

# Government Policy Directions In Development Start Up Of The Eco Digital Motion Support Pioneers Innovative Products In New Normal Era

*by Putri Maret 2021 Adawiyah*

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**GOVERNMENT POLICY DIRECTIONS IN DEVELOPMENT  
START UP OF THE ECO DIGITAL MOTION SUPPORT PIONEERS  
INNOVATIVE PRODUCTS IN NEW NORMAL ERA**

**Putri Robiatul Adawiyah**

Email: putri.ra@unmuhjember.ac.id

Government Science, Faculty of Social and Political Sciences, University of  
Muhammadiyah Jember

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**ABSTRACT**

The purpose of this study was to determine the strategy and direction of government policies in the development of start-up startups supporting the new normal era of innovative eco-digital products. Through this research, it will be studied how the direction of Government policy in developing startup startups in Indonesia, as well as what government support is in keeping the eco-digital movement of innovative products stable in the new normal era, and what kind of startups can survive during a pandemic and new normal. This research method uses qualitative descriptive and literature studies based on primary data and secondary data from the results of data analysis from pilot business groups, groups of start-up policy makers, community policy users and startup business consumers. The results of the research show that the policy directions that must be the attention of the Indonesian government regarding the development of startups in Indonesia are as follows: Increasing Broadband access; Helping SMEs to switch to the online realm; Expanding the electronic payment system; Expanding access to finance (investment); Extending e-government services; socializing the Job Creation Law, which was recently passed to provide various impacts on the startup business ecosystem; The Creative Economy Agency (Bekraf), currently the government through the Indonesian Creative Economy Agency (Bekraf) is trying to build infrastructure to support the presence of startups in Indonesia. BEKuP (Bekraf for pre startup); In collaboration with MIKTI (IT Creative Industry Society) and Telkom Bekraf will hold intensive workshops for people who intend to build startups in 15 big cities; Making the University as a Startup Startup Incubator; Protecting MSME products from Current Account Deficits (CAD) problems; Disseminating Government Regulation (PP) Number 74 of 2017; Prepare an electronic-based national trade road map (E-commerce Road Map), hereinafter referred to as the 2017-2019 SPNBE Road Map; Funding programs, taxation, consumer protection, education and human resources (HR). Also communication infrastructure, logistics, cybersecurity, and the establishment of the SPNBE Roadmap implementing management; The government cuts the final PPh by 0.5% for MSMEs. Also through PMK Number 150, 2018, this digital industry can get income reduction incentives (PPh) or tax holidays; Facilitating creative ideas, innovations, originality ideas, and not end users through Grant activities and competitions in various aspects of local creative endeavors, academic research and technology; Provide liquidity, guarantee LPS Deposit insurance agency to owners of capital; Prepare financing in the technology sector. Prepare a law on the national knowledge and technology system; Evaluating educational curricula with graduate expertise, especially in tertiary and senior secondary education as well as developing research at universities.

**Keyword:** policy direction; startup startups; new era normal

## INTRODUCTION

The problem that will be studied in this research is how the government's policy strategy in the development of startups supporting the eco digital movement of innovative products unicorn, decacorn, and hectacorn in the new normal era What is the government's support in keeping the eco-digital movement of innovative unicorn, decacorn, and hectacorn products stable in the new normal era. What Startups Can Survive During the Pandemic and New Normal.

Indonesia's economic growth is targeted to reach seven percent in order to become a middle-income country by 2025. This figure will be difficult to achieve if the government does not provide support. According to the SME Powering Indonesia Success report, there are five points that the government should pay attention to in its role in supporting the involvement of digital technology startups.

The government must play a role in supporting the involvement of digital technology in startups. One of the ongoing efforts is improving the quality of internet access in Indonesia. In the report "SME's Powering Indonesia's Success: The Connected Archipelago's Growth Engine" itself, there are policy directions that the Indonesian government must pay attention to.

Currently, the government is running a broadband program in Indonesia to catch up with Indonesia's internet access gap. The program is planned to run for five years. The government is trying to encourage startups to adapt their business models to the conditions of the corona pandemic, when the new normal is implemented. Startup companies are considered to be able to contribute to economic recovery by opening market access and applying the concept of minimal contact (less contact). During the new normal, startups develop by connecting. Startups are affected by the corona virus pandemic, because access to consumers and distributors is cut off. If the new normal is implemented, I hope that startups focus on connecting them to the market, providing startup opportunities. in various sectors. This contributes to the economic recovery. In addition, startups are expected to adapt their services to health protocols, including less contact. Economic conditions are difficult to be 100% recovered. But during the new normal, the way to improve the economy is with information technology.

