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DEFENSE ECONOMIC DEVELOPMENT THROUGH STRENGTHENING MICRO SMALL MEDIUM ENTERPRISES

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ABSTRACT

The wealth of Indonesia's national resources, especially human and natural resources, makes Indonesia can be categorized as a developing country and towards becoming a developed country. This wealth of national resources can create opportunities but can also be a threat to national defense. The national defense system over time no longer relies solely on military power but is universal, which means involving all levels of society to contribute to maintaining the prosperity of the people. Defense economic development can be created through strengthening MSMEs as part of the use of the people's economy. The purpose of this paper is to analyze the development of the defense economy through the empowerment of MSMEs. Qualitative research and data collection techniques in the form of literature studies and Library Research. The results of the study show that there is a strong relationship with the development of the defense economy through strengthening MSMEs. SMEs to digitize their business by increasing digital and information literacy. Strategic steps for strengthening MSMEs, one of which can be taken into practice, is by increasing the frequency of training and intensifying mentoring, digital literacy, and information literacy. In addition, the entrepreneurial mindset is the ability to feel by acting, as well as mobilizing, even in uncertain conditions.

KEYWORDS

Defense Economic, micro small business, micro and medium enterprises



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I. Introduction.

Indonesia has abundant national resources, especially in human and natural resources. Abundant human resources can be illustrated through data obtained from the Central Statistics Agency that in mid-2022 the population increased by 1.13%, namely 275.77 million people from last year's period which recorded 272.68 million people. The wealth of natural resources and human resources is one of the benchmarks for a country to be categorized as a developed and qualified country. Indonesia has vast natural wealth and the third largest population of India, so that Indonesia can be categorized as a developing country and is on its way to becoming a developed country (Linwistin, Erwin, Syahris, and Azis, 2022).

The wealth of national resources owned by Indonesia can be two sides of the coin, namely on the other hand it can be an opportunity, but on the other hand it can turn into a threat that can have an impact on the prosperity, welfare and defense system of the country (Saputro, Guntur Eko, and L. Prakoso 2021). The National Defense System is a universal defense system that involves all citizens, territories, and other national resources. Maintaining state sovereignty does not only rely on military strength, but also uses a combination of economic power (prosperity) and defense. Entrepreneurship-based populist economy is one of the efforts to build the economy by involving all components from every level of society to improve the welfare and social justice of the people in a country (Jihan, Saputro, and Almubaroq, 2022).

If you learn from the case of the pandemic that hit Indonesia, especially during the years 2020-2021, the definition of threat does not only talk about military power, but in its development it has shifted to a non-military threat (GE Saputro, H Tarigan, DDA Rajab 2021) non-physical but its impact can be felt in the aspects of ideology, politics, economy, socio-culture, information technology and public safety. Based on this explanation, the COVID-19 pandemic can be identified as a non-military threat because it has an impact on public safety and the economy. To overcome the threat of the COVID-19 pandemic, the Indonesian government as a form of reducing the transmission rate issued Government Regulation (PP) Number 21 of 2021 concerning Large-Scale Social Restrictions (PSBB).

The implementation of the PSBB resulted in a fairly large economic impact. Not only large companies, businesses on a micro, small and medium scale (MSMEs) have been hit hard by the policies to deal with Covid-19. According to the Central Agency Statistics (BPS), the number of MSMEs in Indonesia reaches 64 million (Santia, 2020). The composition of Micro and Small Enterprises (UMK) is very dominant at 99.92% of the total existing MSMEs. The government needs to pay special attention to the MSME sector because this sector is the largest contributor to GDP and is able to relied on in absorbing labor, substituting for the production of consumer goods and semi-finished. Based on the results of the Katadata Insight Center (KIC) survey in 206 SMEs in Greater Jakarta, 82.9% of MSMEs feel the negative impact of this pandemic. In addition, the pandemic condition even caused 63.9% of MSMEs experienced a decrease in turnover of more than 30% (Bahtiar, 2021). The Covid-19 pandemic has caused serious shocks for MSMEs, both in terms of supply and demand. According to Natasya and Hardiningsih (2021), MSMEs face four economic problems, namely declining sales due to PSBB regulations, capital difficulties due to difficult capital turnover, product distribution barriers, and difficulties in raw materials (GE Saputro, D Andreas, I Yulivan 2021).

