



7TH INTERNATIONAL CONFERENCE

Actual Economy

SOCIAL
CHALLENGES
AND FINANCIAL
ISSUES IN XXI CENTURY



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Digital economy as a factor of Small Medium Enterprise Empowering (the case of Indonesia)

Supaporn Prajongjai
Somtop Keawchuer

Faculty of Management Sciences
Suan Sunandha Rajabhat University, Bangkok,
Thailand

Abstract

Ernst & Young data showed that Indonesia's online sales value increases by 40 percent each year. With about 93.4 million internet users and 71 million smartphone users, by late 2014 the e-commerce business value in Indonesia reached USD 12 billion. The value is projected to reach US\$18 billion by the end of this year. By 2016, The Indonesian E-Commerce Association (idEA) expects the market to be worth IDR 295 trillion (USD 24.6 billion). Small medium enterprise is one of the backbone of Indonesia economy, during the Asian Financial Crisis, Indonesian Stock Exchange (IDX) collapsed, but informal economic sector (dominated by Small Medium enterprises) was not significantly affected by crisis and was able to survive well. In 2011, Small Medium Enterprises - SMEs contribution to National GDP was around 57.94% (or equal to IDR 4.303.571,5 Trillion) and it increased to 59.08% (or equal to IDR 4.869.568,1 Trillion) in 2012. These contributions have made SMEs as one of the key sectors to enhance Indonesian economy. This paper will highlight Indonesia's opportunities and challenges in developing the SMEs as a backbone of economy, key success factors that is needed to implement the digital economy, and strategies that Indonesia should adopt in empowering small medium enterprise through digital economy.

Key-words Digital Economy, Small Medium Enterprise, E-commerce, Government Strategies

Introduction

As a backbone of Indonesia's economy it is imperative for Indonesia to maintain and further develop the Small Medium Enterprises - SMEs. during the Asian Financial Crisis, Indonesian Stock Exchange (IDX) collapsed, but informal economic sector (dominated by Small Medium enterprises) was not significantly affected by crisis and was able to survive well. As a matter of fact, according to Gatra News, Indonesia private sectors are dominated by grass roots SME, that is, almost 99 per cent of the companies are SMEs.

The growth of Small Medium Enterprises in Indonesia is rapid. To illustrate the growth from 2011 to 2012 was 2.41 per cent from a total of 55.206.444 units to a total of 56.534.592 units. SMEs contributes greatly to employment creation in Indonesia, data from Ministry of Cooperative and Small Medium Enterprise shows that in 2011, SMEs created jobs as much as 97.24 per cent or equal 101.722.458 persons, while in 2012 it increased by 9.16 per cent or equal to jobs for 107.657.509 person. It also significantly contributes to national GDP as SMEs contributes 57.94 per cent equal to IDR 4.303.571,5 trillion and increases to 59.08 per cent or IDR 4.303.571,5 trillion. Nevertheless, SMEs access to financial institutions are limited, currently only around 25 per cent or 13 million SMEs have access to it.

Ernst & Young data showed that Indonesia's online sales value increases by 40 percent each year. With about 93.4 million internet users and 71 million smartphone users, by late 2014 the e-commerce business value in Indonesia reached USD 12 billion. The value is projected to reach USD 18 billion by the end of this year. By 2016, The Indonesian E-Commerce Association (idEA) expects the market to be worth IDR 295 trillion (USD 24.6 billion).

Indonesia's economy is growing rapidly, and a large portion of the population is entering the middle-class and affluent consumer (MAC) socioeconomic category. As shown by Boston Consulting Group - BCG research, there are currently about 74 million of MACs in Indonesia, and the number is expected to double by 2020, to roughly 141 million people. Indonesia consumers are extremely connected through digital technology. Regardless of the wealth level, they enjoy hunting for bargains, and are value conscious. More than 60 per cent of Indonesia's resident belongs to the 20 to 65 age group or the productive age. Indonesia's productive age population bring about a large domestic market; more than half of Indonesia's GDP is derived from domestic demands, which makes the country resilient to external shocks.

