



PROGRAM INTERVENTION TO IMPROVE SMEs' PRODUCTIVITY

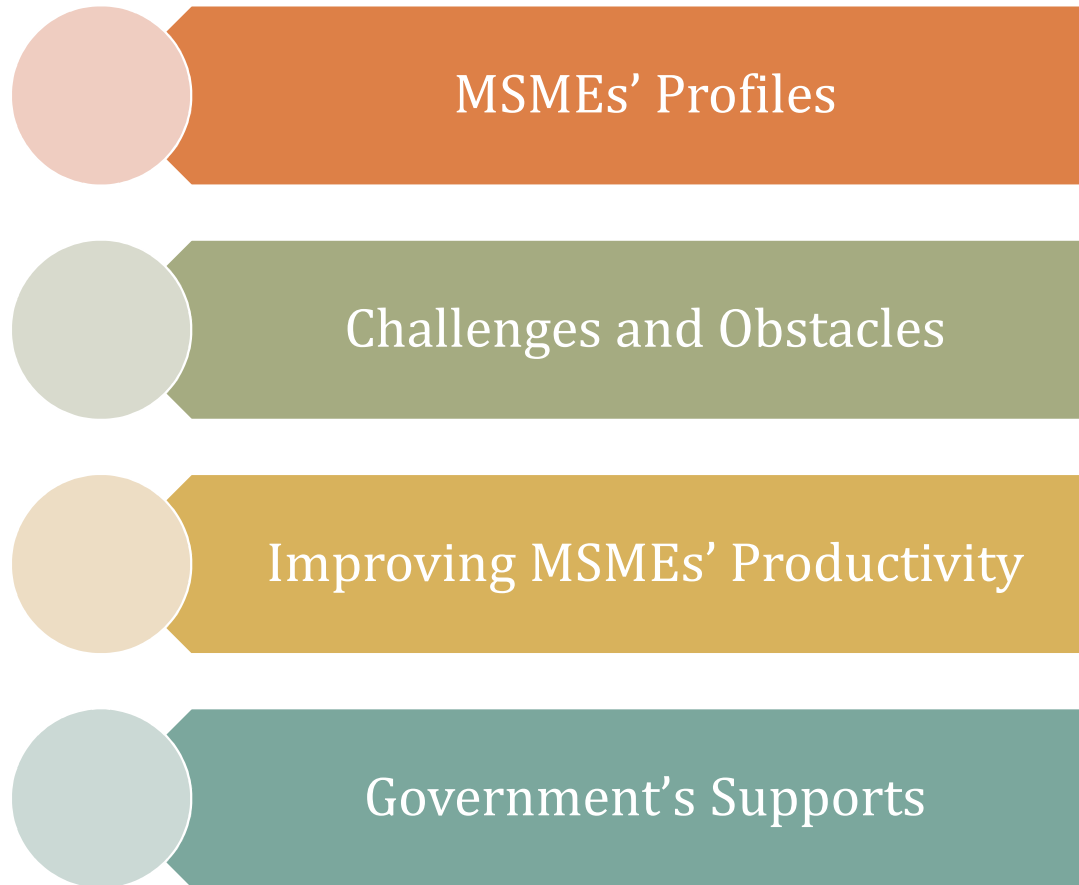
“Improving Economic Growth and Competitiveness”

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Deputy Minister of National Development Planning/Deputy Head of the
National Development Planning Agency (Bappenas)

