

## **Economic Globalization: Encouraging Indonesian MSMEs to Become the Backbone of the National Economy**

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### **ABSTRACT**

Economic globalization has opened markets and increased competition, but it also provides great opportunities for Indonesian MSMEs to thrive and become the backbone of the national economy. This study aims to analyze how MSMEs can take advantage of globalization to improve competitiveness, expand markets, and increase their contribution to the economy. The research method used is a case study with qualitative data analysis techniques through interviews and observations on MSMEs that have successfully penetrated the global market. The results show that successful MSMEs are those that are able to innovate, utilize technology, and build strong cooperation networks. In addition, support from the government and related institutions is also very important to create a conducive environment for the growth of MSMEs.

**Keywords:** Economic Globalization, MSMEs, Competitiveness, Innovation, Cooperation

### **INTRODUCTION**

The era of economic globalization has brought fundamental changes in the world economic landscape, creating both challenges and opportunities for economic actors in various countries. Indonesia, as a country with the fourth largest population in the world, has great potential to take advantage of the momentum of economic globalization through strengthening the Micro, Small and Medium Enterprises (MSMEs) sector as the backbone of the national economy. The contribution of MSMEs to the Indonesian economy is very significant, covering 61.07% of the total Gross Domestic Product (GDP) and absorbing 97% of the total national workforce. However, in the midst of this great potential, Indonesian MSMEs still face various structural challenges that hinder their development in the face of global competition. Limited access to capital, low adoption of digital technology, lack of product standardization, and limited access to international markets are the main problems that need to be overcome.

The Covid-19 pandemic that has hit the world since early 2020 has forced MSMEs to carry out digital transformation and business model adaptation quickly. A survey conducted by Bank Indonesia showed that 87.5% of MSMEs were affected by the pandemic, with 93.2% of them experiencing negative impacts in terms of sales. However, this crisis also opened up new

opportunities through the acceleration of digital transformation, where 27.6% of MSMEs successfully transformed to digital platforms and experienced an increase in sales during the pandemic. The urgency of strengthening MSMEs as the backbone of the national economy is based on several strategic considerations. First, the flexible and adaptive characteristics of MSMEs make this sector highly resilient to economic shocks. Second, MSMEs have a vital role in labor absorption and poverty alleviation. Third, the experience of the 1998 economic crisis and the Covid-19 pandemic proves that MSMEs can be the savior of the national economy in times of crisis.

The literature review shows that the success of MSMEs in the era of globalization is largely determined by technological adaptability and innovation. Tambunan (2020) emphasizes the importance of strengthening the digital capacity of MSMEs to improve global competitiveness. Meanwhile, Wijaya et al. (2021) identified four key factors for MSMEs' success in the digital era: technology adoption, product innovation, access to financing, and HR development. To overcome these challenges, a comprehensive strategy involving various stakeholders is needed. The problem-solving plan includes: (1) Strengthening the digital ecosystem of MSMEs through integrated digitalization programs, (2) Increasing access to financing through financial technology and credit programs, (3) Developing product standardization and international certification, (4) Strengthening HR capacity through training and technical assistance.

This study aims to analyze the impact of economic globalization on the development of Indonesian MSMEs and formulate strategies to strengthen MSMEs as the backbone of the national economy. Specifically, this study will examine: (1) the opportunities and challenges of MSMEs in the era of economic globalization, (2) the level of adoption of digital technology and product innovation of MSMEs, (3) access to capital and standardization of MSME products, and (4) the effectiveness of mentoring programs in improving the competitiveness of MSMEs.

## **METHODS**

This research uses the literature study method to analyze how Indonesian MSMEs can take advantage of economic globalization to improve competitiveness, expand markets, and contribute more to the national economy. The literature study was conducted by collecting, reviewing, and analyzing various relevant scientific sources, such as academic journals, books, government reports, and publications from international organizations that discuss economic globalization and MSME development. The data collection technique involved systematic searches using specific keywords in academic databases and trusted repositories to ensure the validity and currency of the information. The data was analyzed using a content analysis method with a thematic approach, which includes identifying patterns, comparing concepts, and synthesizing findings from various sources to gain a comprehensive understanding of the factors that support the success of MSMEs in facing globalization. With this method, the research is expected to provide strategic insights for the development of Indonesian MSMEs in facing global challenges and opportunities

**RESULTS AND DISCUSSION**

Economic globalization provides both opportunities and challenges for Indonesian MSMEs in accessing international markets. Based on the results of the literature analysis, MSMEs that are able to adopt digital technology and innovate have a greater chance of thriving in the global market. Data from the Ministry of Cooperatives and SMEs shows that by 2022, around 19 million MSMEs will be connected to the digital ecosystem, up from only 8 million in 2020. However, there is still a digital divide and barriers in access to capital that hinder the growth of MSMEs. In addition, globalization also requires MSMEs to meet international standards in order to compete with products from other countries. Regulatory challenges, export logistics costs, and adaptation to global consumer preferences are aspects that must be considered in pushing MSMEs to a higher level.

