

## PROMOTING NATION COMPETITIVENESS THROUGH THE DEVELOPMENT OF ENTREPRENEURSHIP IN UKM

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### ABSTRACT

Many publications show that small-medium scale business industries (UKM) are assumed to be a tough industry that is reliable in Indonesia economy. UKM has proved that they successfully saved the economic condition in Indonesia during the economic crisis period. After the crisis period is over, this sector is still able to give major contribution to a bigger scale industry. Up to 2006, the contribution given by this sector is 53.28% to GDP. This percentage is higher than the contribution given by the bigger-scale industry. This sector also employs 85.5 millions workers, while bigger –scale industry only employs 3.5 millions workers. The main important thing that should be noticed is that this data has been achieved not only in the recent years, but also in the previous period.

Based on this macro achievement, it cannot be denied that the UKM reflects the entrepreneurship capacity of Indonesian people. And this has potential and reliable factor in Indonesia economic system as the nation competitiveness to face the global-business competition.

Considering the recent UKM condition, by focusing on the funding, management and marketing aspects; this needs various and integrated efforts to renew the current condition so that this can be a truly reliable sector for the economic system of Indonesia in the global business competition. Based on the recent capacity and achievement, an optimistic attitude of this nation should be headed to the entrepreneurship of the people that is realized in UKM.

*Key-words: entrepreneurship, UKM, competitiveness, global-business competition.*

## **A. Background**

Globalization era has begun. This means that every country and their people are able to access and utilize other nations' resources for free depend on their ability. Developing Countries and those who have higher nation competitiveness got advantages from this situation. Furthermore, Lester C. Thurow (1994) in Kartasasmita (1997) states that nowadays the world has come to the dynamic world condition indicated by "*brainpower industries and synthesized comparative advantage*".

In this condition, each person not only competes with domestic people but also with other people from abroad. This will result in a tight competition among people. Therefore, there is no other choice for each country to improve the management of the existing human resource development, so that a country can improve simultaneously the nation competitiveness in the global era.

From the various resources possessed by Indonesia, human resource has a key role in promoting nation competitiveness - instead of IPTEK mastery (Kartasasmita, 1997). The characteristic of Indonesian people is unique and the number of population of Indonesia is in the fourth population after China, India, USA. The number of population will cause problem, however if they are well managed, they will be magnificent assets in creating a higher nation competitiveness.

The improvement of human resource in Indonesia can be done by involving all components of the nation. This can be done in several ways. One of the ways to do this is by developing the entrepreneurship of the people. This is because entrepreneurship will be able to produce people who are independent, diligent, innovative, creative, risk-taker, and productive.

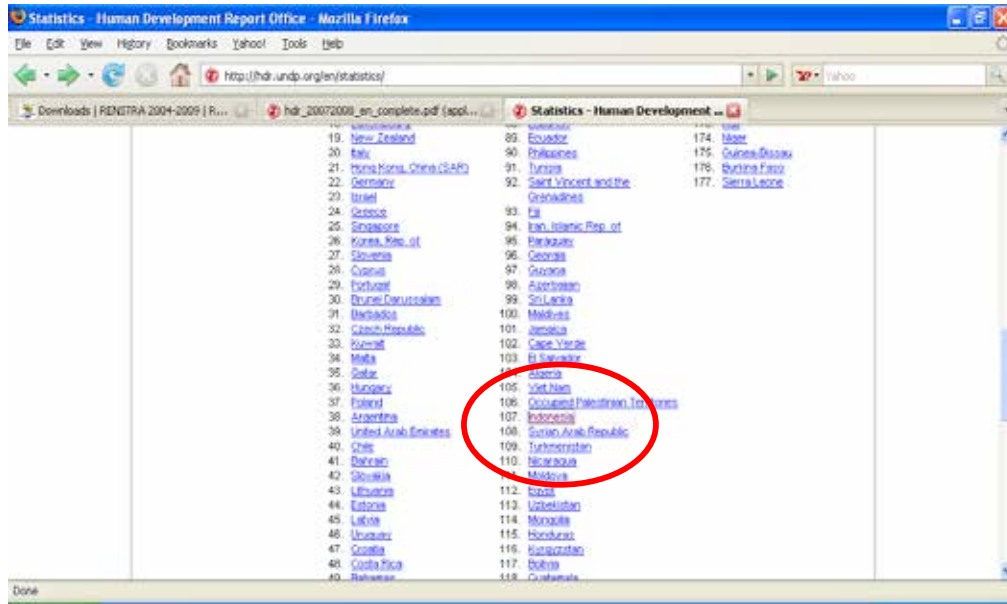
The history of Indonesia shows how entrepreneurship through informal sector and UKM has given significant contribution toward national income and has absorbed reliable manpowers even in the very terrible economic situation. Until 2006, 53.28% GDP of Indonesia were supported by this sector.

