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by Rtbec Inter 2019-8

Submission date: 26-Apr-2019 09:43AM (UTC+0700)

Submission ID: 1119397364

File name: RTBEC_INTER_2019-8.docx (372.82K)

Word count: 3644

Character count: 20351

THE EFFECTS OF COMPETITION STRENGTH AND NON-TARIFF BARRIERS IN DESTINED COUNTRIES TOWARDS BUSINESS SUSTAINABILITY OF SMALL AND MEDIUM SNACK INDUSTRIES IN EAST JAVA THROUGH EXPORTS

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ABSTRACT

Currently, small and medium industries are growing rapidly in Indonesia. In marketing their products, 23 company not only focuses on the domestic market, but also seeks to penetrate the export market to several countries. The purpose of this research is to find out whether or not competition strength and non-tariff barriers through exports will influence the business sustainability of small and medium snack industries in East Java, Indonesia. Sampling of 30 respondents was conducted using purposive random sampling method. The analytical method used in this study is Structural Equation Modeling (SEM) with SmartPLS software. The results showed that the strength of competition through exports did not significantly influence the sustainability of small and medium industry in East Java. whereas nontariff barriers through exports have a significant effect on the sustainability of small and medium industry in East Java.

Introduction

Small and medium business in Indonesia are growing intensively, many start-up businesses with creative and innovative ideas are increasing the number of small and medium industries in Indonesia. In East Java, Micro, Small and Medium Enterprises are the backbone of the economy. This can be seen from empirical facts in the field. Among them are the performance of the industrial process in the last five years, the share towards the nation has increased, from 19.91 percent in 2013 to 21.70 percent in 2017. In the past four years, the contribution of food and beverage industry sub-sector has an average of 31.69 percent, the tobacco processing sub-sector has an average of 26.63 percent, and chemical, pharmaceutical and traditional medicine industries has an average of 8.03 percent. (Soekarwo, 2018). From these data it can be seen that food and beverage industry are in the first list for its contribution to GRDP in East Java. The research conducted by Widyatmini (2013) on the Grand Export-Oriented SME Development Strategy also explained that SMEs contribute to the Regional GDP as well as Banten's Original Revenue.

The results of the 2016 National Social Economic Survey shows that the total number of Micro, Small and Medium Enterprises in East Java is 9.59 million MSMEs. Even competition becomes increasingly tight among small and medium industries themselves, even with large companies that already have names. To overcome the high competition in the country, small and medium industries are starting to look at foreign markets. The rapid development of information technology now also contributes to the ease of the small and medium industries in expanding themselves abroad. To enter foreign market is not easy, various provisions must be fulfilled, especially from their own country or the provisions of the destined country. In the end, the small and medium industries must complete themselves in accordance with the provisions in the two countries which can take quite a long time and are quite complicated, especially the provisions in the destined country. The entrepreneurs also have to face competitors from other countries. Facing a situation like this, small and medium-sized business people in carrying out export activities, some of them bring their products directly into the destination country and some are sent via courier services. From this export they get a sales turnover so that they can contribute to the country's foreign exchange.

Identification of problems

Based on the background of the conditions and situations of small and medium industries in East Java, interesting to study to find out:

1. Does the strength of competition and non-tariff barriers in destination countries affect the export of snack products in small and medium industries in East Java?

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2. Does the export of snack products in small and medium industries affect the sustainability of small and medium enterprises in East Java?
3. Does the strength of competition and non-tariff barriers in destination countries affect the sustainability of small and medium enterprises in snack products in East Java through exports?

Research purposes

The purposes of this research are:

1. To find out whether the strength of competition and non-tariff barriers in destination countries affect the export of snack products in small and medium industries in East Java.
2. To find out whether the export of snack products in small and medium industries affect the sustainability of small and medium enterprises in East Java.
3. To find out whether the strength of competition and non-tariff barriers in destination countries affect the sustainability of small and medium enterprises in snack products in East Java through exports.

Literatur review and Development of Hypothesis

The theoretical basis used in this study includes:

Strength of competition

Kotler & Keller (2007), five Porter forces that can determine long term profitability of certain market segments.

