

The Role of Bank Indonesia through The Export Champion Programme in Encouraging MSMEs to Go Global

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ABSTRACT

MSMEs in Indonesia have great potential in international trade, but they are still weak in terms of product quality, market access, and global competitiveness. To that end, Bank Indonesia (BI) launched the Juara Ekspor programme as a forum for coaching MSMEs in export. This paper discusses the programme profile, coaching mechanisms, as well as the strengths, weaknesses, opportunities, and challenges faced. The purpose of this paper is to assess BI's contribution in strengthening MSMEs so that they are able to penetrate export markets. The benefit of this paper is to provide a practical overview for business actors, policy makers, and academics on the importance of sustainable export strategies. With the Export Champion programme, MSMEs are expected to not only be able to improve product quality and business capacity, but also expand their global market network. This programme is an important step in encouraging MSMEs to transform into resilient businesses at the international level.

Introduction

Empowering Micro, Small and Medium Enterprises in an era of globalisation and fierce competition requires them to face the challenges of the times, such as innovating new products and services, developing human resources and technology, and expanding their marketing areas. These steps are crucial to increasing the selling value of micro, small and medium enterprises themselves, particularly so that they can compete with foreign products that are increasingly entering Indonesia's industrial and manufacturing centres, given that micro, small and medium enterprises are the economic sector that absorbs the most labour in this country. Indonesia's current unstable economic conditions have prompted the government to strengthen the economic structure while still considering the existence of micro, small and medium enterprises.

This sector has been proven to create jobs and provide opportunities for Micro, Small and Medium Enterprises to develop in the community. The existence of Micro, Small and Medium Enterprises is unquestionable as they have proven to be resilient and a driving force for the economy, especially after the economic crisis. Product development and differentiation are very important for micro, small and medium enterprises in the craft sector so that products do not become boring, make the market more lively, and expand and create new market opportunities that can help restore the income of micro, small and medium enterprises, especially when the ongoing pandemic is having a negative impact on the economy, particularly for micro, small and medium enterprises.

The role of local governments in empowering small businesses needs to be enhanced, as MSMEs play a very important role in the growth and development of a country's economy. MSMEs also contribute to employment, income and welfare improvement, and poverty reduction. Activities in the handicraft industry are capable of mechanically transforming goods, which means creating new products to order, as one of the items sold to tourists. Most bamboo craft businesses in Indonesia are small and medium enterprises. They process bamboo as a raw material into various goods that are sold domestically and abroad.

The bamboo craft industry is an innovative industry, rewarding innovation that stems from imagination in the context of social heritage, science, and creativity. Bamboo is processed into a variety of products to meet human needs. The task of making plans serves as an important structure in the Islamic finance sector and financial changes. This can be seen in the KNKS (Islamic Public Money Panel) discussion involving several agencies that contribute to Micro, Small and Medium Enterprises.

As a result, Micro, Small and Medium Enterprises that are able to use Islamic financial systems from various sources have a good relationship in receiving Islamic financial education that has been developed. The diagram contains strategies for improvement

consisting of three main points and supporting points that reinforce Islamic financial capabilities. Micro, Small and Medium Enterprises, which generally do not have a wider network than banking, cause the development of Micro, Small and Medium Enterprises to be slow and less favoured as a supporting option. The world today has a tendency to respect the law of 'indifference' towards financial issues that represent it, but it is also influenced by common financial reasons for surviving in an entrepreneurial climate. 'Make' is a somewhat vague term that means a different economy.

Bamboo weaving crafts also face marketing challenges in the form of declining revenues. The solution used to address the challenges in marketing bamboo weaving crafts is to develop and launch a storage website. This involves utilising and advancing existing MSMEs through regular government funding assistance, increasing investment, and modifying existing products to gain a share of the international market at . This will enable Indonesia to overcome the problems of a middle-income country in line with previously estimated targets. Understanding the mindset of SMEs and expanding their role in managing business and finance. This recognition must be accompanied by the collective effort of the Indonesian people to develop and preserve the cultural heritage of batik. This begins with a proper and comprehensive understanding of Indonesian batik, enhancing the capabilities of the batik industry, introducing batik to the younger generation, utilising batik technology, striving to create designs that align with contemporary trends.