## **B. Objectives**

This paper aims to describe the quality and the competitiveness capacity of Indonesian people among other nations in the open era. Besides, this paper is hoped to give contribution in improving the quality of human resources through entrepreneurship to achieve better nation competitiveness.

## **C. Discussion**

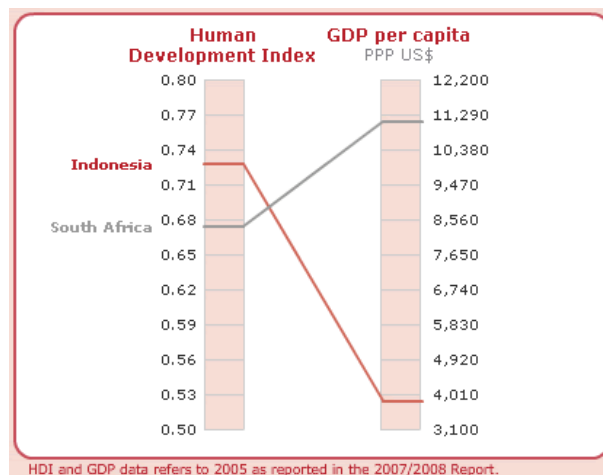
As explained in the introduction of this paper that it is necessary to improve the human resource in Indonesia as the most important part in terms of nation competitiveness. The quality of Indonesian human resource can be seen in the following figure:



**Figure 1.** World Human Development Index

From the figure above, it can be seen that nation competitiveness of Indonesia need to be improved. The reasons are:

- *Human development index* of Indonesia is 0.75 and in the position of 107. While other nations have been in the higher position than Indonesia, so that human development index of Indonesian people need to be improved to be able to compete in the global level.
- Nilai *human development index* doesn't reflect income per capita or human prosperity. This can be seen in the following figure:



**Figure 2.** *Human Development Index* and GDP per capita

The figure above shows that although *Human Development Index* of Indonesia is better than South Africa, it doesn't mean that the prosperity (which is reflected by GDP per capita) of Indonesia is much better than South Africa. This can be seen that GDP per capita of Indonesia is \$4.000, while South Africa is \$11.000.

From the description above, this can be concluded that the quality of human resource in Indonesia still needs to be improved to get better achievement. In addition, the nation competitiveness of Indonesia can be seen in the following figure:

**Table 1.** The Ranking of Indonesian People Competitiveness in 2007 – 2008 and in the Previous Period

From the table above, it can be noticed that the global nation competitiveness of Indonesia in 2007-2008 is in 54 or still in the same ranking position. Out of all nations listed, the ranking position is said to be "fair", however among other ASEAN countries, Indonesia is still left behind by its neighbors such as Singapore (ranking 7), Malaysia (ranking 21), Thailand (ranking 28).

Specifically, the aspects that are related to the human resource capacity are as the following:

**Table 2.** World Rank of Indonesian Human Resource Development Aspects

No	Aspect	World Rank
	<b>Primary Education</b>	
1	Quality of primary education	45
2	Education expenditure (hard data)	120
	<b>Higher Education</b>	
3	Local availability of specialized research and training services	29
4	Quality of the educational system	29
5	Quality of management schools	32
6	Quality of math and science education	32
7	Extent of staff training	34
8	Internet access in schools	64
9	Secondary enrollment (hard data)	96

From the table above it can be noticed that specifically for the aspect of human resource, most of the aspects has regarded to be “fairly good”. However, such score or rank is still far from being able to compete with other nations in the global era. In other words, there are still many other aspects that should be improved to get qualified human resources.

