

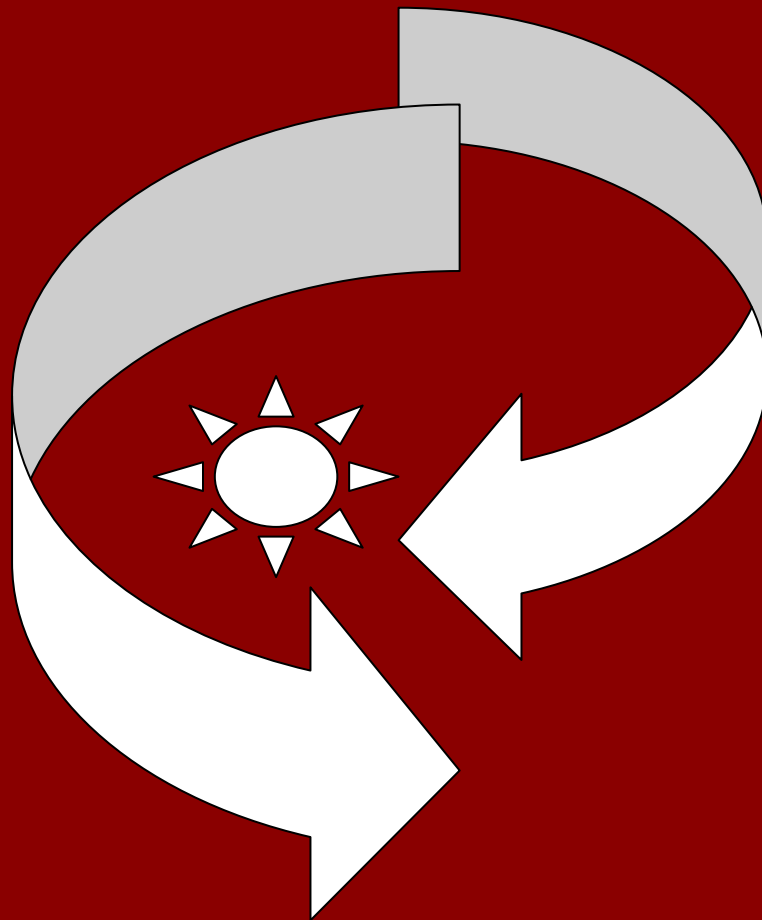
Vol. 9 No. 2 , May - June 2021  
International peer-reviewed journal

ISSN: 2338-4603 (print)  
2355-8520 (online)



# Jurnal Perspektif Pembiayaan dan Pembangunan Daerah

(Journal of Perspectives on Financing and Regional Development)



Master Program in Economics  
Universitas Jambi



## Jurnal

Perspektif Pembiayaan dan  
Pembangunan Daerah

Accreditation Decree (SINTA S2), valid from Vol. 6 No. 2 (September – October 2018) based on the Decree of the Director General of Development and Research Enhancement, Ministry of Research, Technology & Higher Education of the Republic of Indonesia, Number 10/E/KTP/2019

Published by Master Program in Economics, Graduate Program of Jambi University

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# Jurnal Perspektif Pembiayaan dan Pembangunan Daerah (Journal of Perspectives of Financing and Regional Development)

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## Willingness to participate analysis of urban waste management in West Sumatra, Indonesia

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DOI: 10.22437/ppd.v9i2.12119	Received: 17.02.2021	Revised: 30.04.2021	Accepted: 18.05.2021	Published: 30.06.2021
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### Abstract

Waste management shares the same purposes with the Sustainable Development Goals (SDGs) target in 2030. This program encourages all countries to substantially reduce waste through prevention, reduction, recycling, and reuse its waste so that the sustainability of development can be achieved. The success rate of sustainable waste management is largely determined by the participation and behavior of people, households, and citizens in managing their waste. This study analyzes socio-economic factors and the role of social capital in affecting households' willingness to participate in waste management in West Sumatra's urban areas. This study used National Socio-Economic Survey data in the Social Resilience module. The sample in this study is 1011 households spread across the urban areas of West Sumatra. Using logistic regression, this study found that per capita household expenditure, homeownership status, knowledge, and household involvement in mutual cooperation activities to clean up their environment significantly affect the probability of households participating in urban waste management. The relevant policy, such as implementing the 3R concept, namely reduce, reuse, and recycling is needed for the Sustainable Development Goals to be achieved.

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**Keywords:** *Sustainable Development Goals, Waste management, Willingness to participate*

**JEL Classification:** Q50, Q53, Q56

### INTRODUCTION

Waste is one of the environmental issues faced by many countries around the world. Increasing industry, population size, urbanization, and economic growth are factors that cause the emergence of waste in many countries (Dhokhikah & Trihadiningrum, 2012). The increasing number of people living in urban areas contributes to more waste (Ayvaz-Cavdaroglu et al., 2019). In addition to this, demographic and economic factors also have a positive effect on increasing waste in households (Ayvaz-Cavdaroglu et al., 2019)

Higher-income is known to be a factor of households tend to consume food in large quantities. Households create so much rubbish and leftover. The lifestyle of the community also causes an increase in waste. Shopping's habit, which relies on plastic groceries provided by producers, has led to an increase in the production of plastic

waste (Di Talia et al., 2019; Widyaningsih et al., 2015). Furthermore, household leftovers, fresh vegetables, and fruits are the categories of waste most frequently discarded by the community. This condition shows that the higher incomes, the higher amount of waste being produced. In contrast to other studies, it explains no relationship between income and increased waste growth. It is due to the tendency of people with high incomes to spend more at discounted prices to increase consumption at a discount period (Koivupuro et al., 2012).

Increasing the volume of waste by households certainly has a bad impact on the environment and health. So regulation is needed to solve this problem, such as Sustainable Development Goals (SDGs) targets developed by United Nations. Many studies show that one of the ways to achieve Sustainable Development Goals (SDGs) is through prevention, reduction, reuse, and recycling (Andersson & Stage, 2018; Bassi et al., 2017; Das et al., 2019; Gambella et al., 2019; Kaplan Mintz et al., 2019). The research found by (Bergeron 2016; Fuldauer et al., 2019; Gu erin et al., 2018; Margallo et al., 2019; Warunasinghe & Yapa, 2016) said that waste sorting is one strategy where households can prevent, reduce, reuse, and recycle its waste. In sorting waste, households should separate, reuse, and recycle its waste to reduce the volume of waste.

(Union & All, 2019) said that there is no effective way in waste management besides reducing, reusing, and recycling the waste. People who habit of sorting waste can reuse and recycle the organic and inorganic waste, which are economically valuable. This recycling process will have a positive impact on both the economy and also environment. However, research done by (Bassi et al., 2017) shows that there is only a little significant effect between countries recycling their waste on the environment.

Waste sorting carried out by households is based on their knowledge about the social capital of waste management (Vassanadumrongdee & Kittipongvises, 2018). Households that are concern about the environment will tend to do waste sorting. So household's knowledge and awareness about handling waste problems are very important to be applied by the community (Talia et al., 2019). Research conducted by (Vassanadumrongdee & Kittipongvises, 2018) explains that knowledge about the dangers of waste has a positive influence on people's tendencies in sorting waste. The higher the social capital knowledge owned by the community, the higher the desire of the community to sort waste.

Economic and demographic factors are also the determining factors for society in processing household waste. The research described by (Shabanali et al., 2019) states that economic and demographic factors affect household waste management. These factors can be seen from the variables of age, education, and income. On the other hand, the same study (Chung & Yeung, 2019) explained that gender, age, type of house, and income influence individuals in managing waste. Another study (Wang et al., 2018) also explains that education and income significantly affect household waste sorting behavior. Households that have higher income tend to collect and sort waste.

The Indonesian Government supports Sustainable Development Goals (SDGs) through Law number 18 of 2008 and Presidential Decree number 97 of 2017. The government targets a 30% reduction in waste and 70% handling by 2025. Furthermore, other regulations can be seen from the Regulation of the Minister of Environment of the Republic of Indonesia number 13 of 2012 concerning waste processing through waste banks. However, implementation of waste management requires participation from the community, collaboration between the government and the community, the private sector, non-government organizations (NGOs), and the role of fellow community

members in the neighborhood. In this case, the forefront of processing household waste is the community itself.

The Central Bureau of the Statistics Republic of Indonesia records the four dimensions of environment indifferent behavior index, and the waste management dimension has the largest index, 0.72. It shows that Indonesia's indifference to waste management is high (Ketidakpedulian, 2018). West Sumatra is one of the provinces that has a high level of ignorance towards waste management. The community environmental indifference index of West Sumatra towards waste management is 0.74 higher than the national index (BPS, 2018). It explains that community awareness and participation in carrying out household waste management is still low.

Previous research studies have focused more on participation, willingness to pay, and willingness to manage waste. Still, only a few consider the willingness of households to participate (WTPP) in household waste management in urban areas. So this study aims to analyze the effect of socio-economic factors and the role of social capital on household willingness to participate (WTPP) in household waste management in urban areas of West Sumatra.

## LITERATURE REVIEW

Waste management by households is caused by several factors such as social capital, economics, and demographics. Social capital is an important factor in influencing households to carry out waste management. In the context of the urban economy, social capital investment is seen as individual decision-making. Furthermore, social capital investment indicates the opportunity cost of time allocation (Rupasingha et al., 2006). The same argument holds that individuals face a trade-off when deciding to build social capital. To increase the value of social capital, a frequency of interaction between individuals is required. Therefore, spatial centrality is positively related to the formation of social capital. Individuals closer to the city center tend to develop stronger social networks (Patacchini et al., 2015). This framework underlines the importance of spatial proximity in influencing individual decisions in accumulating social capital because it directly affects the cost of investing in social capital (Wood et al., 2008).

Social capital which shows good interaction or networking between social individuals as able to increase knowledge about environment. Through mutual cooperation and community service, we can find this social capital to become a liaison for the community in increasing knowledge about the importance of sorting waste. Household knowledge about the environment significantly affects sorting household waste (Han et al., 2019). The knowledge and awareness owned by the community will help them manage the waste they produce (Shabanali et al., 2019). Other studies also explain that public awareness and knowledge of the use of waste can reduce household waste production (Talia et al., 2019).

Socio-economic and demographic factors affect the desire of the community to process household waste. Some researchers explain that economic factors seen from income have a significant and positive effect on public awareness of the importance of disposing of waste (Dwivedy & Mittal, 2013; Paut Kusturica et al., 2020). Research conducted by (Warunasinghe & Yapa, 2016) stated that socio-economic factors influence the community's desire to manage waste effectively and efficiently. However, it is different from the research described by (Han et al., 2019), which states that income does not affect individual decisions to carry out waste management; even when income increases, the amount of waste also produced increases (Koivupuro et al., 2012).

The role of society in sorting waste can be seen from the results of a research survey (Warunasinghe & Yapa, 2016) which explains that 26% of households do not know about recycling, reuse & waste reduction (recycling, reuse & reduction). However, 96% of respondents agreed to cooperate & participate in the waste management program. However, when asked about their habits in waste management, as many as 48% of households did not separate their waste between organic and inorganic waste before dumping it into the bank waste, while only 26% of households did compost of waste (Warunasinghe & Yapa, 2016).

In line with this, cultural and habitual factors also influence household waste production. Whether people are accustomed to recycling or minimizing their waste in every household activity (Chung & Yeung, 2019), communities with a habit of recycling can take advantage of organic and inorganic waste with economic value. The community can reuse this recycling process because it will positively impact the environment when people recycle the waste it produces. Waste management with a recycling process provides clear environmental benefits when the waste is recycled, especially when it is converted into quality materials. However (Bassi et al., 2017) found that there is the little significant effect between countries recycling their waste and the environment

An area must have a strategy to prevent the use of plastic waste and encourage the reuse of waste generated by households. It can be achieved if the strategy established involves all levels of society. An increase in population leads to an increase in household consumption and waste (Fuldauer et al., 2019). So the authors need to research important factors that encourage people to participate in processing household waste.

**METHOD**

**Data and Sample**

This study is quantitative. The data used is secondary data that is cross-sectional from the National Socio-Economic Survey (SUSENAS) on Social Resilience Module in 2017. The sample chosen was households in the West Sumatra region. The total of households in urban and rural areas is 2,511 households. However, households that will be used in this study are households in urban areas, so that the total sample of urban areas used in this study is 1,011, where the percentage of households in urban areas is 40.26 percent of the total households in West Sumatra.

**Empirical model**

The logit model is used to analyze the effect of socio-economic factors and the role of social capital on the willingness of households to participate in waste management in urban West Sumatra. The estimation results of the logit model have a dichotomous or binary character. The main variable used in this study is the per capita income of the household. Meanwhile, the binary dependent variable is households willing to sort waste or do not sort the waste in the household. While willingness to participate in household waste management includes waste separation, recycling, and composting of waste.

$$\ln \left( \frac{P_i(Y_i=1)}{(1-P_i)(Y_i=1)} \right) = BX \dots\dots\dots (1)$$

where: willingness (W) = BX

$$\ln \left( \frac{P}{1-P} \right) = \beta_0 + \beta_1 V\_SosEko + \beta_2 V\_ModSos + e \dots\dots\dots (2)$$

Where: P is the probability of  $Y_i$ ,  $Y_i = 1$ , if the respondent wants to participate (Willingness to Participate / WTPP) in waste management,  $Y_i = 0$ , others,  $\beta_0$  is a constant,  $\beta_i$  is the coefficient of the independent variable;  $V\_SosEko$  is a vector of household social and economic characteristics such as (household income, level of household education, number of household members, age of household head, and household head's level of knowledge regarding household waste processing methods while  $V\_ModSos$  is a vector of characteristics of community social capital in the neighborhood where the household lives include mutual trust between residents, a sense of togetherness and a sense of concern among residents, the leadership of the RT head and e are error terms.

Based on Equation 2, the first difference of the equation can be seen in the following equation:

$$WTPP_i = \beta_0 + \beta_1 V\_SosEko + \beta_2 V\_ModSos + e \dots\dots\dots (3)$$

Where: WTPP is Willingness to Participate, so in detail, it can be reduced to the following equation:

$$WTPP_i = \beta_0 + \beta_1 HH_{Income} + \beta_2 HH_{Size} + \beta_3 Sex_{KRT} + \beta_4 Age_{KRT} + \beta_5 D\_Workformal + \beta_6 Edu_{KRT} + \beta_7 Housestat + \beta_7 Know_{envi} + \beta_8 D\_goro + e \dots\dots\dots (4)$$

Equation 4 explains the value of the dummy dependent variable  $Y = 1$  is a household that does waste sorting, while the variable  $Y = 0$  is a household that does not sort household waste.

**Operational definition of variables**

The definition of each variable in Equation 4 can be explained in Table 1.

**Table 1.** Operational definition of variables

Variable	Symbol	Size	Information
Willingness to Participate	WTPP	1	Willing to participate
		0	Willing not to participate
<b>Household characteristics vector</b>			
Income per capita	pce_pctile		Per capita household expenditure category measured by a Likert scale
Household size	hhsiz		Number of household members who live in the same house (people)
Head's gender	sex_krt		The sex of the head of the household
Age	age_krt		Age of Head of Household
Work status	Workformal	1	Work in the formal sector
		0	Work in Informal sector
Education	edu_krt2		Level education of household's head
Homeownership	housestat	1	Private house
		0	Rent house
Knowledge about environment	know_envi	1	Knowing about the household waste management
		0	Not Knowing about the household waste management
Community Service	d_goro	0	Do not participate in community service



Variable	Symbol	Size	Information
Participation		1	Participate in community service
			Household environmental conditions based on the level of security
Environmental Safety Conditions	d_soscap1	0	Don't worry about parking your vehicle outside your home (bicycle, motorbike, car)
		1	Worry about parking your vehicle outside your home (bicycle, motorbike, car)
	d_soscap2	0	Don't worry about leaving your house unoccupied
		1	Worry about leaving your house unoccupied
	d_soscap3	0	Not implementing the mandatory report for comer
		1	Implementing the mandatory report for comer

## RESULTS AND DISCUSSION

### Descriptive analysis

The number of observations in urban areas is 1010 observations. Of this total, 294 households did waste sorting, while 717 households did not sort their waste. This number illustrates that households still lack the desire to sort their waste

Furthermore, in Table 2, we can see the differences between households willing to do waste sorting in urban and rural areas. Households that always carry out waste processing are larger in urban areas than in rural areas. It is due to the awareness of people living in urban areas to sort their waste is greater than that of rural areas. Lifestyle in urban areas with a greater level of consumption results in more waste. It encourages urban communities to sort their waste (Shabanali et al., 2019) by 8.61 percent compared to rural areas that are only 6.67 percent. In addition, (Hoornweg & Bhada-Tata, 2012) explained that the increasing population growth in urban areas has resulted in an increase in waste in urban areas so that urban people are encouraged to sort its waste.

**Table 2.** Household habits of sorting waste

Household habits of sorting waste	Urban	Rural	Total
Always	8.61	6.67	7.45
Frequent	7.52	7.07	7.25
Sometimes	12.96	15.93	14.74
Never	70.92	70.33	70.57
Total	100	100	100

In this research, the variables used to see the probability of a household doing waste sorting is the income per capita, number of family members, sex of the head of the household, age of the head of the household, working in the formal sector, education of the head of the household, Homeownership, knowledge of the environment and participation of mutual cooperation.

**Tabel 3.** Descriptive statistic

Variable	Obs	Mean	Std.Dev.	Min	Max
Sorting waste	1011	0.290801	0.454357	0	1
pce_pctile	1011	2.998022	1.415612	1	5
hhsiz	1011	4.007913	1.800972	1	13
sex_krt	1011	0.820969	0.383568	0	1
age_krt	1011	48.42038	13.08655	16	97
edu_krt2	1011	0.532146	0.499213	0	1
workformal	1011	0.345203	0.47567	0	1
housestat	1011	0.658754	0.474363	0	1
know_envi	1011	0.547972	0.49794	0	1
d_goro	1011	0.274975	0.446723	0	1
d_soscap1	1011	0.242334	0.428708	0	1
d_soscap2	1011	0.317507	0.465737	0	1
d_soscap3	1011	0.478734	0.499795	0	1

The independent variable used in this study is expenditure per capita as measured by a Likert scale with a minimum value of 1 and a maximum of 5. In addition, the largest number of household members in the household is 13 people, with the minimum number being 1 person. In the table above, as many as 82.09 percent of household heads are male, and the rest are female. In addition to this, the age of the head of the household and education is the most important variable in seeing the relationship to the probability of sorting waste.

The work status of the head of the household uses a dummy variable where the value of 0 is the head of the household who works in the informal sector and the value of 1 is the head of the household who works in the formal sector. The number of household heads who work in the formal sector is 349 observations and 662 observations who work in the informal sector. The next variable is home status. Home status variables are measured using dummy variables. Households that own private homes are 1, and households that don't personally own homes are 0.

Household knowledge variables regarding waste management were also used in this study. The measurement of this variable uses a dummy variable where the value is 1 if the household knows how to properly manage waste and 0 if the household does not know or does not care about waste management properly. Furthermore, the participation of households in mutual cooperation was also used in this study by using a dummy variable with a value of 1 if the household participates in mutual cooperation while has a value of 0 if the household does not participate in a mutual participation. From the observations, 278 observations participated in mutual cooperation in the neighborhood, while 733 observations did not do mutual cooperation. The last variable used in this study is the environmental safety conditions which are divided into three parts. The first part is the dummy variable of the desire to park the vehicle outside the house. The second part is the dummy variable of leaving the house unoccupied. The third part is the dummy variable that is obliged to report the arrival of guests or comers.

**Willingness to participate analysis of household waste management**

This study analyses the effect of socio-economic factors and the role of social capital in the community on the willingness of households to participate (WTPP) of household waste management in urban areas of West Sumatra. The results of the analysis using the Logit model can be explained using table 3 below.

**Table 3.** Willingness to Participate/WTP about waste management

Variable	Odds Ratio	Std.Err	z	P > z
pce_pctile (per capita expenditure)				
2	1.32	.32	1.15	0.251
3	1.53*	.37	1.75	0.080
4	1.83**	.46	2.37	0.018
5	2.07***	.56	2.69	0.007
Household member	1.03	.04	0.73	0.466
The sex of the head of the household	1.11	.22	0.52	0.606
Age of the head of household	.99	.00	-1.29	0.197
Education of household	.92	.15	-0.47	0.635
Working in the formal sector	1.28	.20	1.57	0.117
Home status	2.35***	.41	4.83	0.000
The knowledge about the environment	1.46***	.21	2.60	0.009
Participation of mutual cooperation	1.65***	.25	3.22	0.001
Number of obs		1011		
Prob > chi2		61.79		
Pseudo R2		0.0000		
Log-likelihood		0.0507		

\*\*\*Significant at  $\alpha=1\%$ , \*\*Significant at  $\alpha=5\%$ , \*Significant at  $\alpha=10\%$

The estimation result shows that the dummy variable for household category pce 3 has a significant and positive effect on the willingness of households to participate (WTPP) in household waste management in urban areas in West Sumatra. Based on the odds ratio, households at the 60 percent per capita expenditure group (pce 3) have a 1.53 times greater chance of carrying out waste management than the lowest 20 percent per capita expenditure group (the poorest). Suppose you look at the household expenditure group per capita. In that case, 80 percent (pce 4), and households with more than 20 percent per capita expenditure group (pce 5), also have a significant and positive influence on household waste management participation in urban areas of West Sumatra. The results of this study are in line with research conducted by (Han et al., 2019; Mukherji et al., 2016; Song et al., 2016; Triguero & Cuerva, 2016; Wang et al., 2018). They explained that income influences individual behavior to be willing to do waste sorting.

Furthermore (Dwivedy & Mittal, 2013; Paut Kusturica et al., 2020) also did the same research. He found that the higher the per capita expenditure in the household, the higher the probability of the household participating in processing waste, and then income has a significant and positive relationship with willingness to dispose of waste. However, the opposite was found by (Han et al., 2019), who stated that there was no significant correlation between income and willingness to manage waste. Waste sorting was used as a management category.

Households with high incomes tend to have a high level of knowledge and awareness of waste management. (Islam et al., 2016) found that the level of education or knowledge about waste management affects households in managing their waste. These results are also supported by research conducted by (Atinkut et al., 2020; Han et al., 2019; Song et al., 2016; Zhang & Zhao, 2019) which states that knowledge of the environment is a socio-economic factor that has an important influence on the public's willingness to participate in waste management. It is in line with the result of our study. Households that know the environment have a 1.46 times greater chance than households with less knowledge of the environment

Households who own a home have a 2.35 times greater chance of being willing to process waste than households contracting. It is in line with the research done by (Chung & Yeung, 2019), who found that households that own a house with private ownership are willing to tackle waste in the environment around where they live. Similar research results are also explained by (Afroz et al., 2013; Martínez-Peña et al., 2013; Song et al., 2016; Wang et al., 2018), households that have private homes have more influence on waste sorting compared to households living on a rent house

The last variable that has a significant and positive effect on household willingness to participate (Willingness to Participate / WTPP) in household waste management in urban areas of West Sumatra is the participation of mutual cooperation. Households that actively participate in mutual cooperation have a 1.65 times greater chance of processing household waste than households that rarely participate in community service work. The participation of household members in mutual cooperation encourages households to love the environment more and choose to manage waste. It is because mutual cooperation is one of the activities that can improve the cleanliness of the environment around the residence.

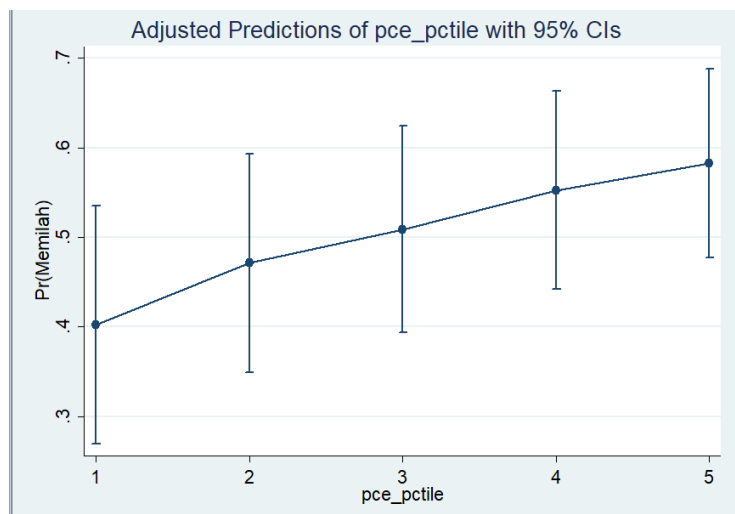


Figure 1. Adjusted Predictions of Expenditure per capita

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

Economic activities by households produce waste (Barr, 2007). Then many countries include Indonesia, has tried to implement Sustainable Development Goals (SDGs) through prevention, reduction, reuse, and recycling (Andersson & Stage, 2018; Bassi et al., 2017; Das et al., 2019; Gambella et al., 2019; Kaplan Mintz et al., 2019). So this study aims to analyze the effect of socio-economic factors and the role of social capital on household willingness to participate (WTPP) in household waste management in urban areas of West Sumatra.

Based on the results of the research, it can be concluded as follows. First, an increase in per capita income in the household can increase the opportunity for households to be willing to sort household waste. The household group with a higher per capita income was more likely to sort household waste than the household group with a lower per capita income. Second, households with private homeownership status are willing to participate in sorting waste in their neighborhoods. Households with

private ownership status tend to stay in the neighborhood for a long time. Their chances of participating in managing household waste are higher than households who live in rented houses. Furthermore, households who own a house with a private status tend to want to have a cleaner environment to pay more attention to waste management.

Third, household knowledge about the environment increases household opportunities to sort household waste. Households who know the dangers of waste and are aware of the importance of environmental hygiene will manage household waste. So that by having good knowledge about the environment it will encourage a better environment in the future. The last, the participation of households in participating in community service activities in the neighborhood increases the opportunities for households to sort waste. Participating in mutual cooperation encourages households to love the environment more and choose to manage household waste.

### Recommendations

The government and local communities are expected to encourage people to care for the environment by sorting household waste. One of the policy recommendations needed is implementing policies known as the 3R concept, namely reducing, reusing, and recycling. In addition, urban waste management policies also need to involve the community and agencies related to the environment. On the other hand, the local government also conducts evaluation and monitoring of the local community to promote love for the environment.

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## Competitiveness and export development strategy for Indonesia's creative economy sector in the ASEAN market

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DOI: 10.22437/ppd.v9i2.11832	Received: 23.01.2021	Revised: 28.04.2021	Accepted: 18.06.2021	Published: 30.06.2021
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### Abstract

The main objectives of this study are (1) to analyze the competitiveness of Indonesian exports in the ASEAN market (2) to formulate a strategy that will be able to support the export competitiveness of Indonesia's creative economy. Revealed Comparative Advantage, Acceleration Ratio, Export Competitiveness Index, and SWOT analysis (to determine a creative economy export development strategy using quantitative) were used as analysis tools. This study focused on examining the subsectors of architecture, movies, animation and video, craft, culinary, music, fashion, publishing, and art. Based on the results, we conclude that all subsectors have export competitiveness in the ASEAN market. Among them, craft and culinary appear as subsectors with strong competitiveness and meet all the analysis criteria. The results also show that SO strategy (growth) could be chosen to develop the creative economy.

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**Keywords:** ASEAN, Creative economy, Export competitiveness, SWOT analysis

**JEL Classification:** L53, M21, O10

### INTRODUCTION

Economic growth is one of the most important indicators in measuring the national economy of a country. Exports are one indicator that can be used to trigger economic growth. Salvatore (2014) states that exports can be an engine of growth. Many studies prove that exports have become an essential part of the government's efforts to spur economic growth (Nushiwat, 2008; Sumiarty, 2015; Ibrahim & Abdalla, 2020; Kollie, 2020; Akter & Bulbul, 2017; Athanasia & Trevor, 2020, Kim et al. 2020; Adalakun & Olayiwola, 2020; Herzer, 2010; Sannasse et al. 2014)

Indonesia is one of the countries that continue to encourage exports. Historically, until 1986, Indonesia still relied on its exports to the oil sector. This is a phenomenon in Indonesia. Due to the downward trend in oil prices, Indonesia has changed its export orientation to non-oil and gas exports. Since 1987, Indonesia's exports were dominated by non-oil and gas exports.

Theoretically, the development of exports is affected by various factors, both domestic and overseas. From 2010 to 2015, Indonesia's non-oil and gas exports continuously declined (BPS, 2016). Some of the influencing factors include the economic crisis in America and Europe, unstable global market conditions, and increased production costs due to price increases that are thought to have contributed to the decline in non-oil and gas exports.



To overcome the decline of exports, the Indonesian government has launched a breakthrough by encouraging the creative industry to appear as a mainstay of Indonesian exports. The government has launched “a Creative Economy Program”. The program is expected to become “a backbone” of the Indonesian economy. Unlike other highly dependent sectors on natural resource exploitation, creative economy rests on human resources optimization. The creative economy is believed to positively impact forming the new image and identity of the nation, increasing competitive advantage, and providing a positive social impact (Agung, 2014).

