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STRENGTHENING THE COMPETITIVENESS OF MSMES ON THE INDONESIA–MALAYSIA BORDER

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ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) play a strategic role in driving economic growth, creating jobs and improving community welfare, including in the Indonesia–Malaysia border region. Border areas, particularly the Aruk International Border Crossing Point (PLBN) in Sambas Regency, West Kalimantan, possess significant economic potential, supported by cross-border trade activities, local resources, and the diversity of the region's flagship products. However, the competitiveness of MSMEs in this region still faces various challenges, including limited access to finance, low-quality human resources, minimal use of digital technology, a lack of product innovation, and sub-optimal business legality and market access. This study aims to analyse the factors influencing the competitiveness of MSMEs in the Indonesia–Malaysia border region and to formulate strategies for strengthening sustainable competitiveness. The study employs a qualitative approach using library research methods, involving the review of various academic articles, books, government reports, regulations, and other documents relevant to the development of SMEs in the border region. The data were analysed using qualitative descriptive analysis techniques through the stages of data condensation, data presentation, and drawing conclusions. The findings indicate that enhancing the competitiveness of SMEs requires an integrated strategy through the development of human resource quality, the digitalisation of marketing, product innovation based on local potential, the strengthening of business institutions, easier access to finance, and government policy support. Synergy between the government, the business sector, higher education institutions and the community is a key factor in creating a competitive SME ecosystem, enabling them to make optimal use of cross-border trade opportunities and contribute to the sustainable economic development of border regions.

Keywords: MSMEs, Competitiveness, Border Regions, Aruk Border Crossing Point, Library Research

A. INTRODUCTION

Micro, Small and Medium-sized Enterprises (MSMEs) are one of the main pillars of national economic development as they make a significant contribution to economic growth, employment, income equality and poverty alleviation. Under Law No. 20 of 2008 on Micro, Small and Medium Enterprises, MSMEs are an economic sector capable of withstanding various crisis conditions and possessing a high degree of flexibility in adapting to changes in the business environment. The contribution of MSMEs to the national Gross Domestic Product (GDP) and employment figures demonstrates that this sector not only acts as a pillar of the national economy but also serves as a driving force for regional economic development. Consequently, enhancing the competitiveness of MSMEs is a strategic priority in achieving inclusive and sustainable economic development.

In the context of regional development, border areas hold a highly strategic position as they function as the nation's front line and a gateway for cross-border economic activity. For several decades, border areas in Indonesia were largely viewed as zones of defence and security rather than as centres of economic growth. This paradigm is beginning to shift through various government policies that designate border areas as strategic national zones intended to become new centres of economic growth. One such policy initiative is the development of State Border

Crossing Posts (PLBNs), which serve not only as entry and exit points between countries but also as hubs for economic activity, trade, tourism and public services.

Sambas Regency is one of the areas that shares a direct border with Malaysia via the Sajingan Besar sub-district, which is home to the Aruk State Border Crossing Post (PLBN). The presence of the Aruk PLBN has had a positive impact on improving inter-regional connectivity, facilitating the flow of goods and services, and opening up new economic opportunities for border communities. Its geographical location, bordering the State of Sarawak, gives Sambas Regency great potential for the development of cross-border trade, investment, and the development of MSMEs based on local potential. Various regional flagship products, such as Sambas woven textiles, handicrafts, processed agricultural products, fishery products, traditional cuisine, and various creative economy products, have the potential to be marketed not only locally but also in regional and even international markets.

Despite this great potential, SMEs in the border region still face various challenges that hinder improvements in competitiveness. These issues include limited access to finance, low human resource capacity, sub-optimal utilisation of information technology and business digitalisation, weak product innovation, poor packaging quality, limited business legal status, and a lack of capacity among SME operators to build broader marketing networks. On the other hand, increasing competition from neighbouring countries requires SME operators to continuously innovate in order to produce products of high quality, with high added value and strong competitiveness.

