

EMPOWERMENT STRATEGIES FOR SMALL AND MEDIUM ENTERPRISES (SMEs) IN THE INDONESIA–MALAYSIA–THAILAND GROWTH TRIANGLES (IMT–GT)

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ABSTRACT. *Small and Medium Enterprises (SMEs) in a State is very instrumental in supporting the nation economy activities, as well as activities of SMEs in the area of Indonesia - Malaysia -Thailand for their activities in the obstacles faced. Each country has a different strategy in the face of these obstacles. The method used in this paper is a descriptive exploratory method. And research results showed that basically problems SMEs face almost the same technological factors, capital, raw materials and marketing management that cannot be competitive in the global era.*

Keyword: *Empowering SMEs in the IMT-GT*

INTRODUCTION

Background Research

Indonesia-Malaysia-Thailand growth triangle is a sub-regional cooperation initiative established in 1993 by the government of Indonesia-Malaysia-Thailand with the purpose to accelerate economic transformation in less developed provinces. The private sector has played and will continue to play a key role in promoting the economic activities of the IMT-GT. The aim is to increase intra-IMT-GT and inter-Indonesia-Malaysia-Thailand growth triangle trade and investment. With a total market of 72 million and a land area of 602,293,9 square kilometers and the growth potential for the development of this area is very large.

IMT-GT region is an area of enormous growth in terms of their complementarity with the marked economic, geographical proximity and close relationship such as culture and language. IMT-GT currently consists of 14 provinces in southern Thailand (Krabi, Nakhon st Thammarat, Narathiwat, Pattani, Phattalung, One, Songkhla, Trang, Yala, Chumphon, Surat thani, Phang nga, Phuket). 8 states of Semenanjung Malaysia: Kedah, Kelantan, Melaka, Negeri Sembilan, Penang, Perak, Perlis and Selangor.

10 provinces in Sumatera in Indonesia: Aceh, Bangka Belitung, Bengkulu, Jambi, Lampung, North Sumatera, Riau, Riau Islands, South Sumatera and West Sumatera.

The Asian Development Bank is a development partner of IMT-GT since 2006, with the goal of providing support and linkage to development in Asia, particularly cooperation IMT-GT group.

IMT-GT is a growth road map defining development strategies and plans to achieve the vision and mission of the IMT-GT region seamless, progressive, prosperous and peaceful, with improved quality of life and a road map with four triangular connectivity corridors. Sector economic corridor is the main sector that support for improvement in other areas such as trade, investment, tourism, with the support of strengthening regional connectivity.

Setting borderline IMT-GT region governed by the Law of the Republic of Indonesia No: 43/2008 on the territory of *pasal* 6, paragraph (1) letter (a) reads:

1. State border as provided for in Article 5 covering. On land bordering Country: Malaysia, Papua New Guinea and Timor Leste.

Then proceed in *pasal* 6, paragraph 2, which reads:

2. State border referred to in paragraph (1), including coordination points established by treaty, bilateral or trilateral.

From the content of the Law quote above it is clear that the agreement on the border between Indonesia and Malaysia is very important, as well as with Thailand in a binding international legal product and have binding legal force. Similarly, in the economic activities of the region boundary effect on economic activity, especially of economic activities in the border region such as Indonesia borders Malaysia.

State border Indonesia Malaysia stipulated in Republic Act no: 43/2003 on the territory of *pasal* 6 (a) explains that:

State border on land in this provision are the limits agreed by the Dutch and British governments in Kalimantan and Papua, and the Portuguese government on the island of East Timor which later became Indonesian territory based on the principle that applies in the international. Legal agreement based on these principles, independent state inherited the land territory of the former colonial. Land boundary between Indonesia and Malaysia are set on the basis of the convention the Indies and England in 1891, 1915 and 1928.

Demarcation problem areas within an act have become increasingly important in line occurrence of a rapid change in many areas due to the influence global. Problem State border situation concerning not only the threat from the outside, but also related to the issue of sovereignty, territory and the right of every citizen to exploit its natural wealth. Because increasingly limited resources while the population of the area's growing frontier be sensitive to the emergence of disputes and conflicts.

