

Micro Small and Medium Enterprises Versus Shopee: A Public Policy Dilemma in Globalization Era?

Rahmad Agus Dwianto¹, Arief Bakhtiar Darmawan^{2*}, Eko Priyo Purnomo³, Aqil Teguh Fathani⁴


¹Department of Government Affairs and Administration, Universitas Muhammadiyah Yogyakarta, Indonesia

Postgraduate Building, Ground Floor, Jl. Brawijaya, Tamantirto, Kec. Kasihan, Kabupaten Bantul, Daerah Istimewa Yogyakarta 55182

²Department of International Relations, Universitas Jenderal Soedirman, Indonesia

Jl. H.R Boenyamin 993, Purwokerto, Kabupaten Banyumas, Jawa Tengah, 53122

*Corresponding Author: arief.darmawan@unsoed.ac.id

 orcid: 0000-0003-0099-2890

Abstract

This study aims to assess the Indonesian government policies in maintaining and protecting the existence and resilience of micro, small and medium enterprises (MSMEs) in Indonesia facing competition with Shopee (the most popular marketplace with the most users in Indonesia). MSMEs play an important role in driving rural development because they are able to generate jobs and provide national economic resilience. The presence of Shopee as part of globalization threatens the existence of MSMEs. MSMEs and Shopee data were collected from the Indonesian Ministry of Finance, Central Bureau of Statistics, and news reports. This study finds that several policies not increase the popularity and resilience of MSMEs compared to Shopee. Even though the government implements a policy to limit the sale of products from importers, Shopee can still sell cheap products from abroad. This phenomenon has the potential to cause chaos in market competition, prices, and threaten the existence of small businesses. The government's efforts to digitize micro, small and medium enterprises have also not been successful because the condition of digital literacy is still relatively moderate.

Keywords: Indonesia Government, Market Competition, MSMEs, Shopee, Public Policy

History Article: Submit: March,17, 2023 ; Revised: August, 15, 2023; Accepted: September, 23, 2023

How to Cite: Dwianto, R. A., Darmawan, A. B., Purnomo, E. P., & Fathani, A. T. (2023). Micro small and medium enterprises versus Shopee: A public policy dilemma in globalization era? Journal of Sustainable Rural and Tropical Resources Development, 1(1).

INTRODUCTION

The number of micro, small and medium enterprises (MSMEs) in Indonesia is increasing and diversifying in various business fields (Firdhy Esterina Christy, 2021). In 2016, there were more than 65 million MSMEs spread across Indonesia. The number continues to increase, in 2017, the number of MSMEs reached 62.9 million and in 2018, the number of MSMEs reached 64.2 million. Until 2021, the number of MSMEs will reach 65 million (Kementrian KUKM, 2021). The government also makes efforts to encourage people to start businesses. The MSMEs sector contributes significantly to the increase in Gross Domestic Product (GDP). Based on data from the Ministry of Cooperatives and Small and Medium Enterprises (MSMEs), the contribution of MSMEs increased from 57.84 percent to 60.34 percent and the MSMEs sector also absorbed domestic workers. Labour absorption in the MSMEs sector increased from 96.99 percent to 97.22 percent in the last five years (Antonius Purwanto, 2020).

Although the development and growth of micro, small and medium enterprises is quite rapid, along with the proliferation of marketplaces that offer various cheap products with various discount promos, the existence of MSMEs is quite threatened and their income is decreasing during the current pandemic (Hafi, 2021). The lack of digitalization of national MSMEs is one of the factors that also affect the current performance of MSMEs. In fact, with the high level of ownership of smartphones and internet penetration, Indonesia has great digital economic potential (Goodmoney.id, 2021). On the other hand, many customers tend to change their shopping behaviour from shopping in stores directly to prefer to shop for cheap imported goods in the marketplace (Rintho Rante Rerung, 2018). This condition also causes a decrease in MSMEs buyers or customers who still use offline sales strategies, while MSMEs that have gone online still exist and survive (Warta Ekonomi, 2021a). MSMEs actors are now not only competing with other similar local entrepreneurs, but also competing with marketplaces which incidentally get a supply of products from other country suppliers at very cheap prices (Merdeka, 2020).

The concept of digital marketing is to make marketers to sell products using the internet in a simple way from anywhere and anytime (Dwivedi et al., 2021). Currently, the marketing trend is shifting from conventional (offline) to digital (online). As we know so far technology is growing rapidly every day, many new and sophisticated things are listed online (Kurniawati et al., 2020). With the virtual market and marketplace, business actors only need to provide complete information about the products they sell in the social media platform, such as product information, prices, shipping, etc (Kawa & Wałęsiak, 2019). The marketplace makes it easier for these small and medium business actors to carry out operations. It requires MSMEs owners to be more creative and innovative in formulating effective marketing strategies for the development of MSMEs (King et al., 2020). The way marketplace such a Shopee uses technology shows the development of the creative economy in the postmodern 4.0 era. Shopee itself is now used by capital owners to offer goods or services online to reach potential customers, namely Shopee users globally (Servanda et al., 2019).

One of the big marketplaces with the most users in Indonesia is Shopee. Shopee was launched in December 2015 in 7 countries in the Southeast Asia region. Shopee is the first locally based marketplace in Southeast Asia and Taiwan (Shopee.co.id, 2019). Locally based Shopee is specifically designed to cater to the needs of the Southeast Asian market (Shopee.co.id, 2019). Shopee is designed to make it easier for people to shop, safe, and flexible, as well as with an easy payment system and a strong logistics system support

(Setyowati, 2018). Shopee strives to provide convenience and comfort to users in online shopping via mobile phones. The convenience of the payment system in question is that buyers can choose the most feasible system, such as bank transfers, through retail stores, Shopee pay letters, or cash on delivery (Shopee.co.id, 2018). For the delivery of goods, Shopee has a logistics system that is systemized and integrated with several goods delivery service providers, so that the delivery of goods is fast, cheap, and safe (Shopee.co.id, 2021).

The government provides various policies to overcome this problem. The government is increasingly paying attention to the development and growth of MSMEs. This can be seen from various policies, both in terms of support programs, assistance and the establishment of institutions to assist the development of MSMEs. The government through the "Proudly Made Indonesia Movement" targets 30 million micro-small-medium enterprises (MSMEs) to increase sales of domestically-made products online by 2023. The government also makes policies to prevent MSMEs from entering the digital market, one of which is by reconsidering the application of the requirements for an Electronic Trading Business License (SIUPMSE). If implemented, this will be a good start that can encourage more MSMEs to enter the digital market and benefit from it, while reducing the possibility of market predatory behaviour. The government aims to reduce cross-border transactions in order to create a better ecosystem for local traders and provide opportunities for growth. Opportunities for the development of MSMEs include marketing and product packaging so that they are more competitive and not inferior to foreign products.

