

Sustainability of the Small Industrial Sector in The Face of Increasing BBM in Indonesia

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ABSTRACT

The assessment of various parties is that the government has not implemented a plan that can minimize the impact of the increase in subsidized fuel prices, the transfers carried out prioritize only social interests, so that weak market mechanisms must be taken seriously. This is certainly homework for the industrial sector to immediately take appropriate action regarding the impact of rising fuel prices. The types of research data collected are primary data obtained through direct observation and surveys as well as secondary data in the form of reports from each relevant SME department and data through case studies and comparative studies through reviews of previous research and policy references, in order to obtain sufficient data. and accountable. Case studies are carried out on SME target objects according to predetermined criteria. Based on the research results, it was found that the turnover of the two MSME respondents in the food and beverage sector was reduced because of the fuel price increase policy. The food and beverage cost variables for MSMEs most affected by the increase in subsidized fuel are as follows: (1) Transportation costs (2) Raw material costs (3) Capital costs.

INTRODUCTION

After the outbreak of Pandemic Covid-19 which became a real threat of Indonesia in 2015, Indonesia's economic growth now faces many new challenges in improving the stability of people's lives. Increasing the price of fuel oil (BBM) since October 1, 2023 with a price difference of Rp 1,300 for certain types of oil fuel causes many positive and negative effects for all economic sectors in Indonesia, including the industrial sector. The positive increase in fuel is expected to be a stimulus for the industrial sector to use alternative energy to reduce fuel consumption. In terms of negative, although subsidized fuel is no longer applied to the industrial sector since 2006, the increase in subsidized fuel still has an impact on the industrial sector of micro and small in production costs such as transportation. The reasons for the increase in subsidized fuel are considered not pro to the industry, the effects that occur in the future if this continues to be left, then producers who are unable to compete competitively both in the large industrial sector let alone small forced to go out of business. This prediction certainly has a reason, the phenomenon of fuel increases causes people's purchasing power to decrease in secondary goods, as a result production goods increase, and the warehouse is filled with production goods that are not sold.

The government as a policy maker is considered too fast in decision making. Assessment from various parties confronts the government to lack planning that can minimize the effects of the increase in subsidized fuel, the transfer carried out further prioritizes its social interests, so that the market mechanism is less seriously considered. Various facts show that the increase in fuel has raised inflation by approximately 2% from the initial 5% to 7% as revealed by the Minister of Finance Mrs. Sri Mulyani, this impact will be continues to continue until in 2024. The biggest inflation contribution was born from the first, commodity goods, then followed by transportation costs. This is certainly a homework for the industrial sector to immediately take appropriate action regarding the impact of the increase in fuel and

for the government increase subsidized fuel will certainly further worsen the situation if it does not immediately pay attention to it.

As one of the parts that affect national growth, the industrial sector is now faced with a complex problem on how to spur domestic consumption expenditure, improve the investment climate, maintain the balance of import exports, the realization of infrastructure development in the midst of the rush of fuel increases. Government involvement in this issue is a big hope for the industrial sector.

The Global Economy (2021) and the Ministry of Cooperatives, Small and Medium Enterprises (2021) reported data related to coal consumption (CC), electricity consumption (EC), oil consumption (OC), MSMEs, and export capacity of goods and services (CEGS) against GDP in Indonesia. MSMEs have absorbed 96.92% of the total workforce or at least 119.6 million people who are very dependent on this industry. There is no doubt that the MSME industry is able to contribute 60.51% of GDP with applicable prices. Interestingly, in terms of GDP on the basis of constant prices, the performing MSMEs also show positive performance reaching 57.14%.