The development of an export-based creative economy, as well as the human resource based on science and technology, has great potential to encourage the re-growth of the Indonesian economy (Maimuna, 2017). Exports creative economy showed an increase from year on year (Table 1). During the period 2010 to 2015, the export value of the creative economy continued to increase. The largest increase occurred in 2014, amounting to US \$ 19,364 million (Romarina, 2016).

The role of the creative economy in Indonesia's non-oil and gas exports is very promising. During this period, Indonesia's total exports grew by an average of 11.56% and 9.63%, respectively. These encouraging conditions will continue into 2020. In the first quarter, creative industry exports have grown by 17.05 percent (Subagja, 2017). This development is expected to offset the decline in the export contribution of other commodities that have shown a relative decline during the era of the COVID-19 pandemic (BEKRAF, 2020).

**Table 1.** The export value of the Indonesian creative economy and Indonesia total exports in 2010- 2015

Description		2010	2011	2012	2013	2014	2015
Export value	Ecraft (million US \$)	13507	15641	15840	15871	18165	19364
	Total exports (sales of US \$)	157779	203497	190020	182551	175980	150366
Craft Export	For non-oil exports (%)	10.41	9.65	10.09	10.59	12.45	14.69
	For Export Total (%)	8.56	7.69	8.13	8.69	10.32	12.88
Changes in Exports	Ecraft (%)	-	15.8	-1.29	2,79	14.46	6.6
	Total Exports (%)	-	28.98	-6.62	-3.93	-3.6	-14.55

Source: BEKRAF and BPS. (2017)

The creative economy industry does not have a singular definition. The concept will continue to develop as long as there is an interaction between human creativity and intellectual, knowledge and technology. The question that appeared is "what can be the determining factor in increasing human creativity in the creative economy?". One of the factors affecting the export is competitiveness. This is becoming increasingly important considering the competition in the international market, including the ASEAN market, will be tighter.

ASEAN Economic Community (AEC) can threaten business actors if an increase in competitiveness does not accompany it. Moreover, the Indonesian market could also come under attack from foreign products. This will also cause high competition in the creative economy trade in the future. This topic is important to discuss so that the export of creative industries can become one of the mainstays of Indonesia's exports. The main objectives of this study are (1) to analyze the development of exports of the creative economy in the ASEAN market, competitive conditions, and the position of creative economy subsectors Indonesia, (2) to formulate a strategy that will be able to support the export competitiveness of Indonesia's creative economy.

## LITERATURE REVIEW

As a variable forming GDP, exports occupy an important position in the national economy (Haryadi, 2014). countries in the world in an open economy rely heavily on

exports to improve the economy (Zuhdi & Suharno, 2015). Greenaway et al. (1999) examined the relationship between exports and economic growth of 69 developing countries. The results showed that there is a positive relationship between total exports and economic growth.

Various kinds of literature state that the foreign exchange rate, inflation, GDP of the destination country, the income of the destination country. Apart from these factors, government policies are also very much needed. In other literary sources, it is also stated that to encourage exports, a country must have competitiveness, and its products must have advantages compared to products of other countries. With these advantages, domestic products will be able to compete with products from other countries. Research by Amalia & Firdaus (2014), Fadhlan & Suharno (2015), Purnamasari et al. (2014). Polnaya & Darwanto (2015) prove that competitiveness has a positive effect on a country's exports.

The discussion regarding the concept of competitiveness cannot be separated from the evolution of the competitiveness theory itself. At first, the theory of competitiveness specifically discusses the ability of a company to survive in a dynamic market. The theory of competitiveness at the company level in a country develops into a competitiveness concept between countries. According to Heckscher-Ohlin (Haryadi, 2014), the factors of production that are generally categorized as land, labor, and capital are too general to show competitive advantages in the strategies of different industries. Another competitiveness theory is Porter's theory of competitive advantage. Porter & Ramirez-Vallejo (2017) stated that comparative advantage could be found at the company and national levels. There are four things in building the advantages of a country described by Porter as a diamond-shaped scheme, namely the condition of factors such as skilled personnel and infrastructure, conditions of domestic demand and quality demands for certain industrial products, the existence of competitive and supporting competitive industries, and strategy, structure, and competition between companies. In addition, there is a significant correlation with the variable role of government in creating a competitive advantage.

A strategy is needed to develop competitiveness. The SWOT (Strength-Weakness-Opportunity-Thread) matrix can be used as a tool to determine strategies in developing competitiveness. This matrix is an important matching tool to help managers develop four strategies (Purwanto, 2008). The types of strategies referred to are: 1). SO (Strengths Opportunities) strategy is a strategy that the company uses by utilizing or optimizing its strengths (S) to take advantage of various opportunities / Opportunities (O). 2). WO (Weaknesses Opportunities) strategy is a strategy that the company uses to minimize the existing weaknesses / Weaknesses (W) to take advantage of opportunities/Opportunities (O). 3). ST (Strengths Threats) strategy is a strategy that companies use by utilizing or optimizing their Strengths (S) to reduce the various threats / Threats (T) that may surround the company. 4). WT (Weaknesses Threats) strategy is a strategy used to reduce weaknesses (W) to minimize or avoid threats / Threats (T).

Furthermore, Howkins (2001) stated that the emergence of a new economic wave based on creativity after seeing in 1997 the United States produced US \$ 414 billion worth of Intellectual Property Rights (IPR) products, making IPR the number one export item in the United States. In Indonesia itself, the development of the creative economy began in 2006 when President Susilo Bambang Yudhoyono instructed the sector's development (Dellyana et al. (2015).

This development process was first manifested by establishing the Indonesian Design Power by the Ministry of Trade to help develop the creative economy in Indonesia. In 2007, the Indonesian Creative Industry Contribution Mapping Study was

launched at the Indonesia Trade Expo. This success then results in the establishment of BEKRAF by President Joko Widodo in 2015 (Rambatan, 2015). The creative economy in Indonesia is currently in the spotlight because it contributes significantly to the economy in Indonesia. Based on BEKRAF data, the contribution of the creative economy to Indonesia's 2017 gross domestic product is 7.28%.

**METHODS**

This study uses secondary data (time series data). Those data are obtained from Ekraf (Creative Economy Bureau), the United Nations Commodity and Trade Database (UNComtrade), and the previous studies 2010-2019.

To gauge a level of competitiveness, Revealed Competitive Advantage (RCA) had been used. The greater the coefficient of the RCA index for a commodity, the stronger its competitiveness. It means that these subsectors are feasible to be developed, or the country must specialize in the sub-sectors to compete in the ASEAN market. The formula used is:

$$RCA\ index = \frac{X_{ij}/A_i}{X_{tj}/A_t} \dots\dots\dots(1)$$

Where: Xij = The value of exports subsector i j countries to the ASEAN market  
 X<sub>tj</sub> = j country's total export value to ASEAN market  
 A<sub>i</sub> = Value of ASEAN exports to the sub-sector i  
 A<sub>t</sub> = total export value of ASEAN  
 i = Subsector studied creative economy

To measure the size of the market, we use the formula namely (AR). If AR is close to or more than one, it means that the subsector of these countries can size the market. Vice versa, if AR is less than zero or close to -1, it means nothing to grab market share suppliers so that the state can not seize the market (Muslim, 2006). Mathematically, AR can be formulated as follows:

$$AR = \frac{Trend\ X_{ij}+100}{Trend\ X_{ib}+100} \dots\dots\dots(2)$$

Where: Xij = Value of export subsectors i country j into ASEAN market  
 X<sub>ib</sub> = Value of ASEAN exports to the sub-sector i  
 i = Subsector studied creative economy

Analysis of export competitiveness index (ECI) has been used in measuring a trend of competitiveness. If the value of ECI is a subsector is greater than one (the value of ECI > 1), the sub-sector is facing an increasing competitiveness trend in the ASEAN market, whereas if the value is smaller than the ECI (ECI value <1) (Muslim,2006). ECI can be formulated as follows:

$$ECI = \frac{\left(\frac{X_{ij}}{A_i}\right)_t}{\left(\frac{X_{ij}}{A_t}\right)_{t-1}} \dots\dots\dots(3)$$

Where: Xij = The value of exports subsector i countries j to the ASEAN market  
 A<sub>i</sub> = Value of ASEAN exports to the sub-sector i  
 t = Year 2010-2015  
 t-1 = previous year  
 i = Subsector studied creative economy

The results of the three analyzes will be grouped into two categories (subsectors are competitive and not competitive).

**Table 2.** Grouping matrix subsector creative economy competitiveness

RCA	Criteria		Criterion
	AR	ECI	
More than 1	More than 0	More than 1	Competitive Strong
More than 1	More than 0	Less than 1	Competitive
More than 1	Less than 0	More than 1	Competitive
Less than 1	More than 0	More than 1	Competitive
More than 1	Less than 0	Less than 1	Not Competitive
Less than 1	More than 0	Less than 1	Not Competitive
Less than 1	Less than 0	More than 1	Not Competitive
Less than 1	Less than 0	Less than 1	Very Not Competitive

**Analysis strengths, weaknesses, opportunities, threats (SWOT)**

SWOT analysis is used to identify various factors that systematically formulate a company's strategy to be able to compare external factors, opportunities, and threats to the strengths and weaknesses of internal factors. Internal and external factors are included in the IFAS and EFAS matrices (Rangkuti, 2016). After the matrix of internal factors and external strategies is completed, the creative economy can be developed quantitatively through SWOT analysis calculations.

The calculation is carried out in several stages, namely:

1. Give each factor weight in column a, from 1.0 (very important) to 0.0 (not important). The way to determine the weight of each indicator from internal and external factors is by using a priority scale starting from 4 (very important), 3 (important), 4 (quite important), and 1 (not important) on positive variables. In contrast, the negative variables were given the opposite value, namely 1 (very important), 2 (important), 3 (quite important), and 4 (not important). Then multiply the value of the priority scale (SP) by a constant (K). The determination of the constant value is based on the highest value, which is 4, with the assumption that all indicators are considered good. Each value of SP x K is divided by the total value of SP x K to get the weighted value.
2. Give a rating (in column b) for each factor by giving a scale ranging from 4 (very good) to 1 (below average). The rating for the strength and opportunity factor is positive (the greater the strength and opportunity is rated 4, but if the strength and opportunity are small, it is rated 1). Weakness and threat rankings are the opposite. For example, if the score for weaknesses and threats is very high, then the rating is 1, and if the weaknesses and threats are low, then the rating is 4.
3. Multiply the weight in column a by the rating in column b to get a score (c) for each factor.
4. By subtracting the number of factors S and W and factors O and T, the resulting difference between factors S and W then becomes a value or point on the X-axis. At the same time, the difference between factors O and T becomes a value or point on the Y-axis.
5. Look for the creative economy sector position indicated by dots (x, y) in the SWOT quadrant/diagram as a strategy determination.

**RESULTS AND DISCUSSION**

**The competitiveness of creative economy subsectors Indonesia in the ASEAN market**

Table 3 shows that all sub-sectors meet the criteria for being a competitive sector. However, among all sectors, craft and culinary meet the criteria as a strong competitive

creative industry. This indication is shown by fulfilling the three analysis criteria (RCA, AR, and ECI). This finding is in line with Rosnawintang (2015), which states that the Indonesian food and beverage industry products have a level of competitiveness that tends to fluctuate, bread and cake products have the highest competitiveness, the highest competitiveness value of these products is in Vietnam. Based on these findings, this commodity is very necessary and is a top priority that needs to be developed in the ASEAN market. Meanwhile, architecture, film, animation, and video, music, fashion, publishing, and fine arts meet only two of the three competitiveness criteria. This group still needs to be developed but occupies the second priority to be developed.

**Table 3.** Grouping matrix of the subsector of Indonesian creative economy competitiveness in the ASEAN Market

No.	subsector	RCA	AR	ECI	Criteria
1	Architecture	0.940	0.922	3.027	Competitive
		Less than 1	More than 0	More than 1	
2	Film, Animation and Video	0,017	3.404	2.791	Competitive
		Less than 1	More than 0	More than 1	
3	Craft	1.49	1.097	1.109	Competitive Strong
		More than 1	More than 0	More than 1	
4	Culinary	1.335	1.073	1,071	Competitive Strong
		More than 1	More than 0	More than 1	
5	Music	0.023	1.267	1.222	Competitive
		Less than 1	More than 0	More than 1	
6	Fashion	2.295	0.964	0.965	Competitive
		More than 1	More than 0	Less than 1	
7	Publishing	0.205	1,287	1.292	Competitive
		Less than 1	More than 0	More than 1	
8	Art	1.196	0.926	0.936	Competitive
		More than 1	More than 0	Less than 1	

Source: UNComtrade (processed), 2017

**Prioritization strategies that support the export competitiveness of the creative economy sector**

Mapping priority creative economy development strategies in Indonesia to support the increased competitiveness of exports is carried out by using factor analysis of the Internal and External Factors, namely IFAS and EFAS. Once the internal and external strategy matrix is finalized, the creative economy can be developed quantitatively through calculation Quantitative SWOT analysis.

Table 4 shows the results of determining the weight of the internal factors of the creative economy. As shown in Table 4, abundant natural resources and local raw materials have the highest weight because these factors are a priority scale for the development of the creative economy. It means that this subsector is a very important force in advancing the creative economy. Meanwhile, the biggest weaknesses in the creative economy are: there is still an assumption that the creative economy sector is not a promising place to work, and there is still weak product design both in terms of quantity and quality.

**Table 4.** Determining the weight of internal factors of the creative economy

Internal factors		Scale	Cons-	SP x K	Weight
No.	Strength	Priority (SP)	tants (K)		
1	Potential residents and population	3	4	12	0.10
2	Rich culture and heritage	3	4	12	0.10
3	Abundant natural resources and attractive	4	4	16	0.13
4	Creative economy in all regions of the country	3	4	12	0.10
5	Most creative industrial raw materials instead of imported, but it comes from a local	4	4	16	0.13
No. Weakness					
1	Weak in product design, both in number and quality of job design	3	4	12	0.10
2	Weak in product commercialization	2	4	8	0.07
3	Lack of understanding of the production and business management	2	4	8	0.07
4	Work ethic and productivity are still lacking	1	4	4	0.03
5	Considers that the creative economy is not the place promising career	4	4	16	0.13
6	Lack of creative economy development movement that touches the lower level and a new stage of discourse	1	4	4	0.03
Total SP x K				120	1.00

Table 5 shows the simulation results of calculations using the creative economy subsector IFAS matrix. From Table 5, it can be seen that the score for the strength factor is 1.78, and the score for the weakness factor is 0.60. Based on this table, it can be interpreted that the strengths in the development of Indonesia's creative economy are higher than the weaknesses they have. Quantitatively, the difference is 1.18.

**Table 5.** Internal matrix factor analysis summary (IFAs) sectors of the creative economy

Internal factors		Weight	rating	Score
No	Strength			
1	Potential residents and population	0.10	4	0.4
2	Rich culture and heritage	0.10	3	0.3
3	Abundant natural resources and attractive	0.13	4	0.52
4	Creative industries are scattered in various regions of the country	0.10	3	0.30
5	Most creative industrial raw materials instead of imported, but it comes from a local	0.13	2	0.26
Total				1.78
No Weakness				
1	Weak in product design, both in number and quality of job design	0.10	1	0.10
2	Weak in product commercialization	0.07	2	0.14
3	Lack of understanding of the production and business management	0.07	2	0.14
4	Work ethic and productivity are still lacking	0.03	1	0.03
5	Considers that the creative economy is not the place promising career	0.13	1	0.13
6	Lack of creative economy development movement that touches the lower level and a new stage of discourse	0.03	2	0.06
Total				0.60
Difference Total Strength with Weakness				1.18

Table 6 shows the results of determining the weight of the creative economy internal factors. As shown in Table 6, the growing trend in creative economy outcomes has the highest weighting score (0.18), followed by market share and consumer expectations, with each weighting 0.14. This means that the opportunity to develop the creative economy more than this sub-sector is a very important force in advancing the creative economy. Meanwhile, the biggest weakness of the creative economy is the assumption that the creative economy sector is not a promising place to work, and the product design is still weak in terms of quantity and quality.

**Table 6.** External factors determining weights creative economy

External Factors		Scale	Constants	SP x K	Weight
No.	Opportunities	Priority (SP)	(K)		
1	The market share of the results of the creative economy, both locally, nationally, and globally is likely to increase	4	4	12	0.14
2	There is a growing tendency enthuses creative economy outcomes	4	4	16	0.18
3	Consumer expectations towards creative economy higher product	3	4	12	0.14
4	Backed by their colleges in the provision of quality human resources and appropriate industry needs	2	4	8	0.09
<b>No. Threats</b>					
1	Globalization and free trade that requires high competitiveness	1	4	4	0.05
2	Increasing competition of foreign products and the number of competitors	1	4	4	0.05
3	the quality of competitors' products is relatively higher because it uses technology devices	2	4	8	0.09
4	Technology advances faster	3	4	12	0.14
5	Less enthuses domestic product by the majority of society	3	4	12	0.14
<b>Total SP x K</b>				<b>88</b>	<b>1.00</b>

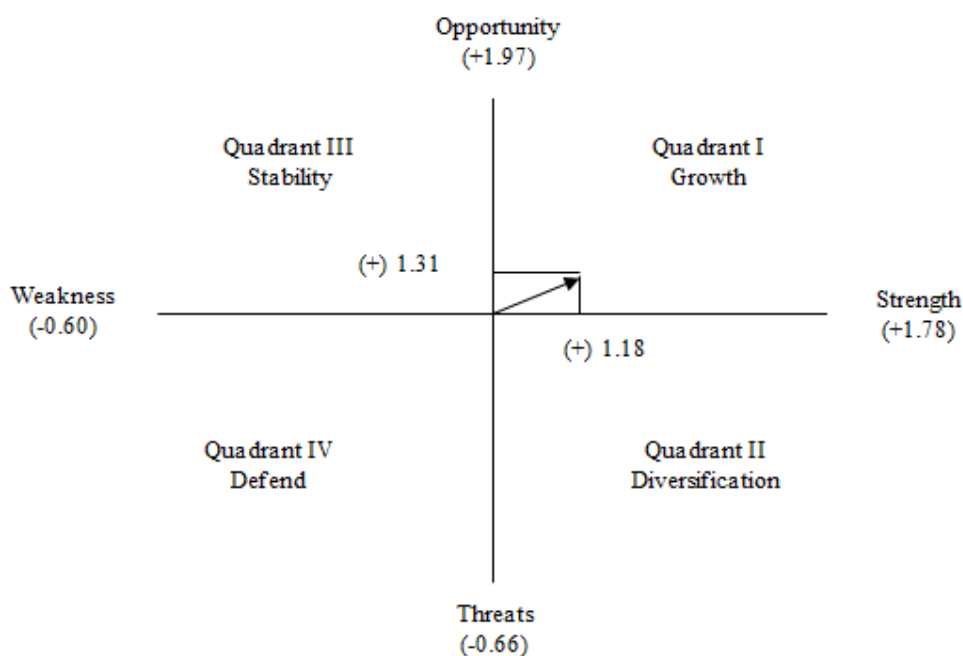
Based on Table 7, it can be seen that the value for the sub-sector opportunity is 1.97, while the value for the threat sector is 1.31. This means that there is a difference between the two sectors 1.31. According to Rangkuti (2019), the industry has responded to the opportunities around it by avoiding threats in its industrial market. Lestariningsih et al. (2017) three dimensions in sustainable development include economic growth, social development, and environmental sustainability. The development of creative industries make a positive contribution to the business climate, the creation of innovation, and the formation of creativity which is supported in terms of (1) HR as the basic capital, (2) Industry, (3) Technology, (4) Resources, (5) Institutions, and (6) Financial institutions. In addition, the role of business and the role of government is very much needed to support and develop the creative industry in MSMEs. It can be said that the opportunities for economic development are greater than that of the region

**Table 7.** Matrix external factor analysis summary (EFAS) sectors of the creative economy

External Factors		Weight	rating	Score
No	Opportunities (Opportunities)			
1	The market share of the results of the creative economy, both locally, nationally, and globally, tend to rises	0.14	4	0.56
2	There is a growing tendency enthuses creative economy outcomes	0.18	4	0.72
3	Consumer expectations towards creative economy higher product	0.14	3	0.42
4	Backed by their colleges in the provision of quality human resources and appropriate industry needs	0.09	3	0.27
<b>Total</b>				<b>1.97</b>
Nc	Threats (Threats)			
1	Globalization and free trade that requires high competitiveness	0.05	2	0.10
2	Increasing competition of foreign products and the number of competitors	0.05	1	0.05
3	The quality of competitors' products is relatively higher because it uses technology devices	0.09	1	0.09
4	Technology advances faster	0.14	2	0.28
5	Less enthuses domestic product by the majority of society	0.14	1	0.14
<b>Total</b>				<b>0.66</b>
<b>Difference Total Total Opportunities with Threats</b>				<b>1.31</b>

Based on identifying these factors and determining the difference in scores, it can be seen that IFAS and EFAS are positive. Syarif et al. (2015) stated that this indicator is very useful for knowing profitable opportunities and strategies to take advantage of existing opportunities. The strategy that must be applied in this condition is to support an aggressive growth policy. These results are then depicted in the SWOT diagram, where the strength and opportunity factors are given a positive value (+). At the same time, the weakness and threat factors are given a positive value (+). The diagram is presented in Figure 1.

Based on the Cartesian SWOT diagram presented in Figure 1, the creative economy sector is located in the first quadrant. It is meaning that the creative economy development strategy is the SO strategy, namely the strategy of using all strengths to take advantage of opportunities. This development strategy is very well implemented, focusing on developing creative knowledge from human resources through training and matters relating to increasing creativity and growing an entrepreneurial spirit. And creativity in creative packaging industries and tourist destinations is in the form of 3 things: something to do, something to see, and something to buy (Nurchayati & Ratnawati, 2016). This is also in line with Rini & Czafrani's research (2010) that youth are the main force and actor in selling Indonesian cultural diversity, especially in the creative economy sector. Through this, it is hoped that young people can face the challenges of globalization by not losing their identity as Indonesian youth and succeeding in the global market.



**Figure 1.** Cartesian diagram SWOT

This strategy is known as the term growth strategy. The implementation of SO strategy are:

1. Improving the quality of human resources to produce products in accordance with market demand.
2. Optimizing the utilization of information and communication technology
3. Improving cooperation between a creative economy with colleges
4. Increasing cooperation between creative economy.



5. Creating quality products and competitiveness of existing natural resources to gain wide market share in the ASEAN market.

Jodi et al. (2019), the creative industry sector is unique because it relies on human resources' creativity and innovation power in the production process. This finding is consistent with Hesty & Indra (2020), which, in addition to prioritized human resources, must increase the availability of potential resources and partnerships and control market changes quickly.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

All sub-sectors of the creative economy have advantages. Crafts and culinary are the two most superior creative economy sub-sectors. Based on the Cartesian SWOT diagram, the creative economy sector is in the first quadrant. The creative economy development strategy is an SO strategy, which is a strategy to use all strengths to take advantage of opportunities. For the development of the creative economy in Indonesia, this leading sector must receive serious attention from the government. facilitate access to capital, improve the quality of human resources in the creative economy, ease of market access, and ease of regulation, so that it is hoped that the creative economy can become the backbone of the Indonesian economy

### Recommendations

The government must play a major role and cooperate with relevant agencies and creative economy actors in developing the creative economy. Creative economy development aims to improve the quality of human resources by utilizing Indonesia's natural resources to create quality and competitive products.

Indonesia's creative economy must have wider export destinations than before. So far, Indonesia's creative economy export destinations are more focused on the Malaysian and Singaporean markets.

Based on the analysis of RCA, AR, and ECI that those who meet the three criteria are culinary and crafts, the development of these sub-sectors must be further improved in terms of product quality, price, raw materials, and quality packaging so that the sub-sector continues to be competitive with foreign products and able to seize the ASEAN market

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## Monetary and fiscal policy mix connectivity towards the business cycle in Indonesia

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DOI: 10.22437/ppd.v9i2.11489	Received: 25.12.2020	Revised: 19.04.2021	Accepted: 18.06.2021	Published: 30.06.2021
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### Abstract

This research is based on the magnitude of the influence of monetary and fiscal aspects, namely the money supply, exchange rates, government spending, and taxes on the business cycle in Indonesia. This study aims to examine the effect of the connection between the monetary and fiscal policy mix on the business cycle in Indonesia. For analysis purposes, secondary data was used in the form of time-series data from 1970–2017. The method used is the Vector Error Correction Model (VECM) to see long-term and short-term relationships. In the estimation results, it is found that in the long-term period, the monetary variables (money supply and exchange rates) and fiscal variables (government expenditures and taxes) have a significant positive effect on the business cycle in Indonesia. In contrast, the monetary variables that have a significant effect in the short-term period are only the amount variable money supply. There are no fiscal variables that have a significant effect on the business cycle in Indonesia. The interaction of monetary and fiscal policies is still effectively implemented in Indonesia.

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**Keywords:** *Business Cycle, Monetary, Money Supply, Vector Error Correction Model*

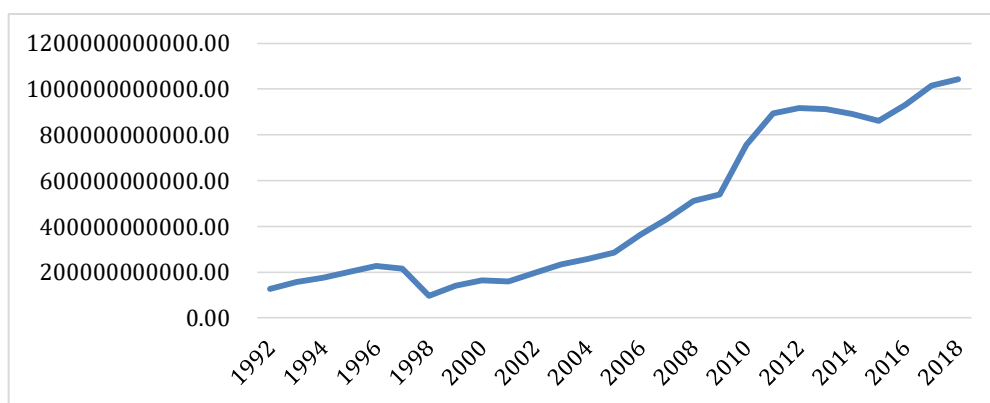
**JEL Classification:** C01, E44, E51

### INTRODUCTION

A country is experiencing steady growth or increasing every year, and this situation indirectly describes the development of various economic sectors that occur. This is inseparable from an important indicator that is the success of the development process in the long term. Economic growth is an indicator of a country that can facilitate more goods and services to the community (Villanthenkodath & Mahalik, 2021; Harnphattananusorn & Puttitanun, 2021). This capability is certainly supported by massive technological developments as well as the necessary institutional and ideological adjustments. In addition, it is usually supported by high resources, both natural and human resources, as well as a country's budget. Potentially, economic growth tends to increase workers' productivity, and the business unit scale can increase. However, this does not always go as planned by the government concerned because, in essence, economic growth fluctuates from time to time (Bogoviz, 2020; Mao et al.,

2020).

In real terms, the fluctuation of economic growth can be seen from GDP (Gross Domestic Product) based on periodic consumer prices. This means that growth can be said to be positive if the economy increases and vice versa. Economic fluctuations by looking at GDP can be prevented by using two policies taken by policymakers, namely monetary and fiscal policies (Herzog, 2014; Boakye et al., 2020). Monetary policy is an effort made by the government through the monetary authority in controlling the economy in the macro sphere so that the economy remains stable through its instruments such as interest rates, the amount of money in circulation, and others (Xu, 2020; McDonald & Stokes, 2015). This economic condition can be seen from the increased stability of output and stable price stability. Meanwhile, fiscal policy is a policy from the government that is used to direct a stable or even increasing economy with indicators such as taxes and government spending (Gitman et al., 2015; Viphindartin, 2021).



Source: World Bank, compiled

**Figure 1.** Indonesia's GDP movement in the current US \$

Indonesia's economic growth is shown in Figure 1. It seems to fluctuate. However, Indonesia's GDP tended to grow from 1992 to 2018. Various factors influenced the fluctuation in the value of Indonesia's GDP. Role of the government and Bank Indonesia as the central bank in Indonesia plays a role in managing the economy through policies, namely monetary and fiscal policies because these two policies impact the Indonesian economy as reflected in GDP.

Monetary effectiveness is influenced by the relationship between the money supply and economic variables such as inflation and output (Hidayanti & Prabowo, 2021; Widarni & Bawono, 2021). This statement is proven by a literature study that records the relationship between the money supply, output, and inflation. This study shows the relationship between the money supply and perfect inflation in the long run, whereas money growth or inflation and real output may be close to zero. This monetary policy will affect inflation and will not affect the real sector. Some academics and practitioners believe that in the short term, the expansionary monetary policy prevents economic activity when there is a recession. In contrast, contractionary policies can push up the inflation rate when the economy is booming (Dunning, 2014; Song et al., 2020).