The government has also budgeted for the handling of Covid-19 for micro, small and medium enterprises (MSMEs) worth US\$ 8,592 billion, and hopes that MSME entrepreneurs who are members of the digital platform ecosystem can access and obtain working capital so that they are able to recover and be productive again (Humas Sekretariat Kabinet RI, 2020). The assistance expected by MSMEs is not only in the form of financial incentives, but also assistance and guidance in using and managing digital platforms. MSMEs entrepreneurs need adequate assistance and training (Warta Ekonomi, 2021b). This is necessary so that they further increase their business productivity in a better direction. In fact, until now the government has not provided a forum or forum for assistance in the MSMEs digitization program (Antaranews.com, 2021).

However, government plan is not necessarily easy to achieve because there are still some challenges. The challenge of digitizing MSMEs in Indonesia is the low level of digital literacy, financial literacy, and digital financial literacy (Goodmoney.id, 2021). The results of the National Financial Literacy Survey (SNLK) held by the OJK showed that the level of financial literacy of the Indonesian people was still at 38.03 percent. This figure is far below neighbouring countries such as Singapore, Malaysia, and Thailand. Based on the results of the 2020 National Digital Literacy Index Survey, the digital literacy index in Indonesia is still at the "medium" level. The survey results show that Indonesia's digital literacy index is still at 3.47 on a scale of 1 to 4. below a good level. This challenge is also an obstacle to the digitization of MSMEs.

Shopee continues to grow and is getting more and more popular. Shopee sells some products from abroad. This will affect the increasingly fierce market and price competition. There needs to be a study to analyse how government policies are. Are the various government policies sufficient to help MSME business players continue to exist and survive during this pandemic? Or even government policies are still inclined to support the increasing popularity of marketplaces that sell imported goods. This

government study needs to be carried out by taking the last year's data series, at least this 5 year. However, it is also necessary to focus on policies when the pandemic conditions began in Indonesia, namely since March 2020.

There have been many scientific studies that have compared MSMEs with Shopee in terms of popularity, product quality competition, price, and the potential for sustainability in the Indonesian market. There are not many studies assessing government policies in overcoming this phenomenon. So, this study aims to analyse and assess the policies of the Indonesian government in responding to market competition between MSMEs and the Shopee.

LITERATURE REVIEW

Trading Theory

Trade is defined as the activity of buying goods from one place at a time or selling goods to other people with the aim of making a profit (Hadiarianti, 2019). Based on its period and mass, trade is classified into 2, namely traditional trade and modern trade. Modern trade is a trade that is carried out using modern tools with a wider trading chain and has a large number of main customers with a long period of time. Traditional trade is carried out by smaller masses, smaller shops and lower product value. However, traditional trade also allows for a wide area coverage (Alic et al., 2018). Modern and traditional trade differ in several key distinctions reflected in definition, work method and processes that take place in stores. Distinctions are shown in Table 1.

Table 1 Different of Traditional and Modern Trade

Basis of distinction	Traditional trade	Modern trade
Definition	Trade organizations that prefer working for businesses that are currently running and have effective outputs.	Trade organizations that prefer putting up goods in markets and have their personal spaces for usage
Work method	A shopkeeper owns their businesses from the beginning and keeps on doing so until the end.	No proper owner is sitting on shops, they just open their stores around the world and give it a brand name.
Processes	The customer visits the stores, likes something and then buys it by paying at the spot.	Today, online buying and selling and e-payment methods to make it easier for people to shop.

(Source: Sagar Khillar, 2020)

In modern trade, it is also known as international trade. International trade is defined as buying and selling activities across countries. International business occurs in many different forms, the movement of goods from one country to another (exporting, importing, trade), contractual agreements that allow foreign firms to use products, services, and processes from other nations (licensing, franchising), the formation and operations of sales, manufacturing, research and development, and distribution facilities in foreign markets (Jankulovski & Bojkovska, 2019). In international trade there are export and import activities. Exporting is defined as the sale of products and services in

foreign countries that are sourced or made in the home country. Importing is the flipside of exporting. Importing refers to buying goods and services from foreign sources and bringing them back into the home country. Importing is also known as global sourcing (Seyoum, 2008).

The government has compiled a number of import control instruments, limited prohibition, implementation of pre-shipment inspections, as well as port arrangements in eastern Indonesia as entry points for prioritized commodities (Kompas.com, 2021). Another instrument is the improvement of the product certification body for the issuance of the Indonesian National Standard. The application of SNI is mandatory. Then, other import controls are reinstating the rules for inspecting imported products from the post-border to the border, increasing the Most Favoured Nation tariff for strategic commodities, and increasing the implementation of trade remedies (Kompas.com, 2021). Compared to other countries, Indonesia only applies safeguards for 102 types of products and anti-dumping for 48 products, meaning that imported products are still easy to enter Indonesia. Furthermore, to achieve the 35 percent import substitution target, the Ministry of Industry is also taking steps to increase the production utilization of the entire manufacturing industry sector, with a gradual increase target of up to 85 percent by 2022 (Kompas.com, 2021).

Micro Small and Medium Enterprises (SMEs)

The Indonesian government establishes the basic regulations for MSMEs as set out in Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. MSMEs are defined as businesses run by individuals, households, or small business entities. MSMEs are businesses that are run by individuals, households, or small business entities. Meanwhile, businesses that are not included as MSMEs are categorized as large businesses, namely productive economic businesses carried out by business entities with a net worth or annual sales income greater than medium-sized businesses, which include state-owned or private national businesses, joint ventures, and foreign businesses. conducting economic activities in Indonesia. MSMEs have characteristics that distinguish them from other businesses, namely turnover, net assets, number of workers, amount of initial capital, coaching, and taxes (Law of the Republic of Indonesia Number 20 of 2008 Concerning Micro, Small and Medium Enterprises, 2008).