Increased demands of society and the complexity of problems that must be handled. Demanding efforts to improve the performance of local governments through macro policy in order to improve the welfare of the community, especially in the city of Bandung which refers to the Regional Regulation of the City of Bandung Number 08 of 2008 concerning Regional Long-Term Development Plan (RPJPD) of 2005-2025. With a total of 3,328 MSMEs in 2023, currently the role of cooperatives and MSMEs in the formation of the welfare of the people of West Java (West Java) is very large. This is in line with the latest data found from the Central Statistics Agency about the role of MSMEs in West Java which is explained through the following table:

Table 1. West Java Economic Growth Quarter II 2022

The role of GRDP (%)	quarter 1	quarter 2
Tahun 2022	5,61%	5,68%

Source: Bank Indonesia West Java Province 2022.

Based on Table 1, it can be concluded that the economy of West Java in the second quarter of 2022 recorded a positive growth of 5.68% (yoy), increased compared to the first quarter of 2022 which grew by 5.61% (yoy). Quarterly, economic growth was recorded at 3.72% (QTQ), higher than the first quarter of 2022 which only grew 1.86% (QTQ). The first thing that can be concluded is, it cannot be denied that MSMEs have a large role in GRDP compared to large businesses. In his interview with Fajar Cirebon, Deputy Head of Bank Indonesia Representative Answers Barat, Jefri Dwi Putra said, the Micro, Small and Medium Enterprises (MSME) sector has a strategic role in economic development in West Java. This is shown by the amount of MSME contribution to the Gross Regional Domestic Product (GRDP) of West Java which reached 57.14 percent (4 November 2022).

Second, that there was an increase in the role of MSMEs from 2020 to 2022 by 4.62% where MSMEs of food and beverage types are MSMEs that have the most significant growth when compared to other types of MSMEs. In this case the Central Statistics Agency in 2013 in the table explains as follows:

Table 2. Growth in the production of micro and small manufacturing industries in Indonesia quarterly 2020-2022

No	Type of Manufacturing Industry	Number Of Businesses	Worker (%)	2020	Growth 2021	2022
1	Food industry	1.542.410	3.187.040	-9,52%	1,53%	4,62%
2	Clothing Industry	533.217	999.476	-26,33%	2,16%	6,69%
3	Metal industry, not their machinery and equipment	134.367	312.263	-22,29	-4,48%	-2,95%

Source: National Statistics Agency (BPS) 2022

Based on table 2, it has been clearly seen that the finished clothing industry and food have high growth of 3 types of manufacturing industries that are a comparison, where the total growth of the food and clothing industry contributes to national income of 11.31 % in 2022. This must certainly be to become The center of attention of the government with a large role and growth, considering that MSMEs will experience the toughest impact due to the increase in fuel, this opinion is in line with observers from the Minister of Cooperatives and SMEs Mr. Teten Masduki has the potential to accept the toughest impact of the policy of rising fuel prices (BBM) subsidized because Increasing interest rates to control inflation which will actually make their business heavier (Jakarta 1 September 2023). The conclusion that can be drawn is that the increase in fuel will have a short and long -term impact, both macro and micro in terms of national economic performance.

The problem to be examined is to determine how the relationship between the impact of the policy increase in subsidized fuel prices on the continuity of the national economy of the small industry sector. This research was conducted to see how much the impact of fuel increases and providing alternative government policy evaluation relating to the determination of fuel prices in an effort to minimize the deficit of the small industrial sector.

RESEARCH METHOD

In this study, researchers used descriptive-evaluative types of research, which is a study describing the phenomena and various problems that exist. Descriptive research, is a picture or painting systematically, factually and accurately regarding the phenomenon or relationship between the phenomena being investigated. The approach used in the study is an evaluative approach, where researchers intend to collect data on the implementation of policies that have been carried out. (Salim & Haidir, 2019) This study observes and analyzes phenomena using the Before - After method, namely; Analyzing the use of guidelines that are used as the foundation by the Government of Gegerkalong Village, Sukasari District, Bandung City in various MSME empowerment policies. The type of research data collected is primary data obtained through observations or direct interviews and surveys, and secondary data in the form of reports of each related agency regarding MSMEs and data through case studies and comparative studies through previous studies and policy references, in order to obtain data that is obtained sufficient and can be accounted for. Case studies are conducted on MSME target objects according to established criteria.