Because PSBB restricts the movement of people and goods and requires to stay at home, MSME actors must be able to adapt to how to make changes to business strategies to be able to maintain their business in the midst of this pandemic. One of them is by utilizing technology in buying and selling activities. According to Arianto (2020), the alternative for saving and developing entrepreneurship in Indonesia during the Covid-19 pandemic is digital MSMEs. However, not all MSMEs can implement the new business strategy. Most MSMEs in Indonesia still have problems, both physically and mentally internally and externally in digitizing their business (GE Saputro, AM Rivai, M Meirinaldi 2021).

On external problems, there are limitations in facilities and infrastructure to enter the market, minimal use of technology, and still weak business network and market penetration capabilities (GE Saputro 2019). In addition to the internal problems that faced, namely the lack of capital and limitations in access to capital

became a obstacles, especially in a critical situation like now. Some of the critical issues that The problems faced by MSMEs are limited funds and information technology capabilities which is owned. This is due to the merchant's misunderstanding on how to access information on how to develop and market a business via online so that the ineffectiveness of the implemented strategy (Khaeruddin et al., 2020).

The adoption of technology and information, in this case the digital world, has played a role in realizing cultural, economic, political and social transformation. That this element is a strategic step for strengthening MSMEs, one of which can be achieved by increasing the frequency of training and intensifying mentoring, digital literacy and information literacy (Anggraini & Supriyanto, 2019). The Civilization of the Industrial Revolution 4.0 and sustainable development, one of which is the development of MSMEs, certainly requires adaptation or implementation of technology and information, which is indeed non-negotiable ([GE Saputro](#), S Suwito 2022)

The formation of the mindset of MSME actors also needs to undergo a transformation to create sustainable defense economic development. The entrepreneurial mindset is the ability to feel by acting, and mobilizing, even in uncertain conditions. Someone who has thoughts that are oriented towards an entrepreneurial mindset will choose to face something when he meets things that are uncertain (Artha and Wahyudi, 2019). From this condition, the perception that was formed and became the title of this article is "Development of the Defense Economy through Strengthening MSMEs"

II. RESEARCH METHODS

This research will be a qualitative research using the study of literature or literature. Literature research is a data collection technique by conducting a review study of books, literatures, notes, and reports related to the problem being studied (Nazir, 2003). The available library data is data that is ready to be used and utilized directly and also researchers are not required to go directly to the field. The steps in literature research according to Kuhlthau (2002) are as follows:

1. Topic selection
2. Information exploration
3. Determine the research focus
4. Collection of data sources
5. Preparation of data presentation
6. Report preparation

The data collection technique in this study is a documentation technique, which is looking for data and collecting data about things in the form of notes, books, papers, articles, journals and so on (Arikunto, 2010), while the theory used is the implementation theory of Edwards III. which looks at policy implementation from four aspects, namely communication, resource, disposition and bureaucracy.

III. THEORY BASIS

a. Economic development

Economic development is a process that aims to increase per capita income and to realize a prosperous, just and prosperous life for the community, nation and state. Economic development is not an indicator of the progress or failure of a country, but through The economic development of an area can be seen from the system used by the government. The success of the economic development of a region or country can be achieved through a measure (indicator). Indicators are benchmarks that aim to assess how far a region or country has reached the indicators that have been set (Subur and Nuraini, 2022). Development is something that is not foreign to a country. The purpose of development itself is to improve the welfare of the community. In this way, development is carried out continuously as a process to be able to achieve a better state of society.

b. Defense economy

Yusgiantoro (2014) explained that defense economics is a branch of science that applies economics to national defense issues. Like development economics, natural resource economics, political economy, and environmental economics, defense economics applies economics that has been used deep into certain fields, in this case national defense.