When a country's economy experiences an economic slowdown and a high unemployment rate, a policy is needed that can encourage stable or even increasing economic growth and minimized unemployment (Omofa,2017; Garang et al.,2018).

Meanwhile, when the economic condition is felt to be overheating followed by a high inflation rate, the two policies are expected to be a solution for the government to avoid its negative effects. Economic conditions that are difficult to predict have made the stakeholders of each of these policies have to observe and analyze every variable that can affect shocks that will impact conditions of economic growth. This step was taken because it is very important to know the policy response that each of these policymakers will take. The current government needs macroeconomic policies to coordinate a policy originating from the monetary and fiscal authorities to create an effective policy (Melicher & Norton, 2013; Drean, 2021).

Discussions related to coordination between monetary and fiscal policies have long been a topic of discussion for academics, economists in both developed and developing countries. The results are as mixed as some economists say if the mix of the two policies positively impacts economic growth. Meanwhile, some assume that each of these authorities does not pay attention to the policies' behavior. Implementing the policies does not run optimally, thus causing many differences to the policy mix in stimulating ongoing economic stability. The view of the classics says that the effectiveness of monetary and fiscal policies is not the most effective method of stimulating the economy.

In contrast, the view Keynes is different from that of the classics. Keynes explained that monetary and fiscal stimuli could prevent a decline in real output. The difference in views is seen from an economic perspective (Davar, 2016; Marglin, 2018). Meanwhile, the inflation problem, which is the duty of Bank Indonesia as the monetary authority, can trigger a high inflation rate, or even hyperinflation will occur due to the influence of deficit financing that is too high, which triggers an economic recession. Realizing this, the government, through the fiscal authority, issued policies by controlling government spending by increasing tax revenue.

Regarding the management of the economic cycle, the classics believe that monetary policy is more effective in influencing inflation control. This is based on the assumption that when the economy experiences full employment, the money function is only used for transaction motives. The demand for money will change when there is a change in income, but because the money function is only used for transaction motives, the demand for money does not affect changes in the price level. The vertical LM curve illustrates this so that the elasticity of money demand against the interest rate is zero. When the economy is at the point of full employment where there is a balance that has reached the maximum point, the policy is taken by the ministerial authority through the money supply instrument only affects the inflation rate (Handa, 2008; Damayanti & Rusminingsih, 2021).

The inflation problem can indeed be controlled by monetary policy, but the classics reject this assumption if this monetary policy affects economic activity as a whole. This is related to the market mechanism, which continues to experience balance in the economy. Thus, the addition of the money supply will not affect the real sector but will impact the magnitude of the inflation rate (Hutton, 2012; Aßhoff et al., 2021).

The classical theory experienced rapid development to become a modern quantity theory or known as the monetarist flow. According to this flow, when the economy has not reached full employment, policies that use money in circulation instruments will affect real output prices. Monetary flow assumes that relying solely on monetary policy is not enough to influence the economy because this impact is direct. From a fiscal perspective, classical and monetary schools believe that the market mechanism will achieve economic balance without any intervention from the government. Fiscal policy

will only give rise to the term "crowding out," which is that high government spending will cause interest rates to rise and thus discourage private investment. This hampered investment will cause aggregate demand not to increase and output to stagnate or remain. Then, the expenditure side, which is not followed by a large money supply (from the fiscal side), will not increase aggregate demand. This concept is inseparable from the relatively stable velocity of money, so the addition of the money supply will increase aggregate demand (Stimson et al., 2013; Chen et al., 2021).

The economic depression of 1963 has resulted in new thinking about the necessity of government intervention in the economy. Keynes emphasized that in the economy, there must be government intervention. The government functions not only as a tax collector and guardian of security, but the government also has regulatory rights and an intervention function. In Keynes's view, if an expansionary fiscal policy, the results will remain expansionary. Keynes also added that if there was an additional motive, namely holding money for speculative activities. This speculation motive is influenced by the interest rate, which will impact the amount of investment. This interest rate and investment have a positive relationship (Clarke et al., 2019).

Economic fluctuations always occur to accompany the economy from time to time (Bawono et al., 2019). When the economy is at the lowest point (trough), it can move towards the recovery stage until it reaches its peak (peaks). This recovery process can be fast, and it can be very slow. Fluctuations in the economy are influenced by movements in output, prices, interest rates, and job opportunities which become macroeconomic variables and shape the business cycle. These jumps triggered repeated recessions and expansions.

Real business cycle theory also assumes that technology shocks will affect fluctuations in output. Technology becomes a variable that determines the amount of output produced. When technology develops, the output level will also develop, the company's output will also increase. Conversely, a recession is a condition in which technology has decreased. On the flexibility of wages and prices, this theory explains a clear market that uses the assumption that prices and wages are adjusted quickly according to the state of the economy. In other words, the market will adjust to the equilibrium point quickly (Hartley et al., 2013).

Keynes's assumptions respond to inflation based on macroeconomic theory and highlight other aspects of inflation. This theory explains that if inflation occurs due to society having a desire to live outside the maximum limits of its economy, the aggregate demand generated by society for goods and services exceeds the aggregate supply of goods and services available. This condition will cause an inflationary gap. The limited supply of goods and services (aggregate supply) occurs in the short run because production capacity cannot be developed to compensate for aggregate demand, which has experienced a drastic increase. Therefore, just like monetarists' view, Keynesianism is widely used to describe the phenomenon of the emergence of inflation in the short run (Vroey, 2016).

The heterogeneous purchasing power of society triggers the reallocation of goods and services available from people who have lower purchasing power desires to people who have higher purchasing power desires. This situation will continue to be repeated in the community (Gerdesmeier, 2011).

New Keynesian assumes that irrational behavior influencing information is not fully acceptable. This will affect the behavior of companies and households in the economy. Information is sticky (sticky information), causing companies to constantly receive information because there is an interval between the latest information. The

New Keynesian school considers information assumptions to have a preference on a set price. In contrast to the Neoclassical school, which assumes that individuals can move dynamically by optimizing choice preferences with available information. Thus everyone is at the optimal level of adjustment. The difference between Neoclassical and New Keynesian assumptions will influence the decisions that will be taken in the business world (Grauwe & Ji, 2019).

The assumptions made by the two streams affect understanding the main sources of the causes of the business cycle in the business world in accordance with the policies that policymakers will take in the economy to comply with their countries. So that the business cycle can be measured from macroeconomic variables. This can be seen in the New Keynesian assumption that if monetary quantities are included in the business cycle model, that affects the output. At present, it is also seen that every country has a central bank that aims to help boost the economy from monetary instruments. Monetary variables used in analyzing the relationship between monetary and fiscal policy mix to the business cycle are the money supply (M2), exchange rates, and inflation.

Meanwhile, the fiscal variables used in this study are taxes and government spending. This study is measured in the business cycle of GDP. Gross Domestic Product (GDP) measures the total income and expenditure of the economy. GDP is a natural place to start an analysis of the business cycle (Jacobs, 2012).

Monetary policy in a country aims to maintain economic stability through a stable currency value reflected in other countries' price levels and currencies. The monetary authority determines monetary policy by considering real economic conditions. A balanced economy can be achieved between the government's monetary policy and fiscal policy to achieve the same goal: economic growth. This requires alignment between policies carried out by the government and economic conditions. The monetary authority's direction of independent monetary policies must also be in line with government policies, both fiscal and trade policies. When these policies are without the same direction from one policy to another, it will cause an imbalance in the economy. The government's policy to increase inflows by opening trade flows must also be in line with the policies adopted by the central bank, namely through the financial market by regulating low-interest rates for securities, both debt securities and capital stock. If policies carried out in the opposite direction become incompatible and the economy becomes disrupted. Thus, the interconnection of the monetary and fiscal policy mix is the subject of discussion of the business cycle in Indonesia to describe the economy as progressing (Caprio & Bacchetta, 2012; Sequeira, 2021).

## **METHODS**

The type of data used in this study is secondary data in the form of a time series with the research year between the period 1970-2017 in Indonesia. The objective in selecting the research year period is based on stable economic conditions in Indonesia after the ASEAN crisis in the 1997/1998 period. In addition, adjusting to the business cycle period estimated by economists to be between one and 10 or 12 years. Meanwhile, data were obtained from various statistical data published by various sources such as Bank Indonesia, the Central Bureau of Statistics (BPS), and the International Monetary Fund (IMF). This study used the Vector Error Correction Model (VECM) method.

This study includes the relationship between the variable money supply, exchange rate, taxes, and government spending to determine the policy mix interaction between monetary policy and fiscal policy on the business cycle. This study is measured in the business cycle of GDP. The Gross Domestic Product (GDP) measures the total income



and expenditure of the economy. This is because GDP is a natural place to start an analysis of the business cycle. The research focuses on the business world and the behavior of economic actors towards the economy. So that the economic model is obtained as follows:

$$GDP = F (M2, EXR, TAX, GE, INF)$$

So if it is derived in the form of an econometric model, it is as follows:

$$GDP_t = \alpha_0 + \beta_1 M2_{t-1} + \beta_2 EXR_{t-1} + \beta_3 TAX_{t-1} + \beta_4 GE_{t-1} + \beta_5 INF_{t-1} + \mu_t$$

Where :

GDP<sub>t</sub> = Gross Domestic Product (GDP) is a proxy product of the business cycle

M2 = money supply (M2)

EXR = Exchange Rate (domestic exchange rate / \$)

TAX = Tax

GE = Government Expenditure or Government Expenditure

INF = Inflation.

Meanwhile, it is necessary to approach the Vector Error Correction Model (VECM) method to estimate in the long term. The formulation of the VECM model is as follows:

$$\Delta X_t = \alpha_0 + \sum_{i=1}^{k-1} \Gamma \Delta X_{t-i} + \alpha\beta' X_{t-k} + e_t$$

Keterangan:

$\Gamma \Delta X_{t-1}$  = Variable short-term relationship

$\alpha_0$  = Coefficient

$\alpha$  = Parameter

$\beta'$  = Long run equilibrium coefficient

$$\begin{aligned} \Delta GDP_t = & \alpha_{10} + GDP_{t-1} + \alpha_{11} M2_{t-1} + \alpha_{12} EXR_{t-1} + \alpha_{13} TAX_{t-1} + \alpha_{14} \Delta GE_{t-1} + \alpha_{15} \Delta INF_{t-1} \\ & + \alpha_{16} \Delta GDP_{t-n} + \Delta \alpha_{17} GDP_{t-1} + \Delta \alpha_{18} M2_{t-n} + \Delta \alpha_{19} M2_{t-n} + \Delta \alpha_{20} EXR_{t-1} + \alpha_{21} EXR_{t-n} + \\ & \Delta \alpha_{22} TAX_{t-1} + \Delta \alpha_{23} TAX_{t-1} + \Delta \alpha_{24} GEX_{t-1} + \Delta \alpha_{25} GEX_{t-1} + \Delta \alpha_{26} INF_{t-1} + \alpha_{27} INF_{t-n} \end{aligned}$$

$$\begin{aligned} \Delta M2_t = & \alpha_{20} + GDP_{t-1} + \alpha_{21} M2_{t-1} + \alpha_{22} EXR_{t-1} + \alpha_{23} TAX_{t-1} + \alpha_{24} \Delta GE_{t-1} + \alpha_{25} \Delta INF_{t-1} \\ & + \alpha_{26} \Delta GDP_{t-n} + \Delta \alpha_{27} GDP_{t-1} + \Delta \alpha_{28} M2_{t-n} + \Delta \alpha_{29} M2_{t-n} + \Delta \alpha_{30} EXR_{t-1} + \alpha_{31} EXR_{t-n} + \\ & \Delta \alpha_{32} TAX_{t-1} + \Delta \alpha_{33} TAX_{t-1} + \Delta \alpha_{34} GEX_{t-1} + \Delta \alpha_{35} GEX_{t-1} + \Delta \alpha_{36} INF_{t-1} + \alpha_{37} INF_{t-n} \end{aligned}$$

$$\begin{aligned} \Delta EXR_t = & \alpha_{30} + GDP_{t-1} + \alpha_{31} M2_{t-1} + \alpha_{32} EXR_{t-1} + \alpha_{33} TAX_{t-1} + \alpha_{34} \Delta GE_{t-1} + \alpha_{35} \Delta INF_{t-1} \\ & + \alpha_{36} \Delta GDP_{t-n} + \Delta \alpha_{37} GDP_{t-1} + \Delta \alpha_{38} M2_{t-n} + \Delta \alpha_{39} M2_{t-n} + \Delta \alpha_{40} EXR_{t-1} + \alpha_{41} EXR_{t-n} + \\ & \Delta \alpha_{42} TAX_{t-1} + \Delta \alpha_{43} TAX_{t-1} + \Delta \alpha_{44} GEX_{t-1} + \Delta \alpha_{45} GEX_{t-1} + \Delta \alpha_{46} INF_{t-1} + \alpha_{47} INF_{t-n} \end{aligned}$$

$$\begin{aligned} \Delta TAX_t = & \alpha_{40} + GDP_{t-1} + \alpha_{41} M2_{t-1} + \alpha_{42} EXR_{t-1} + \alpha_{43} TAX_{t-1} + \alpha_{44} \Delta GE_{t-1} + \alpha_{45} \Delta INF_{t-1} \\ & + \alpha_{46} \Delta GDP_{t-n} + \Delta \alpha_{47} GDP_{t-1} + \Delta \alpha_{48} M2_{t-n} + \Delta \alpha_{49} M2_{t-n} + \Delta \alpha_{50} EXR_{t-1} + \alpha_{51} EXR_{t-n} + \\ & \Delta \alpha_{52} TAX_{t-1} + \Delta \alpha_{53} TAX_{t-1} + \Delta \alpha_{54} GEX_{t-1} + \Delta \alpha_{55} GEX_{t-1} + \Delta \alpha_{56} INF_{t-1} + \alpha_{57} INF_{t-n} \end{aligned}$$

$$\begin{aligned} \Delta GE_t = & \alpha_{50} + GDP_{t-1} + \alpha_{51} M2_{t-1} + \alpha_{52} EXR_{t-1} + \alpha_{53} TAX_{t-1} + \alpha_{54} \Delta GE_{t-1} + \alpha_{55} \Delta INF_{t-1} \\ & + \alpha_{56} \Delta GDP_{t-n} + \Delta \alpha_{57} GDP_{t-1} + \Delta \alpha_{58} M2_{t-n} + \Delta \alpha_{59} M2_{t-n} + \Delta \alpha_{60} EXR_{t-1} + \alpha_{61} EXR_{t-n} + \\ & \Delta \alpha_{62} TAX_{t-1} + \Delta \alpha_{63} TAX_{t-1} + \Delta \alpha_{64} GEX_{t-1} + \Delta \alpha_{65} GEX_{t-1} + \Delta \alpha_{66} INF_{t-1} + \alpha_{67} INF_{t-n} \end{aligned}$$

$$\begin{aligned} \Delta INF_t = & \alpha_{60} + GDP_{t-1} + \alpha_{61} M2_{t-1} + \alpha_{62} EXR_{t-1} + \alpha_{63} TAX_{t-1} + \alpha_{64} \Delta GE_{t-1} + \alpha_{65} \Delta INF_{t-1} \\ & + \alpha_{66} \Delta GDP_{t-n} + \Delta \alpha_{67} GDP_{t-1} + \Delta \alpha_{68} M2_{t-n} + \Delta \alpha_{69} M2_{t-n} + \Delta \alpha_{70} EXR_{t-1} + \\ & \alpha_{71} EXR_{t-n} + \Delta \alpha_{72} TAX_{t-1} + \Delta \alpha_{73} TAX_{t-1} + \Delta \alpha_{74} GEX_{t-1} + \Delta \alpha_{75} GEX_{t-1} + \\ & \Delta \alpha_{76} INF_{t-1} + \alpha_{77} INF_{t-n} \end{aligned}$$

## RESULTS AND DISCUSSION

VECM estimation starts from determining the optimum lag in the VECM model. Determining the lag length is very important in estimating the VECM model because the optimal lag is too short; it is feared that it cannot explain the dynamics of the model. However, the lag that VECM uses lag 4 with a 95% confidence level can be shown in Table 1.

**Table 1.** VECM estimation results in Indonesia

Estimated results in the long run		
Variable	Coefficient	t-statistics
GDP (-1)	1.000000	
M2 (-1)	-0.033753	3.06595*
EXR (-1)	0.440605	4.06598*
GE (-1)	0.178653	-5.52591*
TAX (-1)	-0.523258	-2.10921*
INF (-1)	0.021864	6.01963*
C	-3.909440	-
Estimated results in the short term		
D(GDP(-1))	3.336809	2.94321*
D(M2(-1))	0.001223	0.23103
D(EXR(-1))	3.739753	2.83137*
D(GE(-1))	-0.111723	-0.41487
D(TAX(-1))	-0.204963	-0.62765
D(INF(-1))	-0.001597	-1.05097

\* significant  $\alpha = 5\%$ , with  $t$ -table = 2.01174

The estimation results from Table1 for the long-run VECM model for the full period can be interpreted in the equation:

$$GDP = -3.909440 - 0.033753 M2_{t-1} + 0.440605 EXR_{t-1} + 0.178653 GE_{t-1} - 0.523258 TAX_{t-1} + [6.01846] * [4.06598] * [5.52591] * [2.10921] * 0.021864 INF_{t-1} + e_t$$

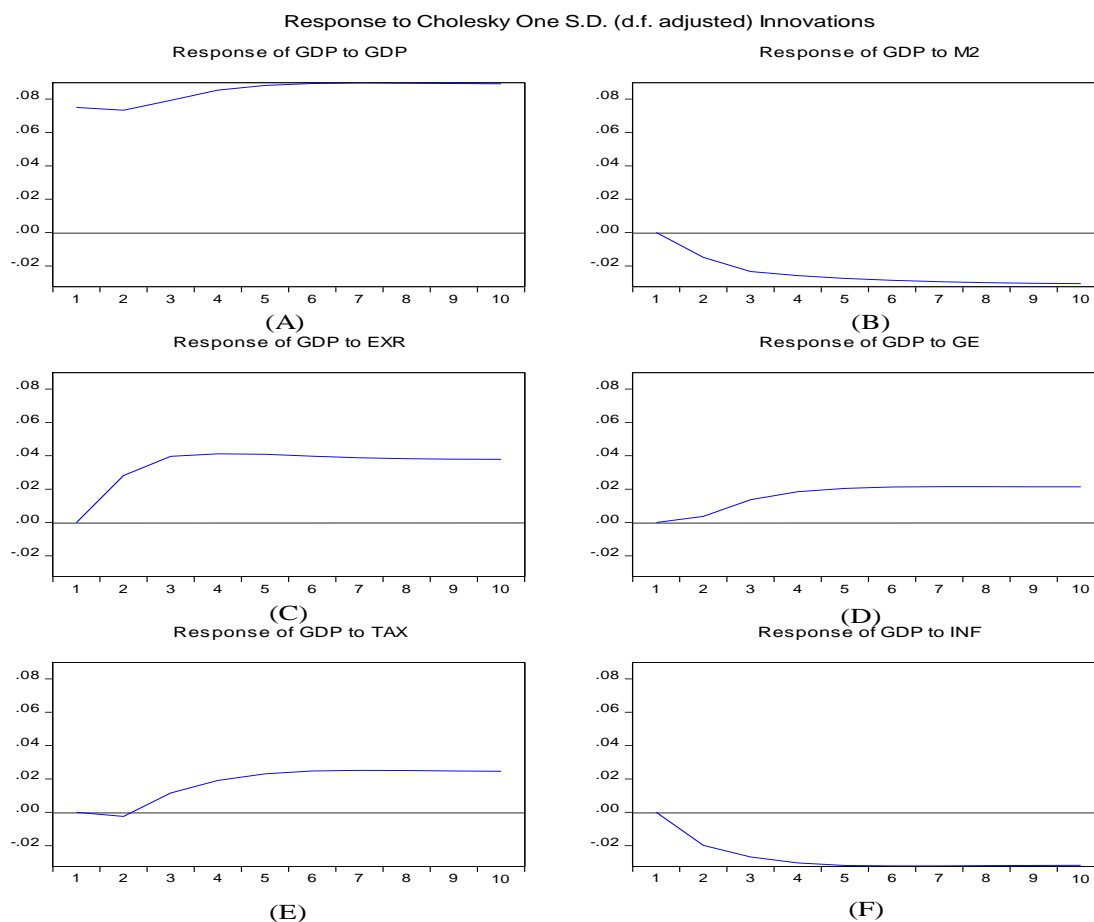
The equation model is significant when the t-statistic value is greater than the t-table, namely 2.01174. The long-term estimate in the full period with the research range from 1970 to 2017 on the money supply variable (M2) has a t-statistic value of 3.06595, which is greater than the t-table value, and this means that M2 has a significant positive effect on GDP. The coefficient value of M2 is 0.033753, meaning that when there is a one percent decrease in M2, it will reduce GDP by 0.03 percent. The exchange rate variable (EXR) has a significant positive effect on GDP. The coefficient value of EXR is 0.440605, meaning that exchange rate depreciation (EXR) will reduce GDP by 4.40 percent. The government expenditure variable (GE) has a significant negative effect on GDP. The coefficient value of GE is 0.178653, meaning that every one percent decrease in government spending (GE) will reduce GDP by 1.78 percent. The tax variable (TAX) has a significant negative effect on GDP. The coefficient value of tax (TAX) of 0.523258 means that a one percent reduction in tax (TAX) will reduce GDP by 5.23 percent.

While in the short term, in the estimation results of the VECM model, the independent variable of money (M2) in circulation has a statistical value of 0.23103 and a coefficient value of 0.001223. It means that the money supply (M2) in the short term does not affect GDP, and every one percent decrease (M2) will reduce GDP by 0.01 percent. The exchange rate variable (EXR) has a statistical value of 2.83137, greater than the coefficient value of the exchange rate (EXR) of 3.739753. It means that in the

short term, the exchange rate (EXR) has no significant effect on GDP, and when the exchange rate depreciation (EXR) occurs, it will reduce GDP. by 3.74 percent. The government expenditure variable (GE) has a statistical value of 0.41487 with a coefficient value of 0.111723, which means that government spending (GE) in the short term has no significant effect on the business cycle (GDP). Every one percent decrease in government spending (GE) will reduce GDP by 1.11 percent. The tax variable has a statistical value of 0.62765 and a coefficient value of 0.204963, which means that tax (TAX) in the short term does not have a significant effect on the business cycle (GDP). Each one percent reduction in tax (TAX) will reduce GDP by 2.04 percent.

Furthermore, government spending variables have a negative effect on the business cycle in the long run, with a significance level of 1%. This is evident from the statistical value that is higher than the t-table value, namely  $5.52591 > 2.01174$ . This means that if there is a change in government spending in the previous year by 1%, it will reduce the business cycle by 0.18%. The same thing happens to the tax variable, where the tax variable has a negative effect on the long-term business cycle with a significance level of 1%. This is evident from the statistical value that is higher than the t-table value, namely  $2.10921 > 2.01174$ . When there is a change in the tax in the previous year by 1%, it will reduce the business cycle by 0.5%.

The results of the Impulse Response Function show the magnitude of the response of an endogenous variable due to a shock that occurs in other variables by one standard deviation. IRF can be used to determine how an unexpected change or shock affects other variables. The IRF estimation in this study uses ten periods to describe the response between variables both in the short and long term.



**Figure 2.** The Impulse Response Function

Based on Figure 2, explains the response of the fundamental macroeconomic variables used in this study, namely Gross Domestic Product (GDP / GDP), money supply (M2), an exchange rate (EXR), government spending (GE), taxes (TAX), and inflation (INF). In this study, only the Impulse Response Function results from the GDP response based on the business cycle theory are displayed. So it will be seen how the GDP responds as a proxy for the business cycle due to the shock of monetary policy and fiscal policy. Figure 2 (A) explains the response of the GDP variable to the growth pattern of the business cycle, which is proxied using GDP. It indicates that in the long term, the movement of the GDP response is convergence which illustrates the cointegration of GDP.

Figure 2 (B) illustrates the movement pattern of the GDP response to shocks that occur in the money supply variable. GDP responds negatively from the beginning of the period to the second period by -0.2. It continues in the next period until the 10th period the money supply shock is responded negatively by GDP. These shocks can occur due to the determination of the money supply by the government. Changes in the money supply will initially increase inflation. Still, they will tend to move stably in the long run, as evidenced by the movement of the inflation response towards the equilibrium point. So this will have an impact on GDP, which responds negatively to the money supply.

GDP response to shocks that occur at exchange rates is shown in Figure 2 (C). The pattern of movement in the GDP response tends to be stable so that during period 1 to period 10, it does not fluctuate too much, and the movement is not far from the equilibrium point. Dominant GDP responds positively to exchange rate shocks. In addition, the stable GDP response shows that changes in the exchange rate do not directly affect GDP but rather conditions of output stability. The next IRF estimation result is the shock that occurs in the government expenditure variable, as shown in Figure 2 (D). At the beginning of the period, the response to government spending is stable, starting at the balance line of 0.25, and then from the 3rd period to the 10th period, the GDP response to government spending increases. It is due to the policies carried out by the government relating to state spending for infrastructure development and others. So that in the long run, this affects GDP.

Figure 2 (E) shows the movement pattern of the GDP variable response to taxes. GDP responds negatively at the beginning of the period, which is close to the equilibrium point, then in the second period, it has a negative response of 0.15. However, a positive response began to occur in the 3rd period until the 10th period, and the movement was quite stable. The government policy issued a tax policy through tax amnesty, which will indirectly respond positively to GDP. The next estimation result is related to the GDP response to inflation. In the picture above, it can be seen that GDP responds negatively to inflation movements. It can be seen in the first period of 0.01. The next period until the 10th period GDP is more dominant in responding negatively with a relatively large level of fluctuation to inflation shocks. Shocks that occur to inflation reflect fluctuations in national economic growth that domestic and external factors can cause. In general, Indonesia's inflation shocks were more due to global economic fluctuations, mainly stemming from economic shocks and policies of the Indonesian government and developed countries.

The VECM results, when viewed from the level of significance of the effect of the tax variable between the long and short run, are different. It can be seen from the long-term negative coefficient value, but the t-statistic value is significant, influencing

economic growth. In contrast, in the short term, the coefficient value is negative. Still, the t-statistical value is not significant, meaning that it does not significantly affect economic growth. This difference can be seen from the two sides. First, in the long term, increased economic growth will impact increasing taxes and vice versa, with the increase in economic growth indicating that if the output of society increases, it will impact the community's ability to make taxpayer payments.

Meanwhile, the increased tax revenue indicates an increase in the government's ability to provide public goods to impact the smooth process of economic activity, which will lead to increased economic growth. Tax revenue and economic growth have no relationship between tax revenue and economic growth. It means that tax revenue's value should increase when economic growth increases, which will impact tax revenue. High economic growth indicates that increased social welfare will impact the community's ability to pay taxpayers. If the community is more productive, the tax revenue itself will also increase.

Based on the VECM estimation results that we estimate, there is a unidirectional relationship between fiscal policy, namely government spending and taxes on the business cycle. It is in line with the research of Viphindrartin (2021), Stimson et al. (2013), and Chen et al. (2021). Based on the VECM estimation results that we estimate, there is a unidirectional relationship between fiscal policy, namely government spending and taxes on the business cycle. It explains that fiscal policy is more effective in driving Indonesia's economic (business) cycle. This is in line with the research of Caprio & Bacchetta,(2012) ,dan Sequeira (2021).

The fiscal and monetary authorities, namely the government and Bank Indonesia, are expected to improve the domestic economy to compensate for the decline in global demand so that fiscal stimulus can be carried out by increasing government spending and reducing taxes. Other policies can be seen from the monetary easing, which is not limited to interest rates and quantitative easing, for example, buying securities to increase liquidity in the economy. The combination of the direction of changes in monetary policy that tends to be tight with the direction of change from a fiscal perspective that is balanced between tight and loose is thought to have not made an optimal contribution to the welfare of the people in Indonesia. The coordination of monetary and fiscal policies can clearly separate these policies based on the policy grace structure.

Monetary policy is used to stabilize the economy in the short term, while fiscal policy is used to achieve economic targets in the long term. Long-term policies originating from the monetary authority can be focused on maintaining stable price stability. The interaction of monetary and fiscal policies aims to reconcile the differences in assumptions or perceptions between the two authorities regarding the right policies.

A well-executed connection between monetary policy and fiscal policy effectively realizes economic growth and inflation stability in the long and short term. Monetary policy by increasing the money supply or applying an exchange rate system will impact economic growth and inflation rates over a long time and fiscal policy by increasing government spending and taxes. Meanwhile, when crowding out occurs, the impact of autonomous spending (fiscal policy) decreases because it causes the interest rate to rise, so that private investment spending decreases.

When the economy is in full employment, an increase in spending (aggregate spending) will not increase output because all production factors are fully operational.

An increase in government spending, for example, will only push up prices. In the short term, it may increase income, but an increase in income will increase the demand for money. In contrast, the money supply is tight, what happens is an increase in the interest rate, and in turn, it will reduce aggregate expenditure so that income and output fall back down. It means that government spending has replaced investment spending (crowding out).

