INTERNATIONALIZATION OF MSMES THROUGH NETWORKS (NETWORKING) TO IMPROVE WELFARE

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Abstract: Internationalization of MSMEs through networking in the context of improving welfare must be carried out in stages. To find out the various welfare conditions of MSMEs, several sustainable development systems are needed, so that the standard of living of MSMEs in the country continues to increase. The orientation and focus on empowering MSMEs that will be internationalized need to be improved, including by providing easy access to company functions and providing supporting facilities, so that all MSMEs that will be internationalized can apply general rules that apply in the economy in a consistent, consistent and efficient manner. The efforts made are through a strong business network (networking). The network is an important factor in the MSME business both on a national and international scale in order to improve welfare, economies of scale, and expand market share. MSMEs with a strong network are the capital to run their business activities effectively and efficiently.

Keywords: Internationalization MSMEs Networking Welfare.
INTRODUCTION

MSMEs are one of the sources of driving a nation’s economy, and more than that, MSMEs have a big role in absorbing labor and providing gross domestic product for Indonesia.[1]

The absorption of this workforce has reached around 85 million workers in Indonesia and this has contributed to domestic income of around 52.3 percent.[2] This shows that MSMEs play an important role in reducing the problem of poverty in Indonesia.[32]

The existence of MSMEs in reducing the increase in the number of unemployed in Indonesia is by recruiting many workers as an effort to assist the government in eradicating poverty.[3]

The storm of the economic crisis in Indonesia has made several large companies experience a slowdown in growth, not even a few have stopped.[4] Unlike the case with MSMEs that still survive and live in the face of an economic crisis. Thus, it is natural that private sector economic development can be focused on MSMEs, including by conducting internationalization of MSMEs.

Internationalization is an innovation of the enterprise and often requires making decisions under conditions of uncertainty, taking into account which knowledge is important.[31]

The role of MSMEs in the economy, among others: implementing economic activities, creating job opportunities, business actors in developing the local economy and empowering communities, creating innovations and new markets, and business actors contributing to the balance of payments.[5]

Based on the large role of MSMEs, the development of the internationalization of MSMEs must be planned, structured, and sustainable, so that they are productive and competitive to improve welfare.

The development and growth of networking between countries has opened up opportunities for MSMEs to carry out internationalization activities in the form of exports, direct investment and licensing, where these activities can improve the welfare of business actors. Thus, it is important for MSMEs to create and develop mutually beneficial business networks.

Internationalization activities that can be carried out by MSMEs are exports due to minimal financial capital,[6] so MSMEs need to develop them through business networks with a labor-intensive internationalization strategy.

Business Network is an important factor in the world of MSMEs in the context of increasing economies of scale, efficient business management and expanding market coverage. MSMEs with a large business network can carry out their operations more effectively and efficiently as a capital for the company’s competitiveness. This is supported by the current global era which has opened up opportunities for MSMEs to carry out internationalization activities.

This research has a novelty value, which aims to find out whether the internationalization of MSMEs can improve welfare through business networks. The business network is one of the factors that determine the strategy in internationalizing MSMEs, in addition to the business network it will affect the competitiveness of MSMEs.
in internationalization activities, it will also have a direct or indirect impact on the welfare of business actors.

**MATERIALS AND METHODS**

This research is a qualitative research using the Systematic Literature Review (SLR) method, which is a method that is able to describe differences or relationships between literatures, so as to be able to conclude or describe a certain thematic framework as a whole, as well as provide new ideas so that they can be followed up empirically.\[7\]

The SLR method is carried out through studies and identification of several journals according to the themes studied. In this case, the researcher uses books, journals, along with other literature sources, and it is done inductively in order to get more concrete results. This research was conducted considering that Micro, Small and Medium Enterprises (MSMEs) are business sectors that play an important role in the economy and are able to survive during the economic crisis in Indonesia.

SLR research is carried out to identify, review, evaluate and be able to make interpretations of all research that has been carried out based on the theme of the discussion on the internationalization of SMEs as well as through the formulation of the problem that has been determined.

The identification results are expected to add literature related to the internationalization of MSMEs that play a role in improving welfare through extensive business networks and government efforts in solving problems related to poverty and unemployment.