Knowledge about home-based businesses makes people aware of how important it is to utilise nearby potential, especially by starting with "returning to nature," looking more deeply into ordinary environmental elements, such as the weather.

This results in harmony between humans and the weather. One example is using pandan plants woven into mats, materials, wrappings, and ropes by local residents. The ability of weaving as a natural resource can also have a positive impact positive impact, especially on the local economy. The pandan weaving craft industry can influence the economy by creating new jobs, increasing people's income, reducing poverty, reducing inappropriate behaviour unacceptable practices, strengthening regional resilience, and potentially expanding to other areas for further development. (24/Menkes/2022, 2022)

Export Champion Profile

The champion programme is an export-oriented business network programme. This programme is based on an economic system founded on Islamic principles and aims to create prosperity for society. This system is growing rapidly in various parts of the world, including non-Muslim countries that are also participating in certain sectors

such as halal tourism, the halal industry, and Islamic finance. Factors driving the global growth of the Islamic economy include the growth of the Muslim population, the rapid growth of the Islamic economy, the focus of countries in the Organisation of Islamic Cooperation (OIC) on halal products, and Islamic ethical values that form the basis of business and lifestyle. The main factors for success in developing the Islamic economy include full government support, clear national programmes, the existence of specialised institutions to accelerate coordination, the utilisation of competitive advantages, and the existence of a focused national strategy.

Non-Muslim countries also play a role in the global Islamic economy, for example China, the United Kingdom, South Korea, Japan, Thailand and Australia, contributing through exports of halal products, Islamic financial centres and halal tourism.

Meanwhile, Muslim countries also play an important role, especially the United Arab Emirates (UAE) and Saudi Arabia, which are the centres of the global Islamic economy, as well as Malaysia, which is the centre of the global Islamic industry and finance. (*Copy of BI - BI's Role in the Development of the Islamic Economy and Finance*, n.d.)

Strengthening the Halal Product Ecosystem Through the Export Champion Programme

The halal value chain (HVC) is an effort to build an industrialisation process from input, production, distribution, marketing, to consumption. This process involves the production of halal products while considering the value of each supporting element. It is also important to understand how the concept of HVC is incorporated into several strategies. Indonesia, as a leading global centre for Islamic economics, requires a vision for strengthening the halal value chain. This vision can be translated into several industries related to the needs of the Muslim community, divided into several clusters. First, the halal food cluster; second, halal tourism; third, halal products; and fourth, Muslim fashion. These clusters are the main strategies for introducing a halal lifestyle to the community as part of the implementation of HVC. (Hakim & Sugianto, 2024)

Here are some strategies for entering the export market:

a) **Types of commodities to be exported**

In general, all types of goods can be exported, including products from Kriya Kayu Evan Art Gallery, as they can be supplied by manufacturers and have the potential to be exported. Goods that sell well in the international market are those that are highly competitive. Good goods are those that have designs, types, technical specifications, functions, durability, prices, delivery times, and after-sales services that suit the tastes and purchasing power of buyers in the

destination country. Therefore, choosing the type of goods to be exported is an important step before exporting.

- b) **Analysing the conditions of the export destination country**
Before exporting to a country, preliminary research is required on the population, religion, traditions, political, economic and social conditions, climate, import and export regulations, taxes, banking, finance, transportation and other factors. This research aims to determine the potential market and market segments to be targeted.
- c) **Determining potential markets and market segments**
After analysing the conditions of the destination country, the next step is to determine the potential market and market segments to be explored. In addition, it is necessary to pay attention to the habits of the selected market segments. After determining the potential market and market segments, the next step is to determine the marketing channels to distribute goods to consumers. In choosing marketing channels, options include direct sales () using export agents, establishing a confirmation office, or entrusting the task to local importers (independent buyers).
- d) **Operational strategy with business partners**
The international market is full of competition from entrepreneurs from other countries who sell the same goods in the same market segment in the same country. Therefore, to obtain an effective strategy in the export destination country, it is better to involve trading partners who are more familiar with the competitive conditions there.
- e) **Promotion system, brochures, and price lists**
Goods to be exported need to be introduced in advance to potential buyers in the destination country so that they are interested in our products, through a promotion process. Promotion plays an important role for prospective exporters. The next step is to choose effective and efficient promotional media, such as international trade fairs, brochures, advertisements through print media, and others.