1. Rivalry among competing firms
Certain segments become unattractive if they already have many, strong or aggressive competitors. Even more unattractive if the segment is stable or declining, the addition of factory capacity is done on a large scale, fixed costs are high, and competitors have a big interest to stay in that segment.
2. Threat of new entrants
The most attractive segment is the segment that have high entry barriers and low exit barriers. Few new companies can enter and poorly performing companies can easily get out
3. Threat of substitutes
Certain segments become unattractive if there is a product substitution which is actual and potential, substitution limits price and profits.
4. Bargaining power of buyers
Certain segments become unattractive when buyers have a strong or increasing bargaining position.
5. Bargaining power of suppliers
Certain segments become unattractive if company suppliers are able to increase the price or reduce the quantity they supply.

Nontarif Barriers

Ball, Geringer, Minor. McNett (2022), Non-tariff barriers are all forms of discrimination against imported goods other than import duties. The forms of non-tariff barriers vary, such as quantification non-tariff barriers and non-quantification non-tariff barriers

1. Quantification non tariff barrier is the quota, which is the limit of the amount for a particular type of item that is permitted to enter into a country without any restrictions within a certain period of time.
2. Non-quantification non-tariff barriers is a study of non-quantitative barriers revealed more than 800 different forms that could be classified into three main groups, which are:
 1. Government direct participation during trade
 2. Customs and other administrative procedures
 3. standard

Affiliation Chairman Businessman Food and Beverage Industry Indonesia (GAPMMI), Adhi Lukman, said,

Food and beverage industry exports are constrained by non-tariff barriers imposed by several countries. Non-tariff barriers are seen as more difficult than tariff barriers. Some countries require new rules for imported products such as: *labeling* and residual content in products. For non-tariff measures, we cannot calculate, suddenly it appears. "An example of the refusal of the United Arab Emirates is that the halal logo of Indonesian products is not recognized in that country." In fact, there have been certifications and have been sent for years. The United States also imposes non-tariff barriers through the Food Safety Management Act. In this law, both products and producers who want to penetrate the United States market, must meet the standards that apply. "Starting from facilities such as factories, facilities at the factory. So it is not only a product. It is getting tighter. This policy has hampered Indonesia's food and beverage exports. (Adhi, 2012, TEMPO.CO, Jakarta).

President of Trade Safety, Pradnyawati, stated that the Ministry of Trade would continue to socialize and monitor the latest developments in this regulation and coordinate with relevant ministries or institutions.

Ways for a country to apply non-tariff barriers:

1. Products or Services standardization quality
This method is done by making special quality standards → products or services that will enter a particular country must meet the country's quality standards. This limitation is not at all related to financial aspects.
2. Import quota limitation
Done by limiting the quantity of goods that may enter a country. Restrictions on the number of goods are carried out so that imported products do not exceed the domestic market. With this restriction, it is expected that domestic products can compete in their own country.
3. Particular procedures or regulations
Particular procedures or regulations issued by the local government could be the biggest obstacle faced by foreign products. Government regulations or procedures are the key for the entrance of foreign products. With the existence of these special regulations, the movement of foreign products in the country can be limited.
4. Market Structure
The market is a place for transactions between sellers and buyers. The market has its own structure that makes itself distinctive and different compared to other markets. This has become a tangible barrier to foreign products that will enter the country.
5. Political, Economic and Socio-cultural Conditions
A product or service from foreign countries must pay attention to factors such as the political, economic and socio-cultural goals of the country. By paying attention to these factors, it is expected that marketing efforts will be easier. However, usually in the presence of these factors it actually inhibits the movement of the company's marketing steps.

Export of Snack Products

Griffin & Pustay (2015), Exporting activities are selling products made in their own country to be used or resold in other countries. Export and import activities are often divided into two groups, which are trading activities in the form of goods and trading activities in the form of services. Exports in this study are trade activities in the form of goods. Exports are very important for the financial health of a company

Small and Medium Industry Sustainability

Definition of Industry

According to Indonesian Minister of Industry RI No. 64 of 2016, it is all forms of economic activities which process raw materials and / or utilize industrial resources to produce goods that have higher added value or benefits, including industrial services.

