

## **CHAPTER IV**

### **THE STRATEGY OF JOKO WIDODO'S ADMINISTRATION IN FACING ASEAN ECONOMIC COMMUNITY**

In this section, the author explains the strategy of Joko Widodo's administration in facing ASEAN Economic Community (AEC) according to the hypothesis written before about several strategies such as establishing single agency who is responsible for Indonesia creative economy with function as formulation, stipulation and implementation of policies on both industry and creative economy in Indonesia, Establishing bilateral partnership by Badan Ekonomi Kreatif (BEKRAF) in collaboration with Indonesian Ministry of Foreign Affairs and Government of Singapore through the exhibition of SMEs in 2017 in order to develop creative economy products, and reducing the final income tax in order to promote export with large quantities but low tax.

#### **A. Brief explanation of BEKRAF**

Badan Ekonomi Kreatif Indonesia (BEKRAF) is a non-governmental organization formed during the administration of President Joko Widodo through presidential regulation number 6 of 2015. BEKRAF is responsible under the President and becomes part of the Ministry of Tourism and Creative Economy, which handles Indonesia Bersatu cabinet volume II. The Creative Economy Agency provides assistance to the President in formulating, establishing, coordinating, and approving policies in the creative economy.



**Figure 4. 1 BEKRAF Logo**

Source: (BEKRAF, 2015)

The objective of BEKRAF is to realize the GDP growth of the creative economy, which has gradually increased and become higher than the National Economic Growth and the realization of Indonesian creative products that are known and favored in the global market. BEKRAF funding comes from the State Budget to carry out its duties and functions that must be carried out by BEKRAF. (Uti & Vira, 2015) In addition, BEKRAF encourages capital in the creative economy through collaboration with various financial institutions. Creative economic funds are also called "Dekraf"; in this case Dekraf cooperates with banking and non-banking capital (Yasa, 2018).

The task of BEKRAF at the provincial and district / city levels:

1. Identification creative economy actors in order to get funds through Kredit Usaha Rakyat (KUR)
2. Coaching through technical guidance on marketing and product development, financial management, and Intellectual Property Rights (IPR) registration
3. Helping to find off takers
4. Develop a pattern of partnership
5. Intermediation efforts to access credit / financing from creative economic actors to Banking Institutions
6. Supervision of credit / financing to be used optimally

## 1. Organization Structure

In the presidential regulation it was explained that Triawan Munaf as the Head of this agency who was assisted led BEKRAF by representatives, main secretaries and deputies. Every deputy has different vision and programs that can be implemented and developed depend on every deputy regulations. There are six deputies in BEKRAF:

### a. Deputy for Research, Education, and Development

Deputy headed by Abdur Rohim Boy Berawi. This Deputy is responsible for research and development of the creative economy as well as educating the creative economy to the public. The responsibility includes formulation, stipulation, coordination and synchronization of policies with research programs and education and development of the creative economy. The Deputy oversees two directorates, namely the directorate of research and development of the creative economy and the directorate of creative economic education. (BEKRAF, 2015)



**Figure 4. 2 IKKON Logo**

Source: (BEKRAF, Rencana Strategis Badan Ekonomi Kreatif 2015-2019, 2015)

Deputy for research, education and development designs some priority programs such as IKKON, Coding Mum, and BISMA.

- 1) Inovatif dan Kreatif melalui Kolaborasi Nusantara (IKKON) is a live in designer program; this program is intended for designers who will stay with craftsmen in the regions, in order to collaborate to produce new creative works that increase added

value in terms of economic, social and cultural perspective. In addition, IKKON also has the potential to open up new jobs.



**Figure 4. 3 Coding Mum Logo**

Source: (BEKRAF, Rencana Strategis Badan Ekonomi Kreatif 2015-2019, 2015)

- 2) Coding mum is an education and training program. The program's activity is to make coding aimed at housewives to be able to accept part-time jobs as programmers especially in the front-end web designer field
- 3) Bisma is the third program of this deputy. Bisma is a public information system related to 16 sub-sectors of the creative industry to meet the needs and information that are useful for actors in developing the quality of the works and products created.
- 4) Deputy for Research, Education and Development also has other excellent programs such as folklore narrative compilation for PIXAR Animation Studio, Facilitation of music subsector database preparation, Facilitation of Indonesian Dance Festival curation support, Facilitation of the establishment of Application Incubation Academy, Mastering Class:



**Figure 4. 4 Bisma logo**

Source: (BEKRAF, Rencana Strategis Badan Ekonomi Kreatif 2015-2019, 2015)

Writing Script, Organizing Indonesia Graphic Design Awards, Making survey applications, Conducting training on packaging for the culinary subsector and conducting business and management training for creative economic actors

**b. Deputy for Capital Access**

Fadjar Hutomo leads Deputy for Capital Access. The deputy for capital access has the task of formulating, establishing, coordinating, and synchronizing policies and programs related to the capital of the creative economy. The focus of the Deputy for Capital Access is more than providing capital for SMEs actors such as Kredit Usaha Rakyat for Ekonomi Kreatif (KUR Ekraf); in addition, cheap credit schemes include the Indonesian culinary business abroad in the national Interest Account as Indonesian culinary diplomacy efforts.

- 1) Deputy access to capital opens access for creative economic actors in obtaining funds or capital through the DEKRAF program. DEKRAF is an effort to build an ecosystem of creative economic capital through collaboration with financial authorities (Ministry of Finance, Financial Services Authority, Bank Indonesia etc.). BEKRAF builds commitments to funding sources to the 16-sub sector

- of the creative industry, both through grant funds, funding from bank and non-bank and from investors.
- 2) Development of KUREkraf (Kredit Usaha Rakyat Ekonomi Kreatif) is carried out by providing management guidance to sixteen creative economy sub-sectors who are entitled to get funding from bank.
  - 3) Development IP Financing. BEKRAF designing relevant open access financing for economic actors creative by utilizing intellectual property owned by the offender.
  - 4) In addition, this deputy also builds the capacity of creative economic actors who aim to increase the ability and competitiveness of creative economic actors so that they can gain trust from investors. Besides that, there is also a forum for investors and philanthropists related to Indonesia's creative economy capital.

**c. Deputy for Infrastructure**

Deputy for Infrastructure headed by Dr. Ir. Santosa Sungkari Day, M. H. The Deputy for Infrastructure has two directorates. They are the directorate facilitation of physical infrastructure and directorate facilitation of information technology and telecommunications infrastructure. The Deputy for Infrastructure is responsible for the formation of a conducive creative economic ecosystem. Economic ecosystems consist of several elements, namely actors (individual and community), market / business, academics and the government (Center & Regional Government). The ecosystem is built from technology and infrastructure. One of the programs is the establishment of a creative city network that enables all actors to interact each other.

Deputy infrastructure design programs that support formation of a conducive creative economic ecosystem. Deputy for Infrastructure -branding program is BackUp and ICC.



**Figure 4. 5 EKUP (BEKraf for start UP)**

Source: (BEKRAF, Rencana Strategis Badan Ekonomi Kreatif 2015-2019, 2015)

- 1) BekUp is an abbreviation for BEKRAF for Pre-Startup. BackUp is an effort to build an ecosystem for potential national startups to improve their ability to go through the cycle of "valley of death". BackUp is expected to help digital startups in Indonesia to get capital from investor.
- 2) The second branding program is called the Indonesia Creative Cities Festival. ICCN aims to develop creative cities in Indonesia with cooperation between stakeholders from the government, academics, business people, creative communities and related institutions such as the ministry of economy, the ministry of tourism and other government institutions.

**d. Deputy for Marketing**

Joshua Puji Mulia Simandjuntak chairs the marketing deputy. Bekraf's marketing deputy has two directorates, namely the development of domestic markets and foreign markets. The function of marketing deputy is to market and develop markets in the country and to be accepted abroad such as in the United States, especially New York City. The purpose of bringing and

introducing Indonesian brands abroad is not just for showcases but also to be able to meet potential investors, buyers, and business partners and other possibilities. In addition, the creation of Business-to-Business (B2B) in the long term. The three subsectors that are successful and get attention from abroad are culinary, fashion and game boards. Indonesian fashion has been shown at international events in New York; moreover manual game also has social value and big commercial.