The SLR method is carried out in several stages, including: \[8\] The first stage, selecting the theme and research topic. The theme that was chosen was Internationalization of MSMEs through networks (networking) to improve welfare.

The second stage is developing alternatives and determining the thematic study innovations. In this case, the goal is to find a solution in internationalizing MSMEs through networks to improve welfare. The thematic study of SLR that was decided was the Internationalization of MSMEs through networks.

The third stage, search and filter the literature. The search was carried out through Google Scholar, with the keywords used, namely the internationalization of MSMEs in Indonesia. The search results show that there are 570 literatures most relevant to this keyword.

The fourth stage, grouping. Literature of scientific works from search results, grouped based on similarity in research focus and given a general description.

The fifth stage, discussion. This stage is an explanation of the findings of the SLR. The formulation of the problem is made and selected based on the needs analysis of the research topic. The formulation of the problem in the research, among others:

1) What are the internal factors that influence the internationalization of MSMEs in Indonesia?
2) What are the challenges of internationalizing MSMEs through networks in Indonesia?
3) What is the government's role in the internationalization of MSMEs through networks in Indonesia?

What is the strategy for
internationalizing MSMEs through networks to improve welfare?

RESULTS AND DISCUSSION

This research was conducted by analyzing some relevant literature related to the theme of internationalization of MSMEs through networks to improve welfare in Indonesia. The literature sources used include: books and scientific articles related to the focus of research from 2018-2022.

The discussion is grouped related to the theme of Internationalization of MSMEs through business networks to improve welfare into 4 focus themes, namely those relating to the internal factors of MSME internationalization, the challenges of MSME internationalization, the role of the government in the internationalization of MSMEs and MSME internationalization strategies based on the literature. The focus of the Research Theme is as follows:

2. Challenges of Internationalization of MSMEs through networks to improve welfare in Indonesia using 5 journals from Putra Et al (2022) [14]; Hapsari Et al (2022) [15]; Mege Et al (2020) [16]; Darmayanti Et al (2021) [17]; Wijaya Et al (2022) [18].
3. The role of the government in the internationalization of MSMEs through networks to improve welfare in Indonesia using 5 journals from Adawiyah Et al (2022) [19]; Faisal & Apriliadi (2021) [20]; Ismianti Et al (2019) [21]; Muhsyi Et al (2021) [22]; Winarto (2020) [23].
4. Internationalization strategy of MSMEs through networks to improve welfare in Indonesia using 5 journals from Kaukab (2021) [24]; Hadi Et al (2021) [25]; Budiyanto (2020) [26]; Armiani Et al (2021) [27]; Zen & Mukhlis (2022) [28].

MSMEs are the sector that is able to absorb the most labor in Indonesia, reaching 97%. Thus, MSMEs are the most important part of the Indonesian economy, as a sector that is able to generate productive workforce through investment and change technology.

The internationalization of MSMEs through networks has a major contribution in improving the welfare of life, so this needs to be considered because the existence of MSMEs that will be internationalized cannot be separated from the opportunities and challenges faced. in developing MSMEs in the international arena which is influenced by several internal factors.

Internal Factors Internationalization of SMEs through networks (Networking) to improve welfare

Internal factors that often hinder the internationalization of MSMEs for both growth and development include limited capital. The limitation of the capital is felt to make it difficult for MSMEs to develop. Most MSMEs use private facilities to obtain production cost capital because they have
not been able to meet consumer demand.

The government needs to pay attention and support so that the internationalization of MSMEs can run well to improve people’s welfare.

Some MSME managers find it difficult to get assistance from the government and the process takes a relatively long time. Considering that the existence of MSMEs has a major contribution to the State, such as providing job opportunities for the community and having a significant impact on economic growth and community welfare, MSMEs should receive attention in order to be able to compete internationally. The government must be able to provide export stimulation to MSME actors to encourage MSME actors to explore foreign markets.[34]

In addition to limited capital, the availability of raw materials owned by MSMEs also affects production activities, so the scarcity of production materials can be the cause of soaring prices. raw material. This can be an obstacle in the internationalization of SMEs to develop. The price of raw materials that continues to soar can affect the selling value of MSME products which will have a direct impact on sales. In addition, MSMEs that have a small network will lack partners and suppliers of raw materials, so the need to internationalize MSMEs through networks.