Small and Medium Industries according to Minister of Industry RI No. 64 of 2016 are as follows: Small industries are industries that employ a maximum of 19 workers and have an investment value of less than one billion, not including land and buildings for business. Employs a maximum of 19 workers and has an investment value of at least 1 billion rupiah or employs at least 20 workers and has an investment value of maximum fifteen billion rupiah.

Whereas according to the Regulation of the Minister of Industry RI No. 11 of 2014, what is meant by Small and Medium

Industries is an industry with an investment value of maximum Rp. 500,000,000 (five hundred million rupiahs), including land and buildings for business; and medium industry, namely industry with an investment value greater than Rp. 500,000,000 (five hundred million rupiahs) or maximum 10,000,000,000 (ten billion rupiahs), excluding land and buildings.

Small Industries Sustainability

De Geus, in his analysis revealed that companies that rise to the 'living company' status have four distinctive characteristics:

1. Awareness to the surrounding world. Long living companies imitate, learn, and adapt to what is happening around them.
2. Awareness of the identity. The company is very cohesive and has a strong sense of identity because of the ability to build a community together
3. Tolerance towards new ideas. Companies are tolerant, generally not centralized, with authorities making even decisions and tolerating "non-core" activities in the region (which might later become the core business)
4. Financial conservatism. A company which is conservative with its financial is used to regulate its own growth and make choices.

Hypothesis

1. The strength of competition and non-tariff barriers in destination countries affect the export of snack products in small and medium industries in East Java.
2. The export of snack products in small and medium industries affect the sustainability of small and medium enterprises in East Java.
3. The strength of competition and non-tariff barriers in destination countries affect the sustainability of small and medium enterprises in snack products in East Java through exports.

RESEARCH METHODS

The study was conducted through a survey of the research population which included all Small and medium industry in East Java. The sample is determined by simple random sampling and randomly selected 30 Small and medium industry as representatives. Data analysis in this study is using Partial Least Square technique using the SmartPLS program. The methods in SmartPLS analysis include: evaluating the outer model which includes convergent validity, discriminant validity and composite reliability. Whereas the inner model evaluation includes R-Square, Q-Square, Path Coefficient Test and indirect effect testing (Sobel test).

Result and discussion

The population of this research is all Snack Production Industry in East Java. Respondents consisted of 76,7%% female and 23,3% male, age 31-40 56,6% and age 41-50 43,4%. This indicate that all respondents are in working age.