Defense Economics is a study that examines various phenomena that occur in society related to the activities of managing potential sources and utilizing national resources (SDA, SDB, HR, SDF, and Sarpras) as a source of national income for the benefit of national defense, in order to realize people's prosperity (Butter) and national security (Gun) (Supandi, 2019).

c. MSME

MSME stands for Micro, Small and Medium Enterprises. Basically, UMKM is the meaning of business or business carried out by individuals, groups, small business entities, and households. Indonesia as a developing country makes MSMEs the main foundation of the community's economic sector, this is done to encourage the ability to develop independence in society, especially in the economic sector. The development of MSMEs in Indonesia continues to increase in terms of quality, this is due to strong support from the government in the development carried out for MSME business activists, which is very important in anticipating future economic conditions as well as maintaining and strengthening the structure of the national economy (Duha, Junindra, and Guntur Eko Saputro 2022)

Based on the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises, the definition of MSMEs is as follows:

1. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the micro-enterprise criteria as regulated in this Law. Have the most net worth IDR 50,000,000 excluding land and buildings for business or owning maximum annual sales of IDR 300,000,000.
2. Small Business is a stand-alone productive economic enterprise, which carried out by individuals or business entities who are not children company or not a branch of a company that is owned, controlled, or becomes part either directly or indirectly from Medium Enterprises or Enterprises Large businesses that meet the criteria for Small Businesses as referred to in this law. Have a net worth of more than IDR 50,000,000 up to a maximum of IDR 500,000,000 excluding land and buildings place of business
3. Medium Enterprises are productive economic enterprises that stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become share either directly with Small Business or Large Business with an amount of net worth or annual sales proceeds as stipulated in this law. Have a net worth of more than IDR 500,000,000 up to a maximum of IDR 10,000,000,000 excluding land and building a place of business, or having annual sales of more than IDR 2,500,000,000 up to a maximum of IDR 50,000,000,000

There are three roles of MSMEs in the lives of small communities:

- (1) As a means of alleviating poverty, due to the high absorption rate workforce by SMEs. According to the Ministry of Cooperatives and SMEs, more of the 57.8 million MSME units, 114 million people were able to absorb.
- (2) As a means to equalize the economic level of small communities, because MSMEs are located in various places so they can reach even remote areas.
- (3) Provide foreign exchange income for the country, because of its market share which includes national and international.

d. Entrepreneurial Mindset Theory

Entrepreneurial mindset is the ability to feel quickly, act, and mobilize, even in uncertain conditions. Someone who has entrepreneurial-oriented thinking will choose to face something when he meets uncertain things (Artha and Wahyudi, 2019). According to McGrath and Macmillan (2000), individuals who have an entrepreneurial mindset will see things in a simpler way and are willing to take risks. Entrepreneurial mindset is one of the important features in the success and failure of SMEs. There are three advantages of the entrepreneurial mindset, namely:

1. The success of entrepreneurship is due to an action-oriented orientation within the framework of entrepreneurial thinking. The ideas that arise are usually immediately implemented by entrepreneurs even in uncertain situations.
2. The concept of an entrepreneurial mindset that is easy to apply to entrepreneurs so that they can grow self-confidence.

3. This concept is intended to grow together starting from the simple accompanied by increasing one's adventure.

In general, there are five characteristics of the Entrepreneurial Mindset, namely enthusiastic and always looking for new opportunities, thoroughly deepening opportunities and implementing ideas, limiting the number of projects to determine the best opportunities, focusing on execution which means determining strategies to achieve goals, and spreading networks. In other words, using a team to empower various intellectual potentials and human resources rather than working alone.

IV. RESULTS AND DISCUSSION

Entrepreneurship plays an important role in technological change because of the role of entrepreneurship, which stimulates wealth of knowledge, creativity and commercial innovation, contributes to increased job opportunities and increasingly fierce competition. The emergence of new companies with new products and services that compete with existing companies contributes to a competitive process in which only the most competitive companies survive and grow. In general, this selection process ultimately leads to regional economic development (Bhegawati, Ribek, Verawati, 2022).

Creating the latest innovations, especially in the field of productivity, has an important role, especially in developing countries in encouraging the country's economic growth. Economic growth will be achieved because of productive resources that are used and allocated optimally and equitably. Economic development was created so that the state can prosper and reduce inequality in society. As economic development progresses, Micro, Small and Medium Enterprises (MSMEs) have strategic and important functions.