Jakarta, 15 June 2017

PRESENTATION MATERIALS





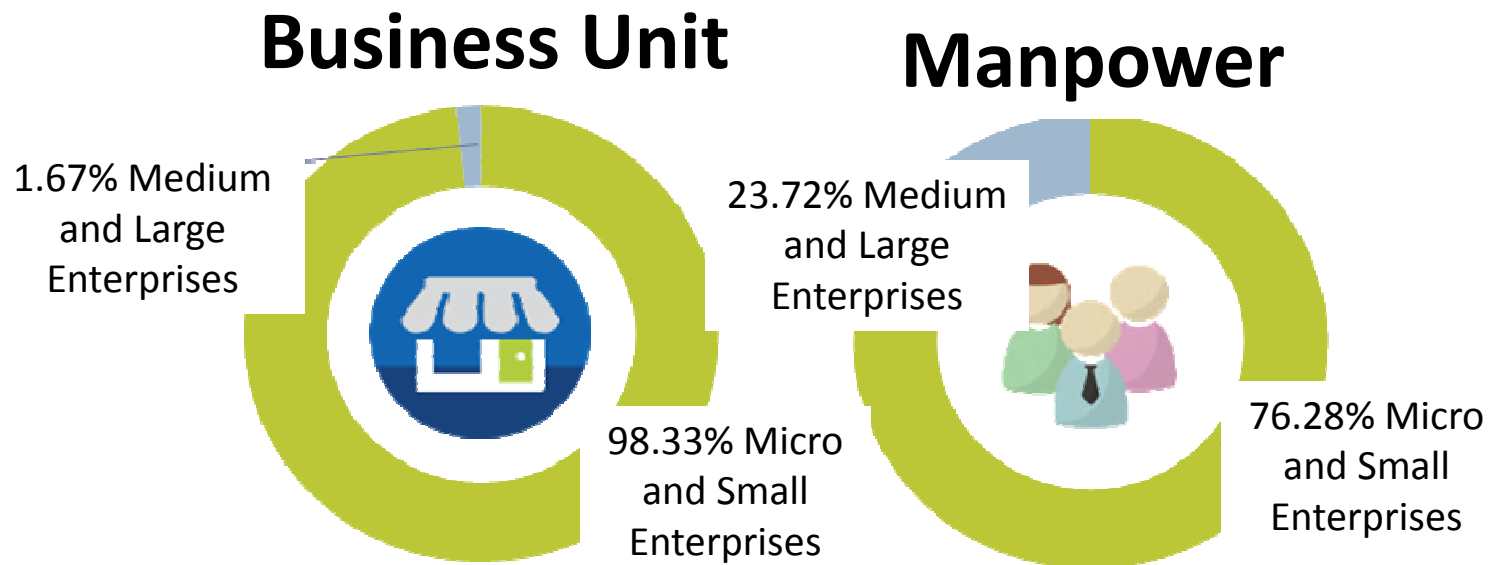
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MSMEs' Profiles

DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) (1)