According to Simanjuntak, to introduce goods to foreign countries takes a long time, which is around three years. The government works as an umbrella, which has the task of branding, publication and promotion of creative products. Simanjuntak wants to increase public confidence in local products. In addition, campaigns such as love and buy domestic products should be improved and formulated so this not only becomes a slogan without implementation. The Marketing Deputy has a program called Indonesia Creative Incorporated (ICINC). ICINC is a special strategy from BEKRAF to bring Indonesia's leading creative works to be able to enter and compete in the international market.

**e. Deputy for facilitating Intellectual Property Rights (IPR) and Regulation**

Ari Juliano Gema is the chairman of deputy for facilitating intellectual property rights and regulations. In business development in the creative economy, it is very important for SMEs to take care of intellectual property rights and regulation of the property and products they produce. Intellectual property rights are the foundation of the creative economy because the creative economy will grow if the ideas and works are protected. The Deputy provides information on Intellectual Property Rights (IPR) in the form of applications, forms anti-piracy task force, presents Intellectual Property Rights consultants to provide free one-to-one consultations, and provides facilitation for



Intellectual Property Rights (IPR) registration for creative economic actors. The programs of this deputy are BIMA, TELMI and GEMPITA.

- 1) EKRAF's IPR Info in Mobile Apps (BIIMA) is an application launched in order to present information about Intellectual Property Rights which can be practically accessed from anywhere by the general public.
- 2) TELMI is the development of a special Indonesian music application platform to support the creative works of Indonesian musicians.
- 3) GEMPITA is a platform development effort that can quantify any music work that is distributed or used on the Internet network or in commercial public locations. GEMPITA is a streaming music application as a result of collaboration with Telkom. The advantage of this application is the low cost of subscription compared to other foreign-made streaming music applications.

**f. Deputy for Inter-Institutional and Regional**

Endah Wahyu Sulistianti is the chairman of deputy for intern-institutional and regional. Inter-institutional and regional deputy arranges some programs related to cooperation between ministries, institutions, regions, associations and creative industry communities. This deputy works as liaison between BEKRAF and BEKRAF foreign relations.

The Deputy designed several excellent programs such as forming a guideline and investment task force (DNI) for films; carry out coordination across ministries, agencies and regions, carry out memorandums of understanding (MoU) with government and non-government institutions related to creative economic cooperation, facilitate associations and the formation of new creative industry associations and establish cross-ministerial curation committees and institutions to assist and supervise work programs of 16 creative economic sub-sectors.

## 2. BEKRAF Sectors and division of tasks

There are 16 sectors that become focus and manage by BEKRAF. BEKRAF subsector includes application and game developers, architecture, interior design, visual communication design, product design, fashion, film, animation and video, craft, culinary, music, publishing, advertising, performing arts, visual arts, television and radio.

### a. Applications and game developers

Applications and game developers include service coverage, which is a provider of software creation services according to client requests, products, which include e-commerce / market place, finfetch, digital game, hardware/ IoT related and game developer including digital game, board game, and serious game. The potential of this sub-sector is very large because the role of the application is so large and embedded in the community. Although this subsector ecosystem has not been maximized and there still lack of investor interest, for the progress of this sector, actors can incorporate elements of applications and games into the world of education.



**Figure 4. 2 Gojek Logo**

Source: (GOJEK, 2015)



**Figure 4. 7 “Kurusetra” Indonesian RPG Game**

Source: (Editor, 2015)

**b. Architecture**

Architecture activities are related to services and buildings, cost planning, heritage building and construction supervision from micro level to macro level.

**c. Interior Design**

The interior design sector has increased very rapidly. The use of designer to design residential interiors, hotels and offices also increase. People’s appreciation of this sector is also getting better. However, there are some things that still need to be addressed by this sector such as protection of interior design creative actors in the domestic market, the existence of certification to create standards, and copyright protection (Syahid, Elshinta.com, 2018).

**d. Visual Communication Design**

Visual Communication Design is the study of the delivery of communication messages using visual elements in creative ways, techniques and certain media. Visual Communication Design has persuasive goals and influences behavior about information that will share and add artistic value so that products can be easily identified and attract consumer.

**e. Product Design**

Product design is creation process using element function and aesthetic so can give added value to consumers. Nowadays appreciation of product design is very high. This subsector should be supported by a reliable craftsmanship.