RESULTS AND DISCUSSION

The city of Bandung has an important role in the economy of West Java, the rate of economic growth in the city of Bandung is relatively high, above the average economic growth of West Java, national, and even international. Based on official data from West Java Public Relations, the rate of

economic growth (LPE) of West Java Province grew positively from year to year. In 2023, the West Java LPE was recorded on the highest on Java (above DKI Jakarta, Banten, Central Java, East Java and Yogyakarta), and the seventh highest nationally (19 July 2023).

The Bandung City Small and Medium Enterprises Cooperative Office was formed based on the Bandung City Regional Regulation No.13 of 2007, a merger of two offices, namely the Bandung City Cooperative Office and the Industry and Trade Office. The Bandung City Cooperative Office was previously a vertical agency under the MSME Cooperative Department at the Regency/City level named the Office of the Department of Cooperatives of Small Trading Entrepreneurs. The characteristics of MSMEs in the city of Bandung are almost no different from MSMEs and other cities in Indonesia. In addition to the criteria for classification of MSMEs as mentioned in Law No. 20 of 2008 concerning MSMEs, several characteristics of MSMEs can be mentioned for others informally outside the law. LPEM research shows various internal characteristics and problems faced by MSMEs. The problems faced are in the form of problems related to the quality of human resources including the low level of education of the owner and employee, the limited and low availability of capital owned, access and convenience for the training program. In terms of production, the problem faced is the high price of machinery, the scarcity of technology access and transportation costs that continue to increase.

In 2020 the government continued to strive so that MSMEs could support the economic joints, strengthen, and be able to dominate the economy. As stipulated in the regulation of the Mayor of Bandung Number 61 of 2022 concerning the position, organizational structure, duties, and functions as well as the work procedures of the Cooperative and Small and Medium Enterprises Office, all regional apparatuses together formulate and run programs to build and develop cooperatives and MSME actors. The Bandung City UMKM Cooperative Office is recording the number of MSME actors regularly, the following is the information on the Bandung City UMKM data table in the last 5 years:

Table 3. MSME data per year at the Bandung City Cooperative Office

Year	Business classification			Total
	Micro business	Small Business	Medium Enterprises	
2019	329	29	2	360
2020	262	6	0	268
2021	1843	8	1	1852
2022	717	10	1	728
2023	118	2	0	120

Source: <https://sirkuit.bandung.go.id/#data-umkm>

As can be seen in the table, the total total number of MSME actors in Bandung reached 3,328 accumulated MSMEs from 2019 to 2023. The number of MSMEs in Bandung based on information above demanded government policies, especially the City MSME Cooperative Office to further build In -depth regarding the empowerment program for MSME actors included in the fostered MSMEs in the service.

To support government policy, several short -term strategies and long -term strategies need to be considered by the government. Short -term strategies related to the implementation of strict health protocols, providing opportunities and encouragement of digital services as supporters of MSMEs, socialization of business actors associations, simplifying administrative processes, and efforts to encourage changes in business strategies (Anggraeni Charismanur Wilfarda, Wulan Puspita Ningtiyas, 2021). Long -term strategies relating to efforts to prepare road maps for MSME development, building digital technology as a platform in the MSME business process, developing modern MSME business models, and encouraging government collaboration with corporations in empowering MSMEs. The

conditions needed so that SME empowerment can be carried out, namely; (1) competitive environment, (2) access to funding, (3) technical competencies and exploitation, (4) legal basis.

It is unfortunate, as in many developing countries, in Indonesia the situation has not been fully created. Until now there are still many problems related to domestic competition, limitations of funding, technical limitations and the absence of legal and legislation. Even now MSMEs are also experiencing structural weaknesses and facing many challenges, especially in production.