Another internal factor is related to the production equipment used. Most MSMEs use simple manual tools, assuming that the results of ancient technology are better and more in line with what they want.

Bookkeeping Problems. The thing that needs to be done in the internationalization of MSMEs is orderly bookkeeping. However, most MSME actors still use a simple (manual) bookkeeping system and do not follow standard bookkeeping administration rules, so they need to be trained to achieve trade competition in the international world which is competitive considering the importance of financial processing in business continuity.

Limited Marketing. Marketing limitations are a problem for MSME actors, this makes it important to internationalize MSMEs through collaborating with other business actors at the local, national, and international levels. However, there are still many MSMEs that lack partner networks, and have not been able to market their products online, which makes these products less well known to the wider community. This shows the importance of assistance from the government to train digital marketing and provide access to the internationalization of MSMEs.

The Problem of Determining the Location and Layout of the Business. The location of the business is included in the internal factors that need to be considered that affect the existence of MSMEs. MSMEs that are ready for internationalization must be in strategic locations, such as near highways, near markets or public facilities, and close to suppliers, making it easier for business actors to obtain raw materials and distribute their products. This needs to be done to minimize production costs.

Managerial Ability. MSMEs that will be internationalized must have management resources who have good managerial skills. Where business actors must have the ability and knowledge
related to human resource management, production management, financial and other managerial management. This is necessary because a business with a larger scope will require a large number of workers, as well as demand for more products.

The skills of MSME managers regarding market knowledge” can encourage sufficient willingness to take risks inherent in developing differentiation/innovative products that can facilitate a wider scope of internationalization. Innovation has been suggested as a possible relationship between market orientation and firm performance.[35]

Socialization related to Government Training and Guidance for MSME actors so that they can be competitive in the international market is a necessity for MSME actors. The training and guidance is a proof that the government should be among the SME actors towards international trade.

Some MSMEs experience problems in distributing products from producers to consumers in various regions in Indonesia and abroad. This is due to the lack of understanding of MSME actors to determine safe distribution tools.

**Challenges of Internationalization of MSMEs through networks to improve welfare in Indonesia**

Various research results related to the challenges of internationalization of MSMEs, show that MSMEs often experience various things, including: limited funds, lack of knowledge regarding markets, there are limitations related to technology and innovation, limited quality of human resources, business competition and government policies.

The challenges are illustrated in table 1 as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Tantangan</th>
<th>Frekuensi (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Raw material difficulty</td>
<td>8.59</td>
</tr>
<tr>
<td>2</td>
<td>Labor</td>
<td>1.09</td>
</tr>
<tr>
<td>3</td>
<td>Transportation difficulties</td>
<td>0.22</td>
</tr>
<tr>
<td>4</td>
<td>Marketing difficulties</td>
<td>34.72</td>
</tr>
<tr>
<td>5</td>
<td>Limited funds</td>
<td>51.09</td>
</tr>
<tr>
<td>6</td>
<td>Lainnya</td>
<td>3.93</td>
</tr>
</tbody>
</table>

Source: Winarto, 2020

In realizing the internationalization of MSMEs that are competitive through networks for welfare, it is necessary to know that the capabilities and strengths of Indonesian MSMEs in the international market show a comparison of the contribution of MSMEs to the absorption of labor force, GDP and export value in several countries, as follows:

**Catatan:**
- Red: Contribution of SMEs to GDP (%)
- Blue: Contribution of SMEs to employment (%)
- Green: Contribution of SMEs to export value (%)
The data illustrates that MSMEs play an important role in economic activity, especially in the provision of employment, and the acquisition of GDP. However, holistically, it can be seen that the contribution of Indonesian MSMEs in the export trade balance is still inferior to other countries such as Thailand, Malaysia, the Philippines, as well as Vietnamese.