Micro-enterprises are productive businesses owned by individuals and/or individual business entities with sales or turnover from micro-enterprises in a year of a maximum of US\$ 20769,15 and total business assets of a maximum of US\$ 3461,53 (excluding land and building assets). Small business is a productive economic business that stands alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly of medium or large businesses (Law of the Republic of Indonesia Number 20 of 2008 Concerning Micro, Small and Medium Enterprises, 2008). The meaning of MSMEs in the small business category is that they have a net worth of between US\$ 3461,53 to US\$ 34615,25, then annual sales are between US\$ 20769,15 to US\$ 173076,26. Meanwhile, medium-sized businesses are productive economic businesses that stand-alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly with small businesses or large businesses. The net worth of medium-sized businesses excluding land and buildings has reached over US\$ 34615,25 per year (what is an MSMEs). Medium or medium-sized enterprises (SMEs) also have a sales turnover

criterion of more than US\$ 173076,26 to US\$ 346152,51 per year (Law of the Republic of Indonesia Number 20 of 2008 Concerning Micro, Small and Medium Enterprises, 2008).

In this era, businesses are classified into digital and non-digital businesses. This also applies to MSMEs. Digital business is a business that utilizes technology in all or part of its business processes. Digital business is a sign of future economic and business development and growth. Business development is marked by the rapid growth of trade transactions using internet services as a medium to communicate, collaborate and collaborate between companies or individuals (Tayibnapis et al., 2018). A business model can be categorized as digital if digital technology triggers a fundamental change in the value dimension (Veit et al., 2014).

Marketplace

Marketplace, which is an electronic market that provides a place for many sellers and buyers to carry out various types of buying and selling transactions of goods or services like in an ordinary market but carried out virtually (Efraim et al. 2012). The concept of a marketplace is more or less the same as a traditional market. The owner of the marketplace is not responsible for the goods being sold because their job is to provide a place for sellers who want to sell and help them to meet customers and make transactions more simply and easily (Čadil et al., 2017).

The marketplace is classified into several categories, such as horizontal marketplace, vertical marketplace, pure marketplace, and consignment marketplace (Turban et al., 2018). Horizontal marketplace is a type of marketplace that becomes a medium for sellers or producers who provide different but still related products. An example for this type of marketplace is the zalora.co.id marketplace specifically for fashion products ranging from bags, accessories, pants, clothes, and so on. VIP Plaza, BerryBenka and Maskoolin, can also be examples for this type of marketplace (Turban et al., 2018). Compared to the horizontal type, the vertical marketplace is more specialized. Marketplaces that are categorized as vertical types are websites that sell products of the same type. Vertical marketplaces are a type of marketplace that serves as a medium for sellers or producers to provide similar products (Turban et al., 2018), for example, Wakuliner is a marketplace specifically for culinary enthusiasts, RajaMobil is a marketplace specifically for automotive lovers, and an AirBnb marketplace specifically for renting rooms and hotels to stay (Markey, 2019). In simple terms, this type of marketplace is specialized so that a seller can focus on informing the superiority of the product compared to other similar products (Markey, 2019).

A global marketplace is a type of marketplace that becomes a medium for sellers or producers for products that are not of the same type and are not related to each other. Examples of these marketplaces are Tokopedia, Bukalapak and Shopee (Markey, 2019). The pure marketplace is a type of sales collaboration where the marketplace site only provides selling, payment, and transaction facilities (Turban et al., 2018). Examples of these marketplaces are Elevenia, BliBli, Blanja, Amazon and Rakuten. Meanwhile, consignment is a cooperation system in which the marketplace has full control over promotion, storage, delivery, and customer service. In this partnership, the seller only needs to provide the product (Leckel et al., 2020). Then the marketplace will take care of these details, starting from shipping goods, product photos, warehouses, to payment facilities. However, because everything is regulated by the marketplace, there is no bargaining process between the seller and the buyer. Examples of this type of marketplace are Zalora and BerryBenka (Markey, 2019). So, the basic difference between a pure marketplace and a consignment marketplace, lies in the responsibility of the seller and the party who takes care of the sales transaction (Turban et al., 2018).

Government Policies

Public policies are rules made by the government and are part of political decisions to overcome various problems and issues that exist and develop in society (Iskandar, 2017). The policy formulation process is carried out by the competent government and goes through a long process until it is implemented (Kurebwa et al., 2020). Even after a public policy is implemented, it must continue to be monitored and evaluated. Public policy analysis is an analysis that utilizes various methods and techniques to produce policy-relevant information (Fischer & Miller, 2017). This kind of analysis is indispensable in the practice of decision-making in the public sector and is therefore needed by politicians, consultants, and decision-makers in government (Dunn, 2017).

According to Alaslan (2021), public policy is interpreted in the concept of 3 layers. The first layer is that public policy is interpreted as a decision-making process, namely the decision to let or do something to solve the problem. The second layer is the public policy which is interpreted as a work process so that the results of the policy will be administrative and technocratic. Policies like this are often misused by policymakers to make policies for personal gain. The third layer is a policy which is interpreted as an action by utilizing existing resources to solve problems.

Decision making in the formulation of Indonesian government policies can be described as follows according to research Ramdani et al., (2021), with a case study of handling the Covid-19 pandemic in Indonesia. The result has shown that the role of the central government in the decision-making processes is dominant. The structure of policy in mitigating the Covid-19 has shown hierarchical and top-down. The three cases of study have shown that the decision reflects the needs of elites. The central government tends to neglect the input from local leaders and civil society organizations. Due to the high pressure from the business sectors, the central government tends to accommodate the economic interest of business elites. Public policies in Indonesia often experience problems in implementation. This is evidenced by research Andoko et al., (2021) on transport policy in Jakarta, the capital city of Indonesia. The main problem with sustainable transport policy is the lack of adequate policy implementation, mainly due to the intense political appeal for ambitious policy goals.

In an effort to ensure fair business competition conditions, Law no. 5/1999. Implementation of Law no. 5/1999 which is effective can be a basis for driving economic restructuring and in turn will be able to create a culture of competition so that it can continuously encourage and increase the number of business actors. One form of anti-competition behaviour that has become a concern in Law no. 5/1999 is selling at a loss or setting a very low price with the intention of getting rid of or shutting down the business of its competitors in the relevant market or predatory pricing. Selling at a loss is a pricing strategy by business actors to get rid of their competitors from the relevant market in an effort to maintain their position as monopolist or dominant. In the short term, selling at a loss can be profitable because consumers enjoy low prices for goods or services. But in the long term, after competitors are eliminated from the market, predatory business actors will again increase the price of goods or services. Thus, the practice of selling at a loss may result in monopolistic practices and/or unfair business competition.