**f. Fashion**

Fashion is the most dynamic and promising sector. Fashion each year will change and emerging new mode because of innovation and productivity of designers. In the global level, the fashion shows improvement and competitiveness significantly. Data from the Ministry of Industry in 2016 noted that the export value of the country's fashion industry reached USD 11.7 billion (Syahid, Elshinta.com, 2018).



**Figure 4. 8 Pop Meets Pop**  
**Source: (Mecandisa, 2019)**



**Figure 4. 9 Elhaus Product**  
Source: (Mecandisa, 2019)

**g. Film, Animation, and Video**

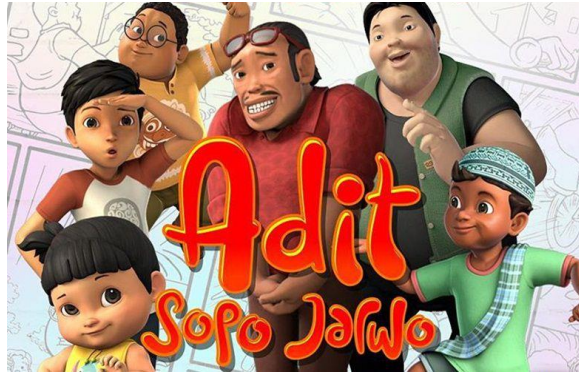
Nowadays, Indonesian film industry has developed year by year. In addition, Indonesian film industry has recorded a number of times playing shows overseas. The appreciation of Indonesian films is very high. In terms of film production, there are many production houses from Indonesia that have implemented international quality standards, so Indonesian films also can be played abroad. Not only commercial film, but also short film can be a good prospect. This good prospect is also supported by the awareness and enthusiasm of the local audience with the current quality of Indonesian cinema. BEKRAF's support in the form of opening up foreign investment through the elimination of the Negative Investment List in 2016 which is considered to be very helpful for the film industry. Besides that, BEKRAF also received a grant from Korea International Cooperation Agency (Koica) in the form of IBOS for the development of Indonesian film industry.

For less than ten years, there have been many Indonesian films that have successfully held screenings abroad. In 2008, *Laskar Pelangi* film won the Golden International Film in International Festival of Film for Children and Young Adults in Iran. In 2011, *Lovely Man* film won Best Film in Palm Spring Festival in USA and Best Actor in Asian Film Award. In 2015, *A Copy of My Mind* film wins Toronto International Festival, Busan International Festival, and Venice International Festival. *Ziarah* film also won Best Film in Salamindanaw Film Festival 2016, Winner two Nominees in ASEAN International Film Festival an Awards (AIFFA) in 2016. In 2017, *Sekala Niskala* (*The Seen and Unseen*) as Winner Generation Kplus International Jury in International Berlinale Film Festival in Berlin, Germany and *Marlina the murderer in four acts* film won Best Screenplay in Festival International du Film de Femmes De Sale (FIFFS).



**Figure 4. 10 Laskar Pelangi Film**

Source : (miles, 2014)



**Figure 4. 3 Adit Sopo Jarwo animation**  
**Source : (Arya, 2017)**

BEKRAF also held a BEKRAF Animation Conference (BEACON) held in Jakarta. BEACON aims to promote collaboration between actors in animation industry and stakeholders. With the existence of BEACON, it hopes will increasingly build an Indonesian animation ecosystem to enhance the competitiveness in animation subsector for the advancement of creative economy in Indonesia (Putra, 2018).

#### **h. Craft**

Craft is one of sector that becomes our country's identity. Craft is one of most featured sector in Indonesia. Craft sector includes every handcrafted made by wooden, metal, and leather material. These raw materials easily can be found in Indonesia and it is not surprising that craft is one of the creative economy sectors with high contribution to Gross Domestic Product (GDP). Craft products are very diverse including furniture such as tables, chairs, cabinets and handcraft such as gucci, flower vases, teapots, and household appliances. There are a lot of craftsmanship in Indonesia such as in Jepara that claimed as "carving city".



**Figure 4. 4 Batik Fabric**

Source: (Antara, 2018)



**Figure 4. 5 Traditional craft**

Source: (Frogs, 2017)

**i. Culinary**

Indonesia has a distinctive cultural heritage of food products, which is a source of comparative advantage for Indonesia and it is privileged for us. Culinary is an everlasting sector because food and beverages are the basic needs of every human being and culinary has a strong potential to be developed.