#### **D. Improving Nation Competitiveness Through Entrepreneurship**

To promote the nation competitiveness, the aspects that should be improved are as the following:

1. Institution
2. Infrastructures
3. Macro-economics
4. Market of Goods, finance, and manpower
5. Technology
6. Health and
7. Education, training, and innovation

This paper will specifically discuss the aspects that directly related to the quality of human resources in Indonesia.

To promote the competitiveness of the human resources in Indonesia, there are several ways that can be done. One of the ways that can be implemented is through entrepreneurship. Why entrepreneurship?

There are many reasons why entrepreneurship is very potential to promote the production of reliable entrepreneurs. The reasons that can be used to promote this situation are as the following:

**First,** Entrepreneurship bestows productive characteristics and attitudes. If such characteristics possessed by Indonesians, they would be able to overcome any possible challenges. The characteristics that can be gained from the entrepreneurs are as the following: (Suryana, 2006 dan Sanusi 1994):

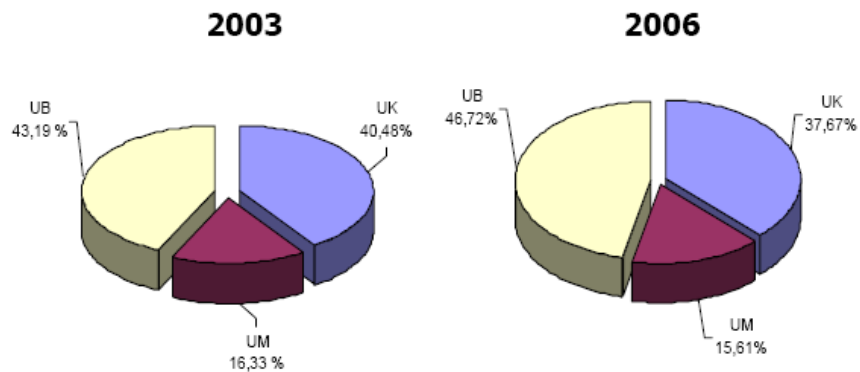
- High motivation
- Future perspective
- High creativity
- Innovative
- Strong commitment to the work
- Responsible
- Always searching opportunities
- Managerial competence
- Independent
- Risk-taker
- Leadership
- Personal capacity
- Tough – believe that Allah (SWT) will help, and:
  - Not doing routine and unproductive activities
  - Having orientation to find new opportunities
  - Independent
  - Creative
  - Optimistic and tough, open-minded
  - Alert with all possible risks
  - Believe that success is not a miracle, it needs a tough effort
  - Competition should be faced to improve the performance
  - Failure and disaster are regarded as challenges to get success
  - Tolerate to the failure and open toward the constructive criticisms
  - Willing to listen to other people
  - Willing to learn to be a leader
  - Having good deeds and religious

**Second,** Entrepreneurship can be done by anyone at any where and any time. So, to become an entrepreneur, it doesn't need to have a huge sum of capital, a higher education level, or a family business relation. This could be done by a male or female.

With this characteristics, entrepreneurship can be a roght choice to promote nation competitiveness, specifically from human resources poit of view.

**Third,** Entrepreneurship has a very good flexibility to adjust with the climate changes and the current trend of the economic condition. This is due to the small number of resources possessed by this business. So it is easy for this to adjust with the current situation.. This characteristics will allow an entrepreneur to survive even in a very terrible economic condition.

**Fourth,** Operationally, the the existence of small-scale and medium-scale business enterprises (UKM) reflects the spirit of entrepreneurship. UKM has proved that it can be a good manifestation, and promote significant contribution toward the condition of economic system in Indonesia. This situation can be seen in the following figure.



**Figure 3.**

The Contribution of UKM and UB Sectors Toward GDP of Indonesia in 2003 and 2006

From figure 3, it can be noticed that in 2003 and in 2006, the contribution of small-scale and medium-scale enterprises toward Indonesian GDP is always more than 50% or bigger than the contribution given by big-scale enterprises.

The small-scale enterprises prove that they are able to more absorb workers or manpowers than bigger-scale enterprises do. This condition can be seen in figure 4 below.

