

Analysis Of The Impact Of Free Trade On The Development Of Umkm In Indonesia: Literature Study

Tri Wulandari¹, Adelia Cahaya², Yulianus Bassi³

¹Fakultas Ekonomi, Universitas Atma Jaya Makassar, Indonesia

²Fakultas Ekonomi, Universitas Atma Jaya Makassar, Indonesia

³Fakultas Ekonomi, Universitas Atma Jaya Makassar, Indonesia

Corresponding Author: adelch0998@gmail.com

Abstrak. Perdagangan bebas telah membawa dampak signifikan bagi perekonomian global, termasuk bagi pelaku usaha di Indonesia. Usaha Mikro, Kecil, dan Menengah (UMKM) sebagai salah satu sektor ekonomi utama di Indonesia menghadapi tantangan besar dalam menghadapi persaingan yang semakin ketat akibat perdagangan bebas. Penelitian ini bertujuan untuk menganalisis dampak perdagangan bebas terhadap UMKM di Indonesia dengan menggunakan metode tinjauan literatur komprehensif. Data diperoleh dari berbagai sumber seperti buku, jurnal ilmiah, laporan penelitian, dan artikel berita. Hasil penelitian menunjukkan bahwa perdagangan bebas memberikan dampak positif dan negatif terhadap UMKM. Di satu sisi, perdagangan bebas membuka peluang bagi UMKM untuk memperluas pasar dan meningkatkan daya saing. Namun, di sisi lain, UMKM menghadapi berbagai tantangan seperti keterbatasan modal, kurangnya inovasi, serta rendahnya pemahaman tentang pemasaran digital. Untuk dapat bertahan di era perdagangan bebas, UMKM perlu meningkatkan kapasitas dan daya saingnya melalui inovasi, peningkatan kualitas produk, serta pemanfaatan teknologi digital. Penelitian ini memberikan wawasan bagi para pelaku UMKM dan pembuat kebijakan dalam merumuskan strategi yang tepat untuk mendukung pertumbuhan UMKM di tengah persaingan global.

Kata kunci : *pasar bebas, umkm*

1. Introduction

Free trade due to the needs and demands of the world economy has had an impact on all corners of the world, including Indonesia. The issue of free trade has now become a topic of conversation for all circles, not only involving the government as a policymaker but down to the lower middle economic actors. This happens because economic problems concern the life of many people. In the mid-1940s the volume of free trade rose rapidly as countries began to intensively evaluate trade barriers in the form of tariff cuts. As a result, the volume of world trade has increased rapidly because goods move more freely from one country to another (Budi Winarno, 2014).

Abdul Manan (2014) markets and economic conditions in different countries have become interdependent as a result of the growth of international trade, the increasing influence of multinational corporations and the dominance of organizations such as the World Trade Organization (WTO). Based on this situation, economic actors in developing countries such as Indonesia need to adapt and adapt to change.

This study is expected to be able to provide an overview of the impact of free trade on Micro, Small and Medium Enterprises (UMKM) in Indonesia. Another hope of this research is that it will provide enlightenment on how to keep UMKM survive in the midst of increasingly massive and varied free trade.

Research Objectives

This study aims to find out the impact of free trade on UMKM business actors in Indonesia through a literature review. The author will also try to explore information about the efforts of micro, small and medium enterprises (UMKM) economic actors who can help their economic activities stay alive in the midst of the rapid development of free trade.

Research Methods

The method used in this study is a comprehensive literature review method, by exploring information from various sources such as books, articles, reports, and appropriate scientific essays.

Hypothesis

The hypothesis in this study is that free trade through rules that are guidelines around the world has brought positive and negative impacts among economic actors in Indonesia, especially micro, small and medium enterprises (UMKM). Economic activities that continue to survive in the midst of the incessant influence of free trade are the focus of the research to be revealed.

Analisis Bibliography

A. Definition of MSMEs

Micro, Small, and Medium Enterprises (MSMEs) are business activities that can expand employment opportunities and play an important role in the process of equitable distribution and increase people's income, encourage economic growth, and realize national economic stability.

According to Law Number 20, 2008, the general provisions of Micro, Small, and Medium Enterprises (MSMEs) are as follows:

1. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law.
2. Small Business is an independent productive economic enterprise, carried out by an individual or business entity that is not a subsidiary or not a branch of a company owned, controlled, or is part either directly or indirectly of a Medium Business or Large Business that meets the criteria for Small Business as intended in this Law.

3. Medium Enterprises are stand-alone productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or part either directly or indirectly with Small Enterprises or Large Enterprises with total net worth or annual sales proceeds.

Based on wealth and sales proceeds, according to Law Number 20 of 2008 article 6, the criteria for micro businesses are:

1. Have a net worth of at most Rp 50,000,000.00 (fifty million rupiah) excluding land and buildings where the business is located; or
2. It has an annual sales result of at most Rp 300,000,000.00 (three hundred million rupiah).