METHODOLOGY

The research uses a qualitative method with a case study approach. Qualitative case study methodology enables researchers to conduct an in-depth exploration of intricate

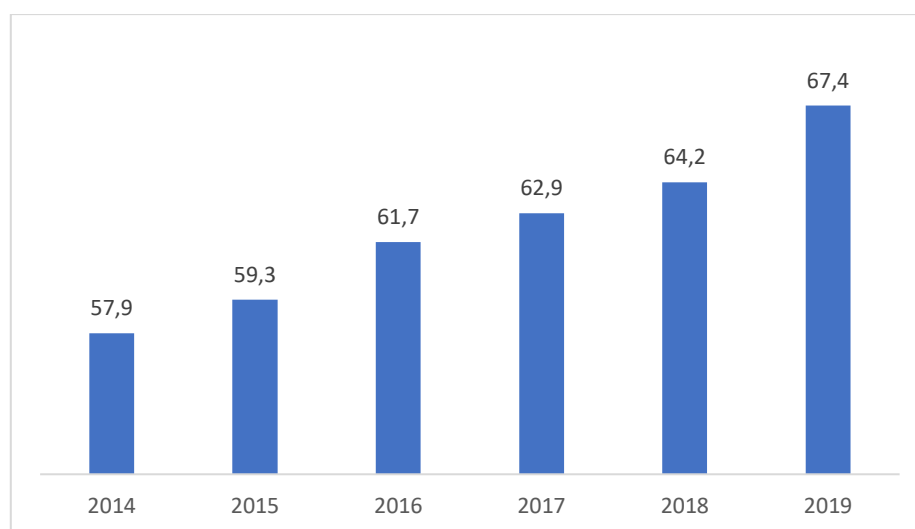
phenomena within some specific context (Rashid et al., 2019). In case study, a real-time phenomenon is explored within its naturally occurring context, with the consideration that context will create a difference (Rashid et al., 2019). This approach has the potential to deal with simple through complex situations. It enables the researcher to answer “how” and “why” type questions, while taking into consideration how a phenomenon is influenced by the context within which it is situated (Baxter & Jack, 2015). This study takes a case study of the Indonesian government's policy towards small and medium enterprises versus Shopee and then analyses it descriptively qualitatively according to the point of view of government science.

The data sources from reports, books, and scientific journals related to Indonesian government policies, micro small medium enterprises (MSMEs) in Indonesia, and Shopee. The data collected from the internet, reports from the Indonesian Ministry of Finance, Central Bureau of Statistics reports and news from interviews and statements from the Indonesian government. MSMEs and Shopee data were taken within the last 5 years to describe the development of the number of MSMEs from time to time. Data on government policies is the most recent policy, especially after the pandemic. This is due to the fact that since the pandemic the government has issued a new policy about MSMEs and marketplace which is definitely different from the policy before the pandemic.

The process of qualitative analysis is carried out by analyzing government policies. The author assesses how the implementation of government policies, whether in favor of one party or neutral, whether the policies have been effective, including how the government is assisting MSMEs to welcome this digital era.

RESULT AND DISCUSSION

The number of MSMEs in Indonesia continues to grow. Currently, there are more than 67 million MSMEs in Indonesia. In 2014, 2015, and 2016, there were 57.9, 59.3, and 61.7 million MSMEs recorded in Indonesia, respectively. The number continues to increase, in 2017, the number of MSMEs reached 62.9 million and in 2019, the number of MSMEs reached 67.4 million.



Sources: Lokadata, 2022

Figure 1. The Number of SMSE in Indonesia 2014-2019

At the beginning of 2021, as many as 3.79 million or around 59.2 percent of the total micro, small and medium enterprises (MSMEs) in Indonesia turned to online platforms

to market products. Even during the pandemic, as many as 2.7 million MSMEs developed into the digital ecosystem. In total, 11 million MSMEs players have switched to digital platforms. The government has carried out a program to increase the number of MSMEs that go digital with an additional target of 8 million MSMEs. This effort is expected to accelerate the digital transformation of MSMEs in Indonesia.

The number of MSMEs in the country continues to grow like two sides of a coin. On the one hand, the high level of stretching of Indonesian society in making their own business is very good in helping to boost the national economy. On the other hand, many also set up businesses just because they follow trends or are talkative. The reason what makes many UMKM players walk in place in developing their business is because of the lack of innovation. Finally, many businesses only last for 1-2 years, then go bankrupt because the products or services offered are not strong or cannot compete. Many MSMEs players in Indonesia only run a business on a follow-up basis without seeing their potential.

It is not surprising that there are still few local MSMEs products that have succeeded in penetrating the international market. When compared with similar products from foreign countries, Indonesian MSMEs products are less competitive both in terms of quality and price. Products that are born from chattering or following this trend do not arise from mature concepts and are similar to similar products. In the beginning, the demand for goods and goods offered is equally abundant, but over time the demand decreases because consumers are bored with similar goods.

For this reason, UMKM players are expected to be able to think critically as well as be innovative in producing goods and services. Even though the goods offered are of the same type, if each has a significant difference, it makes consumers have many choices. UMKM players can conduct research on consumer behaviour as well as trial and error to find out the right formula for the products produced. The existing technological developments also open up opportunities for you to take part in training or workshops that are beneficial for the continuity of your business. Apart from paying attention to product quality, service improvement is also important to pay attention to, especially for MSMEs actors in the service sector. Because innovation is born not automatically, but through a long process that produces sweet results.

The number of articles discussing MSMEs issues with Shopee has made it attractive in the business field. Several opinions make the shop a land for developing MSMEs as well as a competitor for MSMEs to develop. As for the shop itself, which does use marketing strategies as well as technology and internet development in its manufacture, it can develop well in this modern era. The platform was downloaded 80 million times in 2017, with four million sellers and selling more than 180 million products. Shopee reached a gross trading value of US\$ 1.6 billion in the fourth quarter of 2017. This value is up 153 percent from the previous quarter. Indonesia is a potential market for Shopee because Indonesia has been named the largest e-commerce market in Southeast Asia. Around 90 Internet users in Indonesia have shopped online in the marketplace (Hootsuite, 2021).