The startups needed by the government are considered to be able to survive and are ready to implement the new normal. The largest spending is currently in government spending, therefore, companies must be able to support the government's efforts in overcoming the Covid-19 pandemic during the new normal. The Indonesian E-Commerce Association (idEA) agrees that startups in the fields of health, logistics, e-commerce, and digital-based grocery stores are in demand by consumers during the new normal.

In Indonesia, the growth of startups is attracting a lot of interest and attention. This can be seen from the number of startups native to Indonesia getting funding, both

from domestic and foreign investors. However, until now there is no definite regulation that regulates this startup funding. Therefore, in the spirit of building a healthy startup ecosystem, the government through OJK is ready to issue regulations regarding crowdfunding and venture capital funding this year. The government's positive response to the high growth of the startup business is certainly encouraging news. Especially for growing businesses such as startups, protection from the government in the form of regulations, policies and so on is something to look forward to. However, if they are not managed and communicated properly with stakeholders, such regulations can actually hinder business development. In the regulations that are planned to be issued by the OJK, one of the things that will be considered is the aspect of investor protection. In addition, this rule will regulate venture capital schemes to attract a number of investors to build a startup business. Funding companies will manage investments from investors who come to invest in startups. Therefore, through this research, it will be studied how the direction of government policies in the development of pioneering start-ups in Indonesia, as well as what government support is in keeping the eco-digital movement of innovative products stable in the new normal era, and what startups can survive during a pandemic. and New Normal.

## LITERATURE REVIEW

### Definition of Startup

<sup>6</sup> A start-up company (English: startup company or start-up company) is a term that refers to all companies that have not been operating for a long time. These companies are mostly newly established companies and are in the development and research phase to find the right market. The term "startup" became popular internationally during the dot-com bubble. At that time many dot-com companies were founded simultaneously.

### The Development of Startups, Unicorns, and Decacorns in Indonesia

The development of startups, unicorns and decacorns in Indonesia, according to the Startup Ranking calculation, Indonesia ranks fifth in the world with 2193 startups in 2019, after the United States, India and Canada. This position even outperformed other developed countries such as Germany, Australia, France, and Spain which followed in the sequences afterwards. Apart from being superior in terms of quantity, Indonesia is also strong in terms of startup quality. Evidenced by the emergence of four unicorns (valuation of more than one million US dollars) and one decacorn (valuation of more than ten million US dollars). Even the market valuation of the Indonesian decacorns and unicorns dominates the startup world in the Southeast Asia region. Valuation of those markets with exposure; Gojek (11 billion USD), Tokopedia (7 billion USD), Traveloka (4.5 billion USD), OVO (2.9 billion USD), and Bukalapak (12 billion USD). The experience of the Indonesian government in facilitating and accelerating the growth of

these digital business actors. For the initial level, or so-called seed level, Kominfo together with the ecosystem held the 1000 Startup Movement to support the growth of new local startups. At the next level, the Nexticorn program is held, with the aim of finding potential startups to obtain series B funding. At the highest stage, the government provides full support for unicorns and decacorns through supporting human resource development instruments, regulations, and infrastructure.

The 1,000 Startup Movement is targeted to produce a thousand startups by 2024. This program is focused on equipping startups with an orientation towards standard startup business stages, namely through ignition events, workshops, hacksprints, bootcamps, and incubation. Meanwhile, Nexticorn was initiated to bring together investors and startups by holding conference events at home and abroad so that they could explore the possibilities of cooperation. support for the growth of the ecosystem. In infrastructure development, Kominfo has completed the construction of the 348,416 kilometer Palapa Ring national fiber optic backbone network, managed 6 satellites and prepared the creation of 2 new satellites, the establishment of new BTS to cover 116,982 blankspots by the third quarter of 2019.