NON-AGRICULTURAL SECTOR

Proportion of Micro and Small Enterprises compared to Medium-Large Enterprises

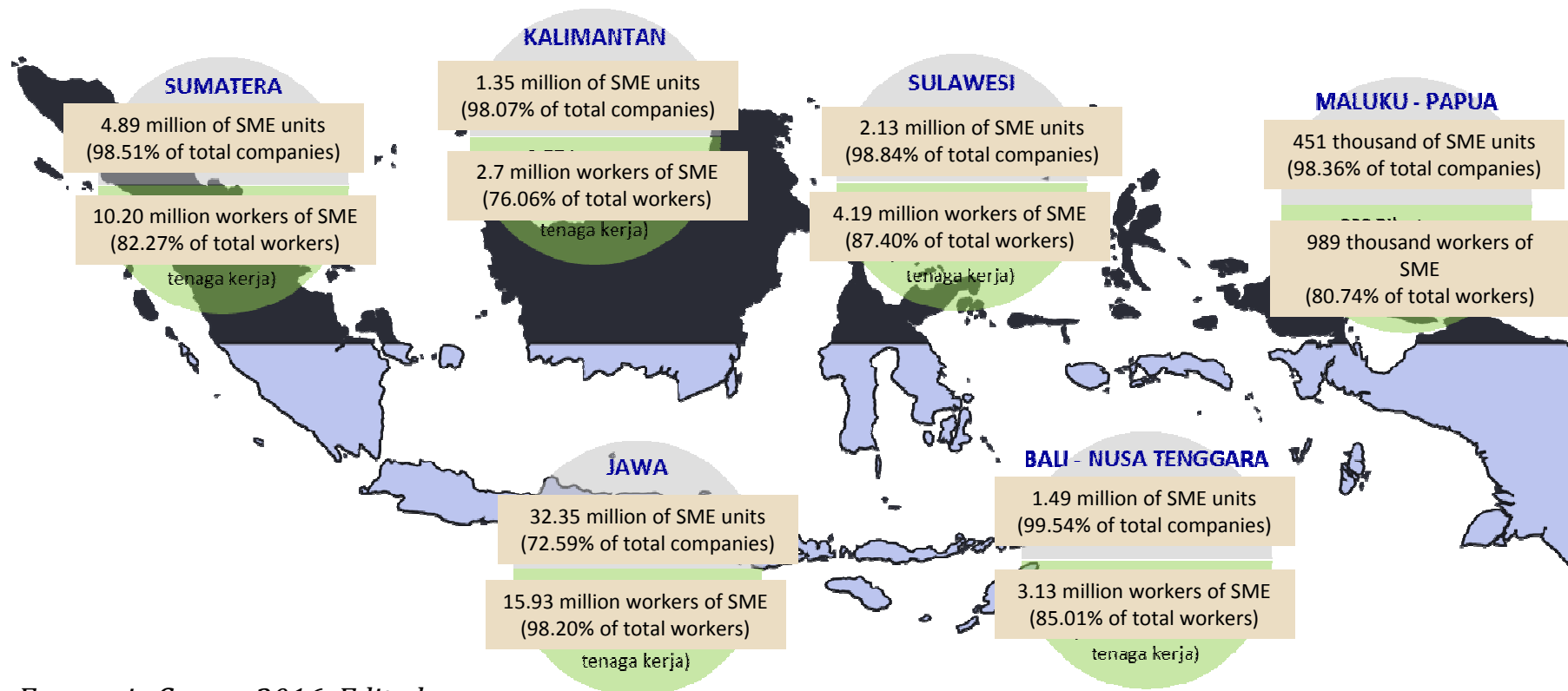


Source: Economic Census 2016, Edited

DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES (2)

NON-AGRICULTURAL SECTOR

Distribution of Micro and Small Enterprises vs. Medium and Large Enterprises

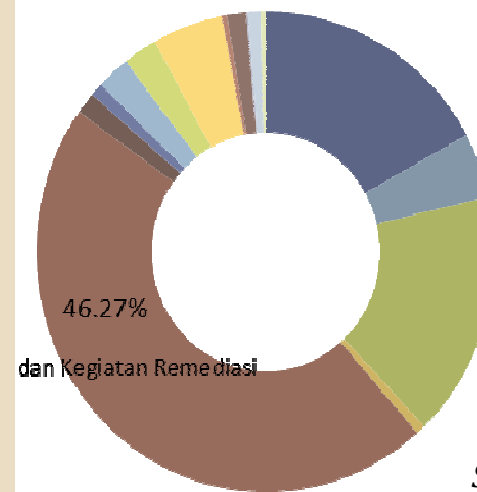
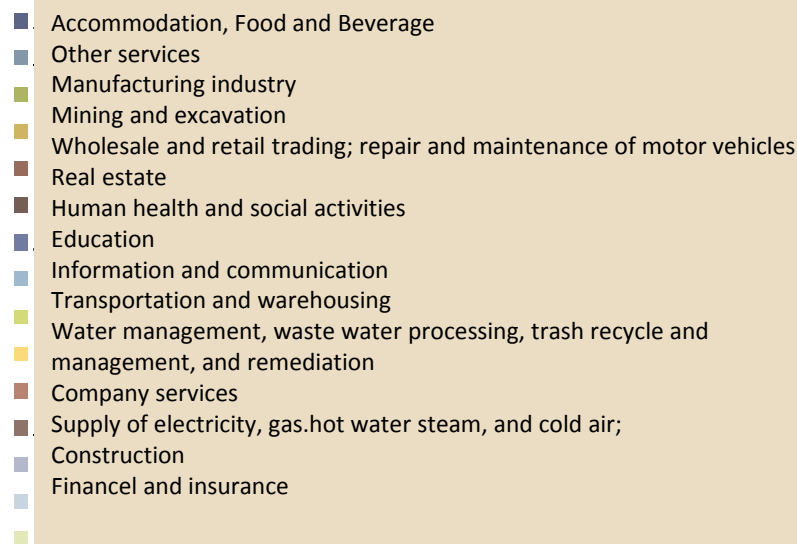


Source: Economic Census 2016, Edited

DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES (3)

