PERILAKU EKSPOR DAN PRODUKTIVITAS PADA USAHA MANUFAKTUR MIKRO DAN KECIL DI INDONESIA: PENDEKATAN MODEL LIMITED DEPENDENT

EXPORT BEHAVIOR AND PRODUCTIVITY IN MICRO AND SMALL MANUFACTURING FIRMS IN INDONESIA: LIMITED DEPENDENT MODEL APPROACHES

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ABSTRACT

This study examines the role of productivity in explaining Indonesian micro and small manufacturing firms' export behavior based on a firm-level dataset of micro and small manufacturing survey year 2015 (VIMK15) from Statistics Indonesia. By utilizing the Probit and Tobit model, this study analyses the role of the firm’s productivity, which is proxied by labor productivity and output to cost ratio, on determining firms’ export participation and intensity. The other factor related to productivity and firms’ characteristic is also used as control variables. This study found that labor productivity and output to cost ratio positively and significantly determine export participation and intensity even though its marginal effect plays a minor role in the export behavior. Besides, as measured by CEO education and employment training, human capital contributes a major impact on encouraging firms to participate in the export market. Therefore, providing appropriate and reasonable employee training might support Indonesian micro and small manufacturing firms’ development.

Keywords: Export behavior Indonesia Productivity SMEs

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1. INTRODUCTION

In the development of regional integration, the Association of Southeast Asian Nations (ASEAN) proposes the economic community blueprint 2025. One of their concern is a new emphasis on the development and promotion of micro, small, and medium enterprises (SMEs) in its economic integration. SMEs are considered as one of the central drivers to promote equitable economic development within the ASEAN region. Moreover, they are also perceived as the engine of economic growth because they can create employment, produce outputs, and increase the aggregate demand [1].

This development provides both opportunities and challenges for SMEs in ASEAN countries. On the one side, they have the prospect of expanding their business in the regional market. On the other hand, they must compete with other SMEs in ASEAN countries. Therefore, SMEs of ASEAN countries need to progress their productivity to exist in a competitive and integrated region.

In Indonesia, SMEs have a central role in the national economy. According to Statistic Indonesia and the Ministry of Cooperatives and SMEs’ data, SMEs dominate the firm structure for about 99% of total business entities on average from 2010 to 2018. Moreover, they also contribute around 97% of national employment in the same...