BEKRAF noted that this sector contributed 30% of total tourism and the creative economy.



**Figure 4. 6 Indonesian restaurant in Singapore**  
Source: (sbernadi, 2015)



**Figure 4. 7 Indonesian restaurant in Malaysia**  
Source: (sbernadi, 2015)

BEKRAF needs to conduct a study of mapping Indonesian food products by collecting as much data and information as possible about Indonesian food products and disseminating them through appropriate media. With this method, it is expected to increase the

competitiveness of Indonesian cuisine in international markets. Some Indonesian cuisines that are already known by the international society are Nasi Pdang, Gado-Gado, Fried Rice, and several Indonesian-style drinks such as Bajigur, Ronde, Kunir Asem etc.

**j. Music**

Music is a creative activity that related to creation or composition of music, shows, production and distribution of music recording. Indonesia has a great music industry since long time a go. Indonesian music is considered good and can compete internationally. Music development in Indonesia is really dynamic with a lot of new breakthrough artist and local song that can enter top chart global. Nowadays, many digital platforms that can be accessed by all people freely also support Indonesian music. In addition, the purchase of cheap digital music also reduces piracy. Some famous Indonesian musician who have broken through to global recognition are Anggun, Agnez mo, Starts and Rabbit, Rich Brian, THE S.I.G.I.T, MOCCA, Joey Alexander, and Sandy Sandoro.



**Figure 4. 8 Indonesian singer in Hollywood**

Source: (Hai, 2016)

## k. Publishing



**Figure 4. 9 Anggun as international judge**

Source: (Rahman, 2015)

This activity is related to content writing and book publication, journals and newspapers, magazines, tabloids and digital content as well as news agency activities. In addition, this sub-sector also includes the publication of stamps, banknotes, stamps and other special publications.

Publishing plays an active role in building the intellectual strength of the nation. The emergence of writers, researchers, and scholars, cannot be separated from the role of this industry. Although the author's profession is still considered less promising, many young writers are very enthusiastic, alternately publishing their works.

### l. Advertisement

Advertisement activities includes the process of creation, production and distribution of the advertisements produced, for example: market research, advertising communication planning, production of advertising materials, promotions, public relations campaigns, display of advertisements in print media such as newspapers and magazines.

**m. Performing Arts**

Indonesia has a lot of cultural diversity which causes Indonesia to have a lot of diversity of performing arts such as puppets, theater, dance and so on.

**n. Fine Arts**

Indonesian fine art is very developed. A Lot of famous artists in Indonesia are created individually or through art institutions in Indonesia. Some Indonesian artist that already shown their artworks domestically and internationally are Affandi, Abdullah Suriosubroto, Basuki Abdullah, Joko Pekik, and some young Indonesian artist such as Roby Dwi Antono, Naufal Abshar, Alvian Anta Putra dan Abenk Alter. Besides that, art curators also support Indonesian artists. There are several international exhibitions held to showcase the artwork of Indonesian artist such as Jogja Biennale, ARTJOG, ART Bali, and Art Jakarta.

**o. Television and Radio**

This creative activity is related to the creation, production and packaging of television programs such as reality shows, infotainments, talk shows, news and another entertainment program.

**p. Photography**

People interest in photography is always increasing and appreciation from Indonesian society also getting higher. People's interest in photography is very significant especially in big cities such as Jakarta, Bandung, Surabaya and Yogyakarta. The development of the photography sub-sector is also inseparable from the youth who are enthusiastic about learning photography.

**3. BEKRAF Tasks**

As a non-government organization, BEKRAF should be responsible to the President because BEKRAF must assist the President in formulating and coordinating Indonesia's creative economy. BEKRAF is also responsible for managing the economy and creative industries in Indonesia. Moreover, another task of BEKRAF are formulation, coaching and implementation of economic policy.

- a. Formulation, Determination and implementation of Creative Economy policies in 16 sectors
- b. Implementation and policy making Planning for implementing economic programs
- c. Providing technical guidance and supervision on the implementation of creative economic policies and programs
- d. Coaching and providing support to all creative economic stakeholders
- e. Implementation of communication and coordination with State institutions, ministries, non-ministerial government institutions, regional governments and other related parties
- f. Implementation of other functions assigned by the president related to the creative economy

#### **4. Policy direction and BEKRAF national strategy**

BEKRAF has a vision of developing a creative economy by building economic partnerships by encouraging the development of economic creativity. BEKRAF creates several issues regarding to policy direction and national strategy to support and facilitate creative economic actors.