The Government’s Role in Internationalization of MSMEs through networks to improve welfare in Indonesia

Government policies in supporting the internationalization process are very important and needed for MSME managers to expand the market through networks and improve welfare. The role of the government in encouraging MSMEs to be able to grow and develop at a higher level and competitive in the global market, including by providing various incentives, programs and policies to strengthen MSMEs and provide access for MSMEs in order to face global competition. This support, including:

1. Long-term planning – Attachment to Law no. 17 of 2007 related to the RPJP 2005-2025, Chapter III number (23) emphasizes that MSMEs are the real sector to become science and technology actors and are competitive with imported products, able to contribute to structural changes and strengthen the domestic economy.[33]

2. Marketing support– The government guarantees fair competition and opportunities for MSME exporters, actively participates in trade negotiations and regional trade agreements and bilaterally to reduce various barriers. Among them is by establishing SMESCO with the hope of becoming an institution with professional services for facilitate business partners related to world-class superior products of high quality, as well as promote Indonesian MSMEs to local and international business partners.

3. Financial support - The Indonesian government provides financial support for MSMEs based on Decree No. 06/SKB/Dep.3/III/2010 and 026/KSB/03/2010. KemenkopUMKM in collaboration with LPEI seeks to facilitate MSME actors to encourage export-oriented business activities. The presence of LPEI that offers insurance services with a competitive premium is expected to increase the competitiveness of Indonesian MSME products abroad.

4. Providing incentives – Government give special treatment regarding MSME Taxpayer. MSME entrepreneurs receive Income Tax incentives with the issuance of PP 46/2013. The income tax rate for MSMEs is up to 4.8 billion, which is only 1% of turnover. In addition, the Government provides grants aimed at creating quality brand, create branding that makes it different from other products in the global market. This includes counseling to increase productivity and technology capabilities, assistance in business collaboration to improve technology production, research, development and marketing of products, creation of a more friendly business environment,
continuous efforts to improve transportation systems and increasing market access through tariff negotiations under bilateral, regional and WTO arrangements.

**MSME Internationalization Strategy through networks to improve welfare in Indonesia**

The internationalization strategy is conceptually and theoretically divided into two, namely the internalization theory and the eclectic theory. The theory of internalization arises due to the development of large companies that can threaten the existence of MSMEs. In its development, this theory seeks to internalize the benefits that can be obtained from internationalization, localization, and ownership.

The eclectic theory in the internationalization strategy emphasizes more on the resources and knowledge of MSMEs in determining markets and networks in marketing their products.

Dess and Miller distinguish MSME internationalization strategy into intended strategy and realized strategy [29]. In this case, the intended strategy refers to the future consisting of goals, policies and plans proposed and designed by MSME managers. The strategy that is realized refers to the past that combines the components of the intended strategy with those that are adjusted according to the needs at the time, because the strategy almost always changes in several ways throughout its implementation.

The MSME internationalization strategy can be carried out using a global and process approach, including the incremental approach, namely the Uppsala and Innovation models. Building on behavioral theory as well as the school of innovation [30].

The behavioral school of thought, understands that internationalization as a sequential process that is incremental, cumulative and linear, consists of a succession of steps that must be passed by every company that wants to develop abroad. Each step leads to increased commitments abroad, as well as resource plans, and target market distances. The members of the Nordic school of thought study internationalization through the prism of the market, where the innovation school considers that each new step in the process is an organizational innovation for the company.

The internationalization process can be seen as a learning process for an MSME. Several aspects regarding internationalization such as the age of MSMEs, the size of MSMEs, and the industrial sector selected by MSMEs have become the subject of studies that have been carried out by several researchers in other countries. The MSME internationalization strategy needs to pay attention to the personality aspect, because it will be very influential in determining the work performance of MSMEs in carrying out the MSME internationalization strategy. With the right strategy, it is hoped that MSME internationalization activities through networks to improve welfare can be realized and have competitiveness.
CONCLUSIONS

The internationalization of MSMEs is an effort to improve the economy of the community. The government pays attention to the creation of MSMEs and Cooperatives under the Ministry of Cooperatives and MSMEs.

This attention is a form of appreciation from the government, because MSMEs are able to support the economic existence of the small people and have a direct impact on the level of life of the lower class so that the welfare of the community continues to increase.

The internationalization of MSMEs cannot be separated from the network of business partners as partners to be competitive in global trade, so as to be able to provide wide employment opportunities and improve welfare. Thus, MSMEs are known as a means of alleviating people from poverty, leveling the economic level of the poor, and providing foreign exchange income for the country.

REFERENCES