**Table 3.**

Business Unit and Number of Persons Working in UKM and UB Sectors in 2003 and 2006

Uraian	2005*		2006**	
	UKM	UB	UKM	UB
1. Unit usaha (unit)	47.102.744	6.811	48.929.636	7.204
2. Tenaga kerja (orang)	83.233.793	3.212.033	85.416.493	3.388.462

Based on the figure above this can concluded that UKM represents the attitude and spirit of entrepreneurship. Therefore, UKM is the right choice as a means to improve the quality of human resources and nation competitiveness.

## E. Implementation

Considering that UKM represents the entrepreneurship, through its productivity, potentials, and macro-performance, this can be implied that UKM is the right choice to promote nation competitiveness. The next step that should be done is realizing the concrete actions from other parties such as: education institution, government, and, specifically, society.

### E.1. The Role of Education Institution

From the historical point of view, this can be concluded that it is necessary for us to evaluate and re-new the system of our national education. This should accomodate the materials that support the production of new entrepreneurs that are independent, tough, and having strong commitment in their field. It doesn't mean that competence-based curricullum will be deleted. It needs comprehensive revisions.

### E.2. The Role of Government and Industry

The existence of Ministry of Cooperation and UKM in Indonesia shows positive commitments of the government toward entrepreneurship in UKM. But, this ministry still needs to be optimized further. For example, the official website of this ministry [www.depkop.go.id](http://www.depkop.go.id) seems far from applicable and operational. It should developed to accomodate the needs of the users. One of the applicable website that do concern to the entrepreneurship and UKM is [www.sba.gov](http://www.sba.gov). This can be seen in the following figure.

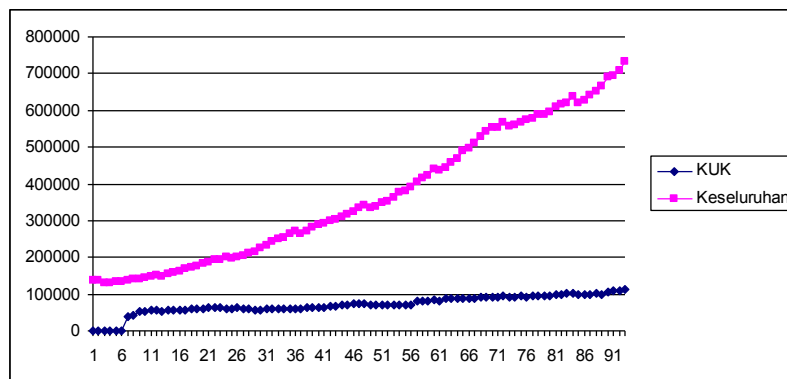




**Figure 4.** The Sample of a Helpful UKM Service

The Program of KUK which is newly launched by President SBY should be optimized to improve the nation competitiveness through entrepreneurship in UKM. There are still many other programs that can be optimized.

Banking should take part in promoting UKM sectors through the loan offered by the banks. The description of the current loan given by the banking sectors can be seen in the following figure. This condition is still far from the expectation.



**Figure 5.** The Development of National Credits in 2000 – 2007

Such business can participate to improve nation competitiveness through entrepreneurship by improving the program of *Corporate Social Responsibility* to create new enterpreneurships in Indonesia.

### **E.3. The Role of Society**

Society has important role to promote the quality of human resource and nation competitiveness. Positive attitude, appreciation to those who are willing to be independent and to be entrepreneurs are regarded to be one of the ways to support entrepreneurship.

### **F. Conclusion**

The quality and competitiveness of a nation has become a strategic issue nowadays. This competition is due to globalization era that allows tight competition with other nations. The data of *Human Development Inde (HDI)* and *Global Competitiveness Ranking (GCR)* indicating that the achievement of human resources and competitiveness of Indonesian People need to be improved.

The effort to promote the HDI and GCR can be improved through the existence of UKM that represents the character and attitude of a productive entrepreneurship that reflects positive contribution to the Indonesian economic condition. From this condition, an active role from many sectors such as education, government, and industry, and society to make sure that entrepreneurship can be an alternative as locomotive to improve the nation competitiveness.

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