When the economy is full employment, fiscal expansion (increasing government spending) does not increase income but instead encourages an increase in the government budget deficit (a budget deficit) because the government has to borrow from the public to finance this deficit. Because income does not increase, saving also does not increase; as a result, public funds available for private investment are reduced so that investment decreases, meaning that there is a crowding out. However, if the increase in government spending causes income to rise so that public saving also increases, the funds available for private investment will increase so that the crowding out will not occur in full.

Fiscal expansion in a full-employment economy causes the interest rate to rise. At the same time, income and output do not increase, which can be prevented if this fiscal expansion is accompanied by monetary expansion. An increase in the money supply lowers the interest rate so that crowding out does not occur. The result is that output and income increase, but the interest rate remains relatively constant. This policy is called the accommodating policy.

The application in the short term sees a small percentage of its effect on economic growth and inflation, so other policies that are more responsive and effective are needed to encourage the rate of economic growth and inflation stability. However, based on this research, expansionary monetary policy by increasing the money supply and expansionary fiscal policy with government spending and taxes are more effective in influencing economic growth and inflation in the short term.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

The money supply variable with the symbol (M2) and the business cycle variable has a significant relationship that affects each other in the long run. In contrast, the VECM estimate in the short term, the money supply does not significantly affect the business cycle. It indicates that the money channel as one of the channels in the monetary transmission mechanism is ineffective in the short term to realize business cycle growth in Indonesia.

The exchange rate variable with the symbol (EXR) as a proxy for monetary policy variables other than the money supply has a significant positive effect on the business cycle in both the long and short term.

There is a unidirectional relationship between fiscal policy, namely government spending and taxes on the business cycle. It explains that fiscal policy is more effective in driving Indonesia's economic (business) cycle. Meanwhile, the estimation results of VECM estimation in the long term from the two fiscal variables, namely government expenditure and taxes, have a negative effect on the business cycle in Indonesia. Meanwhile, the VECM estimation in the short term government expenditure and taxes do not significantly influence the business cycle.

## Recommendations

The suggestions outlined in this study aim to increase the effectiveness of monetary and fiscal policies in maintaining price and output stability. A well-executed connection between monetary policy and fiscal policy effectively realizes economic growth and inflation stability in the long and short term. Monetary policy by increasing the money supply or applying an exchange rate system will impact economic growth and inflation rates over a long time and fiscal policy by increasing government spending and taxes. Meanwhile, when crowding out occurs, the impact of autonomous spending (fiscal policy) decreases because it causes the interest rate to rise, so that private investment spending decreases. So there are several ways to overcome the crowding-out problem. When the economy is in full employment, the increase in spending (aggregate spending) will not increase output because all production factors are already working full time. An increase in government spending, for example, will only push up prices. In the short term, it may increase income, but an increase in income will increase the demand for money. In contrast, the money supply is tight, what happens is an increase in the interest rate, and in turn, it will reduce aggregate expenditure so that income and output fall back down. It means that government spending has replaced investment spending (crowding out).

When the economy is full employment, fiscal expansion (increasing government spending) does not increase income but encourages an increase in the government budget deficit (a budget deficit) because the government has to borrow from the public to finance this deficit. Because income does not increase, saving also does not increase. As a result, public funds available for private investment are reduced to decrease investment, meaning a crowding out. However, if the increase in government spending causes income to rise so that public saving also increases, the funds available for private investment will increase so that the crowding out will not occur fully. Fiscal expansion in a full-employment economy causes the interest rate to rise. At the same time, income and output do not increase, which can be prevented if this fiscal expansion is accompanied by monetary expansion. An increase in the money supply lowers the interest rate so that crowding out does not occur. The result is that output and income increase, but the interest rate remains relatively constant. This policy is known as the accommodating policy. The application in the short term sees a small percentage of its effect on economic growth and inflation, so other policies that are more responsive and effective are needed to encourage the rate of economic growth and inflation stability. However, based on this research, expansionary monetary policy by increasing the money supply and expansionary fiscal policy with government spending and taxes are more effective in influencing economic growth and inflation in the short term.

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# The influence of human resource competency and entrepreneurial characteristics on the performance of small and medium industries

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DOI: 10.22437/ppd.v9i2.10603	Received: 28.09.2020	Revised: 22.04.2021	Accepted: 14.06.2021	Published: 30.06.2021
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## Abstract

The purpose of this study was to describe and analyze the influence of human resources competencies and entrepreneurial characteristics on the performance of the small-medium-sized food industry with the intervening variable of competitive advantage. This research is verification in nature, basically wants to test the truth of a hypothesis which is carried out through data collection in the field. The unit of analysis in this research is the food SMIs (Small and Medium Industries) actors in Jambi Province. The data were obtained through distributing questionnaires to 378 SMIs food entrepreneurs. The data analysis used was quantitative analysis using Structural Equation Modelling (SEM). The analysis results concluded that the respondents' responses to the variables of human resources competence, entrepreneurial characteristics, competitive advantage, and SMIs performance obtained the average number included in the good scale range. The variables of human resources competency, entrepreneurial characteristics, competitive advantage significantly influence the performance of food SMIs in Jambi Province, either partially or simultaneously. Human resources competency and entrepreneurial characteristics variables have a significant indirect effect on SMIs performance through the intervening variable of competitive advantage. The entrepreneurial characteristics variable is the dominant variable affecting the SMIs performance. The research model by adding the competitive advantage variable as an intervening variable resulted in a better effect on the SMIs performance.

**Keywords:** *Competency, Competitive advantage, Entrepreneurial characteristics*

**JEL Classification:** L25, L26, M21

## INTRODUCTION

Influence of human resources competency and the characteristics of entrepreneurship towards the performance of small and medium industries. Small and Medium Industry or SMI plays a very important role at the local and national levels, as evidenced by its considerable contribution to regional and state revenues and very large labor absorption. In order to become an advanced SMI, it must be supported by many aspects, both internal and external. Internal factors that greatly influence the success of SMIs include the competence of qualified human resources, entrepreneurial characteristics, and competitive advantage. Human resources competence is the main asset to make SMIs more professional and superior. The quality of human resources is very important, especially to the competence of human resources in three aspects,

namely the knowledge aspect, the skill aspect, and the ability aspect (Ardiana et al., 2010).

Entrepreneurial characteristics are a very important factor in managing a business. Entrepreneurial characteristics are a picture of a person's uniqueness, individually or psychologically, including the dimensions of attitude values and dimensions of needs (Indris & Primiana, 2015).

Competitive advantage can significantly impact the acquisition of profitability and improve business performance (Hitt et al., 2011). Competitive advantage is an advantage that a business unit has over its competitors, which can be achieved by offering consumers more value than competitors, either by giving a lower price or offering more benefits even at a higher price (Kotler et al., 2018).

The development of SMIs in Jambi Province in terms of quantity is quite good, but the phenomenon that occurs frequently is the slow performance of businesses. Initial interviews obtained information that the causes of poor SMIs performance include factors such as human resources competency, entrepreneurial characteristics, and competitive advantage. The importance of this research is to produce a model that can describe how the influence of human resources competencies, entrepreneurial characteristics, and competitive advantage can affect business performance. In the end, this research will produce a SMIs development model and provide recommendations to various parties about what can be done so that SMIs can improve their performance.

## **LITERATURE REVIEW**

The performance of MSMEs must be accompanied by business development. However, MSMEs development must be accompanied by human resources development in various aspects. Human resources competencies that are very much needed by the business unit include aspects of knowledge, aspects of skills, and aspects of ability (Ardiana et al., 2010). Competency refers to an individual's knowledge, skills, abilities, or personality characteristics that directly influence job performance, meaning that competency has aspects such as knowledge, skills, abilities, and personality characteristics that greatly affect business performance (Yong & Mohd-Yusoff, 2016). There are 3 (three) characteristics that makeup competency, according to Moehariono (2012), namely: knowledge, skills, and ability.

Chamduang et al. (2014) explained that entrepreneurial characteristics must support successful SMEs; therefore, entrepreneurial characteristics are very important. One of the importance of entrepreneurial characteristics in determining success or failure (Indris & Primiana, 2015). Suryana & Bayu (2012) suggest that entrepreneurial characteristics include: 1) Having high discipline, 2) Being sharp in determining business goals, 3) Having a high sense of intuition, 4) Having a good attitude of courtesy and good manners, 5) Always wanting to learn about various things for the sake of progress, 6) Making a mistake as a lesson, 7) High desire in looking for new opportunities and opportunities, 8) Having the will, ambition, and always think positively, and 9) Like to challenges and risks based on the maturity of calculations and plans.

The company's competitive advantage can be seen from the company's ability to understand and anticipate changes in market structure, and the company can choose an effective marketing strategy to become a winner in the market (Suryana & Bayu, 2012). According to Istanto (2010), the elements that form competitive advantage in business include the company's potential, company position, and business performance. The indicators that can be used to measure competitive advantage are the uniqueness of the product, the quality of the product offered, and the competitive price.

The level of achievement of the results of carrying out tasks is called performance (Haider et al., 2018). Business performance is an achievement from various roles participating in a community or organization (Ferdinand, 2014). Measuring the performance of SMEs can use several indicators, namely: 1) Increasing profit growth; 2) Increasing customer growth; 3) Sales growth that is growing rapidly; 4) Asset growth, both fixed and non-fixed assets, is increasing.

**METHODS**

**Research design**

The data collection tool was a closed questionnaire and was carried out by survey. In survey research, sampling was taken from one population, and the data collection tool used a questionnaire (Arikunto, 2016). The method used was a quantitative analysis, in which statistical tests and research hypotheses were tested.

The population was food SMI entrepreneurs in Jambi Province, as many as 6,894 SMIs (Perindagkop, 2018). The sample could also be defined as the number of characteristics of a subject representative of a population for further research (Quinlan et al., 2019). The research sample was determined by using the Slovin formula (Sevilla et al. 2007), amounting to 378 samples with proportional selection.

The questionnaire used was a structured questionnaire and was closed, with the assessment scores were: Strongly disagree (STS) = 1, Disagree (TS) = 2, Simply agree (CS) = 3, Agree (S) = 4, and Strongly agree (SS) = 5. The scale ranges were 1.00 to 1.80, categorized as Strongly disagree, 1.81 to 2.60 in the disagree category, 2.61 to 3.40 in the simply agree category, 3.41 to 4.20 in the agree 4.21 to 5.00 in the Strongly agree category. The research instrument tests conducted were validity test, reliability test, and normality test.

**Table 1.** Operationalization of research variables

<b>Variables</b>	<b>Definition</b>	<b>Indicator</b>
Human resources competence (KSDM)	authority to determine; the ability to master grammar both abstractly and inwardly (KBBI, 2015)	<ul style="list-style-type: none"> <li>• knowledge</li> <li>• skill</li> <li>• Ability</li> </ul>
Entrepreneurial characteristics (KKWU)	Entrepreneurial characteristics generally describe a person's personal or psychological uniqueness, consisting of attitude and need values. Entrepreneurial characteristics determine the success of a business (Sari, 2016)	<ul style="list-style-type: none"> <li>• Having high discipline</li> <li>• Watch out for goals</li> <li>• Keen intuition</li> <li>• Polite</li> <li>• Wanting to learn</li> <li>• Having ambition</li> <li>• Always looking for new opportunities</li> <li>• Positive thinking</li> <li>• Happy to take risks</li> </ul>
Competitive advantage (KBRS)	The ability of a company to obtain economic benefits above profits that competitors can achieve in the market in the same industry (Porter, 1998)	<ul style="list-style-type: none"> <li>• Product uniqueness</li> <li>• Product quality</li> <li>• Competitive price</li> </ul>
Small and medium industry performance (KIKM)	Business performance is an achievement that results from the impact of the various roles that function within an organization (Ferdinand, 2004)	<ul style="list-style-type: none"> <li>• Profit growth</li> <li>• Customer growth</li> <li>• Sales growth</li> <li>• Growth in the number of assets</li> </ul>

**Data analysis**

The data analysis used was quantitative analysis using Equation Model Structure (SEM) as the analysis tool. Research modeling using the SEM model provides the

opportunity to answer research questions, both regressive and dynamic, in 7 steps (Ferdinand, 2014).

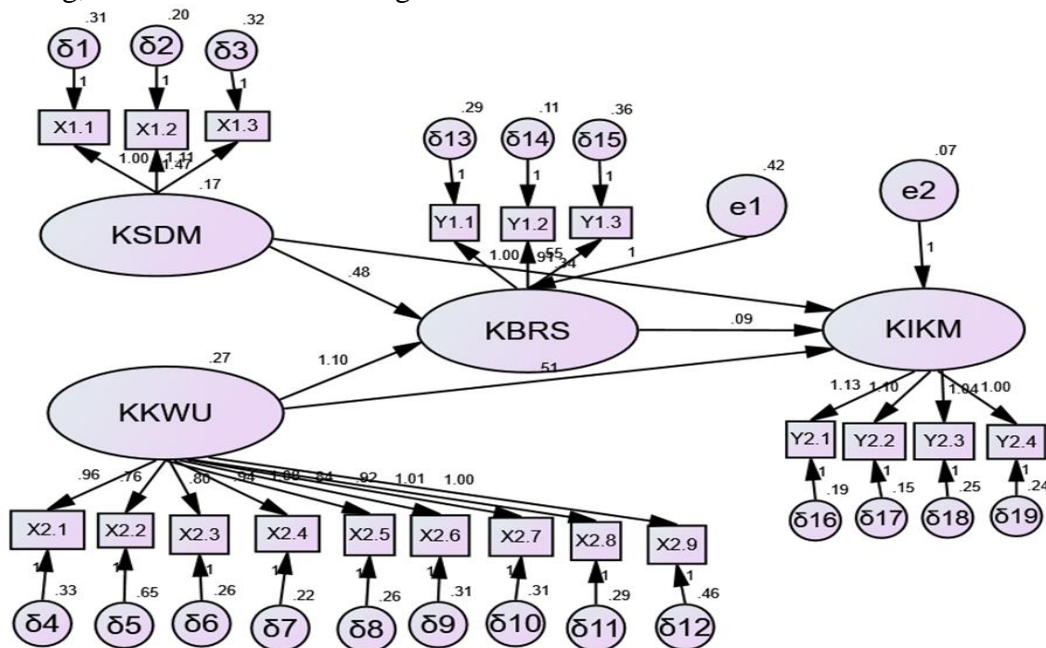
**RESULTS AND DISCUSSION**

**Respondent characteristics**

The analysis results showed that most respondents were women, as many as 210 people or 55.6%. The age of respondents with the highest number was respondents aged 36-45 years, amounting to 127 people or 33.6% of the total respondents. The monthly turnover shows that the highest amount was between IDR 10,000,001 - 20,000,000, or as much as 31.7%.

**Hypothesis testing and data analysis**

To test a complete hypothesis, it is necessary to draw the full Structural Equation Modelling, which can be seen in Figure 1:



Hypothesis testing :  
 Chi-square = 687,843  
 Probability = 0.000  
 CMIN / DF = 1,794  
 GFI = 0.876  
 AGFI = 0.976  
 TLI = 0.921  
 CFI = 0.922  
 RMSEA = 0.077

**Figure 1. Full Structural Equation Modelling**

**Goodness of fit test**

The model suitability test shows that the goodness of fit for RMSEA shows 0.077 <0.08, GFI 0.876 <0.90, AGFI gets a figure of 0.976 > 0.90, CMIN/DF is 1.794 <2.00, TLI is 0.921 <0.90, and CFI is 0.922 > 0.90. All the assumptions of the goodness of fit are fulfilled according to the conditions. According to Arbuckle & Wothke (2000), the best criteria used to indicate the model's goodness are CMIN/DF values, which are less than 2, and RMSEA below 0.08. This means that almost all the assumptions of the goodness of fit are fulfilled as what has been required, even though the GFI is in the moderate category.

All the goodness of the index is generally in accordance with the proposed data and model. From the evaluation of the proposed model, all the criteria used show good results, meaning that the model fits the data and meets the required size, meaning that this model can be analyzed.

**Table 2.** Summary of research hypothesis testing results

Hypothesis	CR/F value	T value (P<0,05)	Hypothesis verification	Conclusion
<b>Hypothesis 1</b>				
HR competencies have a significant effect on competitive advantage	2,278	0,021	H1 Accepted	HR competencies significantly influence competitive advantage
<b>Hypothesis 2</b>				
Entrepreneurial characteristics have a significant effect on competitive advantage	2,786	0,003	H1 Accepted	Entrepreneurial characteristics affect competitive advantage
<b>Hypothesis 3</b>				
HR competencies have a significant effect on SMI performance	2,327	0,010	H1 Accepted	HR competencies have a significant effect on SMI performance
<b>Hypothesis 4</b>				
Entrepreneurial characteristics have a significant effect on SMI performance	2,265	0,001	H1 Accepted	Entrepreneurial characteristics have a significant effect on SMI performance
<b>Hypothesis 5</b>				
HR competencies and entrepreneurial characteristics have a significant effect on competitive advantage, partially and simultaneously	Partial :		H1 Accepted	HR competencies and entrepreneurial characteristics influence competitive advantage, partially and simultaneously
	2,269	0,012		
	2,777	0,004		
	Simultaneous			
	130.641	0,000		
<b>Hypothesis 6</b>				
HR competencies and entrepreneurial characteristics have a significant effect on the performance of SMIs, either partially or simultaneously	Partial		H1 Accepted	HR competencies and entrepreneurial characteristics have a significant effect on the performance of SMIs, either partially or simultaneously
	2,327	0,010		
	2,265	0,001		
	Simultaneous			
	142.138	0,000		
<b>Hypothesis 7</b>				
Competitive advantage has a significant effect on SMI performance	2,055	0,028	H1 Accepted	Competitive advantage has a significant effect on SMI performance
<b>Hypothesis 8</b>				
HR competency, entrepreneurial characteristics, and competitive advantage have a significant effect on SMI performance, partially and simultaneously	Partial		H1 Accepted	HR competency, entrepreneurial characteristics, and competitive advantage significantly influence the performance of SMIs, both partially and simultaneously
	2,327	0,010		
	2,265	0,001		
	2,055	0,028		
	Simultaneous			
	125.313	0,000		

Based on Figure 1, for indirect testing, the full Structural Equation Modelling can be seen in Table 3.

**Table 3.** Hypothesis testing results of indirect effect

Independent Variables	Dependent Variables	Intervening Variables	Path Coefficient
HR Competency (X1)	SMIs performance (Y2)	Competitive Advantage (Y1)	(0.252)X(0.587)=0.148
Entrepreneurial Characteristics (X2)	SMIs performance (Y2)	Competitive Advantage (Y1)	(0.446)X(0.587)=0.262

Table 3 illustrates the results of the path coefficient analysis of the indirect effect between human resources competency variable (X1) on SMIs performance (Y2) through competitive advantage (Y1), obtained through the product of the direct influence between human resources competency (X1) on SMIs performance (Y2). The path coefficient is  $0.252 \times 0.587$ , so the indirect effect coefficient is 0.148. This means that human resources competency (X1) has an indirect effect on the performance of SMIs (Y1) through a competitive advantage of 14.8%.

Meanwhile, from the results of the path coefficient analysis, the indirect effect between the entrepreneurial characteristics variable (X2) on the SMIs performance (Y2) is obtained through the product of the direct influence between entrepreneurial characteristics on SMIs performance (Y2), the coefficient value is  $0.446 \times 0.587$ . Therefore, the coefficient of indirect influence is obtained of 0.262. This means that entrepreneurial characteristics indirectly affect SMIs performance (Y2) through a competitive advantage of 26.2%.

The results of hypothesis 1 testing explain that human resources competency affects competitive advantage in food SMIs in Jambi Province, so that what food SMIs do with regard to the dimensions of human resources competency will increase the competitive advantage of food SMIs. The food SMIs can do this by increasing knowledge, skills, and abilities.

The results of hypothesis testing 2 show that the entrepreneurial characteristics of food SMIs in Jambi Province affect competitive advantage. The food SMIs demonstrate this by having high discipline, being aware of goals, sharp intuition, being polite, willing to learn, having ambition, looking for new opportunities, positive thinking, and being happy to face risks.

The results of testing Hypothesis 3 explain that the competence of human resources possessed by food SMIs in Jambi Province affects the performance of SMIs. The performance of an MSME business unit is strongly influenced by the ability and quality of its human resources. The performance of MSMEs must be accompanied by business development; however, MSME development must be accompanied by human resources development in various aspects. Human resources competence is very much needed by business units (Ardiana et al., 2010).

The results of testing Hypothesis 4 explain that the entrepreneurial characteristics of food SMIs in Jambi Province will improve the performance of SMIs. Entrepreneurial characteristics are psychological characteristics that describe the characteristics of an entrepreneur, namely: 1) Having a high self-confidence, 2) Always having an orientation towards tasks and results, 3) Like risks and like challenges, 4) Having a good leadership spirit, 5) Always creative and original, 6) Having a far future orientation (Mubaraki & Busler, 2013).

The analysis results show that human resources competence partially affects competitive advantage, which is indicated by the CR value of  $2.269 > 1.96$ , and the P-value of 0.012 is less than 0.05 ( $p < 0.05$ ). Likewise, the entrepreneurial characteristics variable partially affects competitive advantage, which is indicated by the CR value of  $2.777 > 1.96$ , and the P-value of 0.004 is less than 0.05 ( $p < 0.05$ ). The two variables are causal and influence each other. Therefore, the hypothesis that human resources competence and entrepreneurial characteristics affect the competitive advantage of SMIs can be accepted.

The results of data analysis show that human resources competency partially affects the performance of SMIs, which is indicated by the CR value of 2.327, and the P-value of 0.010 is less than 0.05 ( $p < 0.05$ ). The two variables are causal and influence each other. Then the hypothesis which states that human resources competency affects the performance of SMIs is accepted. Likewise, entrepreneurial characteristics partially

affect the performance of SMIs, the CR value is 2.265, and the P-value is 0.001, which is less than 0.05 ( $p < 0.05$ ). This means that entrepreneurial characteristics affect SMIs performance. This shows that the better the entrepreneurial characteristics, the better the performance of food SMIs in Jambi Province.

The results of testing Hypothesis 7 explain that the competitive advantage possessed by small and medium-sized food industries in Jambi Province will improve the performance of SMIs. The level of achievement of the results of carrying out tasks is called performance (Haider et al., 2018). Business performance is an achievement from an impact of various roles participating in a community or organization (Ferdinand, 2014). The findings show that the performance of food SMIs in Jambi Province will depend on how good the competence of human resources, entrepreneurial characteristics, and competitive advantage. The results of this study also indicate that the food SMIs actors in Jambi Province are quite realistic in providing an assessment of their SMIs. This fact also shows that SMIs customers must improve the three existing variables, namely human resources competency, entrepreneurial characteristics, and competitive advantage.

This research is in line with previous research. The factors that cause food SMIs to be slow in their development are low performance, poor quality of human resources, weaknesses of entrepreneurial characteristics, and weaknesses of competitive advantage. To improve the performance of food SMIs to develop, the support of all parties is needed so that the right model is found in improving the quality of human resources, entrepreneurial characteristics, and competitive advantage (Bruch & Hiemenz, 2019).

## **CONCLUSION AND RECOMMENDATION**

### **Conclusions**

The partial analysis of human resources competency, entrepreneurial characteristics, and competitive advantage significantly influences the performance of food SMIs in Jambi Province. Meanwhile, it simultaneously shows that human resources competency, entrepreneurial characteristics, and competitive advantage affect the performance of SMIs.

The path coefficient analysis of the indirect effect between the human resources competency variables on the performance of SMIs has an indirect effect on the performance of SMIs through competitive advantage. Meanwhile, from the results of the path coefficient analysis, the indirect effect between the entrepreneurial characteristics variable on the SMIs performance has an indirect effect on the SMIs performance through competitive advantage.

The analysis results found that the entrepreneurial characteristics variable was the more dominant variable affecting the performance of food SMIs in Jambi Province. The research model by adding the competitive advantage variable as the intervening variable resulted in the finding of a better effect on the performance of SMIs.

### **Recommendations**

One of the concepts that can be applied and suggested is the SME strategic policy, which is performance-oriented. The government is expected to make policies that favor the interests of SMIs., fostering and supervising the SMIs in their working area. In making the rules, it is hoped that the government will side with SMIs. It will create an increase in the performance of the SMIs.

This study chooses the object of the food SMIs. The next researchers will conduct research on other SMIs such as crafts and fashion. They can also use other variables as exogenous or independent variables and the variables included in the research.



Therefore, it can be seen whether there are similarities or differences between the two groups of SMIs and the similarities and differences with the research results.

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## The impact of COVID-19 epidemic on development of micro, small and medium enterprises policy in East Kalimantan government

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DOI: 10.22437/ppd.v9i2.10805	Received: 27.10.2020	Revised: 24.06.2021	Accepted: 26.06.2021	Published: 30.06.2021
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### Abstract

This article discusses the efforts of the East Kalimantan Government handling cases of development of micro, small, and medium enterprises (MSMEs) during the COVID-19. The handling strategy can be assessed by understanding the measures, steps, and policies formulated and implemented by the East Kalimantan government. A deliberative policy analysis approach was used to analyze this case. This approach analyzes the narratives and arguments of the authorities to understand decision-making and policy implementation. The writing of this article uses a qualitative approach by utilizing the descriptive analysis method. The data collection technique used is a literature study using books, journal articles, newspapers, online news, and traditional institutions' websites. First, this paper's essential findings are reallocation and refocusing of the Covid-19 Budget for the cost of economic stimulus to strengthen capital for affected businesses and small industry players. Second, relaxation and credit restructuring. Third, the temporary closure policy for cafes or restaurants is due to residents' ignorance or non-compliance with government calls regarding health protocols. As a result, efforts to deal with it have stalled because the wider community does not support it. Combining these three factors complicates the provincial government's efforts to deal with MSMEs' development during the COVID-19 pandemic in East Kalimantan. Policy recommendations for the recovery of MSMEs in East Kalimantan Province, namely increasing the role of Indagkop through fostering and educating MSMEs in utilizing technology to sell online and the one-door policy for MSMEs.

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**Keywords:** COVID-19, East Kalimantan, MSME, Policy analysis

**JEL Classification:** I38, O25, R58

### INTRODUCTION

Since January 2020, Corona Virus Disease-IV (COVID-19) has infected more than 2,245,872 worldwide (WHO, 2020). More than 152,000 people have been confirmed to have died from this virus (WHO, 2020). Therefore, it would not be brave if government leaders in many countries struggled to get out of the COVID-19 outbreak with their approaches. In China, for example, the government has responded to the Covid-19 outbreak by providing outstanding health facilities for coronavirus patients. China's government turned sports halls, schools, and hotels into temporary hospitals,

conducting rapid-test or Polymerase Chain Reaction (PCR) on many residents to lock down the city (Aida, 2020).

Currently, Micro, Small, and Medium Enterprises (MSMEs) face significant problems due to Covid-19. According to Lu, Wu, Peng, and Lu (2020), most SMEs in China were unable to resume operations due to a lack of epidemic mitigation supplies, the incapacity of personnel to return to work, interrupted supply chains, and diminished market demand. Many SMEs were also encountering cash flow issues because they had to continue paying for different fixed expenses despite having little or no revenue. These problems include decreased sales, capital problems, delays in distributing products and raw materials. The crisis has also incurred unprecedented global health and economic costs of action to tackle the spread of Covid-19, particularly the lockdown, to the detriment of global economic activity. MSMEs are one of the most vulnerable and hit markets. There is a consensus that not all SMEs worldwide can survive Covid-19 (Syriopoulos, 2020).

As the backbone of the national economy, MSMEs dominate in terms of gross output value and trade value, and the number of unemployed in this pandemic. According to data from the Ministry of Cooperatives and Small and Medium Enterprises (KemenkopUKM), Indonesia had 64,194,057 MSMEs (around 99% of the total business sector) in 2018, employing 116,978,631 workers (around 97% of the total workforce). In facing the Corona COVID-19 pandemic, MSMEs need to be continuously strengthened. Here, the provincial government's role plays a role in formulating policies to survive small and medium enterprises.

The development of MSMEs in East Kalimantan Province increases every year, such as in 2018, totaling 211,548 units. Then it increased to 302,527 units in the position of October 2019. For MSME data in 2019, 302,527 units consisted of 89,798 culinary units, 13,921 management industries, and 1,573 craft units. Then for trade activities covering 168,795 units, service sector 28,440 units (Kaltimprov, 2019). The increase in the number of SMEs every year is indeed inseparable from the policy's role in handling the Provincial Government through the East Kalimantan Department of Industry, Trade, Cooperatives, Small and Medium Enterprises (Indagkop). Particularly in cooperatives and MSMEs that continue to provide guidance and assistance with tools and assistance, the legality of micro and small business licenses, and distribution of KUR (People's Business Credit) funds are channeled to assist SMEs in business development through banks in East Kalimantan. Indagkop also provides guidance and disseminates various policies, such as business clinics and websites. With these two program policies, it can help business actors how to distribute the resulting production. Likewise, all information is available at business clinics or opening websites to increase business capital.

