the midst of the crisis.⁸ The phenomenon faced by MSMEs is not only relevant to capital, but is also weak in terms of human resources, technology, management, and market access, making it hard to competitively and partner with big businesses. However, capital is the key to business continuity, because without capital it is impossible for MSMEs to run the business they want.

Law Number 10 of 1998 which is an amended to Law Number 7 of 1992 about Banking shows that there is a vague norm, because it does not provide clarity on MSME access to obtain capital through credit facilities channeled by banks to the public. Through the requirements of Article 12 paragraph (1) of Law Number 10 of 1998 only regulates the possibility of the Government and Bank Indonesia cooperating with Commercial Banks in the context of empowering MSMEs, and the form of such cooperation is not clearly stated. Assessment of legal needs in the empowerment of MSMEs and can help the interests of MSMEs in their empowerment is not entirely located in the field of lack of legislation. Investigation of several regulations, such as: Law Number 10 of 2009 about Tourism, Law Number 20 of 2008 about Micro, Small and Medium Enterprises, Law Number 10 of 1998 about Amended to Law Number 7 of 1992 about Banking and Law Number 25 of 2007 about Investment, there is no doubt about the Government's intention in empowering MSMEs. It's just that from the laws and regulations it appears that there is a norm problem which is one of the obstacles, where the formulation of the norm is unclear, contains multiple meanings (ambiguous), as well as a conflict of norms, in the sense that the formulation of the norm is out of sync because it contradicts one regulation with the other regulations.

The requirements of Law Number 10 of 2009 about Tourism and Law Number 25 of 2007 about Investment regulate the obligation of the Government and Regional Government to make policies on business reserves and partnership programs for MSMEs. Meanwhile, the provisions of Law Number 10 of 1998 about Amended to Law Number 7 of 1992 about Banking, Law Number 20 of 2008 about MSMEs, Law Number 1 of 2013 regarding Microfinance Institutions, and Law Number 19 of 2003 about State-Owned Enterprises, regulates the access of MSMEs to obtain financing or capital. Access to capital for MSMEs has been regulated in laws and regulations, but MSMEs are still powerless because they cannot manage capital properly, so they are unable to maintain business sustainability.⁹ The powerlessness of MSMEs that have received capital strengthening is due to weaknesses in knowledge, technology, market access, business networks, information networks, business institutional systems, Human Resources, which are other forms of capital other than money, or capital in a broad sense. Legislation has indeed regulated MSME access to capital, but this access has not yet covered capital in a broad sense.

The capital access policy uses the concept of capital in a narrow sense, which is limited to capital in the form of money, so that the MSME capital access policy is fully oriented towards regulating capital access and capital realization, but does not include regulating efforts to

strengthen MSMEs in managing capital and maintaining sustainability effort. Responding to the phenomenon of MSME regulation like that, it is necessary to further investigate the reasons why MSMEs are in a powerless condition and it is still difficult to develop their business, even though access to capital has been regulated in laws and regulations. The various things mentioned above show that MSMEs are not able to competitively with huge corporate in the tourism service business.

1.2 Research Objectives

Based on the description above, the issues to be discussed are: how is the competitiveness of local MSMEs and what factors influence it?

2. RESEARCH METHODS

This research application by normative legal research methods. The purpose of normative legal research is to find solutions to juridical problems that arise from legal issues and to share reflections on the legal case.¹⁰ The approach application in this research is the statute approach and the conceptual approach. The statute approach is used considering that what will be studied are various laws and regulations related to the existence of Micro, Small and Medium Enterprises (MSMEs). Through this approach, research will be conducted on the existing laws and regulations in terms of form and content, especially those containing legal norms regarding the competitiveness of local MSME businesses in the implementation of tourism service businesses. The conceptually approach is application to search for the meaning of a concept (understanding) contained in laws and regulations, views of legal experts, court decisions. The conceptual approach itself is an approach used to getting scientific obviousness and justification based on legal concepts derived from legal principles. The mainly legal substances application in this studies are Law Number 10 of 2009 about Tourism, Law Number 20 of 2008 about Micro, Small and Medium Enterprises, Law Number 10 of 1998 about Amended to Law Number 7 of 1992 about Banking and Law Number 25 of 2007 about Investment. The secondary legal substances application in this studies are books and research journals related to the issues to be discussed. The technique used in collecting legal materials in this research is document study by taking an inventory of existing legal materials. The legal substances that have been accumulated in this study, both mainly legal substances, secondary legal substances, and tertiary legal substances, were analyzed using descriptive, interpretation, evaluation and argumentation analysis techniques.