MSMEs are units that have a strategic role in the economic development of a country or region, one of which is Indonesia. MSMEs are one of the main priorities in the development agenda in Indonesia. MSMEs can reduce the level of economic and social inequality by fostering a sense of kinship and cooperation so as to increase purchasing power for ready-made goods in the country (GE Saputro 2022).

New companies that can create jobs: (1) Application efficiency, market position chart shows that (possibly) new entrants force existing companies to improve efficiency; (2) Encouraging structural changes related to innovative ideas, namely when new companies start old companies. Industry changes that have occurred; (3) Anticipated innovations, such as the creation of new markets that may not have existed before; (4) More types of goods and services, because new entrants can provide different products from the old company (Kolko and Neumark, 2010).

But broadly speaking, Indonesia is hampered by limited capital, technology, difficulties in marketing, limitations in accessing existing information, and human resources who have low Soft Skills in developing MSMEs on a national to international scale (Saputro, GE 2022) This results in a large disparity between small and large businesses. Ease of accessing capital is an important key in achieving MSME development in a country. Rapid technological developments make innovations in financial financing easier to obtain for MSMEs. One of them is Fintech, which is a model of financing that is currently developing. Fintech has a great opportunity to increase access to finance. So that this innovation can make it easier for MSMEs to get capital, make payments, and expand their business network to various regions. Good Governance or commonly known as good governance also needs to be applied in encouraging small businesses to become sustainable businesses. So that it can create new jobs (Wulansari, Wahyu, and Kurniawan, 2017)

The MSME ecosystem is strengthened through the hope of the Coordinating Minister for Maritime Affairs and Investment in 50 percent of the 60 million MSME units to be able to join the digital ecosystem. Through this digital ecosystem, it is hoped that there will be encouragement for MSMEs to be able to do business digitally. This is in line with the percentage of internet users in Indonesia which has reached 73 percent in November 2020. But apart from that, the gap in internet access is still quite massive. So the government needs to solve this problem by supporting the MSME digitalization program which also strengthens the ecosystem in it (Arianto, 2020). However, there is a need for separate assistance for MSMEs who have limited knowledge in the field of technology to use the application in order to develop their business (laentinus, Okkita, Hamiah, and Sarwindah, 2021). Through Fintech and Good Governance, the synergy to encourage the transformation of MSMEs will be even stronger. With easier access to capital financing so that business actors can develop their businesses to the fullest, assistance or education for MSMEs is also needed as the main point

in developing businesses through new innovations by utilizing technological advances (Wulansari, Wahyu, and Kurniawa, 2017)

V. Conclusions

Entrepreneurship is an important element in economic development.

Entrepreneurship makes a significant contribution to sustainable economic development through job creation, GDP increase, poverty alleviation, and the long-term well-being of society as a whole. At the same time, economic growth has a great impact on the development of entrepreneurship. Individual and group entrepreneurship as a driving force for innovators opens up new job opportunities. The relationship between entrepreneurship and employment is always in line with the growth of entrepreneurship, with the growth of entrepreneurship in certain places also opening up new jobs. entrepreneurs can encourage innovation or increase competition within an industry, which can lead to higher productivity, which in turn can have a positive impact on job growth. The change in industrial revolution 4.0 has forced MSME actors to digitize their business by increasing digital and information literacy. Strategic steps for strengthening MSMEs, one of which can be taken in practice, is by increasing the frequency of training and intensifying mentoring, digital literacy and information literacy. In addition, the entrepreneurial mindset is the ability to feel by acting, as well as mobilizing, even in uncertain conditions.

VI. Recommendations

Based on the description above, there are several suggestions that can be made, namely in making government policies it is also necessary to actively involve the actors who are involved because after all they are the ones who play a major role and those who experience it directly, it is necessary to provide advice from parties directly involved in policy making. related to. In supporting the development of the digital economy in Indonesia, the government must also immediately complete equitable access to information technology in various regions so that business people in every corner of the country can benefit from the development of technology and be able to compete in the current digital era, thereby encouraging economic growth.

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