The condition of MSMEs in the Bandung Gegerkalong Village, is generally not much different from the conditions of MSMEs in other cities, which is a business that is mostly not managed professionally, without clear management and only to support families and have obstacles in terms of production costs. Kelurahan Gegerkalong, Sukasari District itself has 10 types of MSMEs registered, namely:

Table 4. UMKM Data Gegerkalong Village, Sukasari District 2022

No	Name of the Owner	Address	Business Type	Number of Employees	Ward	Subdistrict
1	Mindayani	Gegerkalong Tengah 70	Sablon	2	Gegerkalong	Sukasari
2	Neni Rukmini	Gegerkalong tengah	Buat kue	4	Gegerkalong	Sukasari
3	Ira Amelia	Gegerkalong Tengah	Rajutan	2	Gegerkalong	Sukasari
4	Neneng Ulfah	Jl. Kartika 200 2/2	Acesories	2	Gegerkalong	Sukasari
5	Rosyanti	Jl. Pak Gatot 3/2	Handy craft	2	Gegerkalong	Sukasari
6	Rita Iriana	Jl. Topografi 4/2	Baju Muslimah	3	Gegerkalong	Sukasari
7	Pepen Sutisna	Jl. Sukajadi atas No 221	Kerajinan rotan	2	Gegerkalong	Sukasari
8	Die Djit lie	JL Bpk. Erin no 227	Kecimpring	2	Gegerkalong	Sukasari
9	Ade Tata	Jl. Gegerkalong Hilir No. 154	Kerajinan wayang Golek	2	Gegerkalong	Sukasari
10	E Salsih Resmiati	Jl. Gegerkalong Hilir RT 03/08	Kue dan Kerupuk	2	Gegerkalong	Sukasari

Source: Data Gegerkalong, 2022

Based on Table 4, it is known that the number of MSME populations in Gegerkalong Village, Sukasari District in 2022 is 10 units of the 10 units, the researcher uses proportionate stratified random sampling techniques by taking 2 samples based on the type of food and beverage category under study.

Respondents 1

UMKM Foods Special Cakes and Snacks belonging to Mrs. Neni Rukmini. With a turnover from September (before BBM increased) until November (after BBM increased) as follows:

Table 5. Acceptance in September-November, Neni's Cake Shop

No	Company	Month	Income/turnover (Rp)	Assets (Rp)	%
1	Toko kue Neni	Juni	1.750.000	2.450.000	
		Juli	1.250.000	1.500.000	29%
		Agustus	950.000	1.200.000	24%

Source: Survey data

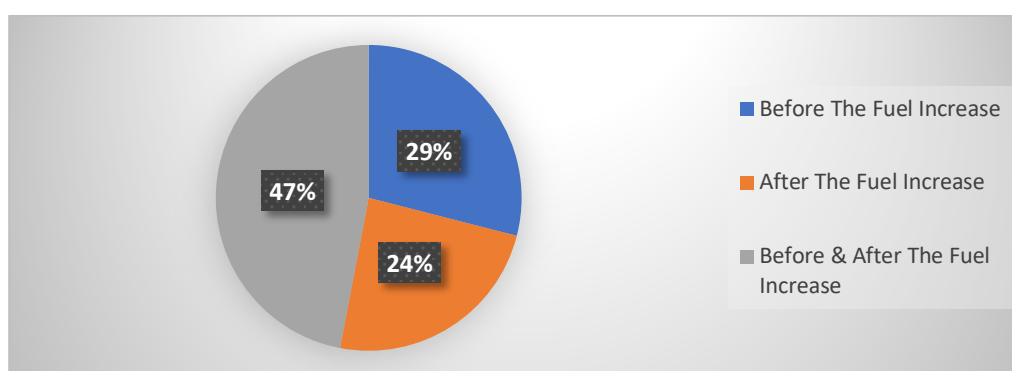
Calculation of total assets:

Capital + Income – Production Costs

June Assets: IDR 500,000 + IDR 1.750,000 – IDR 200,000 = IDR 2,450,000

July Assets: IDR 500,000 + IDR 1,250,000 – IDR 250,000 = Rp. 1,500,000

August Assets: Rp. 500,000 + Rp. 950,000 – Rp. 250,000 = Rp. 1,200,000

**Figure 1. Composition of Decrease in Turnover, Neni's Cake Shop**

Source: Processed Data, 2022

From table 5 it can be seen that the turnover of the Neni Cake shop decreased by 29% in July due to an increase in production costs and decreased again in August by 24%. Neni Ulfah, the shop owner, also admitted that the increase in production costs had increased in August before the fuel price policy was issued in October, due to price speculation in the market.