Strengthening Capacity and Entrepreneurship

Bank Indonesia organises various training and assistance programmes for MSME players to improve their business management skills. These programmes include training on money management, buying and selling strategies, merchandise development, and product certification so that MSMEs can meet domestic and international market standards. In addition, BI also encourages entrepreneurship through learning programmes for the younger generation and local communities. Activities such as entrepreneurship competitions, sharia economic festivals, and business seminars are often held by BI to inspire more people to start their own

businesses. These efforts are expected to create creative entrepreneurs and contribute positively to the nation's economic growth.

The economic performance of Indonesia's trading partner countries in the halal product sector in 2021 has shown an increase and is expected to continue to grow in 2022. The response to the economic policies of various member countries of the Organisation of Islamic Cooperation (OIC) has yielded good results. The International Monetary Fund (IMF) predicts a rebound in Gross Domestic Product (GDP) in 2021, with GDP trends remaining positive in 2022. The same trend is also occurring in international trade growth, so it is estimated that the trade volume growth performance of OIC member countries will continue to increase in 2022 with a growth rate of above 10%, which exceeds the estimated growth at the global level and in developed countries. In general, the economic recovery of OIC member countries is a positive sign for the export performance of Indonesia's halal industrial products . The continuing improvement in the global halal industry is a great hope for the recovery of the national Islamic economic and financial sectors.

In the last ten years, Indonesia has played an important role because the size of the Indonesian halal industry market is very large, making it a huge potential for domestic and foreign players, both from OIC member countries and other countries, who are seriously working on the halal industry market. Apart from the market aspect, Indonesia's ability to become one of the major players in the halal industry can be focused on several recovery strategies, namely (1) developing a halal value chain (HVC) ecosystem for the halal food and beverage sector and the Muslim fashion (modest fashion) sector, (2) deepening the Islamic finance market through the integration of commercial Islamic finance and social Islamic finance, and (3) improving Islamic economic and financial literacy through strengthening research, assessment, and education.

Business Opportunities

1. Networks of large companies with MSMEs
Large company networks tend to extend further than small businesses. However, in order to enter a large company network, business actors must be able to meet predetermined success standards. For example, if a business has entered a large company network, it will be easier to obtain raw materials at lower prices.
2. Online business networks
Many businesses now use social networks as a means to expand their SME business circle and promote themselves online. With networking tools, entrepreneurs can connect with business partners, allowing people to find specific friends or entrepreneurs within their network. As businesses develop

globally, social networks make it easier to stay in touch with contacts around the world.

3. Face-to-face business networks

Many SME entrepreneurs want to improve their presentation skills by attending public and exclusive business events in person. Many SME entrepreneurs prefer face-to-face networking over online networking because it allows them to build stronger and more personal relationships. Many also prefer to meet in person because people tend to feel more comfortable and understand better who they will be working with.

4. Business networking through social media

Building a network in business is very important and should be expanded as much as possible. A good network can help MSMEs in running their businesses. With a network, MSMEs can learn from experts in their field to expand their business. Networking is not just about exchanging contacts or business cards, but more than that, it can be a means of building mutually beneficial relationships. Some ways to use social networks include joining online groups, using media such as Twitter, Line, Facebook, BBM, WhatsApp, exchanging contacts, and meeting face-to-face.

Internal Problems of MSMEs

In general, the problems faced by MSMEs can be categorised into two groups, namely low business management capabilities, mainly due to low-quality human resources and limited access to productive resources. Human resource issues are an important factor that determines success in various business activities, both for MSMEs and large businesses. This is because the level of education, knowledge, and experience in the business sector is still low. These limitations are common among MSMEs, particularly in terms of entrepreneurial competence, management, production techniques, planning, quality control, product development, accounting, and marketing techniques. Limited human resources result in lower product quality and reduce the ability of MSMEs to enter new markets. To improve business management capabilities, it is necessary to increase knowledge and expertise, especially in the era of globalisation, as this is important for enhancing the competitiveness of MSME products in the international market. Although the government has provided many training programmes, these activities tend to be routine, the material is too theoretical, and the duration is short, making them ineffective in meeting the real needs of MSMEs. Therefore, in order for the training provided to MSMEs to be on target, careful planning is required, starting from the identification of training material needs to monitoring and follow-up after training to see the extent to which the effectiveness of the training is applied in business management.