In the human resource development sector, together with the Kominfo ecosystem, the development of basic digital skills is carried out through the national Cybercreative movement. For the intermediate level, a Digital Talent Scholarship program is held which has reached tens of thousands of scholarship recipients. Meanwhile, to encourage advanced level digital skills, the Digital Leadership Academy program was held. Support through the regulatory sector is carried out by cutting regulations that hinder or overlap in the digital economy. This support is provided to encourage the ratification of the Personal Data Protection Act (PDP) and other laws, and to support the drafting of an omnibus law to encourage investment. (Kominfo)

## **RESULT/ DISCUSSION**

### **The Background of the Emergence of Startups**

A startup is a company that is different from an ordinary small business. Businesses that fall into the startup category are new businesses that do not have a previous track record of performance and are not necessarily successful. But the growth of this startup is also different from ordinary growth.

The effort to get to Startup to become a Unicorn is very hard, about 18 years ago, Google which is now worth US \$ 560 Billion is a small company startup company that is starting to pave the way. Likewise, Facebook is now worth US \$ 360 billion 12 years ago. Digital business is able to beat conventional business processes which take a long time to succeed like Coca Cola which is now worth US \$ 192 billion which was founded 124 years ago. Toyota Motor, which is worth US\$177 billion, was founded 79 years ago. Currently, startup businesses can get a value that is almost equivalent to a



conventional business that was pioneered for decades, but for startups this value is obtained in a short time.

Conventional companies, growth can only run linearly, in line with the addition of production capacity. But the growth of startup companies, business scale can be enlarged without any additional production costs, so that business growth can increase rapidly even on an exponential scale. However, there is an important thing to remember is that the success rate of a company means that the company's business can continue to be sustainable and grow only about 20%. It is a conventional company. As for startup companies, the success rate is only around 10%. Even according to the experience of some ventures, the success rate of startup companies may even drop to 5%.

Currently, the government through the Indonesian Creative Economy Agency (Bekraf) is trying to build infrastructure to support the presence of startups in Indonesia. BEKuP (Bekraf for pre startup). In collaboration with MIKTI (IT Creative Industry Society) and Telkom Bekraf will hold intensive workshops for people who intend to build startups in 15 big cities. 15 Cities, 12 Course Topics, 100 Mentors, 1200 Talent, 100 Talent Development Team for technology (hacker), finance (hustler), and design (hipster) Pre incubation (already a team) to create business ideas (with lean startup method) Experienced mentors (selected from people with at least 3 years of business experience). BEKRAF. The Tourism and Creative Economy Agency is a non-ministerial government agency that is under and responsible to the President through the minister in charge of government affairs in the tourism sector. Startup fever is sweeping the world, and Indonesia is no exception. One by one, startup companies appear in Indonesia. Some of them are successful and their services are widely used by the public.

How startups can grow, of course, cannot be separated from policies supported by the government. This is in line with the Government's desire to have a world-class startup. However, startups cannot just grow, there is an environmental ecosystem that must be created. There are several important things to make the startup ecosystem conducive. In addition to the government which is ready to provide support, startups also need strong universities. University is a gathering place for talents who are the main bloodline for the realization of startups. In addition, startups need a community to share experiences and information, and of course business people who are actively helping startups with their expertise and capital through incubators and venture capital. Many universities are pioneering the manufacture of incubators for startups, but actually the industry is more ideal for making incubators through intensive experience and guidance.

Regarding the projection of digital business growth, the public considers that we are currently in the middle of a technological revolution. According to Accenture's 2015 research, 22% of the world's economy is already in the digital economy category. It is projected that this figure will rise to 25% by 2020. 77% of companies prioritize Digital

Strategy, The Economist Intelligence Unit survey shows 77% of corporate leaders from various types of industries in the world, making digital transformation a top priority in their business strategy. 99% of Respondents Believe that Digital Transformation is still ongoing. Furthermore, 93% of respondents to The Economist's Survey see digital transformation as an ongoing and promising journey. Digital business growth in Southeast Asia

Southeast Asia is the 4th largest internet market in the world, so it is not surprising that Southeast Asia is one of the penetration targets in the startup world

The growth opportunities for startups in Indonesia are determined by the ability of investors & incubators to read the huge market in Indonesia, like sugar which is very attractive for venture capital managers, both local and foreign, to invest in Indonesia.

