PROMOTING BLUE ECONOMY: FACTOR IDENTIFICATION AND MODEL DEVELOPMENT FOR MICRO SMALL & MEDIUM ENTERPRISES (MSME) IN BITUNG, NORTH SULAWESI: A RESEARCH PROPOSAL

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Abstract

As an archipelagic country, Indonesia has so much potential to promote a blue economy. The blue economy refers to industrialized fishery activities promoting and accelerating economic growth. In other words, this industrialization in the marine and fishery sector is the process of adding value to the productivity and production scale. The fishery sector is one of the main sectors contributing to Indonesia's economic growth and is not a standalone sector. However, it also brings other sectors into motion, such as tourism. Furthermore, we would like to dive deep into the technology-based blue economy. This research proposal aims to identify inhibiting and supporting factors for the digitalization of SMEs in the fishery sector. Moreover, after gathering those factors, this research will continue to build a model that explains entrepreneurial self-motivation in promoting and hindering digitalization programs. Two important reasons that this research is necessary are, first, limited studies were trying to identify factors that cause the technology gap for the SMEs in the fishery sector. Secondly, developing a model of internal factors that promote and hinder SMEs from going digital, particularly in the blue economy. This research will be conducted in Bitung City, North Sulawesi, as the object of research due to the potential of natural resources in the fishery sector.

Keywords: Blue Economy; Digitalisation; Small Micro Enterprise (SME)

INTRODUCTION

Indonesian entrepreneurs play an important role in achieving the goals of the Indonesian state become an industrialized country 4.0. Specifically, entrepreneurs engaged in the MSME sector has a strategic role in economic growth in Indonesia which is based on BPS 2017 data that 99.99% of business entities in Indonesia are in the MSME segment and absorb 97% of the workforce or approximately 116.97 million people (1). Not only that, BPS 2017 data also shows the contribution of MSMEs to gross domestic product (GDP) is 60.34%. However, only 9.4 million SMEs have been registered carry out digital transactions and marketing (2). That number is still very small when compared to the total of all MSME businessmen which reached 64.19 million. At least MSMEs who transact digitally because generally MSME entrepreneurs are still stuttering technology (gaptek). On the one hand, the Covid-19 pandemic that has hit many countries in the world including Indonesia have 'forced' MSMEs to carry out digitalization programs and abandon conventional or face-to-face transactions. Digitalization is the main thing in today's trade transactions. Especially because of the pandemic Covid-19 has made changes to consumer buying behavior (3-13). Innovation is one of the core of entrepreneurship. Through the innovation process, the creation of added value of goods and services which can then support a competitive advantage. Innovation too is the key to success to be able to survive in the midst of competition. Entrepreneurship and innovation is relevant in many sustainable business contexts. The concept of sustainability business is a concept that shows the success of a company to be able to exist and have strong competitiveness. This study aims to identify the internal factors that inhibit and support the efforts of MSME entrepreneurs to digitize. More, after getting these main factors, this study intends to build a model that

explain the role of self (entrepreneur) that can support and hinder digitization program. This research is important to do based on 2 reasons main. First, there is limited research identifying the factors that cause The "tech gap" of MSME entrepreneurs in digitization. News about the perpetrator's technology stutter MSMEs are often heard without any explanation as to why MSME actors are not responsive to technology.

Second, the importance of developing a model of internal factors (inhibitors and support) for entrepreneurial efforts in digitizing specific Indonesian MSME entrepreneurs.