Respondent 2

UMKM Food, drink, specializing in cakes and crackers owned by Mrs. E Salsih Ahliati. Using the same technique as the previous respondent, namely turnover from September (before fuel increased) to November (after fuel increased) as follows:

**Table 6. Acceptance in September-November
Cake and Cracker Shop owned by Mrs. E Salsih Ahliati**

No	Company	Month	Income/turnover (Rp)	Assets (Rp)	%
1	Kue dan Kerupuk Salsih	Juni	2.650.000	3.060.000	
		Juli	2.575.000	2.995.000	2,83
		Agustus	2.380.000	2.810.000	7,57

Source: Survey data, 2022

Calculation of total assets:

Capital + Income – Production Costs

June Assets: IDR 850,000 + IDR 2,650,000 – IDR 440,000 = IDR 3,060,000

July Assets: IDR 900,000+ IDR 2,575,000- IDR. 480,000 = Rp. 2,995,000

August Assets: Rp. 950,000+ Rp. 2,380,000 - Rp. 520,000 = Rp. 2,810,000

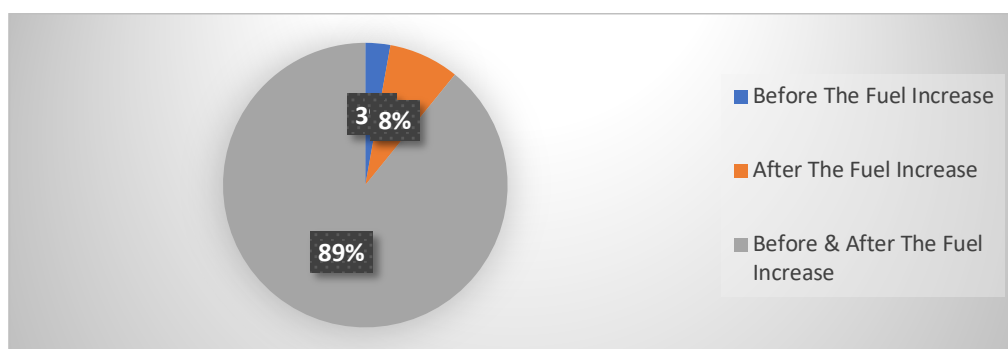


Figure 2. Composition of Decrease in Turnover
Cake and Cracker Shop owned by Mrs. E Salsih Ahliati

Source: Processed Data, 2022

From table 6 it can be seen that the turnover of the Salsih Cake and Crackers shop was 2.89% in July due to an increase in production costs and decreased again in August by 7.57%. The decrease, which was not too significant, occurred due to business owners increasing business capital in line with the increase in production costs each month.

MSMEs have a very large role in the national economy. The functions and roles of MSMEs include providing goods and services, absorbing labor, equalizing income, adding value to regional products, increasing living standards. Seeing its enormous role, the guidance and development of small industry is not only important as a pathway towards equal distribution of development results but also as a basic element of the entire industrial structure in Indonesia, because with a small investment it can be produced effectively and can absorb a lot of labor. . So that in the long term the government can reduce inflation.