Methodology

The research method used in the paper are conceptual framework and empirical study based on literature reviews related to SMEs, digital economy, and financial inclusion. The researchers first explored the definitions of SMEs in Indonesia, digital economy, and financial inclusion. An analysis based on previous researches on the relevant factors was then offered to help the researchers conclude the impact of digital economy, and financial inclusions on SMEs, and to understand the key factors and strategies to help empower the growth of SMEs.

The role of Digital Technology in Helping the Growth of SMEs

Technology development redefined the experience for customers in many aspects of their daily lives. It also helps the creation of business opportunities and better services for the customers. SMEs that refuses to embrace the technology would generally be left behind. They would lose competitiveness, and opportunities to further develop their business compare to the counterpart who do so.

Digital technology is the effect of information technology revolutions on business. By maximizing the use of technology, business sectors would be able to cut down on cost, be it from the needs of information to lowering the transaction cost. In the end SMEs that make use of technology would be able to operate on a higher efficiency level.

The usage of digital technology for business and services are known as a part of digital economy, or e-commerce to be precise. This model of business can be done through business to business; such as factory and suppliers of raw materials or between suppliers and distributors, or business to consumer; such as transportation and services, and between seller and consumers.

The existence of digital technology provides many alternatives for SMEs in expanding their business Utilizing it would allow SMEs to cut back on cost through the use of data analytic. Through the services, SMEs are able get a better understanding of goods or services that the customers prefer, and information related to the customers. With the limited resources that SMEs have, it is a valuable tool for decision making. SMEs would have better track of what products or services to maintain and or develop, and product or services to drop.

The data segmentation from the analysis would also allow SMEs to focus promotion to market segments which correlates directly to the core of the business. This makes promotion much more effective and cheaper compared to the conventional method of promotion that SMEs tends to use. The technology would allow business owners to promote products relevant to the customer's preference thus allowing higher percentage of success sale rate. The access of statistical information from the sales and visitors allows advantage over business competitor that do not have the information.

Utilization of digital economy also enables SMEs to reach a wider range of customers or new markets (geographical or demographical market segments). It allows the business to stay open 24 hours a day 7 days a week compared to the traditional business model. If previously market were limited locally, the use of digital technology allows SMEs to reach wider range of customers, be it from a different city even to a different country. Report from Deloitte Access Economics (2015) shows that SMEs with basic online capabilities are able to derive 6 per cent more of their revenue from international customers than offline SMEs.

Key Success Factors in Implementing Digital Economy

Clear Regulations Pertaining to Digital Economy

A clear government policy and regulation in supervising transaction over the internet is an important part in internet and e-commerce development in Indonesia. Unclear regulations create uncertainty and uncondusive economy environment. Currently the online risks of e-commerce are still high, there are plenty cases of fraud related to e-commerce that reduces customers' willingness to shop online. Government should ensure protection not only to market player but also to the customers to create trust to the digital economy.

Regulations to protect the customers should not hamper the growth of the industry. In the

case of security certification; if online transactions are secured, government should not add an additional burden to SMEs by requiring it for certification.

Indonesia is in the process of drafting Indonesia e-commerce road map. It is planned to be launched by the end of 2015. As the article is being written right now, at the end of 2015, the roadmap is still being finalized by the parliament. The roadmap would give a clear direction for the market on how they should develop their digital business and the obligations they would have to the government.

Internet Access in Indonesia

Indonesia is the world largest archipelago, consisting of over 17.500 islands spanning the length of 3.977 miles with a total area of 1.9 million square feet. There are scattered rural areas that are difficult to be accessed through traditional communication methods, with difficult landscape and challenging weather. To ensure connectivity of its people, robust ICT connectivity is a must.

As shown by Tech in Asia (2015), the average speed of internet in Indonesia is low compared to its Asia counterpart. Indonesia placed 16 on broadband speed at 6.8 Mbps, while on cellular speed it is placed 15 at 4.1 Mbps. With improvement on broadband access and service quality, it would encourage SMEs to adopt digital technology and would further improve performance of existing technology.