NON-AGRICULTURAL SECTOR

Distribution of Micro and Small Enterprises by Business Nature



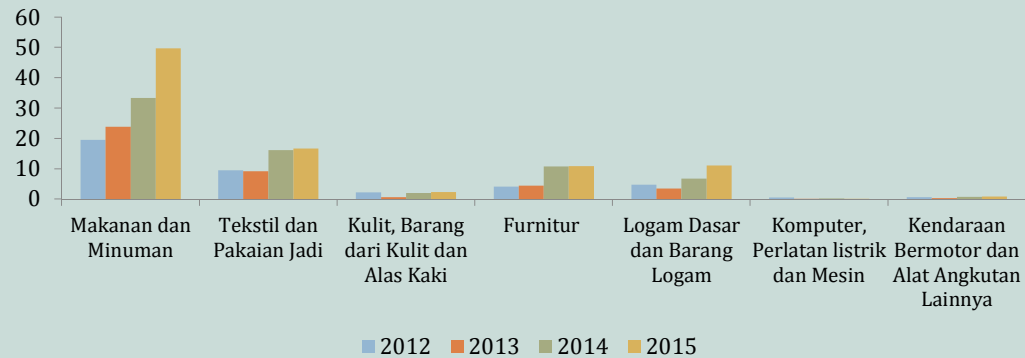
Source: Economy Census 2016, edited

- Nationally, 98.33% business unit is dominated by micro and small enterprises (SMEs) and they absorb 76.28 percent of the national manpower.
- Their main businesses are 1) wholesale and retail trading, and motor vehicle repair and maintenance, 2) accommodation and food and beverage, and 3) manufacture industry.
- Three major islands of their distribution are in Java, Sumatra and Sulawesi.

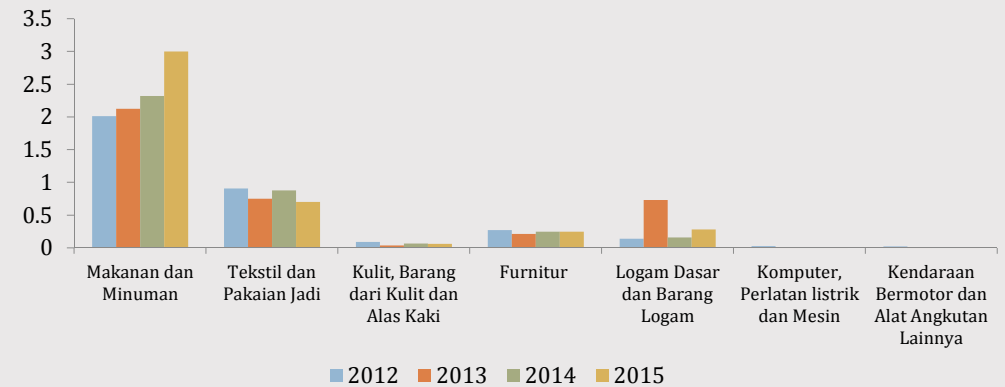
DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES (4)

INDUSTRIAL SECTOR

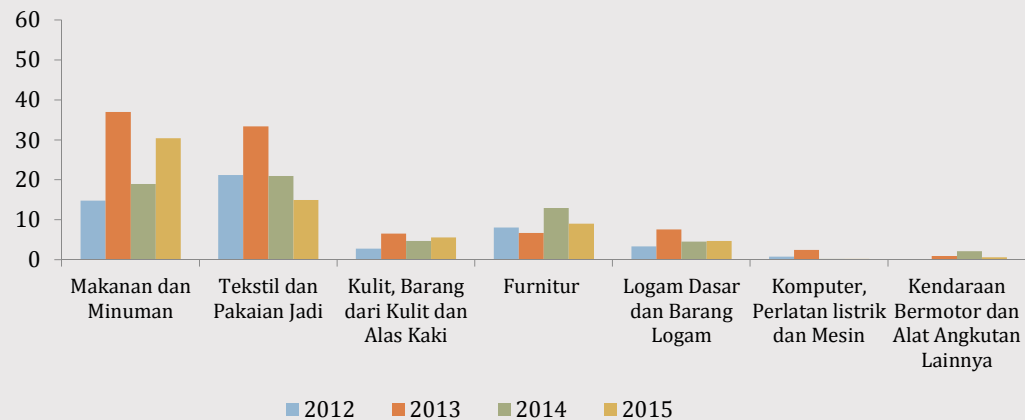
Value Added of Micro Industry
(Trillion Rupiah)