Economic activities in the border areas, especially the boundaries of IMT-GT strived to support each other to the betterment of the community around the border around. The economic activities can be done on a larger scale with the support of the employers and done by individuals such as SMEs with the full support of government money each.

Activities of SMEs in the IMT-GT ultimate goal is to improve the welfare of society as such, each State seeks to provide encouragement or motivation to all SMEs in areas IMT-GT so that the resulting product can be competitive both in the national and competitiveness at the level of globally, due to competitive products will boost the income of the SMEs which ultimately will improve the welfare of society.

RESEARCH METHODS

This study uses a descriptive exploratory approach to analyze the strategy of development of SMEs in the IMT-GT region scientific. Scientific work also developed using studies approach literature or literature with reference from several sources such as books, scientific journals and the internet.

DISCUSSION

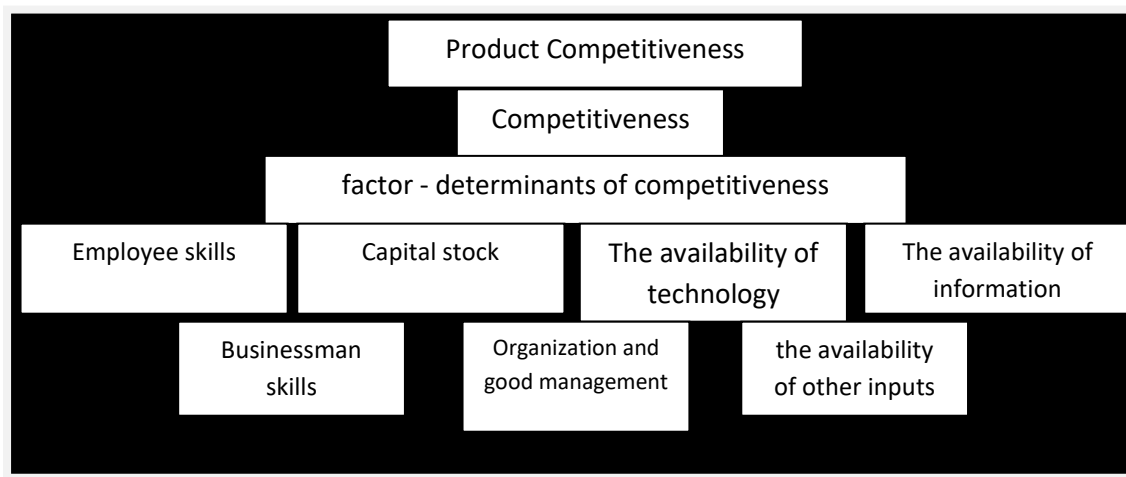
A. Role of Small and Medium Enterprises in the IMT-GT region.

SMEs have an important role in economic development, because the rate of labor absorption is relatively high and needs little investment capital. SMEs can flexibly adjust and respond to changing market conditions. This makes SMEs are not susceptible to various external changes. SMEs would be able to quickly grasp the opportunities for example for production that is both import substitution and boost good fulfillment needs of domestic and foreign demands Because it can support the development of SMEs and acceleration of economic diversification structural change which is a prerequisite for long-term economic development of stable and sustainable.

The number of SMEs in Indonesia continues to increase over time, as well as the development of SMEs in other countries such as Malaysia and Thailand. The development is apparently not matched by the quality of the SMEs still face the classic problem is low productivity. This situation is directly related to (a) the low quality of human resources, especially in management, organization, technology, and marketing (b) weak entrepreneurial competence (c) the limited capacity of SMEs to access capital, information technology and markets, and other factors of production. Meanwhile, the external problems faced by SMEs (a) the high transaction costs due to the business climate supports (b) unfair business practices (c) the lack of information and business support networks. In addition SMEs also face challenges mainly caused by the rapid development of economic globalization and trade liberalization along with the rapid development of technology.

High and low competitiveness of companies is influenced by the industry association. Industry linkage is the relationship between the core industry with related industries (industrial complementre) and the supporting industry (supplier). The success of the national industry could materialize particularly if the national industry has competitive advantages in several related industries. Further Porter (1994) states that a competitive advantage in some industries will be realized when the supplier provides the potential or profits for many industries within a country, because they produce the inputs that are widely used and important for innovation or internationalization.