Table 1. Development of MSME Digitalization in Indonesia

Year	Number of Digital MSMEs (million)	Percentage of Total MSMEs
2022	21,8	33,6%
2023	27	41,5%
2024	30	46,1%

Source: Ministry of Cooperatives and SMEs

In addition to digitalization, globalization also brings changes in people's consumption patterns. Consumers are now more open to products from abroad, so MSMEs must be able to adapt to evolving market trends. For example, demand for environmentally friendly and sustainability-based products is increasing, so MSMEs need to adopt greener and more ethical production practices. Based on literature studies, some of the main factors that determine the success of MSMEs in the global market are innovation, technology utilization, access to capital, and policy support. Tambunan (2020) emphasized that product and service innovation is a key factor in improving the competitiveness of MSMEs. Meanwhile, Wijaya et al. (2021) identified the importance of training and mentoring from government and private institutions to improve the capabilities of MSMEs.

Table 2. Supporting factors for the success of MSMEs in the global market

Factor	Description	Implementation Example
Innovation	Development of new products and business models	Technology-based products, unique design
Digitization	Utilization of e-commerce and digital media	Marketplace, social media
Access to Capital	Ease of obtaining business capital	MSME credit, fintech lending
Government Support	MSME policies and assistance programs	Training, export subsidies

In this era of globalization, MSMEs are faced with complex challenges. Global economic instability, changes in international trade regulations, and fierce competition from multinational companies are major obstacles. MSMEs must also adapt quickly to changing market trends and technology. Therefore, a sustainable long-term strategy is essential. MSMEs need to improve competitiveness through product innovation, production efficiency, and effective marketing. Support from the government and related institutions is also needed to create a conducive business environment. With the right strategy, MSMEs can overcome challenges and continue to thrive in the global market. To improve the competitiveness of MSMEs in the global market, a comprehensive strategy is needed. Some of the strategies proposed in this study include:

1. Strengthening the Digital Ecosystem by improving internet access and technology infrastructure for MSMEs so that they can utilize digital technology to the fullest.
2. Access to Capital and Incentives that provide easy access to credit and tax incentives for MSMEs that go global, including funding programs from the government and private financial institutions.
3. Human Resource Capacity Building by conducting training and mentoring in export strategies, global marketing, and digital business management.
4. Product Standardization and Certification that encourages MSMEs to meet international standards to be more competitive in the global market, such as halal certification, ISO, and organic certification.
5. Collaboration with Private and Multinational Parties by encouraging MSMEs to establish partnerships with large companies to expand market reach and increase production capacity.

**Utilization of Social Media and Digital Marketing by utilizing social media as an effective marketing tool to increase the exposure and attractiveness of MSME products in the global market. In addition, the role of the government in creating regulations that support the expansion of MSMEs to the global market is crucial. The government can provide export incentives, help reduce tax rates for export-oriented MSMEs, and build a more efficient logistics system so that distribution costs can be reduced.**

Table 3. Strategies for Strengthening MSMEs in the Global Market

Strategy	Destination	Implementation
Digitalisasi	Improving competitiveness	Use of e-commerce, digital payments
Access to Capital	Make it easier for MSMEs to obtain capital	Low-interest loans, fintech lending

Training and Mentoring	Improve HR skills	Workshop, seminar, mentoring
Product Standardization	Menyesuaikan produk dengan standar global	Halal, ISO, organic certification
Business Collaboration	Expanding networks and markets	Partnerships with large companies

By implementing a comprehensive strategy, Indonesian MSMEs have great potential to gain competitiveness in the global market. This improvement is crucial for significantly contributing to the national economy, creating jobs, and strengthening Indonesia's position on the international trade stage. Globalization, while challenging with intense competition and dynamic market changes, also opens up golden opportunities. MSMEs can leverage globalization for market expansion, increased production capacity, adoption of cutting-edge technologies, and strategic partnerships. MSMEs that succeed in the global market will be more resilient to economic turmoil, innovative, and contribute to the welfare of society. Support from the government, financial institutions, and related parties is essential to create an ecosystem conducive to MSMEs going global. Synergy will help MSMEs overcome challenges and achieve success in the international market.

## CONCLUSION

Based on the results of the research and discussion, it can be concluded that economic globalization has brought both opportunities and challenges for Indonesian MSMEs in improving competitiveness in the global market. From the results of the literature study research, it appears that digitalization, innovation, access to capital, and policy support are the main factors that determine the success of MSMEs in facing globalization. Data shows that more and more MSMEs are connected to the digital ecosystem, but there are still gaps in access to capital, product standardization, and human resource readiness in utilizing technology. Therefore, a comprehensive strategy that includes strengthening the digital ecosystem, increasing access to financing, product standardization, and collaboration with various parties needs to be implemented so that MSMEs can develop and compete globally. By implementing the right strategy, MSMEs can not only survive the globalization era, but also transform into the main pillar of national economic growth. The support of the government and various other stakeholders is essential in creating a conducive environment for MSMEs to adapt to the dynamics of the global market. Therefore, the synergy between the government, private sector, and MSME players is the main key in encouraging the sustainability and competitiveness of Indonesian MSMEs at the international level.

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