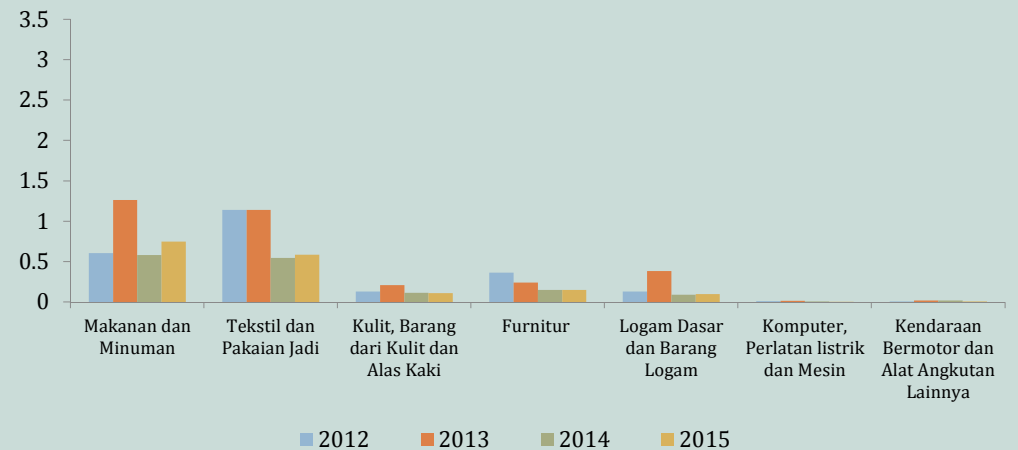
Total Manpower in Micro Industries (Million Workers)



Value Added of Small Industries



Total Manpower in Small Industries (Million Workers)



Source: Indonesia Statistics 2015 and 2016, CBS

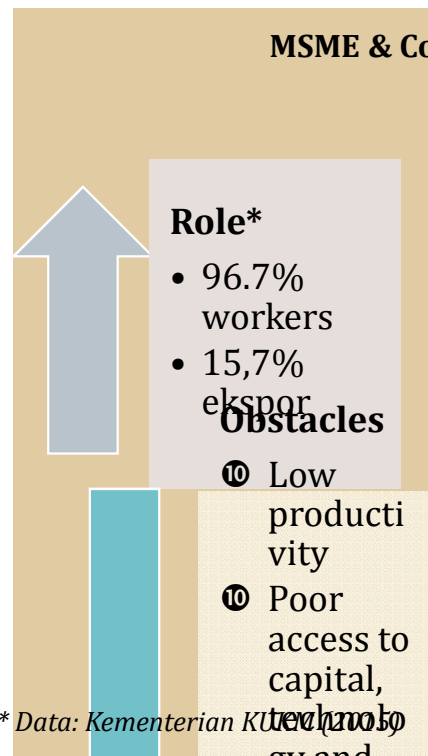


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CHALLENGES AND OBSTACLES

CHALLENGES

- High number of population in productive age compared to job opportunities (114 million)
- Breakthrough is required to create businesses and improve cooperation so as to improve economic growth
- Tighter economic competition encourages SMEs/START UP to improve their businesses



- Huge potential requires supports (government, private sector, and general public)
- Indonesia is a country with the highest number of SMEs in ASEAN



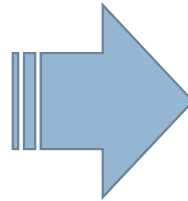
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Jakarta, 25 November 2016

MAIN OBSTACLES IN DOING BUSINESSES

- One of factors that impede SME's development is capital, loan with interest rate
- Interest rate imposed for SMEs and customers compared to cooperatives and large companies, is among the highest compared to those imposed in other countries
- Financial institutions' poor trust toward SMES makes it difficult to obtain loan.
- It is necessary to have a communication in order to connect every partner and stakeholder (incubator agencies: PT, K/L, private sector and other general public) so as to improve SMEs and Start Up as a solution.



	All SMEs (%)
Loan problems	19,9
Raw materials	18,8
Manpower and human resources	17,2
Access to markets	16,7
Sales and distribution	9,7
Licensing	7,5
Managerial training	3,2
Production	3,2
Production technology	2,2
Profits and growth	1,6



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IMPROVING MSMEs' PRODUCTIVITY

MSMEs in
business competition



Key: Productivity
➔ Indicator: Human Resource
Efficiency



1. Improve SMEs' added value
2. Product quality
3. Employees' wages



How to improve SMEs' productivity

That SMEs' improved productivity remains the Government's main agenda in order to improve Indonesia's economic competitiveness.



It is necessary to identify determinants that form SMEs' productivity, so that interventions are more focused and produce optimum results.



Although productivity rate is company's (businesspeople)'s internal issue, but when only SMEs are committed to improve their performance, their productivity will go slow and does not provide optimum result.