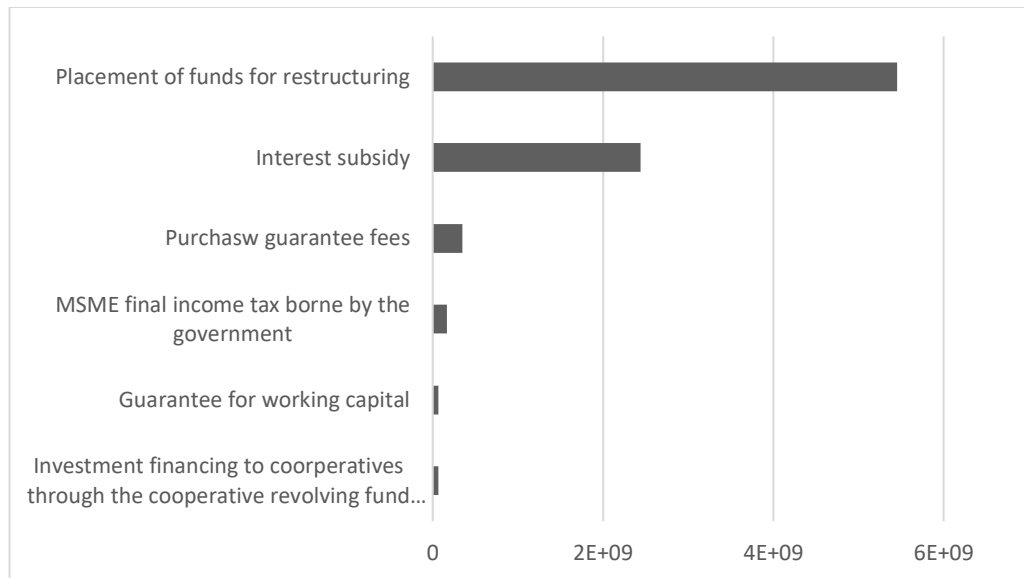
Shopee is the first consumer-to-consumer (C2C) marketplace that dares to offer free shipping throughout Indonesia without a minimum purchase for products that are specially marked at the beginning of their appearance based on information from Shopee's official Facebook account. However, with time, Shopee has now set a minimum limit for buyers to be able to participate in this program. In addition to having a C2C Marketplace system, Shopee also applies a B2B (Business to Business) system. Shopee Claims that it is the Marketplace with the cheapest shopping place and provides the lowest price guarantee specifically in Southeast Asia, especially Indonesia, where if

consumers find other products at lower prices than those offered by Shopee, consumers are entitled to claim money back 2 times the price of the previous item. In addition, iPrice.co.id's research shows Shopee to be an e-commerce application with the number of Monthly Active Users (MAU) and the largest number of downloads in Southeast Asia. What you need to know is that Shopee is not only present in the Indonesian market, but has previously been present in Malaysia, Singapore, and also Vietnam (Facebook.com, 2019).

As is done by other E-Commerce, Shopee makes it easier for business people to use its application features so that consumers themselves are also given convenience in shopping such as features: Shopee pay, to shop at low prices, and offer free shipping in it. Cash on Demand is a feature where you can make payments on the spot when the goods arrive and a feature that makes other transactions easy. As well as the smart shopping feature on the shop that benefits sellers, such as Top Pick From Shop, is another shop in-app feature that you should try. All you need to do is create a product collection and choose a maximum of 8 items that you want to display at the front/top of your store, and My Campaigns This feature can increase the profit from the products you sell and also reach a wider range of buyers. This feature also creates opportunities for all sellers to have their products appear on the main page/front of Shopee. This platform plays a big role, is important and very profitable for both parties, namely business people and customers. Likewise with the development of the creative economy carried out by Shopee by utilizing technology in its increasingly sophisticated applications and features in this modern post 4.0 era.

Indonesian Government Policy

The government considers the micro, small and medium enterprises (MSMEs) business sector important for the Indonesian economy. The government has budgeted a special cost to handle micro, small and medium enterprises (MSMEs) affected by Covid-19, with funds of USD 8547197776,92 (Jayani, 2020). The government budget for MSMEs is based on the fact that this sector has a major contribution to Indonesia's national economy and employment (Jayani, 2020). The government's attention to MSMEs is also seen in the number of MSMEs which is increasing every year, so the Government makes it easier for MSMEs to make loans to banks. This is shown by data from the Financial Services Authority (OIC) that the loans disbursed by banks to MSMEs as of June 2020 amounted to USD 70919726248,80.



(Source: Ministry of Finance of the Republic of Indonesia, 2020)

Figure 2. Budget Allocation for Handling Covid-19 for MSMEs

Government assistance to empower MSMEs through lending is a strategy to increase MSMEs capacity in the digital market. By the theory of research results by Jayani (2020), one form of initiative given by banks to encourage MSMEs to go digital is the market website program. This initiative is expected to revive grass-root economic activity (especially market traders) during the pandemic by utilizing an online platform where market traders can sell through websites that have been provided by banks/market managers/local agencies. This support for digitizing transactions in traditional markets is intended so that traders can market their products online without having to meet in person amidst the social restrictions imposed. This program can be an incubation for market traders to be able to connect with a larger digital ecosystem in this new normal era. Based on the information obtained in the discussion, there are potentially as many as 14,182 markets and 2.5 million traders. Based on data on August 31, 2020, from the target of 5,241 and 520 thousand traders, there have been 4,496 market websites that have been built with a total of 107 thousand registered traders.

The emergence of Shopee has the potential to damage the Indonesian market. This is indicated by the occurrence of trade violations using predatory pricing that disrupts the market. Marketplace takes products from foreign first-hand suppliers at very cheap prices. Under competition law, only the dominant company can be guilty of predatory pricing. To assess dominance, it is necessary to determine the relevant market from the outset. However, market determination in the case of emerging markets is complex because traditional definitions do not take into account the dynamics of competition characterize the new market (Raychaudhuri, 2020). Predatory pricing is a technique to disrupt market competition and when competition breaks down, the price is only increased according to what must be obtained. With very low-price offers coupled with massive discounts, many customers buy goods from the marketplace compared to local MSMEs products.

The massive discount policy carried out by the Shopee marketplace indicates the practice of predatory pricing. In response to this, the Ministry of Trade is following up on predatory pricing practices in e-commerce which are said to be able to kill many micro, small and medium enterprises (MSMEs). Reportedly, the Ministry of Trade is discussing more detailed rules regarding e-commerce or online marketplaces. One of the points is

the discussion about the discount on the digital trading platform. According to the theory proposed by Fortin (2020), the economics of why even a firm with 80 percent market share wishing to kill a competitor with 20 percent market share would not employ predatory pricing. He describes that “the predator must move to higher average variable costs, while the victim can move to lower. The predator, therefore, will be taking higher losses, both absolutely and proportionally, than the victim”.