The explanation above is a policy in handling MSMEs in 2019; new policies need to be implemented in 2020. The new policies that have been implemented during 2020 will be analyzed through deliberative policy analysis, a method that can be used to discuss the role of argument, rhetoric, and narratives in the policy analysis process (Fischer, 2007). Deliberative policy analysis can be interpreted to analyze policy through a complex combined structure of policy arguments between interpretations, opinions, evaluation, and facts. The core of this approach places ideas as policy material in a specific institutional or situational setting. The Marsh & Smith (2000) approach was utilized by combining it with the implementation approach of Edward III in Agustino (2020) to analyze the implementation of policies for handling the COVID-19 outbreak.

Meanwhile, there is still minimal discussion regarding COVID-19 in Indonesia, especially in the context of policy. Therefore, this paper seeks to fill this gap. Although

there are still few studies and articles on COVID-19, they are still there, and the description focuses more on the health context, among which are written by Susilo et al. (2020) and Yuliana (2020). Both of them discussed COVID-19 from the side of the health literature. Apart from that, Mas'udi & Winanti (2020) also elaborated on social and political studies and in other contexts, such as local governments (Dzakwan, 2020) and food policy (Hirawan & Verselita, 2020). However, the description of this article is different from the writings mentioned above. The difference lies in the policy narrative conveyed through budget relocation from the local government, relaxation and credit restructuring, and citizens' indifference to government calls resulting in the Temporary Closing Policy for Cafe or Restaurant. In order to develop arguments to explain the above assumptions, this article focuses on the deliberative policy analysis method for analyzing policy and how its implementation impacts handling the COVID-19 outbreak in the development of MSMEs in East Kalimantan.

## **METHODS**

This article uses a qualitative approach with a descriptive analysis method. The qualitative approach was chosen because of its ability to gain a deep, authentic, and basic understanding of the observed phenomenon. The descriptive analysis method is used because the data and information collected focus on actual phenomena or problems through data collection, preparation, processing, and concluding. The results of all attempts to describe an objective empirical state of the phenomenon or problem being studied. While the data collection technique used is the literature study and was done because of the limitations in directly interviewing authoritative sources at the time of writing.

The COVID-19 outbreak and the implementation of large-scale social restrictions (PSBB) in several cities have limited space for movement, so that direct interviews are not possible. The qualitative method of using in-depth interviews was combined with observation, online focus group discussions with informants and policymakers. The informants were the SME community from Mini University Kaltim Preneurs and policymakers are from the Department of Industry, Trade, Cooperatives, and SMEs (Indakop). The literature study referred to in the context of this article is an attempt to find, collect. The study was written material in books, journal articles, online and conventional news, and websites of institutions (such as who. int, Kaltimprov.go.id, covid 19. go. id) relating to the phenomena and problems studied. Finally, the data analysis technique in writing this article departs from Creswell and Poth's (2016) explanation, which focuses on organizing data, reading and monitoring, and describing, clarifying, and interpreting data into codes and themes.

## **RESULTS AND DISCUSSION**

### **Reallocation and refocusing of the COVID-19 Budget on COVID-19 pandemic**

Reallocation and refocusing of the Covid-19 Budget on the Covid-19 pandemic, which requires the government's extraordinary policies, will undoubtedly impact the State Budget (APBN) and Regional Revenue and Expenditure Budget (APBD) in 2020. Investors' concerns over Covid -19 also influenced the occurrence of capital outflow in Indonesia. The 2020 State Budget will also face tax revenue, non-tax state revenue, and customs due to economic actors' conditions and falling commodity prices (Suparman, 2021). This pandemic has an impact on state revenue that has fallen by 10%. However, at the same time, state spending must increase health and social assistance and help business actors not carry out massive layoffs and caused the deficit to widen by 5% (Junaidi, Sukarna, Arifin, & Soegianto, 2020).

The minister of finance's statement ([kemenkeu.go.id](http://kemenkeu.go.id), 2020) estimates that income will decrease by 10%, expenditure increases to support the health sector by IDR 75 trillion, social safety net IDR 110 trillion. Expenditures were high for public protection. The estimated deficit was from 1.76% of GDP or IDR307.2 trillion to 5.07% or IDR853 trillion, but it was attempted to be below 5%. As the changes in the impact of Covid-19 are increasingly widespread, joint efforts are needed between the government and local governments through reallocation and refocusing of the 2020 APBN and APBD to handle the pandemic impact of Covid-19 (Sudaryanto, 2020).

For this reason, the Provincial Government of East Kalimantan needs to make adjustments to the 2020 budget year according to the guidelines set out in the Joint Decree of the Minister of Home Affairs and the Minister of Finance Number 119/2813 / SJ and 117 / KMK.07 / 2020 concerning Acceleration of 2020 APBD Adjustments. In the Context of Handling Covid-19 and Safeguarding Public Purchasing Power and the National Economic and Regulation of the Minister of Finance Number 35 / PMK.07 / 2020 concerning Transfers to Regions and Village Funds for FY 2020. The APBD adjustment results are outlined in the APBD Adjustment Report and, after that, must be submitted to the Ministry of Finance and the Ministry of Home Affairs. To ensure the local government's commitment to preventing/handling Covid-19, according to PMK No.35 / PMK.07 / 2020 above, local governments that do not meet the provisions of the 2020 APBD Report can postpone the distribution of part of the General Allocation Fund (DAU) and Profit-Sharing Fund (DBH).

There are seven priority points for activities carried out by the Provincial Government of East Kalimantan through the budget refocusing of the 2020 budget. This policy was conveyed by the Governor of East Kalimantan at the Hearing Meeting (RDP) for East Kalimantan's Efforts to Face the Spread of Covid-19 in East Kalimantan with the East Kalimantan Regional People's Representative Assembly (DPRD), Monday, April 6, 2020. At the 29th East Kalimantan, DPRD Plenary Meeting approved the 2020 East Kalimantan Provincial P-APBD as a whole was reduced by Rp1.45 trillion so that the original APBD was Rp12.29 trillion to Rp.10.83 trillion.

In the second phase of Rp 351,612 billion, the total refocusing is seven points for using the budget: the procurement of personal protective equipment (PPE) for medical personnel, vitamins, rapid tests, and medical equipment (medical equipment). They were providing incentives for health workers according to the guidelines given by the Minister of Health. Repair of health facilities and infrastructure and buildings for people/patients under supervision. Besides, transportation/accommodation and consumption (quality nutrition) for medical personnel include providing convenience and appreciation (appreciation) to medical personnel and their residence. Next, the cost of handling the economic impact is assistance funds to people who have social risks coordinated by the East Kalimantan Provincial Social Service. People affected by Covid 19 will pay attention to the East Kalimantan provincial government. This regional budgeting is still being improved by coordinating with district and city governments. Furthermore, the cost of economic stimulus is capital strengthening for affected MSMEs and small industry players through the Department of Industry, Trade, Cooperatives, Small and Medium Enterprises East Kalimantan ([Kaltimprov.go.id](http://Kaltimprov.go.id), 2020).

The East Kalimantan Indagkop has implemented several work programs with a budget given by the East Kalimantan provincial government, facilitating online cheap markets, food production, clothing, and new entrepreneurial guidance Presidential Assistance for Small Micro Enterprises (BPUM). BPUM intended for capital assistance for micro-business actors for the Acceleration of the State Economy (PEN). Following the direction of the President regarding the acceptance of the Productive Social

Assistance Program for Micro Enterprises starting on August 17, 2020, to December 31, 2020, the East Kalimantan Provincial Government is conducting data coordination and verification of the Presidential Assistance Program for Micro and Small Businesses (BPUM). The Ministry of Cooperatives and Small and Medium Enterprises targets 12 million Micro Business Actors who do not receive working capital credit and investment in banking to become additional capital for micro-business actors. This solution will help their businesses can continue to run amid the pandemic and reduce poverty and unemployment. As of September 9, 2020, the number of Micro Enterprises proposed is 41,390 Micro Enterprises in East Kalimantan. With the largest number from Penajam Paser Utara, 10,278 Micro Enterprises (Indagkop.Kaltimprov.go.id, 2020).

The reality in the field is that the budget refocusing policy is still focused on the social impact management program and the cost of health care out of a total of seven priority activity points. Permendagri 20 mandates economic recovery. This priority has not been discussed in depth by the executive regarding economic recovery. The economic recovery program is mandated by the Minister of Home Affairs Regulation (Permendagri) Number 20 of 2020 to the government in each region to accelerate the handling of the impact of the Covid-19 pandemic, which is not only allocated such as incentives for MSME players or exemption from local tax fees. However, it also ensures that an area's economic growth can return to normal, especially in the MSME and other informal sectors.

Primarily problems with the supply of goods to the commodities market and logistics sector in regions during the Covid-19 pandemic (Shafi, Liu, & Ren, 2020). The desired goal is to push the wheels of this economy to run as before the Covid-19 pandemic. Because what is affected is not only MSMEs but almost all economic lines. If this sector wants to be supported, the provincial Government through Indagkop needs to make a capital stimulus. For example, the exemption of market levies on traders for three months was enforced in Balikpapan. If they are released until December, it is part of the economic recovery so that their income is not burdened with paying levies to the government. In general, the programs carried out by the government are already in the right corridor, and it is essential to evaluate their implementation in the field.

### **Credit relaxation and restructuring**

Apart from budget reallocation and refocusing problems, credit relaxation and restructuring have also become problems in developing MSMEs in Indonesia. Especially in East Kalimantan, the concession to pay installments for one year refers to the restructuring period stipulated in the Regulation of the Financial Services Authority (POJK) Stimulus. The installment concession is intended more for small debtors, including the informal sector, micro-businesses, daily income workers who must pay credit to run their productive business. Informal work refers to workers who have a particular type of homeownership bill or simple housing program. Food stall entrepreneurs are forced to close because there is a policy of implementing Work From Home (WFH).

Relaxation of this arrangement will be enforced for up to one year after stipulation but can be extended if needed. Through Press Release Number 14 / DHMS / OJK / 3/2020, OJK asked banks to transmit the stimulus that the government has submitted immediately. This stimulus is expected to provide space for the real sector to continue running its business in this challenging time. Loosening the statutory reserve requirement set by Bank Indonesia can provide much liquidity to the banking sector. Lower interest rates can be transmitted in pricing for cheaper lending rates.

Besides, the policy of providing economic stimulus with the issuance of POJK No.11 / POJK.03 / 2020 concerning National Economic Stimulus as a Countercyclical

Policy for the Impact of the Spread of Coronavirus Disease 2019. This stimulus is valid from March 13, 2020, to March 31, 2021, and hopes that banks will be proactive in identifying debtors who have been affected by Covid-19, including MSME debtors, still observe the principle of prudence along with a monitoring mechanism.

The East Kalimantan Provincial Government asks banks or non-bank financing companies following the Financial Services Authority Regulation (POJK), which provides relief to debtors and customers to come to banks or non-bank financing offices to receive explanations of relief. Banks and non-bank companies must provide the provision of relief. This policy also reduces the burden on people now hit by the coronavirus or Covid-19 outbreak, as for sanctions or reprimands to support the people's welfare. Local governments do not do this to banks or non-bank institutions if they heed the President's policies.

From OJK East Kalimantan's (2020) data for September 2020, the number of MSMEs potentially affected by COVID-19 reached 100,834 debtors. With the realization of credit restructuring totaling 38,733 accounts. Of this amount, the outstanding value is Rp. 2.47 trillion. The debtor business sector of the economy that is most affected is wholesale and retail trade. Namely, 85,504 accounts with a debit balance of Rp. 6.79 trillion. "Of the debtors affected by COVID-19, 38,111 accounts (44.83%) had submitted with a debit balance of Rp. 3.17 trillion. Of those who proposed relaxation, 29,829 accounts (77.81%) were approved with total balances—a debit of Rp 2.77 trillion. Meanwhile, 662 accounts (1.73%) were rejected with a debit balance of Rp 53.07 billion of the debtors who had applied. Furthermore, the rest is in the bank analysis process.

Limited business activities amid the Covid-19 pandemic have increased the risk of bad credit. This risk is reflected in Non-Performing Loans (NPL) in the second quarter of 2020, at the level of 4.59 percent, higher than the first quarter of 2020, recorded at 3.46 percent. Based on its use, the increase in credit risk was due to an increase in the NPL of working capital loans from 6.69 percent in the first quarter to 8.06 percent in the second quarter. Meanwhile, the NPL of investment and consumption credit was maintained at 2.24 percent and 3.96 percent, respectively, despite increasing from 1.01 percent and 3.68 percent in the previous quarter.

Meanwhile, spatially, most districts and cities in East Kalimantan experienced an increase in NPL except for West Kutai, Mahakam Ulu, and Bontang. Like previous quarters, Balikpapan and Samarinda had the highest credit risk in the second quarter, with NPLs of 7.90 percent and 6.23 percent, increasing from 5.48 percent and respectively. 4.91 percent. If viewed per city, Samarinda and Balikpapan have a greater credit risk because these regions also have a more massive credit distribution. The credit growth of East Kalimantan in the second quarter of 2020 was recorded at 8.18 percent (YoY), lower than the previous quarter of 18.40 percent (YoY)

The existence of micro, small, and medium enterprises (MSME) is essential for economic growth. MSMEs are very important because they can absorb labor. Encouraging economic growth that contributes 61% of GDP has a diversity of sectors, encourages exports, and provides innovation. Of the 64.2 million UMKM units in Indonesia, that 97 percent absorbed the workforce. The trend of MSME funding during the pandemic, MSMEs, depends more on the informal funding sector to survive. Access to formal financial services was relatively limited. Also, during this period, there was a change in community mobility. So that in the new standard era, digital development is needed by MSMEs.

The provincial government needs to develop MSMEs through institutional strengthening (corporatization), strengthening human resources and business (capacity expansion), and strengthening access to finance so that MSMEs can become UMKM

4.0 as the new strength of the national economy. Strengthening the corporatization of MSMEs must also be done to maintain business continuity through strengthening institutions and expanding digital market access. The local government needs to emphasize support for MSMEs in the new average era by expanding market access and improving business processes, especially in collaboration, building local heroes' culture, increasing human resource capacity, and expanding segmentation.

#### **Citizens' indifference to a government appeal**

Another problem that has caused East Kalimantan to be less successful in developing entrepreneurship in the COVID-19 pandemic is citizens' indifference to government calls regarding health protocols resulting in the Temporary Closing Policy for Cafes or Restaurants. This problem is evident because people still gather in coffee shops, cafes, malls, or places that the government has banned. From the start, the government has given residents directions to carry out physical or social distancing to keep their distance from other people. Due to the spread of the coronavirus, one of which is through saliva splashes. If people do not keep their distance, and it is known that the person being spoken to is infected or a carrier of the virus, this can infect other people and spread again to other parties. Therefore, physical or social distancing is one way out to prevent the spread of COVID-19. The government's directive is only when most people are still cooperating at the terminal, market, and others. Residents seem not worried about the virus because they are more concerned with their daily activities.

As with physical or social distancing, the government's appeal to use masks is often violated by the wider community. The residents also did not follow the invitation to wash their hands after leaving the house. Why does this happen? Based on observation, at least three possibilities are why the people are ignorant of the government's direction.

Firstly, the citizens' ignorance of the dangers of COVID-19. This ignorance is due to weak socialization carried out by the government, including local governments and their staff. The Indonesian government is not optimally socializing the need to live clean and healthy, including using masks and washing hands frequently. Several mediums can be a conduit for the spread of the coronavirus. For example, the study by van Doremalem et al. (2020) explained that the coronavirus could survive in a matter of hours to days on different mediums. The coronavirus can survive several hours in the air, last 4 to 8 hours in copper medium, last 24 hours in cardboard medium, and last up to 3 days in plastic or stainless-steel medium (van Doremalem et al., 2020). This virus resistance must be anticipated by living a clean and healthy life. The information obtained by these residents did not come from government socialization but from the community's independent efforts to find out. As a result of this ignorance, people are indifferent to the government's appeal because they do not deeply understand the deadly dangers of COVID-19.

Second, there is an interest in making ends meet, causing some residents to ignore physical or social distancing orders. This neglect was even evident during the implementation of Large-Scale Social Restrictions (PSBB) in several regions. PSBB is a policy of the Central Government (in collaboration with local governments) to overcome the COVID-19 pandemic by limiting certain activities in an area suspected of being infected. The prohibition covers teaching and learning activities (both at school and campus), religious activities, wedding receptions, concerts, tours, and public and private transportation.

Third, the absence of strict sanctions keeps human migration high; and social distancing policies are less impactful. For example, the Citra Niaga area and the Mahakam Edge area will be temporarily closed. The closure of the two places was because they were deemed not to apply the Covid-19 protocol. Hundreds of people



hanging out at the two locations did not keep their distance, and many did not wear masks. Several times the Covid-19 Task Force found visitors and business owners who did not comply with health protocols and violated Perwali number 43 of 2020 concerning the Application of Discipline and Law Enforcement of the Covid-19 Control Health Protocol. Many visitors do not wear masks and sit close to each other for a long time. Thus, closing steps were taken so that business owners in the two locations were more orderly in implementing protocols such as adjusting the distance between table chairs, wearing masks, and a plastic barrier for cashiers. However, if this is not followed during the closing period, the closing period will be extended. The community and business actors have not followed this control because of the absence of strict sanctions.

The Governor of East Kalimantan has issued a circular containing an appeal not to gather in crowds. People are also expected to remain at home, except in specific and urgent circumstances, to leave the house. Following up on the governor's circular letter, the East Kalimantan Provincial Civil Service Police Unit (Satpol PP) and the City of Samarinda continue to disseminate information to the community. Especially in places that are usually used as gathering places. Among other things, a playground, an internet cafe, to a restaurant or cafe. The goal is to reduce interaction and even direct contact that triggers the easy spread of Covid-19. Not only food stalls, but Satpol PP also conducted outreach to internet cafes that were still open.

However, the spread of Covid-19 still occurred in East Kalimantan and was ranked 3rd in the highest distribution figures. Through the Task Force, the local government also has to work extra hard to socialize and educate the public about the importance of implementing health protocols in their daily lives (Karim, Aini, & Akbar, 2021). There is no exception to curbing night entertainment venues (THM), which are open until 00.00 WIB or midnight. Asked to close, it turned out that THM was free to open, and even many did not use health protocols. This control is needed to justice for small business actors looking for sustenance until the night. Because of that, THM control must be done at any time. Controlling the use of masks or implementing health protocols must be carried out, including the opening and closing hours of THM and food stalls to small cafes.

The non-compliance discussed in this subsection confirms the survey of Hadi et al. (2020). Their survey found that 92.6% of respondents actively interacted in traditional markets; 84 1% do not use masks, and 89.3% do not apply social distancing. Meanwhile, supermarkets or minimarkets are not much different. Of the 97.6% of residents active in supermarkets or minimarkets, 49% do not wear masks, and 61.7% do not heed the provincial government's instructions to carry out social distancing. Besides, this survey also found that as many as 81.7% of respondents continued to go to mosques, churches, and temples; and 72.5% of respondents are still actively hanging out or gathering in cafes and coffee shops.

Apart from that, the provincial government will no longer only echo appeal but also be firmer than implemented so far. The government must have the courage to impose punitive sanctions on citizens who do not comply with the government's appeal or direction. These sanctions deter people and make people agree to do things that the government prohibits. Besides, the sanctions given are blunt upward and apply to all people of East Kalimantan.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusion**

Corona Virus Disease-IV (COVID-19) is a world pandemic whose spread is very massive and affects the development of MSMEs as a whole. This article analyzes the efforts made by the Government of East Kalimantan in dealing with and controlling the

spread of COVID-19. In order to obtain data and information, the authors make use of literature study data collection. The findings obtained from the author's analysis are that the policy for handling the COVID-19 outbreak in the development of MSME in East Kalimantan is not running optimally. This problem occurs due to three essential things: reallocating and refocusing the Covid-19 Budget for economic stimulus costs to business actors and small industry players is still focused on the limited social impact management program and health care costs. Credit relaxation and restructuring due to limited business activities amid the corona pandemic (Covid-19) increases the risk of bad credit. Residents' indifference to government benefits is the third factor that results in not optimal handling of COVID-19 in East Kalimantan. The reluctance of residents to use masks, the crowds of people gathering in houses of worship, coffee shops, restaurants, and places prohibited by the government is an obstacle to social distancing. Besides, the policy that was expected to be a solution also caused most East Kalimantan people to depend on daily work in the informal economy. Many residents did not obey the government's direction.

### Recommendation

Currently, MSMEs in East Kalimantan are facing significant problems as a result of Covid-19. These problems include decreased sales, capital problems, delays in distributing products and raw materials. Potential problems in the implementation of provincial government policies for MSMEs can be mapped into three categories: 1) The effectiveness of the MSME stimulus policy regarding the policy's adequacy in responding to the needs of MSMEs during a pandemic; 2) Targeting, namely the risk of exclusion or inclusion of errors, validation of recipient data, and eligibility validation; 3) Supervision related to policy implementation stages, the potential for abuse of distribution, and complaints.

Several policy recommendations for the recovery of MSMEs in East Kalimantan Province, namely increasing the role of Indagkop through fostering and educating MSMEs in utilizing technology to sell online and the one-door policy for MSMEs. The quasi-fiscal policy will then cooperate with Regional Owned Enterprises and Regional Development Banks to absorb UMKM products and establish business cooperation, and a single database system and additional data verification by field surveys.

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## **Destination images: antecedents of city marketing, tourism event, and social media marketing concept**

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DOI: 10.22437/ppd.v9i2.12742	Received: 30.04.2021	Revised: 18.06.2021	Accepted: 25.06.2021	Published: 30.06.2021
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### **Abstract**

Building tourism is long-term work. Many elements are involved, and their effectiveness cannot be calculated partially. At present, competition between cities/districts continues to increase, especially in city/district marketing that is tourist-friendly, iconic tourism events, and massive social media marketing. The strong destination image will impact on increasing the number of visits. This research aims to analyze the impact of city/district marketing power, tourist events, and social media on the image of tourist destinations in Maluku. The methodology in this research is based on quantitative analysis using Structural Equation Modelling (SEM) to discuss theory and see the relationship between city/district marketing variables, tourism events, social marketing media, and destination image. This study indicates that city/district marketing has a greater increase in strengthening the image of destinations compared to tourism events and social media marketing. This shows an effective strategy from the government in advancing tourism faster and more robust in increasing the image of a destination.

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**Keywords:** *City/district marketing, Destination image, Social media marketing, Tourism events*

**JEL Classification:** M30, M31, M37

### **INTRODUCTION**

In Indonesia, tourism has contributed significantly to increasing foreign exchange. In 2011-2012, tourism became the fifth foreign exchange contributor after the oil and gas, coal, palm oil, and processed rubber sectors. In 2013-2015 the tourism sector increased to rank fourth national foreign exchange contributor, and in 2016 this sector became the second largest foreign exchange earner after crude palm oil (Table 1).

A high and competitive tourism image results from an effective and efficient strategy from various components, including organizing tourism events and destination marketing through social media. The image is an important factor and very influential on visits because it can maintain the market share of tourists, promotions, and price and service sensitivity between repeat and first-time tourists (Alegre & Juaneda, 2006). Attracting tourists to visit again and/or recommend destinations to others is very important for destination development (C. Chen & Tsai, 2007). Destination imagery also plays an important role in the decision of the first visit when traveling. (Kaplanidou

& Vogt, 2010) Therefore, a positive image felt during a visit to a destination can increase repeat visits. (Pike, 2008) and (Daleela, Wahid, & Khasimah, 2016). Discussion about tourism is multidimensional, multisectoral, multiskill, and has significant multi-economic and social effects. This is because the basic value of tourism is "spending," which has a multiplying effect on various sectors such as hotels, transportation, trade, crafts, and other services. In addition, tourism is closely related to investment and economic structure in other fields. (Tripkovic Markovic, 2010)

**Table 1.** National foreign exchange receipt from the tourism sector

Years	Number of International Tourist	Country Income (million US\$)	Enhancement (%)
2011	7,649,731	8,554.39	12.5
2012	8,044,462	9,120.89	6.6
2013	8,802,129	10,054.15	10.2
2014	9,435,411	11,166.13	11.1
2015	9.729.350	11,900.00	6.6
2016	11.519.275	13,230.76	11.2
2017	14,039,799	16,800.00	26.9
2018	15,810.305	17,600.00	4.7

Source: *Ministry of Tourism and Creative Economy*

Many cities and towns spend large budgets on marketing policies to attract new target groups and maintain existing ones; therefore, differentiation is becoming increasingly important, especially for smaller cities. This differentiation is intended to attract visitors. The reason someone chooses to visit one place compared to other places is very subjective, not only because of attributes but also because something is more dominant or something else. Empirical research shows that policies and strategies of the city increasingly cities as the ability to live, visitability, and ability to invest. In the tourism sector, city/regency marketing is essential in strengthening the city's image as a tourist destination and attracting as many visitors as possible.

One strategy in marketing destinations can be done by organizing tourism events to enhance and shape a positive image of the area. This underlies the Ministry of Tourism to create a Calendar Of Event (CoE) that displays national and international scale events from every province in Indonesia. Tourism events are shown in cultural, historical, and sporting events that can attract domestic and foreign tourists. Many empirical studies state that tourism events effectively invite people to visit, reduce negative images, and even turn them into positive images (Yuan & Chong, 2007). In Maluku, as one of the provinces in Indonesia, organizing tourist events increased in number from 2015 to 2019. In 2015 there were 15 events to 27 events in 2019. In addition, the holding of the event was not only centered in Ambon City but spread in various districts/cities in Maluku.

Empirical studies also prove that tourism and social media cannot be separated at this time. The development of social media marketing has a significant impact on tourism (Zeng & Gerritsen, 2014). The development of the internet makes the function of social media increase from just networking to interact to become an effective marketing tool. The use of social media aims to accelerate the process of interaction between information producers and recipients (Sicilia, Perez, & Heffernan, 2008). Almost all tourist destinations and events currently use social media to promote efficiency and effectiveness in reaching specific interest segments.

An exciting phenomenon now is increasing the number of websites and blogs that discuss tourism, the tourism community, personal reviews about travel, and even the profession as a traveler and blogger that is increasingly attracting the interest of many people. To promote tourism at a low cost, the Ministry of Tourism invited influencers and social media bloggers from various countries to review destinations in Indonesia. This was done because of their ability to promote and influence their followers to visit Indonesia. In addition to social media platforms such as Facebook and Instagram that are often used, the website also plays an essential role in providing tourist information. The tourist destination has an official website as a source of information that can be used as a tourist reference about all things in the destination, such as accommodation, transportation, entertainment, and local culture. The Ministry of Tourism created the Most Popular Digital Tourism Promotion category in the Indonesian Enchantment Award (API). It supports tourism marketing through digital media. It is to assess the seriousness of each province and community using social media in the promotion of destinations and to encourage regions to play a more significant role in promoting tourism and competition between regions. Contested categories increase every year. In 2016 there were ten categories contested, while in 2017, it increased to fifteen categories. The selection of winners is based on online voting for the public for a certain period.

Some researchers who write about destination images use event tourism and social media marketing variables to increase the impression of tourist destinations. In comparison, the city marketing variable has not been studied much related to the destination's image. Research on city marketing is usually using qualitative methods about the policies of a city. This is an opportunity for researchers to see city marketing as a factor supporting destinations to achieve an optimal image.

Based on the explanation above, this research aims to: 1) Obtaining the effect of city/district marketing on the image of a tourist destination; 2) Obtaining the effect of tourism events on the image of a tourist destination; 3) Obtaining the effect of social media marketing on the image of a tourist destination.

## **LITERATURE REVIEW**

### **City/district marketing**

The study of marketing of a place is based on two theoretical approaches, namely; (1) marketing of the place and political economy that emphasizes more on the transformation of government and the involvement of the business community in economic development; (2) concentration of various marketing strategies. (Avraham & Ketter, 2008).

The difference between destination marketing and traditional marketing is, (1) the destination is more challenging to manage because of the complexity of the relationships between the various stakeholders; (2) many parties are interested in developing, producing, delivering, and offering tourism so that there is no owner of the whole process; (3) related stakeholders in presenting destinations may have conflicts of interest and political agendas making it difficult to work together. (Line & Wang, 2016).

Over time, the idea that marketing is synonymous with marketing, in general, begins to erode. As a result, communities, cities, countries, nations, and regions have

become more active in adopting strategic business, management, and marketing concepts and tools. (Gertner, 2011).

The perception of a city/district is essential as a basis for someone's decision to visit a destination in the city /district. Urban marketing is now more positioned as a strategy used to attract tourists and potential investors. Since tourism is a supporting sector to increase regional income and is supported by Law No.32 of 2004 concerning regional autonomy, each city/regency is trying its best to implement appropriate marketing strategies to promote the city/regency.