3. DISCUSSION

3.1 The Competitiveness of Local Micro, Small and Medium Enterprises (MSMEs) and Influential Factors

Micro, Small and Medium Enterprises (MSMEs) have always been an interesting study for many parties, both in terms of their ability to survive, in terms of financing, in terms of obtaining banking assistance and in terms of business management. In the midst of demands for the ability to compete domestically, MSMEs must also be able to face global market

competition. The economic crisis that occurred around 1997-1998 proved that many large-scale businesses had stagnated and even collapsed and paused their activities, but MSME-scale businesses proved to be more resilient and remained strong in the face of the crisis.¹¹ This shows that MSMEs have good flexibility to withstand the impact of the crisis, are able to survive and even become the frontline in recovering from the economic crisis.

CIDES (stated that in surviving the crisis storm Center for Information and Development Studies) there are three advantages of MSMEs. First, MSMEs usually producing consumption goods and services that are close to the necessary of the society. Second, MSMEs don't relies on imported raw materials and rather utilizing local resources in terms of human resources, financier, fledged materials, and appliances. And third, MSME businesses commonly use their own financier or are not supported by bank loans. With these benefits, MSMEs are less likely to felt the effects of the global crisis, which is commonly marked by a deep decline in the rupiah exchanging rate.¹²

Although it has several benefits, MSMEs also have many limitations, so that MSMEs businesses are unable to develop. These limitations include minimal access to banking, low capacity and knowledge of human resources, processing is managed in a simple way, limited use of technology, and not being able to keep pace with changing consumer tastes, especially those that are export-oriented. The big problem faced by Indonesia today is the lack of local MSME entrepreneurs with high productivity and competitiveness. Efforts to improve the nation's competitiveness must start from developing entrepreneurship from entrepreneurs who own and manage existing business units as well as growing entrepreneurs or at least new business units in productive sectors in accordance with regional potential such as tourism service businesses in Bali. The development of local MSMEs is also expected to increase the resilience of the nation as evidenced during the economic crisis, MSMEs rely on local raw materials and have a competitive advantage. Another problem faced by local MSMEs is trade liberalization. In an attempt to reinforce local MSMEs as national economic fundamentally, it is required to invent a conducive domestic investing climate as an attempt to amplify the domestic market so that local MSMEs can became a buffer for the national economy.

The competitiveness of SMEs is determined by a conducive internal and external environment. The internal environment consists of facets of the grade of human resources, mastering of technology and information, organizational structure, management system, enterprise culture/culture, financier force, enterprise network with external side, and rate of entrepreneurship. Meanwhile, the externally environment is related to existing government policies, legal aspects, market competition circumstances, economic-social-social circumstance, infrastructure circumstance, public education rate, and changes in the global economy. In addition, the inability of MSMEs to compete is caused by several factors, including capital, the inability to improve the quality of both the quality of human resources, management quality, and product quality, quality use of technology, market access to information seeking and the absence of new innovations from MSMEs themselves. These unfavorable external and internal conditions are an obstacle for a business/company.

External and internal conditions that are not conducive are suspected to create obstacles for a business/company. For this reason, identification of business constraints is needed for the development of MSMEs in a better direction.¹³ To increase MSME access to capital, the government has made efforts to increase access to financing and expand financing schemes, including:

1. Development of MSME financing institutions/banks and cooperatives, as well as optimizing non-bank financing sources;
2. Development of credit ratings for MSMEs and cooperatives;
3. Increasing the capacity of cooperatives as managers of the warehouse receipt system; and
4. Organizing advocacy on financing and financial services for MSMEs and cooperatives.

Seeing this condition, the granting of access to credit for MSMEs is actually very open, however, the characteristics of the business should be considered by financial institutions to provide credit. To build a model to specify the factors that influence the opportunities of local MSMEs in accessing capital. Some of the characteristics that may distinguish local MSME opportunities in obtaining access to capital include:

1. Location of local MSMEs (urban or rural). The government is currently trying to expand access to capital in both urban and countryside areas. In the 2015-2019 RPJMN, the government has programmed the development of special MSME banks and cooperatives to facilitate business access in rural areas. In the 2015-2019 RPJMN, improving the institutional and business performance of cooperatives is a target in increasing the competitiveness of MSMEs through strengthening capital. In this case, the government's target is to increase the participation of MSME members in capital from 52.5 percent to 55.0 percent in five years.