The competitiveness of a company can be determined by many factors, seven of which are very important: the skill or education level of workers, entrepreneurial skills, availability of capital, organizational systems and good management (as per business requirements), availability of technology, the availability of information, and the availability of inputs such as energy and raw materials, as in the picture below. (The next page)



In addition to above theory, other theories of competitiveness and most consistent with the concept of competitiveness proposed by Porter (1993), known as the theory of NCA with a variety of competitiveness factors, namely:

1. *factor condition*. Factor refers to the inputs used as factors of production such as labor, natural resources, capital and infrastructure.
2. *Demand Conditions* Factors which refers to the availability of a ready domestic market plays a vital element which generates competitiveness.
3. *Related and Supporting Industries* Factors which refers to the multitude and their strong linkages between industry supporters and companies, the relationship has been positive and support that lead to increased competitiveness of companies.
4. *Firm Strategy, Structure and Rivalry* Factors that refers to the strategies and structures that exist in most companies and the intensity of competition in a particular industry. An strategic factors affecting domestic capital market strategy of the company, while individuals often make career decisions based on opportunities and prestige.

1. Problems and strategies of SMEs in Indonesia

Hubbies (2009) stated that the problem of SMEs in Indonesia can be grouped into three categories, namely:

- a. Classic and fundamental problems, such as: lack of capital, human resources, product development, and market access.
- b. Problems in general, for example between the roles and functions of relevant institutions in resolving the basic issues related to further problems, such as the agreement procedure, taxation, collateral, and legal.
- c. Problems continued, such as the introduction and penetration of export markets is not optimal, lack of understanding of product design in accordance with the character of the market, legal issues concerning treaties, patents and contract procedures.

2. Problems and strategies of SMEs in Thailand

SMEs in Thailand is the second driver of the economy after agriculture. SME contribution to the Gross Domestic Product (GDP) of Thailand averaged about 14 percent.

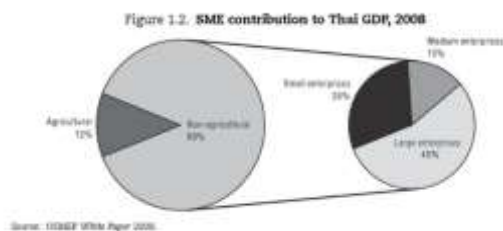
In 2006, SMEs in Thailand managed to provide employment for 76 million people. Compare with small businesses involving only 23 million inhabitants.

First, the Federation of Thai Industries proposes tax cuts for SMEs with a turnover below 200 million baht and profit below 5 million baht. The federation's head, Supant Mongkolsuthree advised companies with these criteria do not pay taxes on the top 5 percent.

While companies with an annual turnover of 200 million baht and a turnover below 10 million baht advised receive the tax burden of less than 10 percent. For incomes below 20 million baht, Supant proposed a tax of not more than 15 percent. Now, all companies must pay a tax of 20 percent.

Supant also proposed a tax amnesty for SMEs. step, he said, would benefit the government because it increases the number of SMEs registered as a taxpayer.

"Taxes are missing will be smaller, because the taxation of SMEs are now ineffective and the government will get additional value from the newly registered SMEs," he said.



Supant estimates, 60-70 percent of SMBs do not pay taxes according to the rules. "Small tax will not make them afraid to grow into large companies. Therefore, the old tax arrears bill is not burdensome," he said.

Second, the employer proposes to the government to enable them to obtain loans with soft interest from state-owned banks.

Third, The Tourism Council of Thailand proposed the government to simplify the visa, especially for visa holders the United States, European countries, English teacher, Japan or Australia. "The rules were to encourage the tourism industry this year. About 12 billion baht is expected to come from the increase in tourists with a total of 300 thousand people," said President of the Tourism Council of Thailand, Ittirith Kinglake.

Fourth, the government suggested tax rid Air Conditioner (AC) capacity of 62 thousand British Therman Units. Therefore, the air conditioning is no longer a costly item. As a result, the museum becomes hot.

Fifth, the employer proposes the government to fix the laboratory for quality control. This is to ensure the quality of export products of Thailand. Thai Chamber of Commerce (TCC) expects the government to prioritize biomass energy by a considerable amount. "The farmers in northern Thailand will benefit from this national program," Chairman of the TCC, Isara Vongkusolki.