GOVERNMENT'S ROLE IN IMPROVING PRODUCTIVITY

- Ideally, productivity improvement is an interaction process between the government as regulator and facilitator, and business society/SMEs.
- Therefore, productivity improvement is an interaction among three determinants

1

Workers' quality, related with educational level, skills and work ethics

2

SME's managerial skills, related with companies' efforts to make innovations, *capital deepening*, improve technological capabilities, remuneration system, and career development.

3

Policy environment, related with government's policies, either directly aimed at manpower issues or provision of incentives in order to facilitate productivity improvement



GOVERNMENT'S SUPPORTS FOR MSMEs

GOVERNMENT'S SUPPORTS FOR SMEs



Easy licensing:

Easy licensing based on Presidential Regulation No. 98 of 2014 concerning Licensing for Micro and Small Enterprises

- ✓ Licenses are granted in the form of a piece of legal script issued by the local government (Kecamatan) for micro and small enterprises
- ✓ Licenses are granted so as to provide legal certainty and empower micro and small enterprises in developing their businesses
- ✓ Empowerment accessible by micro and small enterprises through this business license covers certainty, business protection, business facilitation, easy access to finance, etc.
- ✓ Provision of online business registration system



Improved access to finance:

Improved start-up capital for new businesses

- ✓ Improved micro financial agencies in order to improve professionalism and service coverage for micro businesses and other general public
- ✓ Provision of micro business loan scheme with collateral supports to obtain loans
- ✓ Provision of facilitation/preparation for micro businesses who will apply for business loans with collaterals, and during loan management period
- ✓ Improved capital for new cooperatives in poor areas so as to facilitate micro business development by their members
- ✓ Provision of *start-up capital* for new businesses, which have yet to have access to start up capital to open a new business.

GOVERNMENT'S SUPPORTS FOR SMEs



Improved skills:

Education and training (diklat) for micro business human resources

- ✓ Education and training for micro business in entrepreneurship, technical issues, management, finance and marketing
- ✓ Facilitating improved business skills through education agencies at rural areas
- ✓ Business facilitation through collaboration with private business facilitation agencies/universities



Productivity improvement:

Improvement of micro business centers, particularly in developing leading commodities

- ✓ Productivity improvement through better business system for cooperatives/micro business centers in developing leading commodities, with technology application, access to production facilities, and management facilitation
- ✓ Facilitating network development/business management between cooperatives/micro business centers and large/medium/small business partners



Improved access to market:

Revitalization of people's markets and effective arrangement of street hawkers

- ✓ Revitalization of people's markets managed by cooperatives, including those located in underdeveloped regions, borders and disaster mitigation areas
- ✓ Facilitation of people's market management by cooperatives
- ✓ Facilitated arrangement of informal sellers/street hawkers of micro scales in urban areas and tourist destination areas
- ✓ Facilitated promotion of micro business products in local and tourism events

GOVERNMENT'S SUPPORTS FOR SMEs



Strengthened institution:
Socialization of cooperatives and improved collaboration with civilian communal organizations (social business)

- ✓ Socialization and facilitation on cooperatives for productive business groups which have been established within communities (joint business groups/KUB/KUBE, farmers groups/combined farmers' groups, fishermen groups etc.)
- ✓ Improved collaboration with civilian communal organizations in the form of social businesses in order to improve micro business independence and communities in developing productive businesses and settlement of social problems



*Improved system to support other businesses :
Improved product quality, introduction to export markets, facilitated promotion, supports for access to finance, supports for access to electricity, facilitation for integrated businesses, dissemination on cooperatives*

- ✓ Socialization and technical guidance on brands and Halal certification, particularly for micro business in food and beverage processing industries and drugs/traditional herbs
- ✓ Product exhibition for micro businesses
- ✓ Socialization and export test for micro business through trading house
- ✓ Expansion of *credit rating* to cover micro business so as to improve its access to finance
- ✓ Utilization of microhydro power plant managed by cooperatives
- ✓ Improved integrated facilitation through Integrated Facilitation Center at District/City level
- ✓ Socialization on cooperatives to general public

CLOSING

1. One of external factors, which may affect improvement of SMEs' productivity is the Government.
2. Government's intervention in improving SMEs' performance may improve business climate and relations between business society and community.
3. Conducive business climate will improve SMEs' interests in contributing economic growth, creating employment and reducing gap