### **The Unicorn, Decacorn, and Hexacorn tiers**

Start Ups in Indonesia experienced fairly stable growth and development both before the emergence of the Covid-19 pandemic and during the pandemic. All start-up businesses, even in Indonesia itself, the number of start-ups is increasing day by day. Corporate companies are also flocking to establish start-ups from various lines and variations of business. Various sectors now have start-ups, for example in the world of economy, transportation, food, education, services, distribution to agriculture.

Shopee, Gojek, Bukalapak, and Tokopedia become Unicorns in the start-up world through certain indicators selected from hundreds of other start-ups. The Start Up level is known from the start up assessment in several ways that can be used. The easiest way is to show business profits, how many features have been created, user responses, and user growth. The initial three stages of a start-up usually signify the first steps of a start-up's growth, starting from the business, constantly promoting to conquering challenges to develop its valuation to the next level. There are 6 levels in the startup world, starting with Cokroach, Pony, Centaurs, Unicorn, Decacorn and Hexacorn.

Startup Beasts, Not all startup companies are small companies with gloomy investors. Even the valuation of some startup companies can be worth billions of dollars. To make it easier for people to start categorizing them with the types of animal names as follows:

Startup Cockroach, is described as a company that is considered to have a "cockroach" character in Indonesia. Companies that are able to survive for generations, even with a static business scale. As explained earlier that there are Unicorns, Decacorns, and Hexacorns in the world of levels in the start-up world. Why is there this level, this is usually in order to be able to distinguish a start-up business that has received an evaluation and a customer from a business perspective. This level is the first level, therefore it is called Cockroach, which means the start-up is still small or has just

been initiated. Usually the valuation owned by cockroach level startups is also still relatively small. As for an example of a cockroach start-up, it cannot be specifically mentioned, it could be a small business that lasts a long time with a stable number of income, cannot be called a cockroach, and vice versa

The startup world in Indonesia is starting to enter phase 2.0, where startups begin to receive extraordinary amounts of funding from global companies. Names such as Tokopedia, Go-Jek, and Traveloka are examples of domestic startups that have succeeded in increasing their valuation through injections of foreign funds, especially China. China's domestic investment is entering a new chapter in the country. Now, China is starting to play its investment portfolio in technology companies made in the country. The investment was led by Tencent, Jing Dong, and Alibaba, which channeled funds of up to Rp. 14 trillion.

It was Alibaba Group Holding Ltd, China's largest e-commerce company, last month which publicly announced its capital injection to Tokopedia of US\$ 1.1 billion, or equivalent to Rp. 14 trillion.

Tokopedia and some of the startups above are touted as the Indonesian version of Unicorn until now. The reason is that the three companies have already narrowed down funds of more than US \$ 1 billion or around Rp 10 trillion, but whether by obtaining venture funds of US \$ 1 billion, the term Unicorn must be attached to the startup. If we look at it only as a valuation, of course the Indonesian version of the Unicorn is very different from the American version of the Unicorn.

The value of US\$ 1 billion in Indonesia is very small for the size of the valuation of American Unicorn startups, for example Uber which last year alone managed to raise funds of US \$ 15 billion which brought its valuation to US \$ 68 billion. That is, if a startup is only calculated based on a valuation, the term Unicorn becomes relative to where the startup is located. So, is there a definition of Unicorn that is more representative of all territories, without exception. Reynazran Royono, Co-Founder & CEO of Snapcart, a big data analytics startup based on offline retail shopping receipts, said, naming unicorns and cockroach startups are names made to classify emerging startups. However, the term is not fixed, however, what is important is what the founder's goal was to create the startup. Is it to get a valuation or is there a specific vision to create disruption in the industry. A startup that has succeeded in achieving the vision of its founder can say he or she achieved their version of the Unicorn, regardless of their current valuation.

By referring to this definition, startups must survive to achieve this vision. This survival ability is indicated by the ever-increasing revenue, good cash-flow, and the growth of users/clients. Thus, the company's operating costs can be covered from the profits owned.



However, the barometer above is the definition of a cockroach startup, aka startups that are not as big as “Unicorn” in valuation. However, they can run the business for profit and reduce costs as efficiently as possible. Big names such as Tokopedia, Go-Jek, and Traveloka can be said to be the Indonesian version of the unicorn, when measured based on the valuation they have received so far. However, at the same time, the big three also deserve to be called cockroach startups, because basically, all three of them have survived to this day and are growing until now.

