

THE ROLE OF SMALL MEDIUM-SIZED ENTERPRISES IN INDONESIA'S EXPORTS FACE DEPRECIATION OF RUPIAH

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Abstract

In the past two months, Indonesia and some other countries are experiencing shock macro economy due to appreciation US currency. Indonesian currency depreciate even the most severe during the last decade, beyond 13,200 rupiahs per USD. This could potentially lead to inflation because the value of IDR weakened against commodities, mainly imported commodities. This is what causes the Indonesian people became restless and asked the government to immediately stabilize the exchange rate. However, in addition to potentially causing inflation, depreciation of the rupiah should also increase export opportunities for the people of Indonesia. This is due to the cost of production in Indonesia has become relatively cheaper to international markets and for business become more attractive than before. Depreciation does not directly lead to the effects of inflation. There is a time lag between the depreciation to inflation. So even with the increase in exports, depreciation also indirectly lead to increased exports. Both of these mechanisms are strongly influenced by the intensity of international trade. Mainly export enhancement mechanism, sensitivity of business actors in utilizing market opportunities will determine the increase in exports. One type of business in question is the micro small and medium enterprises. SMEs have a very big role for the Indonesian economy. The results of the statistical central agency in Indonesia shows that more than 95% of Indonesia's economic activity is informal sector, and most of the informal sector are SMEs. In addition, SMEs also directly impact on the welfare of society. In this paper, we will discuss how the role SMEs on Indonesian exports in the face of depreciation of rupiah currency. To determine it, the authors first analyze the impact of the depreciation of rupiah against the SMEs, both of inflation and international market attractiveness. In addition, the authors also first collect data to determine the factors supporting and inhibiting SMEs to do export.

Keywords: Small medium-sized enterprises, International Trade, Export, Shock Macroeconomy, Depreciation of Rupiah Currency.