Advances in digital technology and the global economy are creating new opportunities for MSMEs to expand their markets through the use of digital platforms, social media and e-commerce. Digital transformation has changed the way products are marketed, meaning that MSME operators are no longer reliant on conventional markets. However, the results of various studies indicate that the level of digital literacy amongst SME operators in border regions remains relatively low, meaning that the use of information technology has not yet been able to deliver the optimal impact on increasing business revenue. This situation highlights that strengthening digital capacity is a key factor in enhancing the competitiveness of SMEs in border regions.

In addition to digitalisation, the competitiveness of SMEs is also influenced by business owners' ability to produce high-quality, innovative products that meet market needs. Regional flagship products, such as Sambas woven fabric, possess high cultural value and serve as a symbol of the identity of the Sambas Malay community. This potential can be developed into creative economy products capable of competing in both national and international markets if supported by design innovation, improved production quality, attractive packaging, halal certification, intellectual property rights, and effective marketing strategies. Thus, strengthening the competitiveness of MSMEs is not only focused on increasing production capacity but also on creating added value based on local wisdom.

The Indonesian government has implemented various SME empowerment programmes through the provision of access to finance, entrepreneurship training, facilitation of business legalisation, digitalisation of marketing, and the strengthening of community economic institutions. In border regions, various development programmes are aimed at reducing the development gap with other regions whilst improving community welfare. However, the effectiveness of these programmes still requires evaluation, as not all SME operators have been able to capitalise on the available opportunities. Therefore, a more comprehensive development strategy is required through collaboration between the government, universities, financial institutions, the private sector, and the community to build a competitive SME ecosystem.

Previous research has generally addressed SME development from the perspectives of digitalisation, access to finance, and community economic empowerment. Meanwhile, studies that specifically integrate the characteristics of border areas, cross-border trade, local potential, and strategies to enhance the competitiveness of SMEs in the Aruk PLBN area of Sambas Regency remain relatively limited. However, border regions possess economic dynamics that differ from other areas due to the influence of cross-border social, cultural and economic interactions. Consequently, this study offers a novel contribution by proposing a strategic model for strengthening SME competitiveness based on local potential and the cross-border economy, as an effort to bolster the position of SMEs in the face of regional market competition.

This study employs a descriptive qualitative approach to analyse various factors influencing the competitiveness of MSMEs in the Indonesia–Malaysia border region, specifically in Sajingan Besar Sub-district, Sambas Regency. The analysis examines the internal and external conditions of MSMEs, market opportunities, government policy support, and strategies that can be implemented to enhance competitiveness in a sustainable manner. The research findings are expected to make an academic contribution to the development of border economic studies, whilst also providing practical recommendations for local governments, business operators and other stakeholders in formulating SME development policies based on local potential.

Based on the above, this study focuses on two research questions, namely: (1) what are the conditions and factors influencing the competitiveness of MSMEs in the Indonesia–Malaysia border region, particularly in Sambas Regency; and (2) what are effective strategies for strengthening the competitiveness of MSMEs so that they can sustainably capitalise on cross-border economic opportunities. The objectives of this study are to analyse the state of MSME competitiveness in the Indonesia–Malaysia border region and to formulate strategies for strengthening competitiveness based on local potential, business digitalisation, and collaboration among stakeholders as an effort to improve community welfare and strengthen economic development in the border region.

B. METHOD

This study employs a qualitative approach using library research. This approach was chosen to comprehensively examine various concepts, theories, previous research findings, and policies relating to the enhancement of the competitiveness of Micro, Small and Medium Enterprises (MSMEs) in the Indonesia Malaysia border region. The research focuses on the border area of the Aruk State Border Crossing Post (PLBN), Sajingan Besar Sub-district, Sambas Regency, West Kalimantan Province, as one of the strategic areas with great potential for cross-border trade-based economic development.