Decisions in MSMEs are taken by the entrepreneurs themselves, so their choices may be influenced by their character, mentality, attitude and psychological mindset. Apart from that, the conditions in which they carry out this behavior can influence their decisions in handling business (Fathaniah, 2020). The first component of the entrepreneurial disposition aspect is the perception of accountability for environmental motives, which means moral responsibility for the lives of future generations. Xia et.al (2019) discussed attachment to the environment as an altruistic element in the use of energy, especially fuel, as a determinant in terms of production. surveys that have been carried out on research results is a reflection of how entrepreneurs determine their attitudes and motivations towards business continuity before and after the increase in fuel prices. This research assimilates environmental accountability with altruistic elements into one component which describes this component as the value given by MSME entrepreneurs to environmental accountability and government-regulated policies. (S. Rahbauer; M. Staudigel; J. Roosen & Technical, 1995) interviewed small and medium-sized companies in Germany that do not use renewable energy sources. They expressed that the community wants to improve environmental conditions for future generations. Therefore, their attitude is an important variable in determining the use of energy, especially oil-based energy, by companies. In this research, company owners expressed strong agreement that they really care about choosing the right decisions in order to survive and develop amidst the phenomenon of facing rising fuel prices.

According to (Fadilah et al., 2020) there are seven important factors that must be considered and implemented by a company in order to survive and develop for a long time, namely: 1) Unity of Vision and Mission (Strategic Intense) of a company, 2) Decision making appropriate, 3) Continuously

planned financial management, 4) Business planning, 5) Team management within the company, 6) Execution, 7) The right time to start a business. Apart from these things, re-planning is also needed by preparing contingency plans as an effort to anticipate various possibilities such as a pandemic which is something that cannot be predicted. This should become the awareness of business owners in developing knowledge, especially in managing the business more professionally through careful planning by determining strategic steps both in the short and long term for the sustainability of the business they own.

The ability to master technology is one of the challenges that prevents MSMEs from adopting innovative technology and can also create opportunities for MSMEs to utilize it to overcome competition with existing large businesses. (Ilyas & Hartono, 2023) stated that "adaptation of new technology in MSMEs with digital transformation can help dominate the market. By introducing products or services that meet the needs of the lower and middle class, these products or services will occupy the digital market." In this context, MSMEs in Gegerkalong Village, Sukasari District represent the lower- and middle-class market in Bandung City. How do managers or owners react to adopting digital technology as a valuable asset to improve their business is very important. Managers (owners) of innovation activities with E-commerce in MSMEs are a focused effort to utilize or at least start the digital transformation process. In addition, as time goes by and times change, managers (owners) are expected to save production costs and ultimately adopt innovative products through digital market application platforms. (Parameswari, 2022) Therefore, the specific meaning used for digital transformation in the business world in this research is: the intention of managers (owners)) MSMEs to adopt technology to increase business efficiency and effectiveness. The management (owner) of MSME digital innovation activities is a focused effort to utilize technology which is increasingly experiencing rapid development. As one of the strategic steps that MSME business players can also take (Anggraeni Charismanur Wilfarda, Wulan Puspita Ningtiyas, 2021):

1. Follow and utilize technology as an effort to improve business marketing, such as utilizing social media Facebook ads, Instagram ads, Twitter ads and others as well as providing delivery services due to the fuel increase policy in Indonesia.
2. Have innovation to change the business into a form of digital marketing or E-commerce.
3. Business actors do not only rely on assistance from the government, MSME actors must remain focused on consumer needs and always innovate according to consumer preferences and behavior.
4. Continue to maintain good relationships and collaborate with suppliers, distributors, and vendors. Apart from that, it also collaborates with financial institutions such as banks as partners and as a source of financing, assistance and business development.

Fuel Oil (BBM) is a commodity that determines the continuity of a country's economy. As a system consisting of sub-systems or elements, the composition of policy can be seen from two perspectives: from the policy process and from the policy structure. Problems are a very important element in policy. Mistakes in determining the problem correctly can lead to total failure in the entire policy process. Some of these means include: power, incentives, capacity building, symbolic, and policy change itself. The fuel subsidy policy in Indonesia is as follows:

1. Fuel subsidies are the difference between the fuel price determined by Presidential Regulation (retail price) and the benchmark fuel price.
2. Provided to help stabilize the price of goods (BBM) which has a broad impact on society.
3. Subsidized fuel is fuel that concerns the livelihoods of many people and has special characteristics due to certain conditions, such as being designated as a Specific Fuel (BBT).
4. Administered price policy is implemented for Premium Fuel, Kerosene and Diesel, so that the selling price of the commodity is cheaper than the market price.