The government has taken various actions to overcome the massive sales of imported products offered through Shopee which have the potential to harm local micro, small and medium enterprises (MSMEs). Similar to the results of research (Baig et al., 2020), which conducted research on the effect of the China-Pakistan Economic Corridor on MSMEs. The findings suggest that the CPEC is not the only opportunity for tourism-related micro and small enterprises but also helpful for the growth of medium and large firms. The implications are that if MSEs could not prepare themselves to compete, there is a chance that medium and large firms, online based business, and marketplace would replace them.

Following up on this, the government held hearings to hear the aspirations of SMEs business actors. In an audience held by the Ministry of Cooperatives and Small and Medium Enterprises, local business actors complained about the potential for illegal cross-border practices on e-commerce platforms that harmed entrepreneurs holding official import rights and local MSMEs. The reason is that illegal products and imported products from China that are priced at cheap and fake prices can threaten the sale of local products. The high demand for goods from China is accompanied by import duties in Indonesia. According to Ignatius, most of the goods purchased from China are worth under US\$ 75 or around US\$ 69,53 so they are not subject to import duties. He assesses that local goods produced at high costs are different from China, which has been able to produce them efficiently and in bulk.

Illegal cross borders can also be detrimental to the state because these goods are not taxed according to the rules. The goods that are most often imported illegally are chemicals, cosmetics, and drugs. These products are imported and circulated without permission through e-commerce. In response to this, the government through the Ministry of Cooperatives and SMEs ensures that there is protection with the policies outlined in Law Number 11 of 2020 concerning Job Creation. In addition, the government has also issued Government Regulation Number 7 of 2021 concerning the Ease, Protection, and Empowerment of Cooperatives and MSMEs which has also been officially promulgated. Previously, the government had issued a regulation to protect MSMEs related to products imported from other countries, namely the Minister of Finance Regulation (PMK) Number 199/PMK/010/2019 which reduced the import duty threshold for consignments from US\$ 75 to US\$ 3. Currently, imported goods above US\$ 3 are subject to a 17.5% tax rate consisting of 7.5% import duty, 10% VAT, and 0%.

Indonesia has indeed entered into free trade. But that does not mean that MSMEs products must lose and die against the onslaught of foreign products, even though there are already many producers in Indonesia. To help develop local products, Shopee Indonesia has decided to close access to the sales of 13 types of foreign products that currently exist. Minister of Cooperatives and MSMEs Teten Masduki revealed that with this closure the potential for saving MSMEs products was almost US\$ 20,859 billion. Starting from the Muslim fashion industry of US\$ 19,468 billion and the potential of the batik industry to reach US\$ 340 million. Shopee has agreed to identify foreign products so as not to kill MSMEs products.

This policy is a follow-up to a meeting between the Indonesian Ministry of Cooperatives and MSMEs and Shopee to address the seller cross-border phenomenon that threatens Indonesian MSMEs. Shopee has closed cross-border access to 13 types of products from abroad. These include hijab, Muslim women's tops, Muslim women's subordinates, Muslim dresses, Muslim men's tops, Muslim men's subordinates, Muslim outdoorwear, children's Muslim clothing, Muslim accessories, prayer equipment, batik, and kebaya. The identification process is still ongoing, for other product categories that have the potential to be closed by Shopee.

This restriction policy is categorized as an import restriction by the government. In addition, currently, many MSMEs have collaborated with Shopee for the marketing of their products. Regarding the digitization of MSMEs, the Ministry of Cooperatives and SMEs will encourage US\$ 695,31 MSMEs to be connected to the digital economy by the president's target. In addition to encouraging the digitization of MSMEs, the ministry will build an MSME database and fix an easier and cheaper financing system. In the business strategy, there is something called import restrictions to optimize and save the local market. In accordance with Knebel (2010), one should keep in mind that trade restrictions are improbable to be imposed in the first place if they are not intended to have a binding effect.

The West Java Provincial Government is collaborating with Shopee Indonesia to encourage West Java's economic recovery by accelerating the digitization of MSMEs. The collaboration was realized by establishing the Bandung Shopee Center as a digital education center for West Java MSMEs. Shopee is committed to facilitating and providing the spotlight for West Java SMEs to continue to grow. Hopefully, with the various initiatives given they can jointly start the success of Indonesian MSMEs with Go Digital and continue to Go Global with Shopee.

Shopee Indonesia has made a commitment side by side with the government in supporting MSMEs and encouraging local products to advance the Indonesian economy. It was also explained that all transactions through cross-border were by applicable procedures, both regarding tax and customs components. In addition, Shopee management claims to have held several educational and mentoring programs with several ministries and government institutions through the Shopee Campus and marketing MSMEs products with a special channel for Kreasi Nusantara local products. Not only that, the Shopee Export Program entitled "From Local to Global" has been implemented since 2019.

Various policies have been taken, but the development of the Shopee marketplace will still be a threat, especially for MSMEs that have not been able to develop by utilizing digital technology as it is now. This is a threat to the acquisition of MSMEs products to Shopee. Business actors will potentially depend on promoting and marketing their products to Shopee. This means that in the future the Indonesian market will be dominated and controlled by the Shopee marketplace and others. On the other hand, the creativity and innovation of MSMEs managers are less developed and will not be independent.

This pandemic period needs to be used by the government and business actors to compete to innovate so as not to lose competitiveness with the Shopee marketplace. Efforts need to be supported by a clearer market presence. For example, presenting e-commerce that only markets Indonesian MSMEs products. The condition is that it is owned by the government so that it is easy to control as well as for the use of government assets. If the application exists, local MSMEs products will no longer be mixed with Chinese products. Another way, the government must absorb MSMEs products evenly,

not just two or three sectors. Meanwhile, several government policies related to increasing the competitiveness of MSMEs in dealing with foreign products, assesses have not been effective. The problem is, MSMEs have not been able to provide their daily needs at low prices like those offered by foreign parties. This means that Shopee's role in the national marketplace will continue as long as there is no strict regulation. Beside on (Baig et al., 2020), there are 2 (two) strategies, namely strategies to improve MSMEs weaknesses in the form of strengthening business legality and innovating through information technology and strategic strategies for cooperation or partnerships between MSMEs and business associations, online stores that are already in Government Procurement of Goods/Services 's e-marketplace, with Goods/Services Procurement Policy Institute and Communication and Information Service to be able to innovate in the E-marketplace, and with the Office of Cooperatives and Micro, Small and Medium Enterprises in the City / Regency / Province especially to be able to foster and facilitate the strengthening of HR and MSMEs governance.