The scope of the research includes an analysis of the factors influencing the competitiveness of MSMEs, covering the quality of human resources, access to finance, product innovation, the utilisation of digital technology, business legality, government policy support, and opportunities for business development through cross-border economic activities. All data used are secondary data obtained from scientific journal articles, books, reports from the Central Statistics Agency (BPS), publications from the National Border Management Agency (BNPP), documents from the Ministry of Cooperatives and SMEs, legislation, and various other scientific sources relevant to the research focus.

Data collection was carried out through documentary and literature reviews, involving the identification, selection, examination and categorisation of various sources relevant to the development of MSMEs in border regions. All data were then classified according to the research themes to obtain systematic information on the condition of MSMEs, the challenges they face, and the strategies for enhancing competitiveness that have been applied in previous studies. Data analysis utilised qualitative descriptive analysis techniques, drawing on the interactive model proposed by Miles, Huberman and Saldana, which encompasses data condensation, data presentation, and the drawing and verification of conclusions. The collected data were selected and simplified in line with the research focus, then presented in the form of descriptive narratives, tables and a synthesis of previous research findings. The final stage involved interpreting the various findings to formulate strategies for strengthening the competitiveness of MSMEs in the Indonesia–Malaysia border region. To ensure the credibility of the research results, source triangulation was carried out by comparing information from various scientific references, government documents, and previous research findings, thereby yielding conclusions that are valid and academically accountable.

C. RESULTS AND DISCUSSION

The Condition of MSMEs in the Indonesia–Malaysia Border Region

The Indonesia Malaysia border region holds a strategic position as a gateway for cross-border economic activities. In addition to serving as an area that safeguards national sovereignty, the border region also plays a vital role in driving regional economic growth through trade, investment, tourism, and community business development. One of the border areas experiencing fairly rapid development is the Aruk State Border Crossing Point (PLBN) in Sajingan Besar Sub-district, Sambas Regency, West Kalimantan Province. The government's development of border infrastructure has improved regional connectivity and opened up new economic opportunities for the local community, particularly for Micro, Small and Medium Enterprises (MSMEs).

Based on various research findings and government reports, MSMEs in the border areas of Sambas Regency are dominated by micro and small enterprises operating in the sectors of trade, food and drink, handicrafts, weaving, agricultural produce and fishery products. These products represent local potential that holds both economic and cultural value. Sambas woven fabric, for example, is not only a cultural identity of the Sambas Malay community but also has the potential to be developed as a flagship product capable of competing in both national and international markets. Furthermore, various local processed food products, handicrafts and agricultural produce serve as the main source of income for communities in the border region.

The presence of the Aruk Border Crossing Point (PLBN) provides greater opportunities for MSME operators to expand their markets through cross-border trade with Malaysia. Increasing community mobility opens up opportunities for business operators to market their products to tourists and people from neighbouring countries. However, the utilisation of these opportunities remains sub-optimal, as the majority of MSMEs have limited production capacity, rely on conventional marketing systems, and are not yet able to meet the quality standards required by wider markets. On the other hand, developments in digital technology have created new opportunities for SMEs to market their products via digital platforms and social media. Digitalisation enables business owners to reach consumers without being constrained by geographical boundaries. However, various studies indicate that the level of digital literacy among SME owners in border regions remains relatively low, meaning that the use of information technology has not yet had the maximum impact on improving business competitiveness. This situation highlights that strengthening digital capacity is one of the key requirements for the development of SMEs in border regions.

Table 1. Characteristics of SMEs in the Indonesia–Malaysia Border Region

No	SME Sector	Flagship Products	Development Potential
1.	Woven	Sambas Woven Fabric	Domestic and export markets
2.	Cuisine	Traditional Malay cuisine	Tourism and cross-border trade
3.	Handicrafts	Woven goods and souvenirs	Creative economy
4.	Agriculture	Horticultural products	Regional markets
5.	Fisheries	Processed fish products	Value added by home-based industries

The table shows that border regions possess a diversity of business sectors that can be developed as drivers of the local economy. These strengths serve as a vital asset in enhancing the competitiveness of MSMEs, provided they are supported by innovation, improved product quality and broader market access.