The criteria for small businesses are as follows:

1. Memiliki kekayaan bersih lebih dari Rp 50.000.000,00 (lima puluh juta rupiah) sampai de Have a net worth of more than Rp 50,000,000.00 (fifty million rupiah) to a maximum of Rp 500,000,000.00 (five hundred million rupiah) excluding land and buildings where the business is located; or
2. only a maximum of Rp 500,000,000.00 (five hundred million rupiah) excluding land and buildings where the business is located; or
3. Have an annual sales result of more than IDR 300,000,000.00 (three hundred million rupiah) to a maximum of IDR 2,500,000,000.00 (two billion five hundred million rupiah). Meanwhile, the criteria for medium enterprises are as follows:
 1. Have a net worth of more than Rp 500,000,000.00 (five hundred million rupiah) to a maximum of Rp 10,000,000,000.00 (ten billion rupiah) excluding land and buildings where the business is located; or
 2. Have an annual sales result of more than Rp 2,500,000,000.00 (two billion five hundred million rupiah) to a maximum of Rp 50,000,000,000.00 (fifty million rupiah).

In other countries or at the world level, there are various different definitions of UMKM that are appropriate according to the characteristics of each country, which are as follows

1. World Bank: SMEs are businesses with a workforce of $\pm$ 30 people, annual revenue of US\$ 3 million and total assets not exceeding US\$ 3 million.
2. In America: SMEs are the non-dominant industry in the sector and employ fewer than 500 people.
3. In Europe: SMEs are businesses with a workforce of 10-40 people and an annual income of 1-2 million Euros, or if there are less than 10 people, categorized as household businesses.
4. In Japan: SMEs are industries engaged in manufacturing and retail/service with a workforce of 54-300 people and a capital of ¥50 million-300 million.
5. In South Korea: SMEs are businesses with a workforce of $\leq$ 300 people and $\leq$ assets of US\$ 60 million.
6. In some Southeast Asia: SMEs are businesses with a total workforce of 1015 people (Thailand), or 5–10 people (Malaysia), or 10-99 people (Singapore), with a capital of $\pm$ US\$ 6 million.

B. MSME Criteria

- a. The criteria for Micro, Small and Medium Enterprises (MSMEs) according to Law Number 20 of 2008 are classified based on the number of assets and turnover owned by a business.
- b. Criteria for Small and Medium Enterprises Based on Development, in addition to the Law, from the perspective of development, Rahmana (2008) groups MSMEs into several criteria, namely: 1) Livelihood Activities, which are Small and Medium Enterprises that are used as employment opportunities to earn a living, which is more commonly known as the informal sector. An example is street vendors. 2) Micro Enterprise, is a Small and Medium Business that has the nature of a craftsman but does not yet have an entrepreneurial nature. 3) Small Dynamic Enterprise, is a Small and Medium Business that already has an entrepreneurial spirit and is able to accept subcontract and export jobs 4) Fast Moving Enterprise, is a Small and Medium Business that already has an entrepreneurial spirit and will transform into a Large Business (UB).

C. Characteristics of MSMEs

The characteristics of MSMEs can be seen with the following explanation:

- a. Micro businesses have a maximum net worth of 50 million rupiah with a maximum sales of 300 million rupiah per year.
- b. Small businesses have a wealth of around 50 million to 500 million rupiah with sales of around 300 million to 2.5 billion rupiah per year.
- c. Medium businesses have a net worth of around 500 million to 10 billion with sales of 2.5 billion to 50 billion per year.
- d. Small businesses are carried out by themselves or employees with a small number.
- e. The type of economic product is not fixed and can change according to conditions.
- f. The location of economic transactions is not fixed and can move around.
- g. The bookkeeping system is not yet standard, because it is still mixed with personal money.
- h. Business policy rules and administrative systems are not clear.
- i. The human resources are inadequate.
- j. Limited capital.
- k. Do not have legality or business license.

D. Advantages of MSMEs

MSMEs are the spearhead of the country's economy because only MSMEs are considered able to survive in the midst of the onslaught of business competition and the nation's economic crisis. Although it can boost the economy, unfortunately there are still problems that are often faced by MSME business actors. As is known, the government has lowered the MSME tax rate by 0.5 percent as a stimulus so that MSME businesses can grow rapidly. However, can this policy suppress the problem of MSMEs that until now still often afflicts business actors? Unfortunately, this policy is not necessarily a solution to the problems faced by business owners. So, so as not to be trapped when running an MSME business.

E. Weaknesses of MSMEs

1. Lack of business capital.
2. Lack of knowledge on how to grow a business.
3. No product innovation
4. Lack of understanding of digital marketing.
5. Manual book keeping

2. Research Methodology

This study uses a comprehensive literature review method to reveal the impact of free trade on MSME activities in Indonesia. The first step is to collect data from various sources, such as scientific papers, scientific journals, books, research reports, news articles, official websites, and from media reports. A systematic review process is carried out to identify trends, key findings, and gaps in previous research. The disclosure of the impact of free trade on MSME activities in Indonesia is carried out by identifying MSME activities since the enactment of free trade, including in Indonesia.