CONCLUSION

Several policies carried out by the Indonesian government need to be emphasized, namely by agreeing with Shopee to prohibit suppliers and sellers of products from abroad. If only certain types of products are prohibited from being sold on Shopee, this will still hamper the development of local MSMEs. Local products are indeed no less competitive in terms of quality, but when compared in terms of price, foreign products such as China are cheaper. The researcher recommends that the government should create its marketplace managed by the government specifically for local MSMEs. If this is followed up, MSMEs will not lose competitiveness and can still exist.

CONFLICT OF INTEREST

The authors need to declare that there is no conflict of interest related to the writing or publication of this article.

REFERENCES

- Alaslan, A. (2021). *Formulasi Kebijakan Publik: Studi Relokasi Pasar*. Banyumas: Penerbit CV Pena Persada.
- Alic, A., Zukic, D. H., & Arslanagic-Kalajdzic, M. (2018). Modern Trade and CSR: The Case of Cosmetic Chains in Bosnia and Herzegovina. *Conference Proceedings, 9th International Conference of the School of Economics and Business*, University of Sarajevo, 31-45. <https://doi.org/10.4103/0972-4052.244682>
- Andoko, B. W., Setiawan, D., Purnomo, E. P., Salsabila, L., & Fais, K. (2021). Public Policies for Creating Sustainable and Integrated Transport in Jakarta. *Advances in Intelligent Systems and Computing*, 1352, Issue March. Springer International Publishing. https://doi.org/10.1007/978-3-030-71782-7_46
- Antaranews.com. (2021). Kolaborasi lintas sektor penting bagi digitalisasi UMKM. Retrieved from <https://www.antaranews.com/berita/2213230/kolaborasi-lintas-sektor-penting-bagi-digitalisasi-umkm>.
- Antonius Purwanto. (2020). Potret dan Tantangan UMKM di Indonesia. *Kompaspedia*. Retrieved from <https://kompaspedia.kompas.id/baca/paparan-topik/potret-dan-tantangan-umkm-di-indonesia>.

- Baxter, P., & Jack, S. (2015). Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers. *The Qualitative Report*, May 2014. <https://doi.org/10.46743/2160-3715/2008.1573>
- Čadil, J., Mirošník, K., & Rehák, J. (2017). The lack of short-term impact of cohesion policy on the competitiveness of SMEs. *International Small Business Journal: Researching Entrepreneurship*, 35(8), 991–1009. <https://doi.org/10.1177/0266242617695382>
- Dunn, W. N. (2017). Pengantar Analisis Kebijakan Publik. Retrieved from <https://ugmpress.ugm.ac.id/id/writer/detail/hardjono-sastrohamidjojo%0Ahttps://ugmpress.ugm.ac.id/id/product/ekonomi-bisnis/dasar-dasar-kepemimpinan-administrasi>
- Dwivedi, Y. K., Ismagilova, E., Hughes, D. L., Carlson, J., Filieri, R., Jacobson, J., Jain, V., Karjaluoto, H., Kefi, H., Krishen, A. S., Kumar, V., Rahman, M. M., Raman, R., Rauschnabel, P. A., Rowley, J., Salo, J., Tran, G. A., & Wang, Y. (2021). Setting the future of digital and social media marketing research: Perspectives and research propositions. *International Journal of Information Management*, 59(May), 102168. <https://doi.org/10.1016/j.ijinfomgt.2020.102168>
- Firdhy Esterina Christy. (2021). Jumlah UMKM di Indonesia. *Tempo*. Retrieved from <https://data.tempo.co/read/1111/jumlah-umkm-di-indonesia>.
- Fischer, F., & Miller, G. J. (2017). Handbook of public policy analysis: Theory, politics, and methods. In *Handbook of Public Policy Analysis: Theory, Politics, and Methods* (pp. 1–642). <https://doi.org/10.4324/9781315093192>
- Goodmoney.id. (2021). Tantangan dan Beberapa Kendala UMKM Sulit Go Digital. Retrieved from <https://goodmoney.id/tantangan-dan-beberapa-kendala-umkm-sulit-go-digital/>.
- Hadiarianti, V. S. (2019). *Langkah Awal Memahami Hukum Perdagangan Internasional dalam Era Globalisasi*. Jakarta: Penerbit Universitas Katolik Indonesia Atma Jaya.
- Hafi, E. D. (2021). Survei Penurunan Pendapatan UMKM di Masa Pandemi Covid-19. Retrieved from <https://yoursay.suara.com/kolom/2021/05/18/184626/survei-penurunan-pendapatan-umkm-di-masa-pandemi-covid-19>
- Humas Sekretariat Kabinet RI. (2020). Anggarkan Rp123,46 Triliun, Pemerintah Dukung UMKM Go Digital Pulih dan Produktif- Sekretariat Kabinet Republik Indonesia. *Setkab.go.id*. Retrieved from <https://setkab.go.id/anggarkan-rp12346-triliun-pemerintah-dukung-umkm-go-digital-pulih-dan-produktif/>
- Iskandar, D. J. (2017). Pentingnya Partisipasi Dan Peranan Kelembagaan Politik Dalam Proses Pembuatan Kebijakan Publik. *Jurnal Ilmu Administrasi: Media Pengembangan Ilmu Dan Praktek Administrasi*, 14(1), 17–35. <https://doi.org/10.31113/jia.v14i1.2>
- Jankulovski, N., & Bojkovska, K. (2019). International Business and Trade. *International Journal of Sciences: Basic and Applied Research (IJSBAR)*, 6(December), 343–348.
- Kawa, A., & Wałęsiak, M. (2019). Marketplace As A Key Actor in E-Commerce Value Networks. *LogForum: Scientific Journal of Logistics*, 15(4), 521–529.
- Kementrian KUKM. (2021). Perkembangan Data Usaha Mikro, Kecil, Menengah, dan Usaha Besar. *Www.Depkop.Go.Id*, 2000(1), 1. <http://www.depkop.go.id/data-umkm>
- King, S., Lusher, D., Hopkins, J., & Simpson, G. W. (2020). Industrial symbiosis in Australia: The social relations of making contact in a matchmaking marketplace for SMEs. *Journal of Cleaner Production*, 270, 122146. <https://doi.org/10.1016/j.jclepro.2020.122146>
- Kompas.com. (2021). Ini Langkah-langkah Pemerintah untuk Kendalikan Impor. Retrieved from