Factors Affecting the Competitiveness of MSMEs

A synthesis of various studies indicates that the competitiveness of MSMEs in border regions is influenced by both internal and external factors. Internal factors include the quality of human resources, managerial capabilities, product innovation, the use of technology, and the ability to manage business finances. Meanwhile, external factors encompass access to finance, government policy support, infrastructure, business partnerships, and cross-border market dynamics.

Human resources are a crucial factor determining the success of MSMEs in facing competition. MSME operators are required to possess the ability to manage their businesses, understand consumer needs, innovate products, and utilise digital technology as a marketing tool. Low levels of education and digital literacy among some MSME operators mean that the process of business transformation is proceeding relatively slowly. Consequently, many MSMEs still rely on conventional marketing and are not yet able to make optimal use of digital platforms. In addition to the quality of human resources, access to finance is also a major challenge. The majority of SMEs still face difficulties in securing business capital due to limited collateral, low financial literacy, and restricted access to formal financial institutions. These conditions limit entrepreneurs' ability to increase production capacity, innovate, or expand their marketing networks.

Product innovation is another key factor in enhancing competitiveness. Products that are of high quality, feature attractive designs, and reflect local cultural identity have a greater chance of being accepted by the market. Therefore, the development of products based on local potential—such as Sambas weaving and regional speciality food products—needs to be supported through improvements in quality, packaging design, halal certification, and the protection of intellectual property rights. Government support also plays a vital role in strengthening the competitiveness of SMEs. Various empowerment programmes, such as entrepreneurship training, facilitation of business legalisation, SME digitalisation, access to finance, and the promotion of local products, are forms of intervention that can enhance the capacity of business operators. However, the effectiveness of these programmes is highly dependent on inter-agency coordination and the active participation of SME operators in utilising the various facilities provided.

Based on the results of the literature review, enhancing the competitiveness of SMEs in border regions cannot be achieved through a single approach alone, but requires an integrated strategy encompassing the improvement of human resource quality, institutional strengthening, product innovation, the utilisation of digital technology, access to finance, and government policy support. Synergy amongst these actors is a key prerequisite for MSMEs to be able to capitalise on cross-border trade opportunities and increase their contribution to the economic development of border regions.

D. CONCLUSION

Based on the results of the literature review, it can be concluded that the Indonesia–Malaysia border region, particularly around the Aruk State Border Crossing Point (PLBN) in Sambas Regency, holds great potential for the development of Micro, Small and Medium Enterprises (MSMEs). The existence of the border region opens up opportunities for MSME operators to capitalise on cross-border trade, expand their marketing networks, and increase the added value of products based on local potential. However, various challenges remain, including limitations in the quality of human resources, sub-optimal access to finance, low utilisation of digital technology, limited product innovation, and uneven business legality and certification. The study's findings indicate that enhancing the competitiveness of MSMEs requires an integrated strategy through strengthening human resource capacity, digitalising marketing, fostering product innovation based on local wisdom, facilitating access to finance, strengthening business institutions, and ensuring sustainable government policy support. Collaboration between the government, universities, financial institutions, business operators and the community is a key factor in creating an SME ecosystem that is adaptive, innovative and capable of competing in both regional and international markets.

This study makes a conceptual contribution by synthesising various strategies for strengthening the competitiveness of MSMEs in border regions, which can serve as a reference for the formulation of policies and programmes for community economic empowerment. Nevertheless, this study has limitations as it employs a library research approach that relies on secondary data. Therefore, it is recommended that future research employ a field research approach or mixed methods to obtain more in-depth empirical data on the conditions of MSMEs, the effectiveness of policies, and the dynamics of cross-border trade in the Indonesia–Malaysia border region.

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