Sixth, the Thai Chamber of Commerce (TCC) also urged the Ministry of Agriculture in order to increase support for the production of strategic commodities. The commodities are maize, cassava, oil palm and sugar products.

Finally, *the seventh*, the Federation of Thai Capital Market propose the government to widen the space for the private sector in the railway system. This includes their involvement in services and operations. The federation's chairman, Vorayvan Tarapoom said Transport Minister Prajin Juntong agree with the proposal. Ministry of Transportation amid probe how the form of private and public cooperation in the management of the railway. *

3. The problems of SMEs in Malaysia

SMEs in Malaysia through research programs and technical assistance to small business earth son can be regarded as an attempt to encourage business growth and business development. This study contributes to understanding the importance of training and technical assistance for the development of SMEs in the State of Kedah, Malaysia and the results are quite significant.

SMEs in Malaysia have an important role in most of the total business in some sectors, and provide a considerable contribution to the PDM. SMEs in Malaysia the majority of degrees in the field of manufacturing industries such as processing and production of raw materials such as food, beverages, textiles, petroleum, timber, rubber and electronic equipment assembly. The number of SMEs in Malaysia for more than 90% of total manufacturing. According to data SMIDEC SMEs contribute 27.3% of total manufacturing output 25.8% of the value-added production and contributed 38.9% to the job. While the out-put of SMEs has grown by 9.7% a year in value-added production has grown by 11.8% and employment by 3.7%. The positive development is due to increase in labor productivity of SMEs to Malaysia (SMIDEC 2007).

If you look at statistics from the performance of SMEs in Malaysia seems to be no problem, but when examined more in turns Malaysian SMEs face challenges and barriers include: lack of financing low productivity, lack of managerial ability, access to management and technology, and many regulations.

In addition to the challenge on SMEs in Malaysia also face challenges such as: (1) lack of a coherent comprehensively in the form of policies to development of SMEs (2) too many institutions to SMEs without effective coordination (3) of SMEs in Malaysia still occupies the land or sites that are not approved to be used for industrial purposes (4) underutilization of technical assistance (5) lack of skilled labor (6) lack of incentive and promotion (7) less able to compete on a global level.

Bank of SMEs in Malaysia provide assistance for the development and advancement of SMEs in Malaysia through various training programs and services easy access to funds.

4. Strategy development of SMEs

Based on the above it can be seen that SMEs play an important role in supporting the economy of a country, but the activity was still faces several constraints including problems using technology, as raw materials, capital and product marketing, all these obstacles almost all faced by every country, especially in the area of IMT GT.

various efforts have been made by each country to help deal with problems in the SME primary purpose other than to help solve the problems faced by SMEs, especially SMEs that are around the border between the State, because the border areas between the State turns people's lives interplay between State the one with the other countries, such as cultural factors, socialization, education and economic factors. Similarly, the activities of SMEs among countries are on the border so that the condition of SMEs interplay with one another

that cannot be released both in terms of economic activity or activities in terms of business and management.

The final goal of the optimal management of SMEs in each state, especially the IMT-GT region is expected every SMEs can manage the activities of SMEs optimally with SME products that can be competitive, especially in the global era.

CONCLUSION

Based on results of the study and the above description can be concluded that the empowerment of SMEs in the IMT-GT region especially in Indonesia-Malaysia-Thailand border still faces several obstacles including issues related to technology, processing of raw materials, capital, and marketing. The role of the government of each country is very important in dealing with the problem including through accompaniment, training, provision of facilities and support infra and supra structure of each country, especially in the area of Indonesia-Malaysia - Thailand so that the activities of SMEs can be more developed and efficient.

Suggestion

Required increase the good cooperation between the State IMT-GT for the activities of SMEs in the region more efficient and effective so that the activities of SMEs in that region can be managed properly and produced can be competitive by developing the factors of competitiveness such as (1) factor condition (2) Demand condition (3) Related and supporting industries (4) Firm strategy structure and rivalry besides that each State should also take into account the competitiveness of SMEs, namely: (1) the expertise and experience of workers (2) expertise businessman (3) Human Resources (4) procurement and supply of raw materials (5) the supply of financial capital (6) organization and management (7) Technology and organization.

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