

## **Coordinating Minister Airlangga: Government Continues to Encourage Strengthening Economic Foundations by Establishing Digital Transformation of MSMEs as One of the Priorities**



**COORDINATING MINISTRY FOR ECONOMIC AFFAIRS**

**REPUBLIC OF INDONESIA**

**PRESS RELEASE**

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### **Coordinating Minister Airlangga: Government Continues to Encourage Strengthening Economic Foundations by Establishing Digital Transformation of MSMEs as One of the Priorities**

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Transformation and strengthening of the digital ecosystem will be important to be implemented in the country. Acceleration of digitization from cities to villages is the key of efforts to accelerate recovery and increase the competitiveness of the national economy, including increasing the productivity and performance of Micro, Small and Medium Enterprises (MSMEs).

The role of MSMEs is very large in the recovery of the national economy. Currently, there are 64.2 million MSMEs that contribute 61% of Indonesia's GDP. In terms of workforce, MSMEs are also able to absorb 97% of the total workforce in this country or around 119.6 million people. However, only about 17.5 million MSME players entering the digital ecosystem and take advantage of e-commerce.

"By using digital technology optimally in running their business, MSMEs can get a number of benefits, including being able to reach a larger consumer base, increase income, facilitate monitoring of business activities, and reduce costs, especially marketing, logistics and shipping costs," said Coordinating Minister for Economic Affairs Airlangga Hartarto when closing the "Digitalization Nusantara Expo & Summit 2022"

event initiated by the Indonesian Chamber of Commerce and Industry, virtually, Thursday (31/03).

In the results of a survey from OVO and CORE Indonesia in 2021, it was stated that 84% of MSME partners felt helped by the existence of digital payment facilities or e-wallet during the pandemic. In fact, 70% of them have experienced an increase in daily income since using digital financial services, 68% have access to wider financial services, 71% have recorded more regular sales transactions, and 51% claimed to have a better understanding of using technology to maintain their business. Thus, digitalization has supported programs to increase financial inclusion, especially for MSMEs.

"The government and stakeholders continues to encourage the strengthening of the national economic foundation by setting the digital transformation agenda for MSMEs as one of the priorities. Some of the programs being carried out include the Acceleration of Entrepreneurial Development, the digital transformation of Cooperatives and SMEs, and the Strengthening of the Digital Ecosystem," explained Coordinating Minister Airlangga.

Through the Ministry of Cooperatives and MSMEs, the Government has also set several targets for the development of national MSMEs in the future, such as 24 million MSMEs to be onboarding in 2023 and 30 million in 2024, then forming 500 digital-based modern cooperative units in 2024, as well as increasing the export contribution of MSMEs up to 17% in 2024.

In terms of MSME financing, several policies have been implemented including increasing the portion of MSME credit by 20% in 2022 and gradually increasing it to 30% in 2024. Holding State-Owned Enterprise (SOEs) was also formed for ultra-micro financing, providing the Super Micro KUR scheme, the integration of the Pre-Employment Card program with KUR, KUR for the corporatization of farmers and fishermen, and no less important is to continue the policy of credit restructuring and administrative relaxation for prospective KUR debtors.

To support the development of the KUR program, the Government has increased the KUR ceiling in 2022 to Rp373.17 trillion or increasing 30% from last year, and subsidize KUR interest so that KUR interest is only 3% until December 2022. "This is a manifestation of the government's presence in helping MSMEs access affordable business financing," added Coordinating Minister Airlangga.

Furthermore, there is the Program for Increasing the Use of Domestic Products (P3DN) through the Proudly Made in Indonesia (BBI) Movement and prioritizing the procurement of goods and services in e-catalog LKPP on boarding in 2022, as well as directions from the President regarding the target of spending on Domestic Products (PDN) and MSMEs by Ministries/Agencies, Regional Governments, and SOEs amounting to Rp400 trillion this year.

"We still need a lot of reliable digital human resources, including to support the development of MSMEs in the country. For this reason, the Government will continue to encourage the development of national entrepreneurship, so that more young entrepreneurs can be advanced and productive to compete in the global market," concluded Coordinating Minister Airlangga. (rep/dlt/tam/fsr)

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