As shown by Qiang and Rosotto (2009) broadband connectivity had positive impacts on job creation, company and community retention, retail sales and tax revenues. The study furthermore reveals that even in rural areas of developing countries, broadband diffusion is making existing markets function better by reducing information asymmetry and creating a range of economic opportunities for communities contributing to income diversification and rural nonagricultural employment as well as increasing incomes from agricultural jobs.

The growth of digital economy depends very much on the connectivity of the people. Thus it is imperatives for Indonesia government to realize it's broadband plan in order to create better access of internet to help improve the development of digital economy.

Payments System

Accommodating the needs of consumers, payment system for digital economy needs to be expanded. The majority of the payments system of digital economy, requires the customers to own either a credit card or a bank account. Unfortunately, in Indonesia not everyone has access to them. According to Tambunan (2015) only 19.6 per cent of Indonesia adult population have access to bank account in 2011. In his research it further shows that only 48 per cent of household in Indonesia have accounts with banks and other formal financial institutions. Looking at the data we can conclude that there would be around 52 per cent of Indonesia population that would not be able to participate in the digital economy due to the lack of payment system.

In order to accommodate these groups, it is important for government to encourage digital economy players to open up other alternatives of payments system.

Strategies that Indonesia Should Adopt to Empower SMEs

Developing Human Resource for SMEs in Order to Take Advantage of the Digital Economy

As shown in previous discussion, one of the factor that slows the growth of SMEs in embracing digital economy is the limited capability of employees in utilizing digital technology. To address the challenges, SMEs employees should be directed to a knowledge based development in the context that new entrepreneur should be able to utilize existing technologies to further the growth of SMEs.

To achieve the goal, government should consider revising the curriculum of entrepreneurship subjects that are being taught in school. The existing subject, mainly teaches entrepreneurship in general and in the current context it needs updating. Integrating the potential of digital economy into the subject would help socialize and creates better understanding for the students pertaining to the issue.

As the majority of SMEs employees come from the background of education of high school or vocational education and below (67.4 per cent) they would not have the access to the revised curriculum. Government should facilitate the development of the human resources by creating training and courses related to e-commerce in its existing training centers to accommodate this group.

To further accelerate and encourage SMEs to participate in the digital economy, government needs to take

the lead in coordinating SMEs, e-commerce association, incubator groups, and capital holder to promote and socialize digital economy in Indonesia. Through cross sectoral coordination it would be more likely for the government to succeed in educating the SMEs to utilize the advantage of digital economy.

Priorities in Creating Financial Inclusion for SMEs

Financial inclusion is vital for the development of SMEs as shown in the previous discussion. With the current prerequisite from the banks, it would be difficult for SMEs to attain funding from banks to help its business grows.

Nevertheless, for SMEs that had embraced the digital economy, banks and financial institutions should be able to use their digital transaction records for an alternative check to the SMEs background. The current marketplace system in e-commerce awards sellers in its market with reputation (verified, trusted, star system) to rank the credibility and services that was provided. The bank could make use of the reputation system as a credit rating system for SMEs. Digital transaction data could also be derived from the marketplace to show the potential trends of growth and development of SMEs as a consideration in providing funding.

For SMEs which had yet receive such reputation, the government should ease regulation in reporting requirement, without compromising on prudential principles. Government could segment the markets for banks to ensure that each segment level would be able to gain access to financial inclusion. As shown by Deloitte report (2015) SMEs often require access to unsecured credit and are willing to pay a higher interest rate to obtain it through reliable, convenient channels such as branches, ATMS, internet banking and call centers. In light of these demands the financial sector ecosystem will need to be responsive to the needs and preferences of SMEs, build an environment conducive to provide SMEs with the relevant financial and non-financial products and services.

Creating Proper Infrastructure to Facilitate the Development of Digital Economy in Indonesia

McKinsey report (2011) reveals that countries that have the highest public investment in the internet as share of GDP tend to also gain the greatest contribution to GDP from the internet. This was shown by United Kingdom, the United States, Sweden, and South Korea as these countries posted the highest average of level investment in internet between 2000 and 2009, and each rank among the highest in contribution to GDP from the internet.

It is imperative for Indonesia to develop technology infrastructure for digital economy if it wants to achieve the goal of reaching 8 per cent economy growth by 2019. The main infrastructure of digital economy are devices, network, and application (DNA).