5. Channeled through a state company (Pertamina) and efforts are made to be more targeted.

Since 2002, Indonesia has imported crude oil due to the decline in domestic oil production. Apart from that, Indonesia also implemented a fuel subsidy policy to reduce the burden on society due to high world oil prices. The amount of this subsidy will fluctuate in line with changes in world oil prices. Tentatively and stated in the National Energy Management Blueprint 2005-2025. Fuel is a basic material for carrying out activities in all sectors and life, so a very drastic increase in fuel prices will increase the prices of goods and services, including in small sectors such as SMEs, even though in reality fuel costs only cover around 6 percent of the average processing industry production costs. However, transportation expenditure on average accounts for around 2.60 percent of the entire production budget. Therefore, small sector groups and SMEs are the ones most burdened by the increase in fuel prices, because apart from fuel input and transportation costs, input costs will definitely also increase in price, while the output produced is relatively small.

Based on a study by the Migas Downstream Regulatory Agency (BPH), the inaccurate targeting of fuel subsidies is due to the absence of supervision in the distribution of both subsidized and unsubsidized fuel. This weak supervision occurs because there is no cross-sectoral coordination between the central government and regional governments. This lack of effective communication causes fuel shortages and misuse of subsidized fuel. If this problem continues, problems in the fuel sector could hamper cross-sectoral economic growth. The government's role in the allocation sector is to ensure the efficient use of economic resources, which cannot be achieved through free market mechanisms. Economics differentiates efficiency into two, namely allocative efficiency and x-efficiency. Allocative efficiency is the allocation of economic resources in accordance with the budget constraints of consumers of goods and services. X- efficiency shows conditions on the supply side, namely whether the provision of goods and services has been carried out at minimum costs. Apart from playing a role in resource allocation, the government also plays a role in distribution.

The government can influence income distribution indirectly with government spending policies, for example with premium fuel subsidies. The amount of fuel subsidies issued by the government depends on world oil prices which are often unstable. The higher world oil prices, the more funds the government will budget for subsidies.

An alternative to reduce government spending is to increase fuel prices, especially the premium type which is the highest energy consumption. Based on the explanation above, it can be concluded that there is an existing problem regarding the increase in fuel prices which has resulted in soaring food prices which have affected the continuity of the small industrial sector and SMEs.

Detailed research regarding the impact of the increase in fuel prices from October 1 2023 on MSMEs has not been found. However, several studies on strategies for dealing with the impact of fuel price increases from year-to-year show that the impact appears significant. Research (Parameswari, 2022) concludes that consistent oil consumption has a positive impact on MSMEs in increasing economic growth in Indonesia. Of the 20 OECD countries selected during 1980-2011, the price elasticity based on oil demand in long-term income has negative and positive elasticities. The feedback hypothesis encourages bidirectional causality from oil consumption to economic growth and vice versa (Ishioro, 2022). Responding to this, (Wahyudi Wibowo, 2022) urged the global need to minimize the use of new coal commodities. The electricity sector is growing rapidly in developing countries, including Indonesia, which uses a lot of coal as the main fuel. In 1965-2017, along with the increasing income of urban communities, which was marked by the growth rate of urbanization, the need for energy mix continued to increase. The underestimation of population numbers causes the energy intensity of GDP to also increase. The biggest impact on coal consumption, considering the socio-economic impact, is an increase in the relative share of population growth in absolute terms. The commitment of urban communities must be to individually address fossil fuel emissions, especially

coal. This shows that countries that are classified as developed countries really pay attention to environmental pollution problems without ignoring economic aspects, especially the small and medium business sector.