The special article that discusses the relationship between city marketing variables and city image by Kavaratzis (2004) states that the object of city marketing is the image of a city/destination where it is the starting point for developing city brands. In contrast, Braun (2008) states that city marketing will stimulate competition between cities and a destination/city image. Balencourt & Zafra (2012) even states that the destination image is central to all marketing objectives of a city. All city assets are strived to improve the city's image to benefit residents, visitors, and prospective residents. Boison (2007), in *The Strategic Application Of City Marketing to Middle Size Cities*, reveals the strategies of several cities in attracting potential residents and visitors. In this research, it is mentioned that some cities have a bad image, and an effective city marketing strategy is needed to re-image positive and good things about a city.

H1: City/district marketing has a positive and significant effect on destination image.

### **Event tourism**

Many academics have studied the relationship between tourism event variables and destination imagery. Some of them are (Boo & Busser, 2006), (Werner, Dickson, & Hyde, 2016), (Yuan Liu & Chen, 2007), (Kaplanidou & Vogt, 2010) (Yi-de Liu, 2014) (Dimanche, 2016) ), (Lai, 2016).

Research on the relationship between tourism event variables and destination images conducted by Dimanche (2016) explains tourism events used to position and strengthen destination images among competitors. Lai (2016) states that, in general, the image of an event influences the destination image. Kaplinadou (2010) states that there is a significant influence between the image of a sports event on the destination image

Events are important motivations that play a role in developing and marketing most destinations through local, distinctive, unique, and regional icons. (Middleton & Clark, 2001). Events that are well planned and documented will play a role and positively impact the competitiveness of destinations (Getz, 2008); (Golob & Jakulin, 2014). In recent years, special festivals and events have become one of the fastest-growing types of tourist attractions (Thrane, 2002); (Gursoy, Kim, & Uysal, 2004). There are several potential reasons for this phenomenon, (1) Festivals and tourism events have a significant effect on the economy; (2) sponsors have the confidence to get intangible social benefits through participation in events; (3) developing a new festival is a strategy to extend the life cycle of a destination (Boo & Busser, 2006). In addition to positive images, events or festivals can also erase negative effects. A city with a unique image can be identified through city mind identity, city visual identity, and city behavior identity related to events and festivals (Yuan Liu & Chen, 2007).

The effect of the event on social, environmental, and economic aspects was also raised by Raj & Musgrave (2009). Thus, it can be concluded that the event has positive effects and negative effects that the event organizer and stakeholders must anticipate.

While the primary purpose of the tourism event can be described as follows (Getz & Page, 2016): 1) Attract tourists (including sponsors and media), economic benefits; overcome the weak season, spread the geography of tourism, and enhance urban and economic development; 2) Spread a positive image of the destination, build the city's brand and reposition the city's image; 3) Contribute to marketing destinations as places that are suitable and attractive; 4) Describe a city, resort, park, urban spaces, and all types of places to get repeat visits; 5) Development catalysts, including urban renewal, community capacity building, volunteerism, and improving marketing to produce long-term inheritance.

Based on the typology of the event, it can be concluded that almost all typologies have in common. Eight typology events from Getz (2008); and Golob & Jaculin (2014) have similarities in overall typology. Middleton & Clark (2001) even have ten typologies but are different from other researchers because they emphasize event objects. Thus, it can be concluded that the event is about cultural celebrations and politics, arts, education, sports, and other entertainment celebrations.

H2: Event tourism has a positive and significant effect on destination image.

### **Social media marketing**

Research on the effect of social media marketing variables on destination images is discussed by (Kiralova & Pavlí, 2015), (Jabreel, Moreno, & Huertas, 2016), (Tham, Croy, Mair, & Croy, 2013), (Mariani, Di, & Mura, 2016), (Zhou & Wang, 2014). In a study conducted by (Kiralova & Pavlí, 2015), the magnitude of communication in social media on tourism destination strategies can ultimately strengthen the destination's image. (Jabreel et al., 2016) looked at the effect of social media on destination images through qualitative and quantitative reference mapping. (Jabreel et al., 2016).

The internet has revolutionized business, including the tourism sector. Reviews generated from visitors, photographs, videos, stories and recommendations, and destination marketing online make it easy to reach potential visitors. (Kiralova & Pavlí, 2015). Social media marketing revolutionizes the concept of communication of tourist destinations and plays an essential role as a source of tourism information (Xiang & Gretzel, 2010). It plays a significant role on the demand-supply side. It allows tourist destinations to interact directly with visitors, make offers, get input and be more efficient in evaluating service than traditional communication. (Kaplan & Haenlein, 2010); (Pavlí, 2015).

Most social media marketing research in tourism is related to the phenomenon from tourists' perspective (Ayeh, Leung, Au, Law 2012) and its relevance to travel information seeking and behavior. Research on this topic shows that prospective tourists trust the credibility of blogs more than the traditional word of mouth (Litvin, Goldsmith, & Pan, 2008). The relationship between blogging and positive sentiment on website advertising, the impact of social media sites on the search for tourist information (Huang, Chou, & Lin, 2010), and the increasing role of word of mouth electronically (Xiang & Gretzel, 2010).

Consumers use social media to post stories, comments and evaluations, pictures, and video clips. Tourists share their evaluations and perceptions about a destination with a tendency to influence destination choices for others who are potential tourists around the world. Before, during, and after holidays, social media share experiences and are a significant information source (Kladou & Mavragani, 2015)). The phenomenon that occurs today, word of mouth electronically, is highly emphasized because social



media content is considered more trustworthy than the official website of the tourism department or advertisements on conventional media (Fotis et al., 2012).

H3: Social media marketing has a positive and significant effect on destination image.

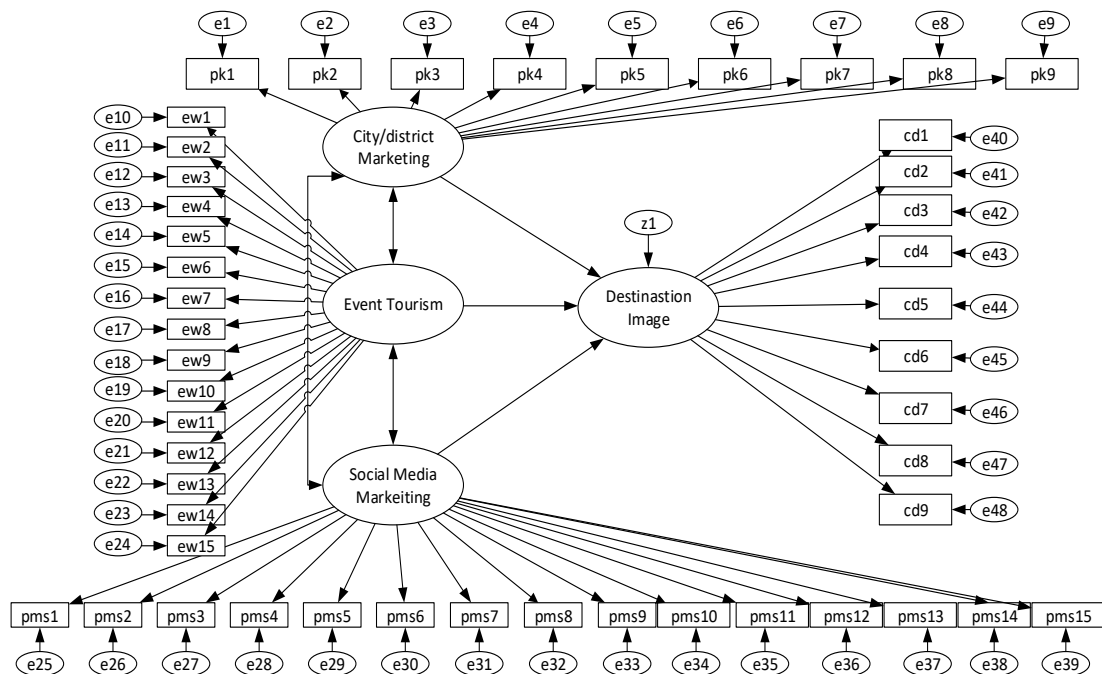
**Destination image**

Brand strength is an asset in the global market strategy. Many researchers have made different contributions to the understanding of destination imagery over the past 30 years. Destination image has become the dominant of the marketing research area in the field of tourism. Attracting tourists to visit again and/or recommend the destination to others is very important for destination development (Chen & Tsai, 2007).

As a consequence of increased competition in the tourism sector, destination image has become a key element in differentiating between destinations (Hosany, Ekinici, & Uysal, 2006). Destination imagery has also been an important issue in research in the tourism industry for a long time. This began when many countries used global marketing to promote and support the image of a destination to compete with other destinations. (Huang & Lin, 2009). The importance of the destination image is recognized as influencing the individual's subjective perception and consumer behavior towards a destination. (Kaur & Chauhan, 2016).

Most researchers understand the concept of destination images as behaviors formed by cognitive, affective, and conative elements. Each element is part of the construct of behavior and has been shown to influence consumer behavior.

Based on the above literature review, the following hypothetical models are built:



**Figure 1.** Research hypothesis model

**METHODS**

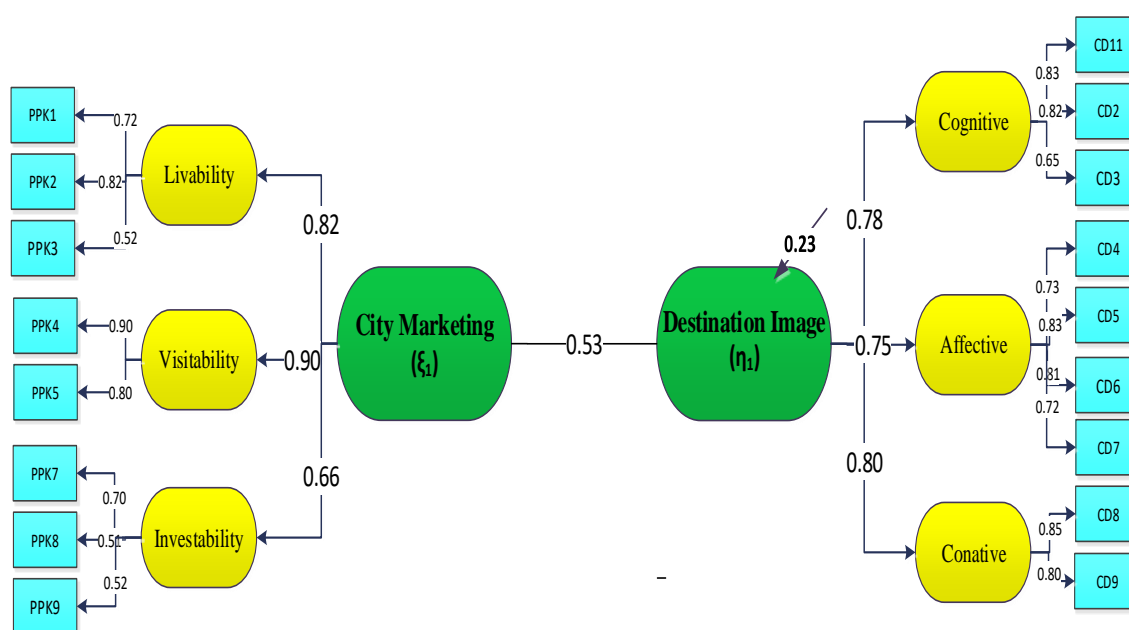
This research uses the verification method with Structural Equation Modeling (SEM) analysis tool. The study's period is cross-sectional one shot, which means that the information or data of this study was obtained at a certain period. The observation unit of the study was 595 domestic and foreign tourists with the aim of leisure and

attending MICE events (meetings, incentives, conventions, and exhibitions) in Maluku. Data were collected by using the offline questionnaire survey method. The accidental and snowball sampling method was used to collect data from respondents.

## RESULTS AND DISCUSSIONS

### Effect of City/district Marketing on Destination Image

Based on the partial test results, the hypothesis of the city/district marketing variable ( $\xi_1$ ) has a significant effect on the destination image ( $\eta_1$ ) with a total effect of 39.9% with strong criteria. This test illustrates that the marketing of the city/district has a significant effect on the destination image with t count (4.42) greater than the t table (1.96). This shows that the hypothesis is accepted. For more details, it can be described in Figure 2.

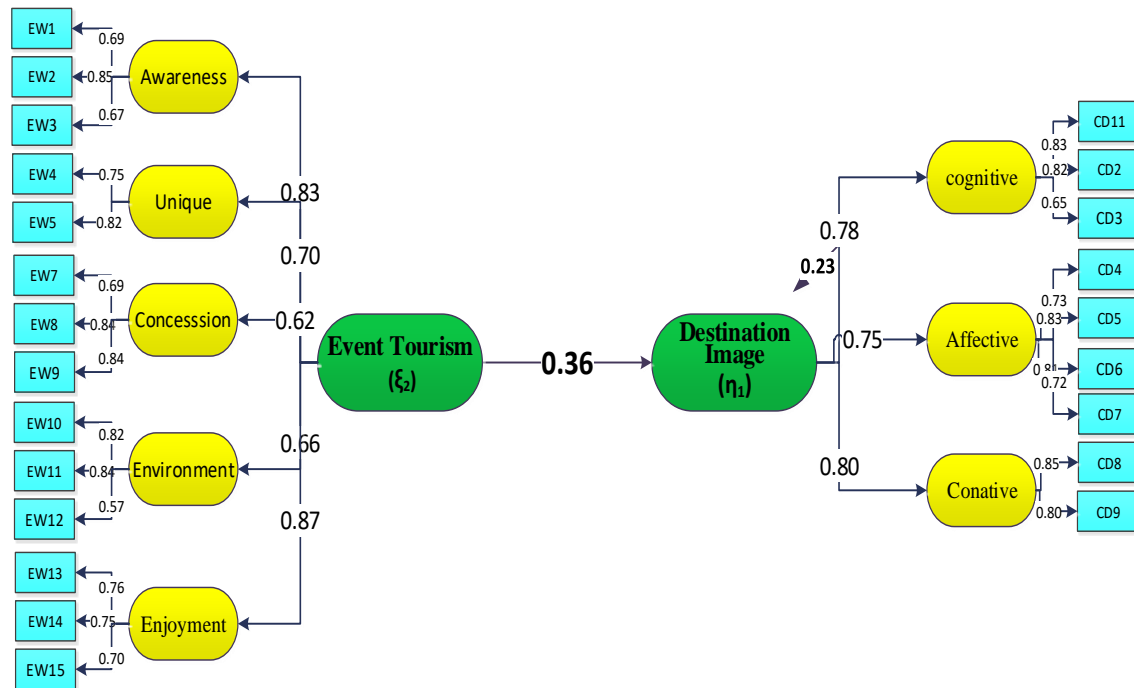


**Figure 2.** Test results effect of city/district marketing on destination image

In Figure 2, the study results show that city/district marketing consisting of the ability to live, visitability, and instability affects the destination's image. It caused by the policy of the city/district government in the development of tourism is very influential on the image of the city/district. The highest dimension forming destination image is visitability, with a value of 0.90. At the same time, the livability dimension plays a role in improving the destination image by 0.82. The development of infrastructure causes this high number to improve facilities and infrastructure to facilitate access to several destinations that impact improving the tourism sector. The investment dimension with a value of 0.66 shows that economic development and investment are also developing so that Maluku is not behind other provinces. Investability in city/regency marketing has a role in increasing investor confidence and business opportunities to increase the destination area's economy. This is in line with Balencourt & Zafra (2012), who concluded that the marketing strategy of the city/district in terms of improving the regional economy and the tourism sector significantly improves the image of a destination.

### Effect of tourism events on destination image

Based on the partial test results, the tourism event hypothesis ( $\xi_2$ ) significantly influences the destination image ( $\eta_1$ ) with a total effect of 23.8% with moderate criteria. This test illustrates that tourism events significantly affect destination images with t arithmetic (3.90) greater than t table (1.96). This shows that the hypothesis is accepted. For more details, it can be described in Figure 3:



**Figure 3.** Test results of the effect of event tourism on destination image

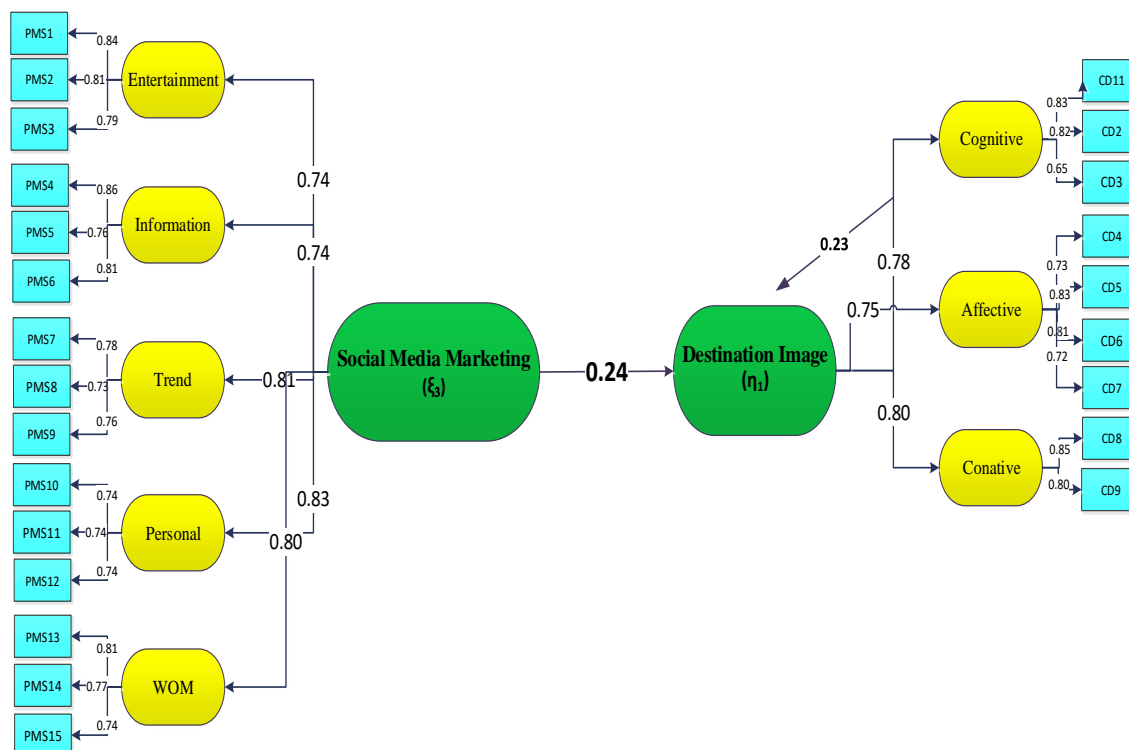
In Figure 3, the research results show that tourism events measured through dimensions of awareness, uniqueness, concessions/benefits, environmental readiness, and enjoyment/escape affect the destination image.

The highest value in the tourism event variable in shaping the destination's image is enjoyment, with a value of 0.87. This is because tourists and visitors feel the fun and enjoy the events carried out. An event is a celebration that can entertain and provide experience; therefore, this aspect is very important for participants or tourists. This is in line with the statement from Getz & Page (2016) that one of the objectives of participating in the event is that participants try to find personal and interpersonal respect and hope to escape from environmental, personal, and interpersonal aspects that disturb or bore them.

As such, events are an important motivation for tourism and play a role in the development and marketing of most destinations (Middleton & Clark, 2001). The event also aims to attract tourists, spread a positive image (Getz & Page, 2016), and contribute to destination marketing because it helps create or maintain an image of a destination. More specifically, events can be used to help promote, position, and build a destination brand. (Dimanche, 2002). Contrary to this study's results, Boo & Busser's research (2006) show that the event held in Macau did not positively affect the destination's image on the participants.

### Effect of social media marketing on destination image

Based on the partial test results, the social media marketing hypothesis ( $\xi_3$ ) significantly affects the destination image ( $\eta_1$ ) with a total effect of 13.4% with very weak criteria. This test illustrates that social media marketing significantly affects destination images with t count (3.13) greater than the t table (1.96). Although weak, the hypothesis is accepted because it has a significant effect. For more details, it can be described in Figure 4:



**Figure 4.** Testing results of the effect of social media marketing on destination image

In figure 4, the research results show that social media marketing, as measured through the dimensions of entertainment, information, trendy, personalization, and word of mouth, has been proven to affect the image of tourist destinations. Social media marketing affects the image of tourist destinations in Maluku due to several things, including the use of massive social media in social, business, and work-life. In addition, the increase in the community and tourism businesses in doing reviews, photos, videos, and stories about the destinations of Maluku turned out to impact the image of Maluku.

In this calculation, the influence of social media on destination images is 13.5% and is the variable with the lowest influence compared to tourism events by 28.3%. The maximum use of social media in promoting the Maluku destination is allegedly the low influence of the Maluku destination image. Nowadays, Maluku tourism promotion is more likely to be carried out by tour guide communities, resort owners, and other tourism communities. They also rely on friendship and networking with other parties. Although the number of uses of social media has increased, it has not influenced the image of Maluku tourism.

Social media facilitates tourism promotion because social media marketing helps revolutionize the communication concept of tourist destinations and plays an important role as a source of tourist information (Xiang & Gretzel, 2010). Reviews generated from visitors, photographs, videos, stories and recommendations, and destination marketing

online make it easy to reach potential visitors. (Kiralova and Pavli, 2015). Research conducted by Mariani and Mura (2016) even emphasizes the relationship between social media marketing variables and destination image. Research using the mixed method has concluded that social media marketing contributes to building a positive destination image. Kim, Lee, Shin, & Yang (2017) emphasize the influence of information quality on social media and government-owned websites in improving the image and influencing someone to visit or not to a destination.

This study is in line with research from Werner (2016), (Liu 2015), and Dimanche (2016), which states that tourism events affect the image of a destination. In addition, this study is also in line with Tham (2013), Mariani (2015), and Jabreel (2016), which states that social media marketing influences the image of the destination. If seen from the current phenomena, social media marketing can be a means of promotion with a low budget but has a high impact as an alternative in improving the image of a tourist destination. However, it turns out that the effectiveness of cost-effective tourism events is still considered high in tourist perceptions compared to social media marketing.

### **Effect of city marketing, tourism effect, and social media marketing on destination image**

The results for the effect of city/district marketing, tourism events, and social media marketing on the image of the destination, the structural equation is hypothesized as follows:

$$\eta_1 = \gamma_{11}\xi_1 + \gamma_{12}\xi_2 + \gamma_{13}\xi_3 + \zeta_1$$

$$\eta_1 = 0,53\xi_1 + 0,36\xi_2 + 0,24\xi_3 + \zeta_1$$

The results of simultaneous hypothesis testing show that overall, city/district marketing variables ( $\xi_1$ ), tourism events ( $\xi_2$ ), and social media marketing ( $\xi_3$ ) have a simultaneous effect on destination image variables ( $\eta_1$ ) by 77% with solid criteria. Therefore, it is concluded that the test results describe changes in city/district marketing, tourism events, and social media marketing that together can improve the image of the destination.

The effect of city/district marketing, tourism events, and social media marketing is caused by the city/district development strategy that has been carried out by the government so far has gone well and made Maluku considered equal to other provinces. In addition, tourism events and social media marketing that have been carried out have improved the image of Maluku destinations.

This research is in line with Balencourt & Zafra (2012), which states that city/district marketing and the development of the tourism sector will strengthen the destination's image. Meanwhile, Hudson et al. (2015) describe the influence of tourist events and social media as a vehicle for branding a city to improve the destination's image and the perception of the city's people.

### **Discussions**

Many cities/districts are trying to improve the image of tourist destinations through marketing programs in the tourism sector. Most cities/districts rely on promotion through events tourism and social media marketing. Therefore, this study examines the most dominant variable in improving the image of a destination. The results showed that a city measured through the dimensions of worth living, worth visiting, and worthy of investment has more influence on tourists' perception in assessing the destination's image.

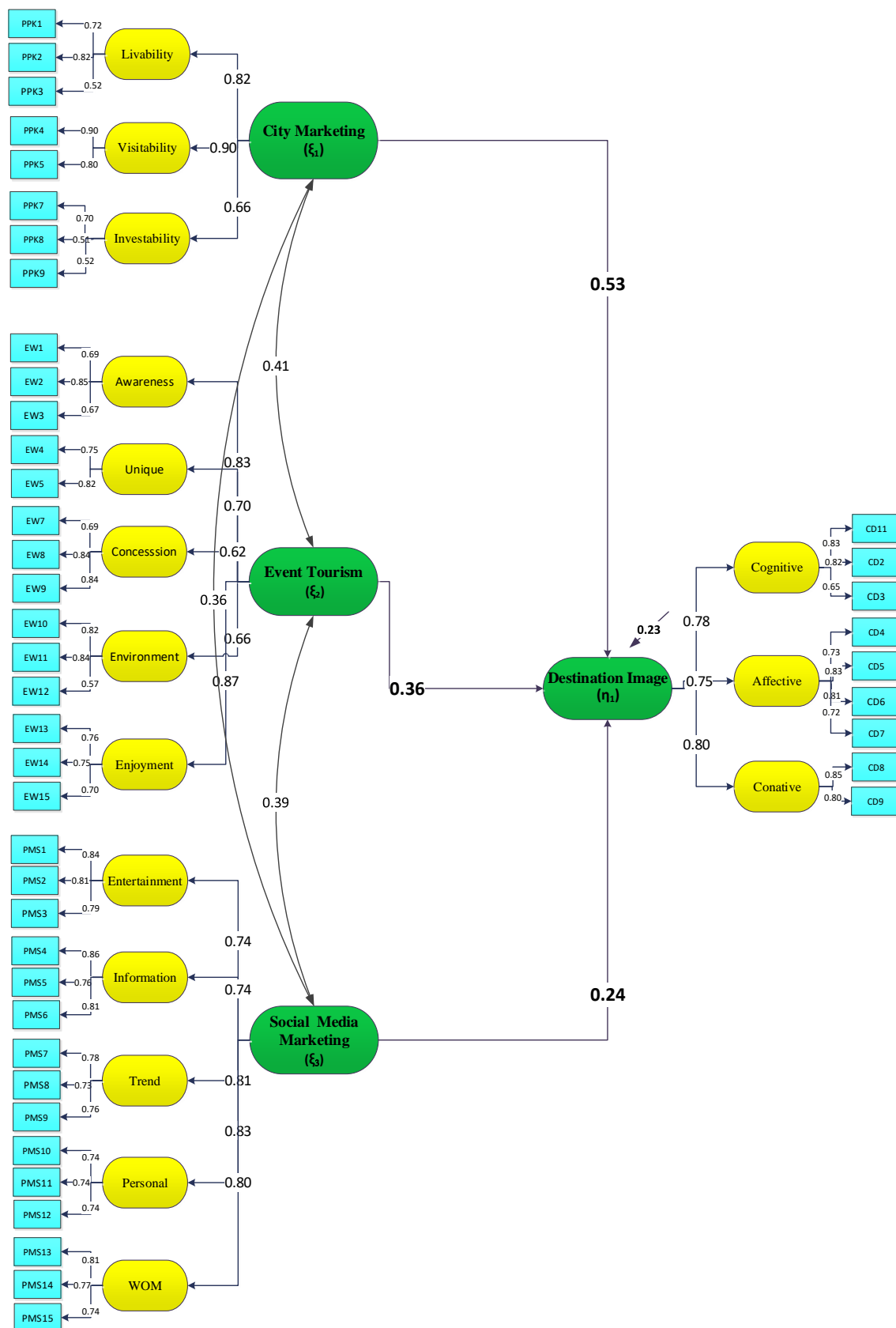


Figure 5. Results of the simultaneous effect of city/district marketing, tourism events, and social media marketing on destination image

City marketing variables are generally analyzed qualitatively or as respondents to the leaders of a city/district, but this study used tourists as respondents to be different from previous studies. This shows that the policies of city/district leaders in developing the tourism sector must be comprehensive, starting from increasing the welfare of the citizen to ease of investment that has an impact on the image of the city/district that has many tourist destinations.

The relationship between city/district marketing variables, tourism events, and social media marketing simultaneously has a significant relationship. Where if these three variables increase, the image of the destination will also increase. If calculated simultaneously, the effect of the three exogenous variables is higher than the partial calculation.

Increasing the marketing of cities/districts will improve the image of the city. The awareness of the city is increasing and worth visiting, worth living because security, comfort, and infrastructure are important elements in tourism. The coefficient of the city/district marketing channel, if calculated partially, is higher than tourism events and social media marketing. This indicates that city/district marketing is more dominant in increasing the destination's image than tourism events and social media marketing.

## **CONCLUSIONS, RECOMMENDATIONS, AND LIMITATIONS**

### **Conclusions**

City/district marketing has a significant influence on the destination's image through livability (worth living), visitability (worth visiting), and investment (worth investment). The influence of city/district marketing is stronger compared to tourism events and social media marketing. This shows that tourists see a city/district as a tourist destination if the commitment of the city/district government is strong in supporting the tourism sector. Tourism events also significantly affect destination imagery through public awareness of event organizing, event uniqueness, benefits, and event readiness.