- <https://money.kompas.com/read/2020/07/29/171049626/ini-langkah-langkah-pemerintah-untuk-kendalikan-impor?page=all>.
- Kurebwa, J., Mutukwa, W., & Chivaku, S. (2020). Public Policy Analysis: An Integrated Approach. *Sumerianz Journal of Social Science*, 310, 130–131. <https://doi.org/10.47752/sjss.310.130.131>
- Kurniawati, L., Marta, R. F., & Amanda, M. (2020). Utilization of Covid-19 Digital Media Literacy Through the New Habit Marble Online Game in Early Children. *Journal Communication Spectrum: Capturing New Perspective in Communication*, 10(2), 105–115.
- Leckel, A., Veilleux, S., & Dana, L. P. (2020). Local Open Innovation: A means for public policy to increase collaboration for innovation in SMEs. *Technological Forecasting and Social Change*, 153, 119891. <https://doi.org/10.1016/j.techfore.2019.119891>
- Markey. (2019). Marketplace Adalah Pengertian, Jenis dan Contohnya MARKEY. Retrieved from <https://markey.id/blog/marketing/marketplace-adalah>.
- Merdeka. (2020). Saingi Produk Asing, UMKM Diminta Tingkatkan Standar Produk. Retrieved from <https://www.merdeka.com/uang/saingi-produk-asing-umkm-diminta-tingkatkan-standar-produk.html>.
- Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises, UU No. 20 Tahun 2008 1 (2008).
- Lokadata. (2022). Jumlah Usaha Mikro, Kecil, dan Menengah, 2014-2019. Retrieved from <https://lokadata.beritagar.id/chart/preview/jumlah-usaha-menengah-kecil-dan-mikro-2014-2019-1586254692>.
- Ramdani, R., Agustiyara, & Purnomo, E. P. (2021). Big Data Analysis of COVID-19 Mitigation Policy in Indonesia: Democratic, Elitist, and Artificial Intelligence. *IOP Conference Series: Earth and Environmental Science*, 717(1). <https://doi.org/10.1088/1755-1315/717/1/012023>
- Rashid, Y., Rashid, A., Warraich, M. A., Sabir, S. S., & Waseem, A. (2019). Case Study Method: A Step-by-Step Guide for Business Researchers. *International Journal of Qualitative Methods*, 18, 1–13. <https://doi.org/10.1177/1609406919862424>
- Rintho Rante Rerung. (2018). E-Commerce, Menciptakan Daya Saing Melalui Teknologi Informasi - Rintho Rante Rerung - Google Buku. In *E-Commerce, Menciptakan Daya Saing Melalui Teknologi Informasi* (p. 4). <https://books.google.co.id/books?id=reFUDwAAQBAJ&pg=PA18&dq=konsep+dasar+e-commerce&hl=id&sa=X&ved=0ahUKEwj1k4iAh8XeAhUDeCsKHbhJAIQQ6AEIMjAB#v=onepage&q=konsep dasar e-commerce&f=false>
- Sagar Khillar. (2020). Difference Between Traditional and Modern Biotech. Retrieved from <https://www.scikn.in/2020/02/Difference-between-traditional-organisation-and-modern-organisation.html%0Ahttp://www.differencebetween.net/technology/difference-between-traditional-and-modern-biotech/>
- Servanda, I. R. S., Reno Kemala Sari, P., & Ananda, N. A. (2019). Peran Ulasan Produk Dan Fot Produk Yang Ditampilkan Penjual Pada Marketplace Shopee Terhadap Minat Beli Pria Dan Wanita. *Jurnal Manajemen Dan Bisnis*, 2(2), 69–79. <https://doi.org/10.37673/jmb.v2i2.526>
- Setyowati, T. (2018). Analisis Pemasaran E-Commerce Shopee. Retrieved from https://www.academia.edu/40230069/ANALISIS_PEMASARAN_E_COMMERCE_SHOPEE.
- Seyoum, B. (2008). Export-import theory, practices, and procedures: Second edition. In *Export-Import Theory, Practices, and Procedures: Second Edition*. <https://doi.org/10.4324/9780203889305>

- Shopee.co.id. (2018). Metode Pembayaran Apa Saja yang Dapat Digunakan di Shopee? Retrieved from <https://help.shopee.co.id/s/article/Metode-pembayaran-apa-saja-yang-dapat-digunakan-di-Shopee>.
- Shopee.co.id. (2019). Tentang Shopee - Karir | Shopee Indonesia. Retrieved from <https://careers.shopee.co.id/about>.
- Shopee.co.id. (2021). Jasa Kirim di Shopee. Retrieved from <https://seller.shopee.co.id/edu/article/464>
- Tayibnapis, A. Z., Wuryaaningsih, L. E., & Gora, R. (2018). The Development of Digital Economy in Indonesia. *Angewandte Chemie International Edition*, 6(11), 951–952.
- Turban, E., Outland, J., King, D., Lee, J. K., Liang, T.-P., & Turban, D. C. (2018). *Electronic Commerce 2018. A Managerial and Social Networks Perspective*. Retrieved from <https://search.ebscohost.com/login.aspx?direct=true&db=cat00327a&AN=stgal.000976847&lang=de&site=eds-live&authtype=ip,uid%0Ahttps://doi.org/10.1007/978-3-319-58715-8>.
- Veit, D., Clemons, E., Benlian, A., Buxmann, P., Hess, T., Kundisch, D., Leimeister, J. M., Loos, P., & Spann, M. (2014). Business models: An information systems research agenda. *Business and Information Systems Engineering*, 6(1), 45–53. <https://doi.org/10.1007/s12599-013-0308-y>
- Warta Ekonomi. (2021a). Ketahanan UMKM Diuji di Tengah Pandemi, E-Commerce Jadi Solusi. Retrieved from <https://www.wartaekonomi.co.id/read335888/ketahanan-umkm-diuji-di-tengah-pandemi-e-commerce-jadi-solusi>
- Warta Ekonomi. (2021b). Tidak Hanya Butuh Bantuan Modal, UMKM Butuh Pendampingan Pemerintah. Retrieved from <https://www.wartaekonomi.co.id/read241783/tidak-hanya-butuh-bantuan-modal-umkm-butuh-pendampingan-pemerintah>.