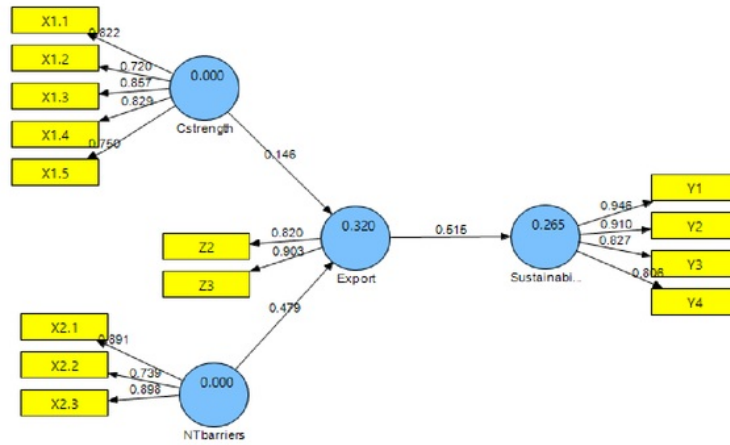


Figure 2
Inner Model

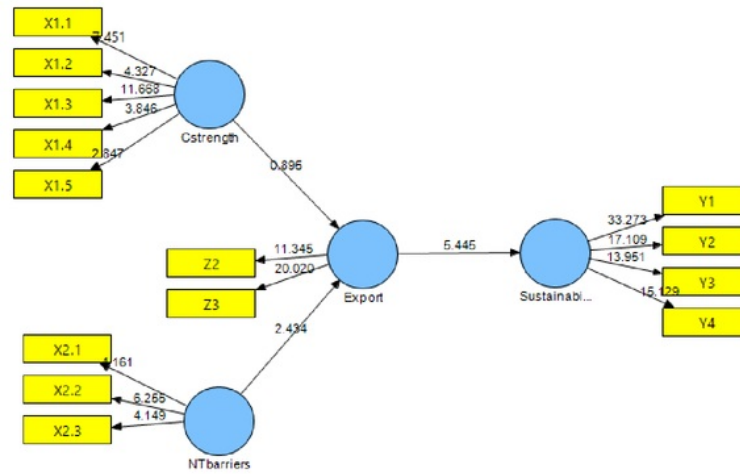


Figure 1
Outer Model

A. Measurement model (outer model)

Convergent validity

Table 1
Outer Loadings

	Cstrength	Export	NTbarriers	Sustainab ility
X1.1	7.451			
X1.2	4.327			
X1.3	11.668			
X1.4	3.846			
X1.5	2.847			
X2.1			4.161	
X2.2			6.255	
X2.3			4.149	
Y1				33.273
Y2				17.109
Y3				13.951
Y4				15.129
Z2		11.345		
Z3		20.020		

Source: data analysis

Table 2
Ave and Commuality

	AVE	Commuality
Cstrength	0.636	0.797
Export	0.744	0.862
Ntbarriers	0.716	0,846
Sustainability	0.764	0.874

Source: data analysis

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The outer validity of the reflective indicator model is tested through convergent validity and discriminant validity. Testing of convergent validity requires the value of the loading factor of the indicator relationship with latent variables greater than 0.50 (Ghozali, 2008) and the value of Average Variance Extracted (AVE) above 0.50 (Latan and Ghozali, 2012). In this research there are two indicators on the nontarif barrier variable whose value is less than 0.5 and 1 indicator from export. So that the indicator must be removed from the previous model and can continue with the next test. From the result of data analysis in table 1 and 2, each indicator has an outer loading, AVE and community value above. From the result data analysis in table 1 and 2, each indicator has an outer loading, AVE and community value above 0.5 so it means convergent validity, thus all indicators can be used for further analysis.

Table3
Cross Loadings

	Cstrength	Export	NTbarriers	Sustainabi lity
X1.1	0.822	0.199	0.397	0.343
X1.2	0.720	0.056	0.405	0.269
X1.3	0.857	0.450	0.490	0.372
X1.4	0.829	0.264	0.338	0.170
X1.5	0.750	0.275	0.346	0.023
X2.1	0.272	0.467	0.891	0.501
X2.2	0.596	0.516	0.739	0.245
X2.3	0.352	0.376	0.898	0.528
Y1	0.290	0.504	0.457	0.946
Y2	0.268	0.394	0.356	0.910
Y3	0.302	0.389	0.370	0.827
Y4	0.188	0.486	0.509	0.806
Z2	0.456	0.820	0.392	0.335
Z3	0.242	0.903	0.543	0.530

Source: data analysis

Table 4
Av Root

	AVE	AVE ROOT
Cstrength	0.636	0.636
Export	0.744	0.744
Ntbarriers	0.716	0.716
Sustainability	0.764	0.764

Source: data analysis

Discriminant validity

From the results of analysis in tables 3 and 4, all indicators already have the largest cross loading value in the variable formed therefore all meet the discriminant validity. Thus all indicators can be used for further analysis because all indicators have met the validity of the test. All correlation values between variables are below the AVE root value, thus meeting the discriminant validity

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Table 5
Composite Reliability

	Composite Reliability
Cstrength	0.897
Export	0.85
Ntbarriers	0.882
Sustainability	0.928

Source: data analysis

Composite reliability

The results of the analysis in table 5 show, all variables have composite reliability values above 0.7 thus all variables are reliable.

B. Structural Model (Inner model)

Table 6
R-Square

	R Square
Cstrength	
Export	0.320
Ntbarriers	
Sustainability	0.265

Source: data analysis

R-Square and Q-Square

The results of the analysis in table 6 show, R-Square export is 0.320 meaning that exports of small and medium industries are influenced by the strength of competition and non-profit barriers by 32.0%. While the r square of the business continuity is 0.265 means that business continuity is affected by exports by 26.5%

R-Square value overall is Q-Square= $1 - ((1 - 0.320) \times (1 - 0.265)) = 0.5002$

R-Square value is 0,5002 meaning structural model can explain the condition in the field by 50.0% while the rest is explained in other variables which are not examined.