The analysis of the various impacts of free trade on MSME activities in Indonesia is carried out qualitatively by conducting studies from various sources prepared, where the initial hypothesis states that free trade has had a bad impact on the development of MSMEs in Indonesia. Meanwhile, MSMEs that continue to run normally along with the implementation of free trade are also evaluated to get a comparative picture as well as an affirmation of the opinions of previous researchers.

3. Result And Discussion

Micro, Small, and Medium Enterprises (MSMEs) are a category of businesses that have a small scale in terms of the number of assets, turnover, and the number of workers. MSMEs play an important role in a country's economy, especially in creating jobs, encouraging innovation, and developing the local economy. MSMEs can be found in various sectors, ranging from trade, manufacturing, to the service sector. It can be seen with the large number of workers in Indonesia which are very abundant and large businesses are not able to accommodate all job seekers. This is because in general, large companies are relatively capital-intensive and their operational activities rely more on machine power than human labor, while SMEs are relatively labor-intensive. In general, large businesses need workers with high formal education and work experience that is also supportive, while SMEs, especially small businesses, most of the workers are poorly educated. These two reasons make SMEs play an important role in the Indonesian economy both in terms of the number of businesses and in job creation. In terms of exports, SMEs actually also have the potential to increase state revenue from this sector. It's just that this potential has not been utilized optimally due to a lack of knowledge technical for this, in addition to capital constraints which are also a problem for most SMEs in Indonesia.

The existence and strength of SMEs that are able to survive the crisis cannot be doubted. After 1998, Indonesia was hit by a monetary crisis and a global crisis in 2008 in the SME sector, firmly becoming a buffer for the national economy. Where from a qualitative point of view, SMEs have a large number of workers and the people's economic system used makes this business not too affected.

The position of SMEs is very important for the Indonesian economy so it deserves to be protected. Moreover, the position of SMEs which is quite weak compared to the domestic industry adds to the list that SMEs really need protection from the government. From 1966-1998 until now, the government has made many efforts to support the development and growth of SMEs, one of which is by issuing the SME Law and other programs, namely KIK (People's Investment Credit and KMKP (Permanent Working Capital Credit) to KUR (People's Business Credit). However, national data shows that the performance of SMEs in Indonesia is still relatively poor, not only when compared to large businesses but also with SMEs in developed countries.

Muhammad Ilham Darfaz (2023) in his article said that in order to move towards the ASEAN Free Market, there are still many opportunities for MSMEs to reach markets and investment opportunities. In order to take advantage of these opportunities, the biggest challenge for MSMEs in Indonesia facing the ASEAN Free Market is how to determine the right strategy to win the competition. Currently, the export structure of Indonesian MSME products comes from processing industries such as furniture, food and beverages, apparel or garments, wood and rattan industries, for agricultural products, especially plantations and fisheries, while in the mining sector it is still very small (only those related to stones, clay, and sand). In detail, MSME export goods include household appliances, apparel or garments, batik, other finished goods from leather, crafts from wood, gold or silver jewelry, children's toys, wicker, rattan goods, fish processing, furniture, shoes or leather footwear, wood charcoal/shells, snacks and embroidery products. Meanwhile, the raw materials used for MSME production are local raw materials, the rest are imported such as plastic, leather and several chemicals. Then there are several obstacles for MSMEs that are experienced by many developing countries, including Indonesia, such as the problem of lack of raw materials that must be imported from other countries for the production process. In addition, the marketing of goods, capital, energy availability, infrastructure and information are also problems that often arise, including non-physical problems such as high inflation, skills, and rules.

4. Conclusion

Based on this study, it can be concluded that international trade has a significant influence on economic growth in Indonesia. In general, free trade offers various benefits that can be utilized by MSMEs, but on the other hand, it also brings various obstacles that must be overcome in order for MSMEs to compete in the global market. There are several opportunities that can be taken advantage of by MSME actors such as increased access to raw materials and technology, access to international markets and others. But on the other hand, the negative impacts of free trade include a decrease in competitiveness and local social and economic crises. Overall, free trade can be a **great opportunity** for Indonesian MSMEs, but to maximize the benefits, there needs to be supportive policies as well as efforts from the MSMEs themselves to adapt to the changes that occur in the global market.

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Author Contributions

This article was carried out with a team with their respective duties and responsibilities in order to facilitate the preparation and collection of data. Tri Wulandari and Adelia Cahaya were responsible for collecting data, and preparing literature. Meanwhile, Yulianus Bassi plays the role of the author of the report. In the preparation of the research, Bernadeth Tongli, SE., M.Si., Ph.D acted as a supervisor. All authors have read and approved the final version of this article. Work together to ensure the quality and accuracy of this research and make a valuable contribution in the field of family office and social disparity studies.

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Conflicts Of Interest

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