2. Collectability/financial capability of a business will be one of the considerations of a financial institution in providing capital. The Coordinating Minister for the Economy Regulation Number 2 of 2021, requires that prospective KUR recipients are those who may still have other financing credits but have current collectability. Previous loan experience determines current access to capital. Entrepreneurs who have frequent contact with banks generally have better access to loans from financial institutions, especially those with a good track record in repayment. In contrast to entrepreneurs who have a poor track record, they tend not to get trust or loans from existing financial institutions. Some of the variables that might be related to this include ownership of financial statements, an established business system, income, business prospects, ability to pay wages/salaries according to the UMP, and business constraints.

3. Business Scale, Business Entity and Business Permit. Medium-scale businesses have better opportunities to access financing from banks. Small-scale businesses may have a greater priority than micro-scale businesses, because they already have a larger number of assets and turnover so that they can be used as collateral for the banking sector. MSMEs

that have legal entities tend to have a greater probability of obtaining business financing from banks than individual businesses. Because banks usually identify company profiles including legal entities and other supporting identities, including ownership of business certifications. In the Coordinating Minister for the Economy Regulation Number 2 of 2021, KUR Distributors distribute credit/financing to prospective debtors who meet the credit eligibility requirements by KUR Distributors. A legal company profile (having a business license) will certainly get priority. Variables that may be related to this condition include ownership of business certification, business status, and whether the MSME is an individual business or not (using workers other than the business owner).

4. Age of business, in the Coordinating Minister for Economic Affairs Regulation Number 2 of 2021, prospective KUR recipients include those whose business has been running for a minimum of 6 (six) months. In addition, MSMEs with a longer business life (eg more than 10 years) would have easier access to financing from banks. This is possible because the longer the company operates, the running business is considered more persistent to negative changes that affect the company's operations. Therefore, the length of business is one of the variables considered to have an effect on access to capital for MSMEs.

5. Internet access allows entrepreneurs to access various sources of information regarding credit application procedures. Several variables that may be related to the ability of MSMEs to access the internet include the level of education of entrepreneurs and the on-line sales system.

6. Several factors that are also considered to be possible differences between local MSMEs are those who have access to credit and those that do not are included as variables in the model, including entrepreneur education, age and gender. Several other variables, namely cooperative membership, partnership, ownership of financial statements, development plans, asset value, turnover value, business location, length of business, business entity, education and gender, may represent variables that affect access to capital. Furthermore, all variables included were formed in binary variables and included in the logistic regression equation to obtain factors that influence MSMEs accessing capital. Of all the variables used, only MSME membership in cooperatives is not significant to the opportunity to gain access to credit/capital.

The contribution of MSMEs to the economy is not only recognized in Indonesia. Its role is also recognized in many developing countries and even developed countries.¹⁴ This may not be separated from the characteristics of MSMEs which tend to be labor-intensive businesses, spread almost evenly in all location, primally in rustic district, using local raw materials and as the main supplier of goods and services for the basic needs of low-income or poorer people.

The ability of MSMEs to absorb a large workforce is considered appropriate and supports the mandate of the 1945 Constitution, which is amended in Article 33, paragraph 4¹⁵ which states: "The national economy is organized based on economic democracy with the principles of togetherness, efficiency, justice, sustainability, environmental insight, independence and by

maintaining balance, progress and national economic unity. With this condition, various national economic policies cannot be separated from various policies that take sides, especially for local MSMEs. One of the goals of developing local MSMEs is generally intended to be able to make a positive contribute to efforts to reduce poverty, unemployment and income distribution. The existence of MSMEs is considered as a representation of the people's economy, considering that in terms of quantity, they are far more numerous than large businesses. The role of local MSMEs is considered to be more strategic if it is associated with the problem of unemployment and poverty.

4. CONCLUSION

The competitiveness of local MSMEs is determined by a conducive internal and external environment. The internal environmental includes facets of the grade of human resource, mastering of technology and information, organizational structure, management system, enterprise culture/culture, financier force, enterprise network with external side, and rate of entrepreneurship. Meanwhile, the externally environmental is relevant to existing authorities' policies, legal facets, market competitive circumstance, economic-social-social circumstance, infrastructure circumstance, public education rate, and changes/growth of the global economy. In additional, the inability of MSMEs to compete is caused by several factors, including capital, the incapacity to enhance the quality of both the quality of human resources, management quality, and product quality, quality use of technology, market access to information seeking and the absence of new innovations from MSMEs themselves.

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