First issue is Infrastructure. The provision of physical and non-physical facilities and infrastructure is very important to support the development of creativity, which has become a primary order requirement. If there are no qualified facilities and infrastructure, creativity will be difficult to develop and the creative economic contribution to the national economy will increase.

Second issue is regulation. One of the challenges faced by creative economic actors is regulations that burden and do not support their efforts in developing the creative economy. Therefore, it is necessary to map regulations related to the development of the creative economy to get an idea of what the regulations, which support creative economic actors. In addition there is no umbrella act that regulates creative economy and cross-sectional coordination. Moreover, it is important to make a drafting legislation related to supporting creative economy. Third issue is Collaboration and

Coordination of cross-sectorial and Instructional. Creative economic developments are closely related to various government institutions such as the Ministry of Trade, Ministry of Economy, Ministry of Communication and Information, Ministry of Education and Culture, Ministry of Tourism and others. But until now there is still no coordination and maximum collaboration program with ministries. Related ministry institutions also need regulations and understanding that regulate creative economic cooperation. In addition, sectorial coordination and cooperation with regional institutions must also be carried out fairly and evenly.

Fourth issue is protection of Intellectual Property Rights (IPR) including importance of copyright. Protecting the intellectual property of an artwork is really important, but not all creative economic actors understand this. Moreover, the need for a collaborative programs from BEKRAF and government so that creative industry players can easily register intellectual property. Copyright is as one of the main branches of intellectual property and applies to “every production in the literary, scientific, and artistic domain, whatever may be the mode or form of its expression” ((WIPO), 2015). These are industries that are wholly engaged in creation, production, and manufacturing, performance, broadcast, communication, and exhibition, or distribution and sales of works and other protected subject matter. In other words, the core copyright industries are industries that would not be in existence if not for their copyright subject matter. This category includes 9 (nine) groups of: (1) press and literature; (2) music, theatrical productions, and opera; (3) motion picture and video; (4) radio and television; (5) photography; (6) software and databases; (7) visual and graphic arts; (8) advertising services; and (9) copyright collective management societies (Dewi, 2014 ).

Fifth issue is human resource research and development. The availability and development of professional and competitive Human Resources is important

in the development of the creative economy. Economic change is determined by the quality of human resources in exploring creativity as innovation for the main drivers in developing the creative economy. Therefore, if the community already has innovation and creativity, the acceleration of economic development will be faster. Therefore, choices in developing a creative economy will increase competitive business (De Natale & Wassal, 2006). Indonesia is still experiencing problem of uneven quality, the quantity that causes the quality of natural resources is still less than other ASEAN countries. Therefore it is very important to develop cooperation and collaboration with relevant stakeholders such as the ministry of industry, the ministry of education and protection of cultural resources as sources of inspiration

Sixth issue is capital. The lack of knowledge and understanding of financial economics results in limited space for the growth of Indonesia's creative economy. Therefore, communication and coordination with the Otoritas Jasa Keuangan (OJK) need to be improved.

Seventh issue is promotion, distribution and marketing. To increase the target of marketing national creative products and services, synergy and optimization of joint marketing activities of Badan Usaha Milik Negara (BUMN) is very necessary. The role of product and service marketing agents greatly helps the Indonesian creative economy by publishing articles that are published so that the wider community can recognize services and products.

## **B. Exhibition Collaboration between Indonesia and Singapore**

This activity is collaboration between the Indonesian Embassy in Singapore and the Singapore National Design Center. The exhibition is called "RISING Design Bazaar" was held at the National Design Center Singapore. This activity is a celebration of the 50th anniversary of bilateral relations between Indonesia and Singapore. This activity is carried out within three days from November 3 to 5, 2017. The marketed products include fashion, jewelry, handicrafts, light-furniture, coffee,

snacks and refreshments. SMEs who participate in RISING50 BAZZAR are Aira Gallery, Baju by Onitta, @BaraSilver, Batik Dwi Hadi, Birru Jewelry, Bettr Barista Coffee Axademy, Binary Style, Creative Batik, PT Wadah Pangan Makmur, Fossa Chocolate, Forest Child, Gypsied, @Songketdeli, Helda's snack, IWAPI NTB Indah Mutiara Lombok, @Kultiva, Meraki Goods, Pt. Sinar Sosro, Palu Carving Art, Ranis Handmade, TARA BAGS, Tenun\_Ikat, Threadapeutric, Silvarrie walkway collection.