Several studies also offer a commitment to providing problem analysis and solutions in providing information to business people about how to be creative in innovating to reduce production costs through the use of fuel. The logical reality was stated by (Pahle et al., 2016), where the "green growth concept" is an important component in evaluating the renewable energy mix, (including coal). Realizing that sustainable development has become the main thing that has been in the spotlight in the last few decades, they demand that it prioritize social elements and optimize the economy. So far, trade liberalization has been uneven among companies and countries around the world. The position of SMEs in developing countries such as Indonesia is less competitive and participates less in the export market compared to countries with a greater level of escalation. Export regulations in Indonesia are still monitored by the government because link and match is hampered by the characteristics of the owners (exporters and non-exporters), their participation in export assistance, national network relationships, and other perceptions that hinder the export side. (Wahyudi Wibowo, 2022) mentions the determining factors for MSME performance in exports in Pakistan. Investigative evidence from manufacturing companies produces four determinants of MSME exports, including export market orientation, business networks, total quality management, and entrepreneurial orientation.

Although the Indonesian Government wants to reduce traditional dependence on raw commodity exports and increase the role of the manufacturing industry (for example through Law No. 4 of 2009 concerning mineral and coal mining), this is a steep road – especially because the private sector is a party involved. still hesitant to invest (Tumiwa & Nagy, 2021). However, this transformation is necessary because the decline in commodity prices after 2011 (which was largely caused by weakening Chinese economic growth) has had a drastic impact on Indonesia. Its export performance weakened significantly (Rodríguez-Pose, 2015), which meant less foreign exchange earnings and reduced purchasing power, leading to an economic slowdown (Tumiwa & Nagy, 2021). There is a significant dispute between market prices and subsidized fuel prices in Indonesia, this step immediately causes inflation to increase from under 10% to between 14% and 19% (year on year), until October 2023. Fuel subsidies in Indonesia fluctuate until it reached its peak in 2014. Political considerations caused an increase in fuel to IDR 246.5 trillion and electricity to IDR 103.8 trillion. After that, energy subsidies began to be reduced to proportional levels to stimulate business growth and maintain inflation levels

Republika News stated that many MSMEs in Sukabumi, West Java, had to close down due to the fuel subsidy reform policy (Republika Online, 2013). Antara News (2013) quoted complaints that rising production costs made it difficult for companies to expand, and also stated that price changes were felt by many MSMEs in East Java, and had even threatened a number of businesses to go bankrupt. In Malang City, East Java, at least 10,000 local SMEs are at risk of bankruptcy due to a sharp increase in operational costs (especially transportation costs) following changes in fuel prices (Antara News, 2013). The rate of increase will vary by industry group, according to the amount of energy and type of energy they consume. On the other hand, indirect impacts arise through secondary (knock-on) effects caused by increases in energy prices on other aspects of SMEs, such as increases in other input costs or decreases in consumers' real income, which results in a decrease in demand.

In improving policies, the Government needs to create favorable conditions for the growth of MSMEs by removing obstacles such as limited access to finance. An important issue for the Indonesian Government is strengthening human resources, including employee knowledge, experience and skills. The Indonesian government must also reduce energy subsidies to prevent future problems.

CONCLUSION

Based on the evaluation in Gegerkalong Village, Sukasari District, Bandung City, it can be concluded that there was a decline in turnover for the two MSME respondents in the food and beverage sector as a result of the impact of the fuel price increase policy. The food and beverage cost variables for MSMEs that are most affected by the increase in subsidized fuel include; Transportation Costs, Raw Material Costs, and Capital Costs. The phenomenon of fuel increases makes MSMEs tend to take precautions to minimize losses. This anticipation takes the form of options by increasing raw material prices, increasing production costs, increasing distribution costs, and decreasing income. The subsidy policy implemented by the government always gives rise to pros and cons. The government is expected to maintain its subsidy policy, both energy subsidies and non-energy subsidies, because these subsidies are still needed, especially by groups with low purchasing power. The non-energy subsidy policy should focus more on subsidy programs to reduce the burden on the poor and help small and medium businesses.

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