LITERATURE REVIEW

MSMEs are one of the supporting factors for the Indonesian economy. Specifically, MSMEs have proven to have strong resilience when Indonesia was hit by the economic crisis. Furthermore, MSMEs have an important role in the context of business sustainability. First, MSMEs do not require large capital, so their formation is not as difficult big business. Second, the engaged workforce does not require certain formal education. Then, MSMEs do not need infrastructure like large companies. MSMEs are able to adapt quickly to the demands of the business environment, including change business management technology (15). The definition and categories of MSMEs in Indonesia follow Law number 20 of 2008 about Micro, Small, and Medium Enterprises, namely as follows. Micro business is business productive owned by individuals and/or individual business entities. The criteria have maximum net worth of IDR 50,000,000, excluding land and buildings where business; having annual sales of a maximum of Rp. 300,000,000.00. More, effort small business is a productive economic business that stands alone, carried out by individuals or business entities which is not a subsidiary or not a branch of the company, or becomes a part either directly or indirectly from Medium or Large Enterprises. Business criteria Minor is a net worth of more than IDR 50,000,000.00 to IDR 500,000,000.00 no including land and buildings for business premises; maximum annual sales of Rp 300,000,000.00 to Rp 2,500,000,000.00. Then, medium-sized enterprises are enterprises productive economy that stands alone, is 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 a small business or a large business. Criteria for medium-sized business net worth Rp 500,000,000.00 to Rp 10,000,000,000.00 does not include land and buildings for business premises; annual sales of more than Rp 2,500,000,000.00 to Rp 50,000,000,000.00 (16), MSMEs can be distinguished according to several economic sectors. In particular, MSMEs can divided into sectors: [1] agriculture, livestock, forestry, and fisheries, [2] finance, leasing and service companies, [3] trade, hotels and restaurants, [4] mining and excavation, [5] electricity, gas, and clean water, [6] transportation and communications, [7] processing industry, and [8] buildings. This research will focus on the blue economy sector, which focuses on the fisheries and marine. This is because, the blue economy concept is very suitable for countries with a fairly wide water area, such as Indonesia. Moreover, about 75 percent of the total Indonesia's sovereign territory is a territorial waters. Previous research has shown that there are several factors that slow down the development of MSMEs in Indonesia such as the lack of knowledge resources in particular utilization of communication facilities and information technology to obtain new information, market developments or consumer desire to produce product innovations that sustainable. Moreover, the challenges for MSMEs in 2020 are not only because the Covid-19 outbreak, but the digital economy is increasingly widespread. Economy digital technology requires MSMEs to be "literate" in technology, especially those related to Internet. Many MSMEs are not familiar with the internet so that MSME products or services which are marketed sometimes cannot reach markets outside the region and place other. In relation to the blue economy, there are still few marine and fisheries MSMEs connected to a digital marketing platform. A number of problems include:

technological constraints, ignorance and lack of courage of marine MSME business actors and fishing (17-19). In the digital transformation process of MSMEs, digital technology serves as the key to capture new business opportunities by transforming existing businesses. In terms of This adoption and digitalization affect the performance of businesses that have a strategic orientation, management and growth of internal capabilities (20). Digital platform adoption and success in B2B based on stakeholder theory, network theory, technology acceptance model, etc. customer-oriented and customer loyalty (21). There are several external factors driving the need for digital transformation (Figure 1), starting from the beginning the internet, which is the gateway to digital technology, triggers changes in the cost structure SMEs, increasingly intensive business competition and online shopping consumer behavior (22). Then in the transformation process, a digitization process occurs, namely the act of changing analogue information into digital information, while digitization is the process of how digital technology can be used to change existing business processes (23). Digital transformation in the marine sector in Indonesia still needs to be carried out. Obstacle in the transformation process can be linked to stakeholders who do not coordinated, non-transparent data, and many transactions and documentation processes are still paper-based (24). However, with the Covid-19 pandemic, business people are encouraged to adopt digital technology for their business to increase sales (25). This shows competitive pressure as a more important factor than external factors others in promoting digitization (26). However, the government also has influence in digital transformation of micro business by building a digital platform, promoting digital payments, provide digital training, and build a digital collaboration ecosystem (27).

METHODOLOGY

There are a couple of methods that will be used in this research to create a blue print in order to answer the research questions. In this blueprint, various elements of research methods are used to answer the research problem. These elements include: the type of research based on the purpose, unit of analysis, research time, researcher intervention, sampling, measurement, and data analysis. The research plan that will be conducted based on the research objectives, is to identify the factors supporting and inhibiting the digitization of MSMEs. This research will focus on exploratory research. The first step in this exploratory research is a literature review that aims to sharpen the research problems and also to obtain research results related to the topic research (deductive approach). The inductive approach is carried out by conducting interviews in depth to 10 research respondents and also carried out by distributing questionnaire (with open-ended questions) to 100 MSMEs in Indonesia. MSMEs that become the respondents of this research are MSMEs located on the coast such as Bitung. Criteria for the respondents are entrepreneurs in the fisheries sector (blue economy). The data obtained is then processed using statistics description, multiple regression. Following to the next method, it aims to develop a model and scale of supporting factors and barriers to the digitization of MSMEs. In this regard, this second research method is a descriptive research that will uses the results of first method, to be able to developed a research and development scale model.

ACKNOWLEDGMENT

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