The holding of events in Maluku increased in quantity and quality. In 2018 there were four events on an international scale and three events included in the national calendar of events. The benefit gained through implementing the calendar of events by the Ministry of Tourism is the broad promotion of events held in Maluku and Maluku increasingly recognized as tourist destinations. The increasing image of Maluku is also caused by a series of international events held by the Ministry of Tourism for two years, from 2017-2018 through Wonderful Sail Indonesia. In this event, 120 yachts from fifteen countries visited three districts in Maluku and other regions in Indonesia. This is a world-scale event that is quite uplifting the image of Maluku as a maritime destination because, for three days, the participants were invited to enjoy Maluku's tourist, artistic and cultural destinations. Based on observations at the location of the activity and interview, participants were very happy to participate in the activity because they had the opportunity to see firsthand the beauty of Maluku, and their perceptions were very positive towards Maluku as an attractive tourist destination.

The personalization dimension in social media marketing has the highest value in shaping the destination's image. This is because social media plays a very important role in providing personal information to tourists based on each tourist's travel preferences. Destination promotion is more effective if done through social media platforms that are directly directed to tourists according to segments and target markets. Tourists also tend

to look for specific information about the destination and compare it with other similar destinations. Even some visits to destinations tend to be caused by the influence of social media. Therefore, personalization can help strengthen the image of the destination to be more attractive to tourists.

### **Recommendations**

Qualitative and quantitative studies on city/district marketing, tourism events, and social media marketing in tourism are still needed to increase local revenue or the country's foreign exchange and social and institutional aspects because tourism is multi aspects and multiply effects. Further research can be developed in tourism, such as tourists, travel patterns, shopping behavior, stakeholder perspectives, destination images, and economic returns from investment.

### **Limitation**

Dimensions and indicators in this research were adopted from previous researchers. Not much has been done about the concept of city marketing in its role in the tourism industry, moreover using tourists to measure the effectiveness of city policies. Many other variables can be explored in shaping the image of a destination. The city marketing variable turns out to be unexpectedly having the most significant influence in shaping tourists' perceptions of destination image compared to tourist event variables and social media marketing which are very commonly used as influencing factors.

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## Trafficking of women in Entikong Sub-District Sanggau Regency, Indonesia

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DOI: 10.22437/ppd.v9i2.13079	Received: 30.06.2020	Revised: 20.03.2021	Accepted: 23.06.2021	Published: 30.06.2021
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### Abstract

This study investigates and analyzes various phenomena related to transnational trafficking of women in Entikong Sub-District, Sanggau Regency, West Kalimantan, from the recruitment of the departure abroad to various human rights violations experienced by Indonesian women. The qualitative analysis method is used in this study. In general, trafficking of women in the Indonesia-Malaysia border regions is a phenomenon that arises due to the lack of legal protection, both while the victims are still in Indonesia and after they arrive abroad. This phenomenon has a negative impact on ensuring legal protection for women and the impact on the emergence of human rights violations (torture, harassment, exploitation, intimidation, rape, confinement, and forced sexual intercourse.).

**Keywords:** *Exploitation, Migrant workers, Trafficking of women*

**JEL Classification:** I30, K42, Z13

### INTRODUCTION

Various international trafficking of women cases under the pretense of recruiting Indonesian female migrant workers (*Tenaga Kerja Wanita/TKW*) occurs primarily in areas directly bordering neighboring countries. It also happened in Entikong Sub-District, Sanggau Regency, West Kalimantan Province, which is near Malaysia. According to the data from LSM Anak Bangsa Sanggau (2008), the number of women who became victims of trafficking through the Entikong Cross-Border Post (PLB Entikong) in 2005, 2006, 2007, and 2008 respectively were 103 cases, 545 cases, 414 cases, and 102 cases. The majority of the trafficking victims worked in nightclubs for their Malaysian employers (hereinafter addressed as *tauke*). They were compelled to entertain clients/customers, and if they refused, they would be punished, tortured, confined without being fed, threatened, and subjected to other human rights violations.

The rising number of trafficking cases, both directly and indirectly, has aggravated the impoverishment of Indonesian women, and law violation has become more common. Weak enforcement of laws encourages the proliferation of fraudulent practices, bribery, and document manipulation. It enables corruption and bribery to be extremely common, particularly in settlement of trafficking cases out of court. It is difficult to obtain accurate and reliable data on trafficking woman victims in Entikong District. However, several women from this region have recently returned from Sarawak (Malaysia) and have shared their unpleasant experiences of being scammed by the traffickers posing as labor brokers.

Based on the explanation above, this study aims to describe the process of transnational trafficking of women in the Indonesia-Malaysia border area under the pretense of sending female workers abroad by the labor brokers, to examine the factors enabling transnational trafficking of women, and to determine the preventive measures for the trafficking cases.

## LITERATURE REVIEW

Trafficking of women is intertwined with economic, social, cultural, political, and legal issues on a national and global level. Individuals/women who are the victims are not the only ones who suffer; families and communities are often affected. The victim is subjected to exploitation and violence, which is a dishonor to the family. Furthermore, there will be a rise in prostitution and immoral acts and an impact on poverty and powerlessness in the community.

According to Soesilo (1994, 20), trafficking is defined as activities committed to hand women over to other parties for prostitution, including those who usually look for young women to be sent abroad and become prostitutes/sex workers. United Nations (UN) defines human trafficking as the recruitment, transportation, transfer, harboring or receipt of people through force, fraud or deception, abuse of power, or the giving and receiving payment to obtain permission from a person who has authority over another person, with the aim of exploiting them for profit (Komisi Nasional Perempuan, 2000). Furthermore, the Global Alliance Against Traffic in Women (GAATW) (2019) emphasizes three key elements in the concept of women trafficking: recruitment, transit, and cross-border.

In human trafficking, women are generally treated as products that may be purchased and consumed by others. This fact aligns with Dellyana's (1998, 118) argument that women in modern society are used for trade purposes. Soewondo (1984, 307) also argues that women in the productive sector tend to be regarded as commodities with a market value. Murray (1995) explains that the perception of women as commodities is influenced, among other things, by the weak value system in the family, which stems from individualistic and materialistic socioeconomic conditions. However, women in prostitution do not only work for financial gain. Women are often forced and coerced into prostitution by men in various ways, including false promises of job opportunities, marriage or enslavement disguised as love, forming loyalty to pimps, and physical kidnapping and confinement (Truong, 1992, 18).

According to Hull et al. (1997, 99), prostitution is induced by women's lack of education. Non-economic reasons, such as the high divorce rates, particularly among Javanese families, also pushed young women to become sex workers. Meanwhile, according to Sikwan (2004, 12), poor education and poverty are factors pushing the migration of Indonesian women of Chinese descent (called *amoi*) to Taiwan/Hong Kong. The poor socioeconomic conditions of the *amoi* families required female family members to work, yet their low level of education limited their career possibilities. Women are frequently subjected to unjust treatment due to their restricted career opportunities, such as being tricked into becoming sex objects in the trafficking.

Based on the different perspectives presented above, it is clear that the reasons leading to trafficking result from a chain of social, economic, and cultural elements. In general, socio-cultural issues, which are strongly connected to institutionalized social construction and unbalanced gender roles, are the most significant obstacles in eliminating the cycle of women trafficking.

In the trafficking of women, women are at the bottom of the cycle. They experience violence committed by clients in illegal sexual activities. Physical impairments, STDs, HIV/AIDS, and unexpected pregnancies are all risks to these

women's reproductive health. Therefore, laws to protect women from human trafficking, particularly criminal laws, are critical. Kanter and Sianturi (1982, 55) state that the purpose of criminal law is to protect the interests of individuals or human rights and the interests of society and the state from immoral conduct on the one hand and arbitrary authority action on the other hand.

Article 296, 297, and 506 of the Penal Code of Indonesia (KUHP) prohibit women from being trafficked, but its implementation has not fully guaranteed the protection of women's rights, particularly the rights of freedom and sexual & reproductive health & rights (SRHR). It is because the existing laws are not gender-sensitive and are no longer relevant to contemporary situations. According to Syaifuddin (1996, 40), gender-sensitive policies represent the interests of men and women equally. Local governments must play a more active role, particularly in developing gender-sensitive policies for the prevention or elimination of trafficking, and this is in line with the opinion of Nuh (2005, 13), which states that local governments must cooperate with other institutions, such as NGOs and other institutions, to carry out those three activities: prevention, protection, and prosecution.

## **METHODS**

The subjects of this study are all women from Entikong District, Sanggau Regency who returned from Malaysia and had become victims of trafficking as informants. Determination of informants was carried out by purposive sampling. In addition, the author also met key informants: Entikong Class II Immigration office personnel, Entikong Village Head office personnel, LSM Anak Bangsa (Anak Bangsa NGO), Entikong police officers, and the labor brokers (also worked as traffickers). After gathering data/information from informants and key informants, the research problems were assessed according to the actual situation in the field.

This study used data collection techniques, namely: 1) In-depth interviews; 2) Non-participant observation; and 3) Documentation studies.

According to Miles and Huberman (1992, 20), the qualitative analysis method consists of four activities: gathering information, field notes, presenting information, and drawing conclusions. Clarification, interpretation, and data analysis are all part of the analysis process and are carried out simultaneously. Clarification and data classification is carried out in parallel with the data collection process in the field. Data analysis is done descriptively and includes qualitative interpretation, which is followed by discussion and analysis. In this paper, numerous phenomena linked to the transnational trafficking of women carried out by labor brokers are discussed and analyzed.

## **RESULTS AND DISCUSSION**

### **Factors that contribute to trafficking of women**

Local situations encouraged the practice of trafficking via PLB Entikong to Malaysia. Several factors contributed to this practice based on field observations, including economic factors, education factors, cultural factors, and consent factors.

#### ***Economic factors***

In general, women in Entikong Sub-District who were victims of human trafficking are relatively young (15-19 years old) and come from five villages (Entikong, Semangit, Nekan, Pala Pasong, Suruh Tembawang) and other villages near Entikong Sub-District. The victim's parents are from a poor household living as farmers, agricultural laborers, casual laborers, and fishers with uncertain monthly incomes.

The trafficking of women is an open secret in Entikong District. Based on interviews with informants, trafficked women generally come from poor households

with 5-6 dependent household members. In order to help their family, female family members were eager to work abroad as illegal migrant workers (not registered in the Regional Office of Manpower and Transmigration Department [Depnakertrans]). Consequently, when a labor broker offered them jobs abroad, they rarely turned down the offer.

Poverty has been identified as one of the primary reasons for the trafficking of women, particularly young people. Dalimoenthe (2018) found that economic considerations are one of the reasons for women becoming victims of human trafficking in DKI Jakarta, where the victims came from poor households with uncertain earnings. Furthermore, the difficulties of finding work in the village pushed women to leave their homes and traveled to larger cities, where they ended up working as commercial sex workers. Lack of money is also the main reason for East Nusa Tenggara women to leave their homes and end up becoming victims of human trafficking (Kiling & Kiling-Bunga, 2019).

The migration of village women from Entikong District to another country was done in groups and coordinated directly by a trafficker. The trafficker usually went to the victim's house as a labor recruitment bureau officer persuaded the victim's parents to agree and send their daughter to work as a female migrant worker. Meanwhile, their daughters had little option but to comply with their parents' demands, even if they had no prior knowledge of working abroad. The trafficker would lie or give false promises of high salaries, guaranteed living facilities, low workloads, and excellent employers. In addition, as a token of appreciation, they would also give money to the victim's parents. Sutinah and Karen (2019) discovered similar findings, in which the traffickers persuaded the victims' families to allow their daughters to work abroad by approaching the parents in a friendly manner.

The trafficking of women under the pretense of recruiting female migrant workers is a well-organized syndicate network that is difficult to break and involves a number of parties, including law enforcement personnel. This is why human trafficking through PLB Entikong is common and does not appear suspicious because women can work overseas through official routes with passports. In Central Java, Astuti (2008) discovered the involvement of security forces and the court as well as immigration authorities in facilitating the existence of modern trafficking. However, in his research on Madurese women working in Saudi Arabia and Malaysia, Dzulkarnain (2015) discovered different facts about the legality of the departure of the victims. The majority of Madurese women who worked and became trafficking victims in these two countries went as illegal workers.

#### ***Education factors***

Most trafficked women in Entikong Sub-District have a junior high school diploma and below, and some have not even graduated from elementary school. Because of their lack of formal education, women in Entikong Sub-District were easily deceived by traffickers posing as labor brokers. Furthermore, victims were unfamiliar with labor regulations and procedures for working abroad, so cooperating with labor brokers in processing the required documents was their only option. Unfortunately, they were forced to do different work, which was not the same as the promised job. The findings of this study are in line with research from Dzulkarnain (2015), which concludes that a low level of education is one of the push factors for Madurese women to work in Saudi Arabia and Malaysia.

#### ***Cultural factors***

In the cultural life of the village community, parents' attitudes about sons and daughters differ significantly. Boys are seen as having a higher economic value than girls. Sons are considered as the family's support system in addition to being the heirs.

Parents prefer to live with their son despite the son's poor economic condition. When parents live with their sons as breadwinners, they feel respected and more valued.

On the other hand, parents feel shameful if they live with their daughter, even though she is financially sufficient. This finding is following the belief that grown and married daughters belong to someone else. When parents live with their married daughter, they assume that someone else, not their child, provides them. This viewpoint holds even if their daughter is the one who works. Therefore, it is not surprising that parents in the rural Entikong District find it simpler to marry off their daughters and are more willing to provide better education for their sons. They believe that raising girls is a financial strain on the family since girls are perceived to be more consumptive than boys. Thus, parents demand their daughters to marry or work as soon as possible to support the household.

The discriminatory perspective of the parents is one of the factors contributing to the growing practice of transnational trafficking of women in the Entikong Sub-District, both directly and indirectly. Parents had significant economic and cultural reasons for agreeing to have their daughters work abroad, even though it might harm their daughters. Not only in Entikong Sub-District, Sutinah and Karen (2019) discovered this patriarchal cultural factor in East Java, which supported the extensive trafficking of women in the region.

#### ***Consent factors***

Trafficking of women via PLB Entikong was done covertly by labor brokers, with little or no permission from the trafficked women. Even though these women agreed to work as migrant workers, they had no idea that they would be trafficked. The approval to work abroad from the victims was also inseparable from the consent of parents who were struggling to make ends meet. This factor also caused the transnational trafficking of women under the pretense of recruiting female migrant workers to be difficult to eradicate.

Trafficked women were frequently in a difficult position to refuse or voice their disapproval. Parents no longer considered their daughters' opinions due to their poor financial situation. Instead, they immediately accepted offers from a labor broker, hoping that their financial situation would improve soon. In addition, when labor brokers sought the victim's parents' approval, they generally gave them money as a token of appreciation. This hospitality led parents to trust the broker and forget about their daughter's worst-case scenario while she is overseas. The victim and the labor broker then travel to Malaysia to meet the *tauke* as soon as the broker gets approval from the victim's parents.

Non-economic factors had a significant influence in getting consent from the family, in addition to economic factors. Labor brokers encouraged the parents that girls working abroad would have a better life than those who worked in the village. Stories about the successes of Indonesian migrant workers in Malaysia and contributed to household welfare had been one of the motivators for parents to consent to their daughters' departure to Malaysia. The success stories of the migrants as a driver of women to work outside their home were also found in Kiling and Kiling-Bunga's research (2019) in East Nusa Tenggara.

#### **Types of trafficking of women in Entikong**

The number of foreign visitors to Indonesia via PLB Entikong has increased since the President of the Republic of Indonesia issued Decree Number 15 of 1991 concerning the Policy for Tourism Development in Indonesia, allowing foreigners to visit Indonesia for three months without requiring a visa. It was also felt in West Kalimantan in general and in Sanggau City, particularly with the influx of Malaysians.



Government policy (Presidential Decree No 15 of 1991) requires every foreign national who enters Indonesia to report to the local immigration office. However, based on information gathered on the fields, many foreigners, particularly those from East Malaysia (including *tauke*), did not report themselves. The Sanggau Immigration Office claimed that no foreigner from East Malaysia had reported to the immigration office. Therefore, the immigration authorities lacked detailed information on the foreigners' arrival.

Based on most informants' testimony, the arrival of Malaysian *tauke*, who never reported to the local immigration, was made possible by the cooperation between Malaysian *tauke* and labor broker in Entikong. The broker would pick up the Malaysian *tauke* in a private car and drove *tauke* to the inn upon the arrival at PLB Entikong. Another way to conduct trafficking is that *tauke* arrived in Entikong or Sanggau by private car and proceeded directly to the broker's residence, ensuring that the arrival of these *tauke* was extremely neat and seldom created suspicion.

Based on the information obtained in the field, there are several patterns of transnational trafficking of women carried out by labor brokers via PLB Entikong, including:

1. First pattern: The Malaysian employer/*tauke* travels to Indonesia personally through PLB Entikong to negotiate with an Indonesian labor broker (or trafficker). Usually, the labor broker brings women who will be sent to Malaysia. Apart from the fee that the labor broker will receive for the number of women they can bring to Malaysia, they generally talk about types of jobs and salaries for the recruited women;
2. Second pattern: The Malaysian *tauke* does not travel to Indonesia directly but instead dispatches trusted subordinates to meet with an Indonesian labor broker. Negotiations will take place at a time and location determined by the broker;
3. Third pattern: The Malaysian *tauke* does not travel to Indonesia and does not dispatch his subordinate. Negotiations are carried out by phone. If the two parties reach an agreement, the *tauke* will go to Indonesia, or the labor broker/trafficker will travel to Malaysia, providing photographs of the women he has recruited to the *tauke*. The recruited women will then be transported to Malaysia by the broker.
4. Fourth pattern: The labor broker takes the recruited women to PLB Entikong immediately after getting permission from the women's parents. The labor broker persuades and tells the parents that their daughter will get employed in Malaysian companies. Upon arriving in Malaysia, however, the women will be handed over to the previously-contacted *tauke* or a Malaysian *tauke* through another trafficker in Malaysia.

The first and fourth patterns of trafficking are the most common pattern carried out by the traffickers in Indonesia. All informants who were victims of trafficking in Entikong said that the labor broker who brought them to Malaysia deceived them. The fraud occurred when brokers came to the victims' houses and made false promises so that they were willing to work in Malaysia as migrant workers. The victims only realized that they had been scammed after they had arrived in Malaysia.

The victims of trafficking further explained that they would stay at an inn/hotel chosen by the labor broker in Malaysia. Then, the labor broker would contact the Malaysian *tauke* who would hire them. After the broker and the *tauke* reached an agreement, women would be handed over to the *tauke* as the employer. Their Malaysian employer would also keep the victims' passports. After receiving payment from the *tauke*, the labor broker would return to Indonesia and left the victims at the *tauke*'s residence. Victims were usually shocked after being told by the Malaysian *tauke*'s bodyguards that they would be employed in nightclubs and forced to serve clients.

Even though the trafficked women were aware of the situation, they were often helpless to refuse the job. Apart from having their passports withheld by their employers, they would be harassed, locked up, intimidated, and subjected to numerous acts of violence by bodyguards if they refuse to work.

### **The impacts of trafficking of women on victims**

#### ***Positive impacts***

Some trafficking victims in Entikong believed that their departure to Malaysia as illegal migrant workers positively impacted their lives, both economically, socially, and psychologically.

In the context of economic impact, women's earnings as illegal migrant workers were higher than their earnings working in Indonesia. They could help their families/parents alleviate financial burdens, repair their homes, and pay for their younger siblings to attend school, all of which enhanced the quality of education for family members directly or indirectly. As a result, it enhanced the family's dignity in society.

In the context of social impact, their departure could provide them with more experience, knowledge, and skills during their stay in Malaysia. All of this might then be turned into an interesting story to tell their family, relatives, and neighbors in Indonesia. During their stay in Malaysia, these women expanded their network as they met and exchanged experiences with many people, both from Indonesia and from other countries.

In the psychological aspect, the women got peace of mind and conviction that they would have a more secure future once they went back to Indonesia, especially when they had savings for setting up a business. These women were also more self-reliant and prouder of themselves to help their economically poor households.

#### ***Negative impacts***

Although there are positive impacts for the victims of trafficking, there are also numerous negative impacts. The majority of the victims are no longer willing to go to Malaysia due to their difficult and unpleasant life experiences. Based on the information obtained in the field, many victims experienced mistreatment such as being insulted, beaten, tormented, held hostage, intimidated, and other forms of abuse that go beyond the boundaries of humanity. If they refused to serve customers in the nightclub, they would be treated harshly. Meanwhile, the victims who were compelled to serve customers are commonly infected with STDs, unplanned pregnancies, and some are even suspected of contracting HIV/AIDS, all of which are detrimental to their reproductive health.

As a result of the unpleasant experiences, many of the victims suffered extreme psychological stress, including depression and prolonged trauma when recalling their life in Malaysia. During the research, many victims refused to become informants because they were ashamed and scared of men who came to their houses.

The victims usually returned to Indonesia by fleeing their workplace and reporting the crime to the Consulate General of the Republic of Indonesia in Kuching. They would, after that, be repatriated to Indonesia. On the other hand, some of the victims discreetly got their passports back from the employer/*tauke*'s room and left after asking other people or neighbors for help to return to Indonesia.

When numerous cases involving women from Entikong Sub-District and nearby villages were studied further, it becomes clear that the victims had no legal protection. Until recently, the victim's case has been treated as a completely private concern rather than a public concern, and these victims have not received adequate legal protection.

## **Law enforcement response to trafficking of women**

### ***Socio-juridical aspects in trafficking cases***

In Entikong Sub-District and nearby villages, a societal culture favors boys and restricts girls' access to primary and secondary education. As a result, the number of women with an insufficient level of education is relatively high. In addition to being favored, boys are also seen to have a higher economic value than girls, resulting in gender discrimination against women in Entikong Sub-District. Religious practices and government policies that do not entirely protect women's rights also contribute to this discrimination.

In general, trafficking of women occurs in societies with weak law enforcement and bureaucracies, and it can be seen from various socio-juridical aspects related to the trafficking of women that is largely unaddressed by law. Several cases related to socio-juridical aspects in Entikong Sub-District and nearby villages were found, including Indonesian residential identity card (KTP) and passports forgery, fraud by offering jobs in companies/restaurants, and acts of violence suffered by victims of trafficking.

### ***Forgery of trafficked woman's identity***

In Entikong Sub-District, the age of the victim was frequently falsified. Falsifying the age was meant to allow victims who were still underage to get KTP as the first step to applying for other official state documents. The fragility of bureaucracies allowed human trafficking to happen. Furthermore, certain parties had benefited from this illegal activity regarding document issuances. Government officials usually did not carefully check the documents of migrant worker candidates, especially if the documents were to find a job. By bribing the officials, documents would be processed fast.

Based on the observations in the field, age falsification opened the door to other bureaucratic violations, particularly in passport issuance. Officials in charge, such as village heads, subdistrict heads (*camat*), and immigration officers, would generally refer to the completeness of the paperwork rather than verifying the accuracy of the information on the documents. Thus, the scams in document issuance continue.

### ***Fraud against trafficked woman***

In addition to falsifying the victims' identity, brokers frequently deceived victims, mainly regarding the types of work offered. The majority of the victims were offered jobs in Malaysia as shop clerks, enterprise workers, or waitresses. However, they were compelled to work at nightclubs, and the victims had no power to refuse. This can be categorized as an act of fraud.

### ***Violence experienced by woman***

Victims were subjected to psychological, physical, and sexual assault in addition to fraud. The victim was subjected to psychological abuse in the form of pressure from parents to work and false promises from the labor broker, leaving the victim with little option but to accept the offer as migrant workers. Meanwhile, victims were frequently subjected to physical assault in the destination country. Almost all informants (victims) stated that they had been subjected to physical abuse by their employer's bodyguards in Malaysia, including slapping, hair grabbing, kicking, and other harsh treatments. Even though acts of violence in trafficking are serious crimes, these crimes have never been subjected to the same legal consequences as other serious crimes. This can be proven by the fact that almost none of the traffickers is prosecuted legally.

Victims of torture and sexual abuse suffer from the same physical injuries as victims of domestic violence, and in some cases, they are much more severe and require hospitalization. In general, victims of the abuse are suffering from various psychological traumas, including nightmares, difficulties concentrating, anger management issues, feeling humiliated, and a tendency to blame themselves.

### **Obstacles in handling cases of trafficking**

Although the trafficking of women case is highly complicated and rooted in an unequal pattern of gender relations, the Entikong Police Department appeared to be unconcerned about it. As a result, no case is ever entirely resolved, and victims often felt disappointed with the police. Based on the interviews with the informants, the police investigated and asked numerous personal and private matters when the victim reported the fraud and abuse. Labor brokers who had deceived victims, on the other hand, remained unpunished.

According to the victims' testimonies, several reasons prevented them from reporting acts of fraud and violence to the police, including: 1) The testimonies of victims of violence in the trafficking of women were merely heard without any follow-up by the police to take legal action against the perpetrator; 2) There is no priority in handling the case of violence in the trafficking of women; 3) The tendency of the police to be suspicious of the victim's report, even suspecting the victim as the perpetrator; 4) The tendency of the police to resolve the case by amicable settlement between victim and perpetrator, or sending victim home and advising the victim not to file a formal report.

On the other hand, based on the interviews with Entikong Police personnel (key informants), the police believed that they had attempted to deal with various acts of violence against women. However, those cases were not due to trafficking, and the outcomes were not as expected. Due to the difficulty of proving the truth, the violence in human trafficking cases has not been handled well by the authorities. Furthermore, almost all of the victims did not report their cases to the police. According to the police, case complaints were often related to labor agreement issues, which were more likely to be civil cases. Furthermore, the Entikong Police Department stated that the efforts to resolve human trafficking cases were not optimal due to several obstacles, including: 1) The number of Entikong Police officers is limited, and they have poor performance; 2) Communication and operational assistance are insufficient, so the police cannot cover cases in the areas prone to women trafficking.

Based on the interviews with the trafficking victims and police officers, it can be concluded that dealing with human trafficking cases is challenging due to various obstacles, both from with the police apparatus and from the victims.

### **Model law against the trafficking of women**

In Indonesia, [KUHP], in particular articles 296, 297, and 506, provide legal protection and rights to be free from arbitrary acts for women victims of human trafficking (BPHN, 1985: 120).

Article 296 of the Indonesia Penal Code stated: "Any person who makes an occupation or a habit of intentionally causing or facilitating any obscene act by others with third parties, shall be punished by a maximum imprisonment of one year and four months or a maximum fine of one thousand rupiahs."

Article 297 of the Indonesia Penal Code stated: "Trade in women and minors of the male sex shall be punished by a maximum imprisonment of six years."

Article 506 of Indonesia Penal Code stated: "Any person who as souteneur takes advantage of the prostitution of a woman, shall be punished by a maximum light imprisonment of one year."

The trafficking of women in the Entikong Sub-District under the pretense of recruiting female migrant workers is not covered in the articles above. This demonstrates the weakness and backwardness of Indonesia's criminal law system in responding to the emergence of new forms of crime in Indonesia. As several of the victims pointed out, the trafficking of women cases was frequently seen as a criminal case. Employment fraud is simply defined as breaking promises, and the violence

against the victim case is a civil case since it is connected to the employment contract with the employer.

The articles mentioned above of the Indonesian Penal Code are also unable to protect women who were employed as prostitutes in foreign countries, and law enforcement officials in Malaysia usually had trouble arresting criminals. The labor brokers in Entikong often claimed that they did not involve in trafficking and only brought the victim to a Malaysian *tauke* since the victim chose to work there.

The case of violence against trafficking victims is one that frequently goes unnoticed. The majority of these cases were not reported immediately by the victims and their families for the four reasons indicated before. In addition, an informant revealed that she and her family received threats from certain individuals if she reported the case to the police. One of the informants reportedly said that the officers blamed her when she sought legal protection from the police.

Many women in Entikong District continued to be victims of human trafficking due to gender discrimination in many opportunities, including education, employment, and gaining legal protection. At the same time, the government's policies of limiting safe and legal methods of sending migrant workers, namely that candidates, who will be sent, need to possess skills, will only further limit women's rights and make human trafficking more entrenched and rooted in people's lives.

Based on the results of field observations and learning from experience about the ineffectiveness of law enforcement in taking action against traffickers in the Entikong Sub-District, strategies in handling the trafficking of women cases were created to eliminate this illegal practice, including: 1) Active engagement from all levels of society in the combat against human trafficking, especially trafficking of women; 2) Encouragement of law enforcement officers or women to the community or NGOs to report people suspected of being traffickers, and; 3) Strict legal action against officials participating in or supporting the human trafficking practice.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

The dominant push factors in trafficking in Entikong Sub-District are poverty, low levels of woman's education, patriarchal cultural values in society (girls' value is lower than boys'), and parents' pressure for their daughters to work abroad without considering the daughters' opinions.

The forms of transnational trafficking in Entikong Sub-District are: 1) Malaysian employer/*tauke* travels to Indonesia via PLB Entikong to have negotiations with the trafficker posing as labor broker; 2) The Malaysian *tauke* sends his subordinate to meet the labor broker in Indonesia to negotiate; 3) The Malaysian *tauke* negotiates with Entikong broker by phone; and 4) Broker brings recruited women to Malaysia via PLB Entikong. The broker approaches the victim's parents to send their daughter for a high-paying job in Malaysia.