In relation to the devices, Indonesia should push the implementation of minimum local contents for communication devices or TKDN policy. The implementation of the policy would allow Indonesia to gain a lower price of gadget as more of the contents would be produced locally. With the majority of digital economy players and consumers accessing the internet through smartphone, the policy would ensure more accessible and penetration of smartphones and network to its society, and at the same time boost Indonesia gadget manufacturing sectors.

The policy also counts local applications installed on the smartphone as local contents. Indirectly it would also increase the development of local application another key components of digital economy. Government could also encourage smartphone producers to partners local digital business in complying with the TKDN policy thus ensuring local digital economy players would be benefited from such scheme.

The development of broadband internet access is non-negotiable. It is vital that Indonesia prioritize broadband development to ensure greater access and internet penetration for the society. At present there are only 34.9 per cent it is still much lower in compared to Singapore at 77 per cent or even Thailand at 43.8 per cent. To ensure growth and development are experienced by its society, the priority of broadband infrastructure should be directed to rural areas that currently lacks internet inclusion.

Conclusion

The opportunities of Indonesia in developing SMEs as a backbone of economy can be attributed to

- 1) the growth of digital economy in Indonesia,
 - 2) the role of digital technology in helping the growth of SME,
 - 3) the growing number of the middle-class and affluent consumer in socioeconomic category. Meanwhile the challenges that are faced includes
- 1) poor access of financial inclusion for SMEs,

2) the lack of education for SMEs to utilize technology in marketing their products.

As shown in the paper, the key success factors for Implementing Digital Economy in Indonesia are

- 1) clear regulations pertaining to Digital Economy
- 2) internet access in Indonesia
- 3) payments system.

Strategies that should be implemented by Indonesia to empower SMEs are 1) developing human resource for SMEs in order to take advantage of the digital economy 2) priorities in creating financial inclusion for SMEs 3) creating proper infrastructure to facilitate the development of digital economy in Indonesia.

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The Model of Ethical Standard for Communication Arts Students

Supralee Wattanasin

Faculty of Management Sciences, Sun
Sunandha Rajabhat University, Bangkok, Thailand

nok_wanwan@hotmail.com
supralee.wa@ssru.ac.th

Abstract

The purposes of this study were to investigate the model of ethical standard for communication arts students and to examine the ethical enhancement in mass communication for undergraduate students in Communication Arts and to develop guidelines and strategy for ethical enhancement of mass media for undergraduate students in Communication Arts. This was a qualitative study aimed to focus on the management of recent ethical issues and how to enhance the ethic knowledge. This action research was conducted by utilizing documentary research, in-depth interview, and workshop seminars. The questions were designed to collect the information of the development and problems of ethical standards of mass communication.

The findings revealed that the ethics principles, in all situations, were the necessity for communication arts students. The important ethics principles should be developed into 5 topics which were 1) honesty 2) facts and correction 3) right and honor 4) rapport and 5) responsibility. Moreover, the suggestion for this research included the good communication arts employees should be the role model of ethical development for communication arts students. The government organization and mass media organization should develop guidelines of ethical enhancement for communication arts students. The communication arts department should produce students with high profession and ethics principles. The promotion of activities of ethics for communication arts students will increase the knowledge and awareness of ethical issues in public and reduce social problems from the ignorant of ethical issues.

Key-words Model, Ethical Standard, Communication arts.

Introduction

It is widely accepted that mass media plays a highly critical role in social development. It has great impact on the politics, economy, education, culture and entertainment. With such a significant role in the society, there are several questions being asked to the mass media such as whom and what should they be responsible for or what should be the boundary for their freedom. Or the questions can be like how much freedom the mass media enjoy nowadays. The components of mass media include freedom of the media, awareness of journalists and responsibility. The right of the mass media is guaranteed in Thailand's constitution section 46 which states that employees of the television, radio or newspaper have freedom in reporting news and express their opinions. However, the freedom must correspond with the mass media ethics. Moreover, under this constitution, the mass media can establish their own organization to protect their rights, justice and freedom. The previous governments have tried to enact a law concerning mass media freedom and