The second problem often faced by MSMEs is limited access to productive resources, especially in terms of marketing, capital, and technology. MSME marketing problems include very tight competition in both domestic and foreign markets. In addition, the quality of products and productivity of MSMEs in Indonesia is still low, compounded by an unsupportive business climate, resulting in high economic costs, such as expensive licensing, complicated procedures, and numerous unofficial fees, which further reduce the competitiveness of MSME products.

Furthermore, competitive pressure is also caused by a lack of accurate and up-to-date information on market opportunities at home and abroad. In an era of openness and free trade agreed upon by many countries, such as AFTA, the EU, and the WTO, markets in each country must be more open. However, developments in regulations in developed countries, such as the prohibition of child labour and the requirement to protect the environment and human rights, can also hinder the development of Indonesian MSMEs in penetrating the global market. In some ways, these international agreements can create unfair competition between countries due to differences in the level of MSME development in various countries. If these regulations are enforced, it will widen the gap between developed and developing countries.

Another obstacle faced by MSMEs is financial problems, such as lack of capital and difficulty in obtaining loans from financial institutions, especially banks. This often occurs in start-up MSMEs that do not yet have business licences, are located in remote areas with inadequate infrastructure, making them difficult for financial institutions to reach. In addition, MSMEs also find it difficult to obtain financial assistance due to difficult requirements, such as the need for collateral and complicated administrative procedures, as well as a lack of information on the procedures and types of credit available. Technological limitations, especially in micro and small businesses, are also a significant challenge for MSMEs. Technological constraints can arise for various reasons, such as a lack of funds to purchase new machinery to improve production processes, a lack of information about the latest technology or production tools, and a lack of workforce skills in using new machinery or information technology tools. This makes it difficult to innovate in products and production processes. In the era of free trade and global competition, the use of modern technology is increasingly important compared to natural resources, as it can increase competitiveness and turn comparative advantages into competitive advantages.

Conclusion and Recommendations

Amidst efforts by the government and various parties to help Micro, Small and Medium Enterprises (MSMEs) enter the international market, there are still many obstacles that must be overcome. Data shows that although MSMEs play an important role in the Indonesian economy, their contribution to exports is still far from their

maximum potential. The following are the main challenges that prevent Indonesian MSMEs from entering the global market.

One of the main obstacles is the lack of knowledge among MSME players about legal requirements, such as the importance of having an NPWP (tax identification number), NIB (business identification number), and intellectual property rights protection. Many of them also do not have a deep understanding of export and import procedures. This understanding is very important because it is the basis for being able to compete in the international market.

Difficulties in obtaining funds from banks or financial institutions are also a major obstacle. Limited capital, lack of collateral assets, and high interest rates often make it difficult for MSMEs to obtain funds to meet export needs, such as large-scale production, packaging, and distribution.

Support for improving company management and product competitiveness is still lacking. Many MSMEs have not received training or guidance from experts who can help them understand international market needs. Good management and marketing strategy skills are essential for products to compete abroad.

Product standardisation is a major obstacle. Many MSME products do not yet meet the quality standards required in international markets. From raw materials and production processes to packaging, everything must comply with the regulations and standards of the destination country.

The lack of information about global market opportunities is an obstacle.

Many MSMEs do not have access to data on products that are in demand overseas. In addition, inadequate logistics infrastructure is also an obstacle, especially for MSMEs in remote areas that are far from distribution centres or ports. To improve the competitiveness of MSMEs, cooperation between the government, the private sector and MSME players is needed.

Training and mentoring programmes must continue to be improved, particularly in terms of legality, management, and export strategies. Strengthening access to funds and reducing loan interest rates can also help MSMEs become more competitive in the international market. Support for the logistics system is also important so that goods from small and medium-sized enterprises can be delivered quickly and efficiently. In addition, promoting SME products through digital media and international exhibitions is an important step to reach a wider market. By overcoming these obstacles, Indonesian small and medium-sized enterprises have a great opportunity to become part of the global market. These changes not only benefit SMEs themselves, but also contribute significantly to the country's economy. Although the road to the export market is not easy, Indonesian SMEs have a great opportunity to succeed in the international market.

With the right assistance and strong determination, it is not impossible for Indonesian SME products to be in demand in the global market. It is time for Indonesian SME players to dare to go further and demonstrate their ability to compete on the global stage!

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