Trafficking of women has both positive and negative impacts on victims. The positive impacts felt by the victims are higher income, helps to relieve the family's financial burden and pays for their younger siblings to attend school, and enhancing the family's socioeconomic status in the community. Additionally, victims also got more insight, knowledge, connections, and life experience by staying abroad. On the other hand, victims felt adverse effects such as being treated inhumanely, contracting STDs, having unwanted pregnancies, and contracting HIV/AIDS.

Because the Entikong Police have entirely resolved the human trafficking cases, the trafficking does not appear to be taken as a serious crime. The obstacles encountered

in handling these cases are difficulties in proving the truth and the unwillingness of victims to report their cases to the police.

### **Recommendations**

Local governments and law enforcement officers must immediately bring order and take strict action against the traffickers, both individuals and legal entities, who engage in the transnational trafficking of women while posing as a labor broker for female workers. It is illegal to take women from Entikong District and nearby villages to work in foreign countries by giving them false promises of high-paying employment.

It is necessary to immediately establish cooperation between the local governments, relevant agencies, and official labor recruiting companies (PJTKIs) in Sanggau in order to provide accurate and timely information to women and their families about the procedures to follow, various risks of working abroad, legal protection provided to them as migrant workers, as well as the risks of being illegal migrant workers. With sufficient information, it is possible to prevent women from becoming illegal migrant workers, therefore breaking the chain or eliminating the practice of human trafficking.

The subdistrict heads (*camat*) and village heads should be granted the authority to arrange the necessary paperwork for individuals who would travel overseas as migrant workers. It is aimed to avoid the falsification of age during the registration for KTP and family registers (KK).

It is essential to enforce immigration procedures that are in line with applicable laws. It is necessary to prevent violations by the traffickers posing as officers in labor recruiting companies and impose strict punishments on the traffickers.

The Sanggau Government and related officials must immediately provide counseling to the community, particularly village women, and explain that working abroad (Malaysia) through labor brokers is a form of human trafficking that often includes fraud, violence, intimidation, coercion to become prostitutes, and other forms of violence against women. The governments also have to encourage the community to carefully consider efforts to eradicate the trafficking of women in all of its forms.

The Government must immediately enact gender-sensitive legislation that specifically regulates the prohibition of trafficking of women. The legislation must prevent and break the chain of trafficking and protect the rights of trafficking victims. In addition, all parties must be able to be bound by newly enacted rules and regulations. It means that they must take firm action against any perpetrators (indiscriminately), including those directly or indirectly involved in human trafficking. Furthermore, it is necessary to have control by the community; in this case, the role of NGOs must be empowered to control and monitor the implementation of laws and regulations related to human trafficking in Indonesia.

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## **Kaizen implementation and its challenges in small and medium manufacturing firms: A case of Woliso Town, Ethiopia**

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DOI: 10.22437/ppd.v9i2.10496	Received: 16.09.2020	Revised: 26.04.2021	Accepted: 21.06.2021	Published: 30.06.2021
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### **Abstract**

In the modern world, industrial transformation receives great attention. As a result, many companies are becoming successful by implementing Kaizen as a change agent. Nevertheless, there were few pathways of continuous improvements, mainly because of abandonment of Kaizen philosophy, organizational resistance to change, lack of proper implementation and monitoring techniques, lack of employees' motivation, and scarcity of resources. The study aimed to examine Kaizen implementation and its challenges in small and medium manufacturing firms of Woliso town. The study employed descriptive research adopting a quantitative research approach—the researcher used 55 small and medium manufacturing firms of Woliso town. In addition, the study employed primary data collected through open-ended and close-ended questionnaires. The study found that most sampled firms lack awareness about Kaizen because of a lack of training opportunities. Similarly, Kaizen philosophy is considered exhaustive and routine the attitude of owners, managers, and employees in Kaizen implementation is very weak. Finally, the study recommended that it is important to provide continuous training programs for employees and managers of small and medium manufacturing firms. Most importantly, to extend Kaizen's philosophy, it is essential to incorporate it into the school curriculum.

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**Keywords:** *Firms, Kaizen, Training opportunities*

**JEL Classification:** M21, O32

### **INTRODUCTION**

Industrial transformation receives much attention in every developing country where the Kaizen approach has become successful. The growth of the manufacturing sector has transformed an agriculturally based economy into an industry-based one (Imai 1986). For instance, in labor-abundant countries like Ethiopia, Kaizen has helped develop labor-intensive industries, thereby helping such a country achieve inclusive economic growth, and has reduced production costs and the incidence of injury and machine breakdowns and delayed delivery. In the modern economy, many organizations are becoming beneficiaries by implementing Kaizen management techniques. For instance, as Bisht (2013) ascertained, Japan's companies become successful after they have been utilized Kaizen and becoming highly competitive in the global economy.



Kinds of literature support that this achievement initiates Japan to help many African countries transfer the concept of continuous product improvement.

Kaizen is a big tree that is already 70 years old, but it is still growing with newly emerging branches. In Africa, Kaizen was introduced in the early 1990s. However, the majority of business owners, managers, and workers in Africa remain unfamiliar with Kaizen. The case of Ethiopia is not different. Industrial development has been successfully achieved in every developing country like Ethiopia, where this approach has become widespread. In Ethiopia, Kaizen has been adopted and implemented in different industries and manufacturing sectors since 2009. As a result, some achievements have been attained (Ethiopian Kaizen Institute, 2011). More importantly, in Ethiopia, Kaizen is recently chosen as one of the management tools to improve and boost managerial capacity to implement the growth and transformation programs currently undertaking.

Indeed, in the view of Kaizen as a new concept and as a problem-solving tool, remarkable changes are not yet achieved. In this regard, to enhance Kaizen's progress in Ethiopia, special emphasis must be given to all stakeholders such as the government, company managers, and employees. In global business computation, the issue of the quality product takes the first place. In line with this, Kaizen as continuous improvement is a key solution. Evidence shows that, in manufacturing firms, low productivity and poor quality control have been identified as the main bottleneck for encouraging domestic investment and foreign exports.

Initially, the concept begins to spread from a single production line and a product to other lines and products within a firm. Those pioneering firms that earnestly put Kaizen into practice will see an increasingly substantial improvement in quality and productivity, and this will prompt their suppliers and customers to follow suit. Kaizen will thus spread from a few firms to many within an industry and from one industry to another (Womack & Jones 1991). However, in Ethiopia, the government introduced the Kaizen philosophy; no prior study showed Kaizen adoption and its implementation in small and medium manufacturing firms. Thus, this study aimed to assess Kaizen implementation and its challenges in small and medium manufacturing firms of Woliso town. The research questions that guided the study were: 1) What is the extent of Kaizen implementation practices in Small and medium manufacturing firms of Woliso town? 2) What are the benefits of Kaizen implementation in Small and medium manufacturing firms of Woliso town? 3) What is the perception of management and employees on the kaizen concept? 4) What are the main challenges that hinder Kaizen implementation in small and medium manufacturing firms of Woliso town?

## **LITERATURE REVIEWS**

The concept of Kaizen includes both the humanities and the sciences. It is human-friendly and participatory. It is a collection of ideas and insights that many managers and workers from firms in the manufacturing and service sectors have created and refined through observations and experiments carried out over several decades in Japan and other parts of the world. Kaizen improves productivity in a step-by-step, incremental, progressive manner. It has been used primarily in the manufacturing sector and applied to health, education, public administration, and other services and applied to micro and small enterprises and medium and large firms. It can be applied to offices, retail shops, service counters, machine shops, workshops, and garages, even for everyday life (Otuka et al., 2018).

It was in the early 1960s' that small and medium firms were considered as change agents. In the modern economic world where global completion is becoming complex, economic transformation and development attract the attention of many researchers as a key plan. From my experience, in Africa, Ethiopia, as a newly emerging economy, gets much recognition worldwide. So, for its bold journey of economic transformation, Ethiopia suggests small-medium manufacturing firms as a change agent. To achieve this objective, Ethiopia considers Kaizen as a remarkable change agent. Farris (2006); Ethiopia Kaizen Institution (2013) describes the benefits of Kaizen as improvement of profit, customer satisfaction, sources of innovation, enhancement of self-development, source of motivation for employees means of improvement for teamwork, means of reducing waste, and tool for proper use of time.

In Ethiopia, nowadays, both manufacturing and service sectors are tried to implement the Kaizen philosophy. For instance, according to MOI (2015), the following results were achieved from the selected industries of both organizations that have successfully implemented Kaizen. Accordingly, productivity improvement accounts for about 37.20%; waste and defect reduction accounts for 55.26% and 31.30%, respectively; cost reduction accounts for about 6% to 60%; searching time reduction accounts for 95%; industrial accidents were reduced 49.5% to 15%. Similarly, before the implementation of Kaizen, employees were faced many problems to solve. However, post-implementation, employees were solved 50.3% of the identified problems using soft basic Kaizen tools and techniques.

The main challenges of Kaizen implementation, particularly in Africa, are the lack of skilled workers and the lack of companies' forward and backward integration to control business networks. Indeed, most people argued that Kaizen's concept is new for many individuals (Titu et al., 2010). Of course, the case of Ethiopia is not different. For instance, the fact that the concept of Kaizen as a tool for change and improvement yet not included in academic curriculums like higher institutions, vocational schools, even in secondary and primary schools of Ethiopia is another major challenge in Ethiopia.

In addition, Bulsuk (2011) identified the following major challenges of Kaizen, especially in an emerging economy like Ethiopia: 1) Kaizen is seen as a short-term project. The emphasis here is on long-term improvement. Although the concept of Kaizen is quite simple to understand, it is difficult to master and will need time before all employees fully understand it. The main problem with implementation is that companies often expect a quick turnaround and visibility in KPIs within a year. When it doesn't appear, write Kaizen off as a failure; 2) Overemphasis on tying Kaizen to KPIs: Kaizen can only succeed in places with a true desire to improve. While it is important to tie Kaizen to KPIs, over-emphasis on it would ignore the fact that improvements are often incremental, not revolutionary. Kaizen is like a snowball rolling down a gently sloping hill – it gathers momentum and increases in size as it comes down; 3) Kaizen has implemented in a heavily bureaucratic organization: Lack of commitment is only one of several common reasons why Kaizen implementation fails. Kaizen will never succeed in an organization bogged down by a bureaucratic mindset, filled with rules and procedures with people who would resist any sort of change; 4) Management does not support kaizen initiatives: The importance of support cannot be over-emphasized: management mustn't be just fully on board, but essential that they want to embrace Kaizen's long-term commitment to the organization fully. They need to pass on their enthusiasm and demonstrate that they are continually looking for new and better ways of doing things. Kaizen is about everyone improving everything, not just a group doing all the work. Similarly, the failure of Kaizen is also often seen in companies that

implement Kaizen as a secondary activity. In addition, Kaizen will never work if people do not implement its full suite of tools and concepts, with sufficient training given to take advantage of them.

In the present day, the issue of Kaizen as a tool of change through continuous improvement receives the attention of many researchers. As a result, various studies have been undertaken in different countries to identify problems facing the implementation of Kaizen and the potential benefits received by enhancing Kaizen in production. Therefore, for this study to determine the gap in literature and knowledge, the following section summaries empirical study was done by past researchers.

Taye (2014) examines the practices and challenges of kaizen implementation at Entoto Polytechnic Cluster College in Woreda, three enterprises of Gulele sub-city in Addis Ababa, Ethiopia. The results of his research indicated that the Kaizen implementation program is not satisfactory. Similarly, different challenges emanated from the implementation of the Kaizen program, such as lack of knowledge about the Kaizen concept by managers and employees, negative perception towards the implementation of kaizen implementation, lack of material resources and the like. Abera (2015) tried to summarize various empirical and theoretical literature to examine Kaizen implementation in Ethiopia. From the literature summary, he concluded that even though there are many kinds of literature available on kaizen philosophy in many countries, an empirical study done on the implementation of Kaizen in Ethiopia is very scarce. Finally, he suggests that in Ethiopia, more study will be required on issues related to Kaizen.

Hagos (2016) examine factors and challenges affecting the implementation of kaizen tools in selected garment factories of Ethiopia. His study pointed out that continuous improvement tools and principles are not implemented and practiced as well. The study further identified the three critical factors that affect continuous improvement in the factory: top management commitment, employee motivation, and participation in Kaizen implementation. Lingappan (2016) undertakes a case study on Kaizen Performance in an Engineering Industry in India. His study proves that the company can survive with lower manufacturing costs and higher quality with the Kaizen and other techniques. Another study done on Kaizen issues is a study undertaken by Mekonnen (2017). Her study assesses kaizen implementation practices and challenges in Tikur Abbay Shoe share Company in Addis Ababa, Ethiopia. Her finding shows that the company focused only on 5 s' implementation of Kaizen, and other elements of Kaizen implementation tools were not in practice.

From the reviews of some empirical studies, it can be realized that many studies have been undertaken on Kaizen issues. However, still now much is not known about Kaizen. Particularly, in an emerging economy like Ethiopia, the concept of Kaizen is at its infant. Hence, details are unknown about kaizen implementation, dissemination, and potential challenges in small and medium manufacturing firms. Moreover, Kaizen is a key for economic transformation through productivity improvement better emphasizes has to be given. Therefore, this study tried to examine kaizen implementation and its challenges in small and medium manufacturing firms of Woliso town by considering all the above states of affairs.

## **METHODS**

The type of research employed in this study was descriptive research adopting a quantitative research approach. For this study, a sample of 55 small and medium manufacturing firms of Woliso town was used. The study employed primary data,

which were gathered through questionnaires designed as closed and open-ended. The data obtained from primary sources were processed by using SPSS version 22. Moreover, to visualize the collected data and analyze processes, frequency tables, bar graphs, and piecharts were used.

## RESULTS AND DISCUSSIONS

### Characteristics of respondents

Men owned the majority of the small and medium manufacturing firms of the study areas. As shown in Figure 1, 94% of respondents were male, while about 6% were female.

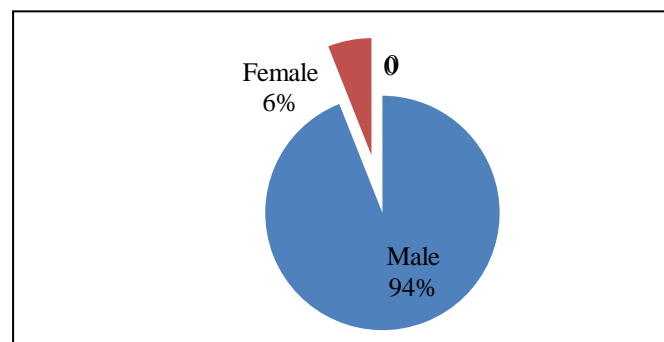


Figure 1. Gender structure

More than half of the small and medium manufacturing firms took the year of services between 10-15 years. Figure 2 shows that 53% and 31% of the respondents have 10 to 15 service years and above 15 years of service, respectively. About 10% of the respondents have 5 to 10 years, and finally, only 6% responded they have below 5 years of service. This finding indicates that the owners' were relatively experienced businesses persons to adopt and implement different improvement strategies such as Kaizen.

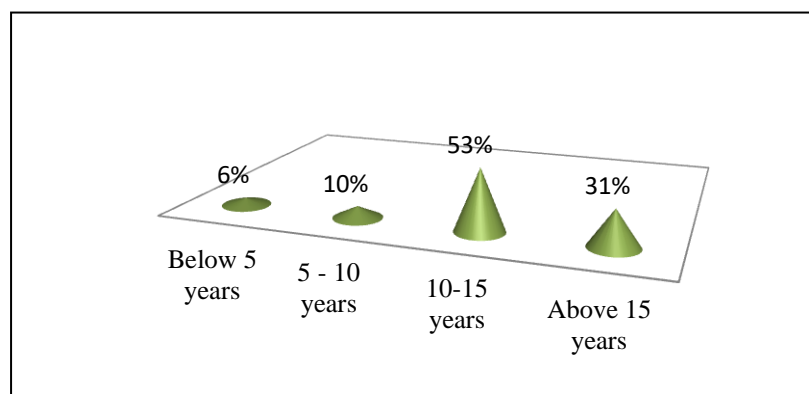


Figure 2. Year of establishment

. Regarding the respondents' educational background, the result shows that 48% and 32% of the respondents held secondary school certificates and college diplomas, respectively. Similarly, the survey shows about 9% of the respondents attain primary school, whereas about 11% held a degree and above (Figure 3). Hence, this result implies that the majority of small and medium manufacturing firms in the study areas have secondary school certificates to understand specific issues related to Kaizen.

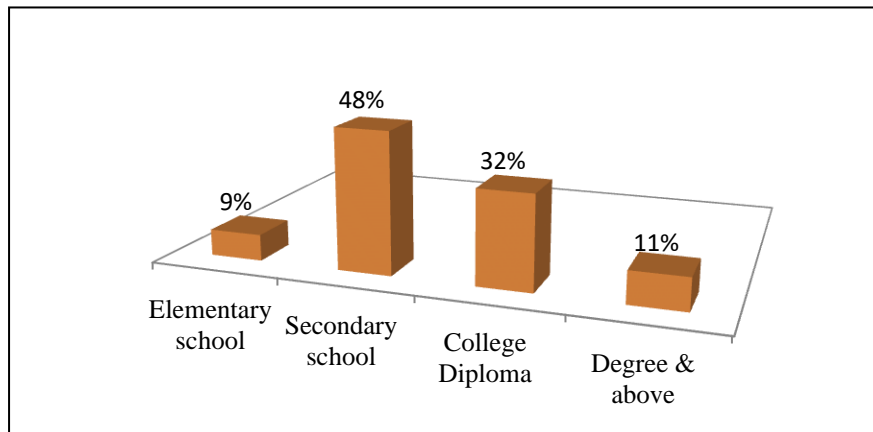


Figure 3. Education background

**Kaizen concept: perception, implementation, benefits and key challenges**

The training opportunities provided to employees of the organization are shown in Table 2. Based on this, it can be seen that 93% of the respondents replied that there was no access to training regarding Kaizen issues. On the other hand, roughly 7% of the respondents react that some sort of training relates to Kaizen. It implies that the majority of the workers have no training opportunity to be aware more about Kaizen concepts. According to the respondent feedback, the main reason for not getting training opportunities is that Kaizen is not yet well-known with all employees of the organization. Similarly, most management and the owners’ of the organization were not very much failed with the concept of Kaizen

Table 1. Is your organization provided employee training on Kaizen implementation?

Response	Frequency	Percentage (%)
Yes	4	7.27
No	51	92.73
Total	55	100.00

Figure 4. presents the worker's engagement in the Kaizen implementation program. As a result, 64% and 21% of the respondents replied that Kaizen's implementation is poor and very poor, respectively. On the other hand, about 10% and 5% of the respondents were answered that their engagement in Kaizen implementation was fair and good, respectively. Finally, none of the respondents were replied that their engagement in Kaizen implementation was very good. This result shows that the engagement of workers in the Kaizen implementation program is poor in most cases.

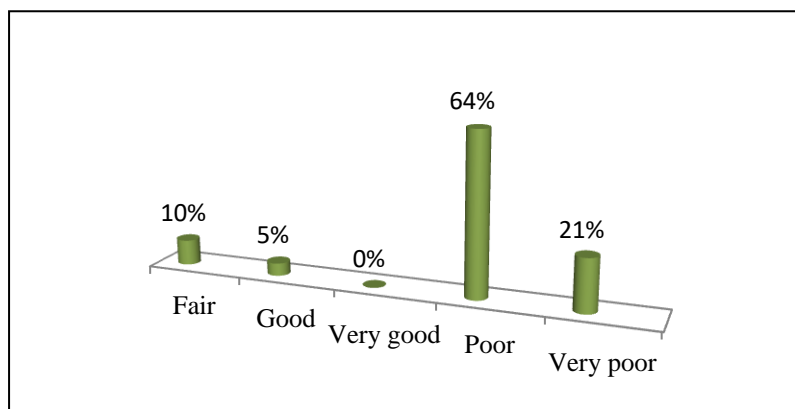


Figure 4. The extent of workers' participation in Kaizen implementation.

Hence, the findings of this study are consistent with a study by Desta et al. (2014), which found the employees didn't have the full aptitude to recognize the kaizen management system.

94% of the respondents have no sufficient understanding of Kaizen as a device of productivity improvement. In comparison, very few (6%) of the respondents understand Kaizen for improved productivity (Table 2). It implies that most small and medium business owners engaged in manufacturing firms have no adequate understanding of Kaizen. As further information obtained from the respondents indicates, owners have not understood mainly because Kaizen as continuous improvement emerged most recently. Most importantly, as per the respondents' suggestion, despite Kaizen's benefit for improving productivity, little attention has been given.

A study done by Murata supports the findings of this study, Murata & Katayama (2009), which revealed Kaizen is seen as a short-term plan rather than solving organizations' problems in a wide range. The emphasis here is on long-term improvement. Although the concept of Kaizen is quite simple to understand, it is 'importance of support cannot be over-emphasized.

**Table 2.** Do you have a sufficient understanding of Kaizen as a tool of productivity improvement?

Response	Frequency	Percentage (%)
Yes	3	5.45
No	52	94.55
Total	55	100.00

Consequently, about 89% of the respondents did not implement the 5 s' basic Kaizen practices; whereas, about 11% of the respondents were involved in these practices. This finding indicated that the 5 s' basic Kaizen implementations such as; sorting, set in order, shine, standardization, and sustain were insignificant (Table 3). Moreover, the findings further indicate that the core reason not to implement these 5 s' Kaizen activities is the lack of knowledge and experience related to Kaizen philosophy. Again, the survey result also shows that, from the respondent involved in implementing the 5 s' of Kaizen, most of them engaged in shinning the workplace of the firms.

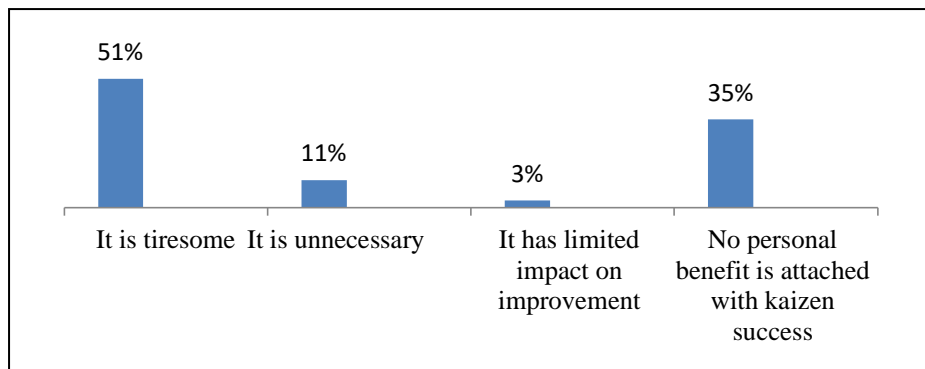
However, the findings of this study are different from Keijiro (2018), which suggested the 5s is a popular and easy method for the initial stage of Kaizen Introduction, which is also very effective, particularly for developing economies.

**Table 3.** Do you implement the 5 s' basic kaizen practices?

Response	Frequency	Percentage (%)
Yes	6	10.91
No	49	89.09
Total	55	100.00

Figure 5. illustrates the core problem attributed to Kaizen implementation. As a result, 51% of the respondents react that Kaizen is a tiresome activity. Similarly, about 35% of the respondents replied that there is no personal benefit attached to Kaizen's success in engaging in Kaizen activities. On the other hand, 11% of the respondents forwarded that, use of Kaizen is unessential. Lastly, nearly 3% of the respondents react that Kaizen has a limited effect on productivity improvement. This finding implies that the core problem attached to Kaizen implementation is that it is a monotonous activity.

The findings of this study are quite similar to the study results of Mekonnen. (2017), which pointed out that Kaizen implementation and reporting results were complex. There were conceptual misunderstandings between managers and workers, policymakers, and other stakeholders.



**Figure 5.** Problem attached to Kaizen implementation

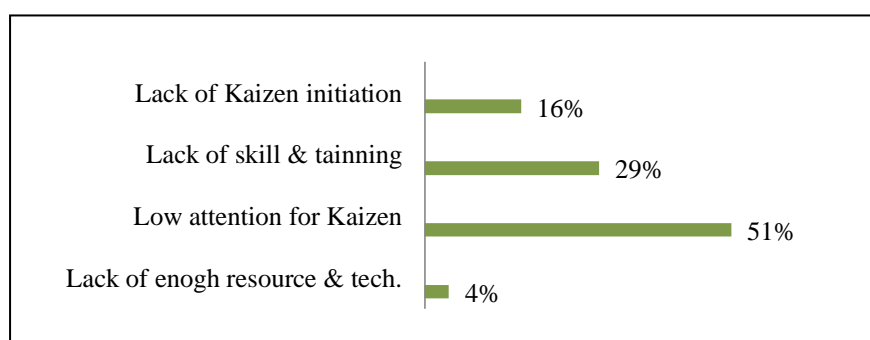
Concerning employees' eagerness to accept Kaizen, 77% of the respondents replied that employees have no interest in accepting Kaizen philosophy. In contrast, about 23% of the respondents forwarded that employees were interested in accepting the Kaizen concept (Table 4). It indicates that the significant majority of employees of small and medium manufacturing firms in the study areas did not show interest in Kaizen. The study further indicates that employees display low interest in Kaizen because Kaizen practices are assumed to be exhaustive and routine activities. Similarly, the Kaizen approach is still at its infant stage that requires special strategies to make employees fail with Kaizen.

The results of this study are similar to the findings of Tanner & Roncarti (1994), Rink (2005), and Jaca et al. (2010) that concluded the implementation of Kaizen is an exhaustive task because it requires system development, strong support from senior management, resources such as time, money and spaces among others.

**Table 4.** Do your employees eager to accept Kaizen?

Response	Frequency	Percentage (%)
Yes	13	23.64
No	42	76.36
Total	55	100.00

Referring to the most pressing problems prevailing the implementation of Kaizen, 51% of the respondents replied that Kaizen's biggest bottleneck is that all the concerned bodies pay little attention to Kaizen. Likewise, 29% and 16% of the respondent forwarded that lack of skill and initiation, respectively. Finally, about 4% of the respondent react that lack of enough resources and technology was another core problem of Kaizen implementation (Figure 6). It indicates that the most challenging problem prohibiting the implementation of Kaizen in the study areas is an inability to give more attention to Kaizen.



**Figure 6.** The most pressing problem hindering the implementations of Kaizen.

These results support the study done by Michalska & Szewieczek (2007), Kelly (2000), which found, lack of commitment, a lack of preparation of a professional team, and unclearly defined roles of the participants and kaizen consultants are some of the problems that hinder Kaizen implementation.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

The study investigated Kaizen implementation and its challenges in small and medium manufacturing firms of Woliso town. The study found that a significant majority of the workers have no awareness about Kaizen because of a lack of training opportunities. In addition, the study revealed that most small and medium manufacturing firms in the study areas have no sufficient understanding of Kaizen because Kaizen philosophy is a newly emerging concept of productivity improvement. The study identified that the 5 s of Kaizen practices were insignificant due to lack of knowledge and experience. Similarly, Kaizen philosophy is considered exhaustive, and routine employees' attitude in Kaizen implementation is very weak. Moreover, the study sought out that the Kaizen concept is a new approach; it requires the best strategies to make Kaizen familiar with all common businesses. Finally, the study investigated the main pressing problems that hinder Kaizen's implementation in the study areas: the inability to give more attention to Kaizen by all stakeholders of the need.

### Recommendations

Basically, Kaizen is a new concept; as a result, most common people, employees, and managers have a misconception of Kaizen. However, the contribution of Kaizen for continuous improvement is significant. As a result, it is important to provide continuous training programs for employees and managers of small and medium manufacturing firms. The concept of Kaizen is not only limited to organization alone. However, Kaizen is everyday life that all human beings have at home, at the office, school, etc. Hence, all responsibility bodies such as government, organization management, leaders, even households need to sustain Kaizen. Finally, to extend Kaizen's philosophy as a key for gradual improvement, it is also very important to incorporate in the school curriculum.

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- BJMU
- Library & Learning Center
- Aberystwyth University
- City University of London
- University of Edinburgh
- University of Glasgow
- University of Hull
- Imperial College London
- University of Manchester
- Open University
- University of York
- London's Global University
- Trinity College
- University of Alberta
- University Library
- BASE (Bielefeld Academic Search Engine)
- CiteFactor
- Open Access Library (OALIB)
- Scholarsteer
- JournalTocs
- Worldcat
- CORE
- Research Bible
- Academickeys
- Citeulike
- JOURLIB
- Global Impact Factor
- Jifactor
- General Impact Factor
- e-Journal Portal BKS PTN Wilayah Barat
- Cosmos Impact Factor
- OneSearch
- International Innovative Journal Impact Factor (IIJIF)
- Journal Factor
- Directory of Research Journal Index
- Eurasian Scientific Journal Index (ESJI)
- National Library of Australia