Path Coefficient Test

Table 7
Path Coefficients (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
Cstrength -> Export	0.146	0.221	0.163	0.163	0.896
Export -> Sustainability	0.515	0.547	0.095	0.095	5.445
NTbarriers -> Export	0.479	0.448	0.197	0.197	2.434

Source: data analysis

Hypothesis Testing

Hypothesis testing in this study was carried out by looking at the T Statistic value:

If the value of T Statistics \geq t table then there is a significant influence between these variables. (for α 0.05, t table value 1,96).

If the value of T Statistics \leq t table then there is no significant influence between these variables. (for α 0.05, t table value 1,96).

Direct and indirect effect testing

From the test results it can answer the first and second hypotheses.

First Hypothesis, the strength of competition and non-tariff barriers in destination countries affect the export of snack products in small and medium industries in East Java.

From table 7 it can be seen that Competition strength does not have a significant effect on the exports of small and medium-sized snack food products in East Java, as evidenced by the results of T Statistics \leq T table, which is $0.89 \leq 0.196$ (α 0.05), the strength of business competition does not have a significant effect on the exports of small and medium industries, from the results of interviews obtained there are many other factors that can make small and medium industries able to carry out export activities, more capital, good business management and licensing. Whereas non-tariff barriers have a significant effect on the export of small and medium-sized snack food products in East Java, this is evidenced by the results of T Statistics \geq T table which is $2,434 \geq 1,96$ (α 0,05).

Second Hypothesis, The export of snack products in small and medium industries affect the sustainability of small and medium enterprises in East Java.

From the results of the analysis in Table 7 it can be seen that the export of small and medium-sized snack food products has a significant effect on business sustainability, this can be proven by the results of T test \geq T table, which is $2,434 \geq 1,96$ (α 0,05)

Table 8
Sobel Test Competision Strength to Sustainability

Input:		Test statistic:	Std. Error:	p-value:
a	0.146	Sobel test: 0.8837239	0.08508314	0.37684528
b	0.515	Aroian test: 0.86944175	0.08648078	0.38460556
S _a	0.163	Goodman test: 0.89873382	0.08366215	0.36879446
S _b	0.095	<input type="button" value="Reset all"/>	<input type="button" value="Calculate"/>	

Source: data analysis

Table 9
Sobel Test Nontariff Barrier to Sustainability

Input:		Test statistic:	Std. Error:	p-value:
a	0.479	Sobel test: 2.21853543	0.11119272	0.02651835
b	0.515	Aroian test: 2.18776358	0.1127567	0.02868683
S _a	0.197	Goodman test: 2.25064338	0.10960644	0.02440813
S _b	0.095	<input type="button" value="Reset all"/>	<input type="button" value="Calculate"/>	

Source: data analysis

Third Hypothesis the strength of competition and non-tariff barriers in destination countries affect the sustainability of small and medium enterprises in snack products in East Java through exports.

To test the indirect effect, further testing must be done. To test the indirect effect is done by using the theory formulated by Kenny and Baron (1986) using Sobel test.

From the results of the test the strength of business competition on business sustainability through exports shows the T statistic \leq T table which is $0.884 \leq 0.196$, which means that there is no significant influence of business competition on business sustainability through the export of small and medium industries. Whereas the results of the tests non-tariff barriers on business sustainability through exports show T statistics \geq T table, which is $2,219 \geq 1,96$, meaning that there is a significant influence on non-tariff barriers to business sustainability through the export of small and medium industries.

Conclusion

Based on the above discussion, can be concluded that:

1. The competition strength in business does not significantly influence the exports of small and medium of snack products. This means that the competition strength is not a barrier for small and medium industries in East Java in exporting their products.
Non-tariff barriers significantly influence the exports of small and medium industries of snack products. This means that the higher the barriers, the smaller the opportunity for exports.
2. Exports of small and medium industry of snack products have a significant effect on the sustainability of the business, this means that increased exports, welfare will increase
3. The strength of competition indirectly through exports does not have a significant effect on business sustainability
Non-tariff barriers indirectly through exports have a significant effect on business sustainability

Based on the conclusions above, can be suggested that:

1. Small and medium industries must learn about non-tariff barriers in destination countries before exporting
2. Maintain exporting through small parties by using couriers

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