**Figure 4. 10 Indonesian SMEs product**

Source: (Akbar , 2017)





**Figure 4. 11 Launching of RI SING Design Bazaar**  
Source: (Akbar, 2017)

More than 300 visitors and invitations during the opening day on the first day attended the exhibition. During the three days recorded, 3,000 people have visited this exhibition from various walks of life. This exhibition took place from November 3 to 5, 2017. This activity included 18 Indonesian SMEs actors and 10 Singapore industry players. (Setio, 2017)

This activity aims to open access to the Singapore market. This activity is a good start to increase interaction and beneficial cooperation for SMEs actors in both countries and expand the opportunities of the ASEAN Economic Community. This activity is beneficial for SMEs to prepare themselves to enter the

digital world through online marketing and e-commerce. In addition, RISING50 BAZAAR will provide motivation for Indonesian SMEs to further improve product quality, access marketing, and expand public networks both domestically and globally (Gutomo, 2017).

### **C. Final Income Tax Reduction**

Paying taxes is mandatory for every citizen. Paying taxes must be done for all fixed income earners in Indonesia (Suryowati, 2016). In 2018, President Joko Widodo adopted a new rule regarding Income Tax for SMEs. The amendment to this law encourages people to participate in formal economic activities by providing convenience and more justice to taxpayers who have certain gross circulation for a certain period of time. This regulation is a revision of government regulation number 46 of 2013 concerning income tax on income from business received or obtained by taxpayers who have certain gross circulation. This change is based on Government Regulation Number 23 of 2018 concerning income tax on business income received or obtained by taxpayers who have certain gross circulation.

The contribution of SMEs to the state is remarkable. The development of the world economy will be dominated by small and medium enterprises, in other words some countries that have a strong network of small businesses will automatically succeed in global competition (Naisbitt, 1994). In the last 10 years, SMEs have become a boost to the Indonesian economy. SMEs have a proportion of 99.99% of the total business actors in Indonesia or as many as 56,534,592 units (Gunartin, 2017). SMEs accounted for 97 percent of the workforce in Indonesia; SMEs also contributed 68 percent to the gross domestic product (Julianto, 2018). Finance Minister Sri Mulyani Indrawati said that the priority of this new route was to develop the business world while making it easier for SMEs to fulfill their tax obligations. The reduction in tariffs from 1 percent to 0.5 percent is believed to reduce the tax burden so that industry players can increase their economic capacity to develop their respective businesses. Low tariff will motivate people to jump in and open businesses

and create new jobs. In addition, lower tariffs will encourage tax compliance to increase so that the taxation database of the taxation directorate is getting stronger (Putera, Melihat Detil Aturan Tarif PPh Final UMKM 0,5 Persen, 2018). In addition, the new 0.5 percent tariff policy per year is considered to be quite good and conducive, especially for SMEs players in the e-commerce sector whose business is in the growth phase. (Putera, Melihat Detil Aturan Tarif PPh Final UMKM 0,5 Persen, 2018)

Tax incentives are given in order to increase the value of investments and encourage business activities to be more developed in the coming year. Besides being able to encourage business activities of SMEs, with the right policies and good implementation, this regulation will expand the tax base because it encourages more and more SMEs actors to enter the taxation system. With the adoption of new tariffs, the burden borne by SMEs actors is smaller, so that SMEs actors have greater economic capacity to develop businesses and investments.

New tariff taxes are one of the four policies of tax incentives. Three of them are the tax holiday rules, tax allowances, and personal incentives taxes for companies conducting research. Tax incentives are given in order to optimize the value of investments to optimize the value of investments and business habits to be more developed. (Mardlo, 2017)

In 2014-2016 the number of SMEs was more than 57.9 million units and in 2017 the number increased to 59 million. After the tax reduction in 2018 the number increased again to 59.2 million units with the distribution of 18 million units in the trade subsector and around 10 million units in the creative industry subsector. (Amalia, 2017)