If the definition of a cockroach startup is like that, it means that there are many companies with cockroach character in Indonesia. Companies that are able to survive from generation to generation even with a stagnant business scale are less developed or so-so. The predicate cockroach startup is also suitable for the British Soy Sauce which has lasted up to 50 years. This soy sauce still exists and is often used by street food vendors.

There is a distinguishing indicator between those who are cockroach and unicorns. Not much capital funding – even using their own capital, makes their burn rates not the same. Burn rate is the amount of cash outlay per month in the early years of the business. Burn rate is an important element because startups will definitely spend time and money to produce products or services before getting cash from selling these products or services. The size of the burn rate will vary greatly, depending on the capital owned. And usually, startups will "burn money" either to increase awareness or sharpen research & development, from the injection of funds from venture capital.

As for example, Berniaga.com's burn rate per month is US\$ 3 million. And that amount of money is equivalent to the newly obtained pre-series A funds, this shows that Snapcart in August last year obtained the second pre-series A from Vickers Venture Partners and SPH Holdings who have also supported Snapcart since the company's inception in 2015. With the definitions given above, whether Snapcart wants to dream of becoming a unicorn or stay loyal as a cockroach. Basically, Snapcart is not the type of startup that is being targeted by many venture capitalists, such as fintech, on-demand services or e-commerce. Snapcart is a data analytics company under the guise of cashback to customers. Instead of grocery store consumers uploading their shopping receipts on the Snapcart application to get cashback, this company actually analyzes the sales data listed on the receipt for principals or brands to know. Almost 99% of groceries transactions are carried out offline, but it is not easy to get real time data on their sales movements, as well as the relationship between discounts and sales, that these data can be obtained from research agencies such as Nielsen and Kantar, but the brand takes a long time. By pocketing clients of multinational consumer companies such as Unilever and P&G, Snapcart has a vision for expansion into the countries where the multinational company operates. If at any time, smpchart clients are required to be in Latin America, then they can open there. So, from this point of view, investors or

venture capitalists who will fund Snapcart must support this vision, even make it easier to access the target market.

The next level is Ponyy or “pony” which means the start-up has a valuation value of up to USD 10 million or equivalent to Rp. 141 billion. As the name implies, pony which means a horse that is still new and agile in its development.

Furthermore, the third level is Centaurs which is a term for creatures in Greek mythology that have the body of a horse but have a human head. Usually these Centaurs already have a moderate and active level of business in their development.

This fourth level is where the start up is quite large, namely the Unicorn caste. Start-ups with the Unicorn level already have a valuation value of USD 1 billion or around Rp. 14 trillion. Currently, there are several start-ups in Indonesia that have the Unicorn level, including Traveloka, Tokopedia, and Bukalapak.

The fifth level is Decacorn, here a start-up is said to reach the Decacorn level when a start-up company has a valuation of more than USD 10 billion or around Rp. 141.4 trillion. One of the start-ups at the Decacorn level is Grab from Singapore and Gojek. Gojek is the first start-up from Indonesia to reach the Decacorn level in early April 2019. The top tier is Hexacorn which has a valuation of more than USD 100 Billion or equivalent to Rp. 1,414 Trillion. Companies that have achieved Hexacorn include Alibaba, Facebook, Microsoft, Google, and Apple.

#### **Government Policy Direction in the development of start-up startups in Indonesia**

The Government's role in the startup industry, currently the government through the Indonesian Creative Economy Agency (Bekraf) is trying to build infrastructure to support the presence of startups in Indonesia. BEKuP (Bekraf for pre-startup). In collaboration with MIKTI (IT Creative Industry Society) and Telkom Bekraf will hold intensive workshops for people who intend to build startups in 15 big cities.

The value of positive benefits generated by start-ups in Indonesia, this country is the largest market and cannot be ignored. More than 95% of businesses in Indonesia are start-up Micro, small and medium enterprises (MSMEs). As is known, there are currently seven unicorns in Southeast Asia. Four of them are Indonesian start-ups, namely Tokopedia, Go-Jek, Bukalapak and Traveloka. While the others, one Filipino start-up, one Vietnamese start-up and two Singaporean start-ups.

According to the Head of the Center for State Revenue Policy, the Fiscal Policy Agency (BKF) of the Ministry of Finance (Kemenkeu), Rofyanto Kurniawan, explained the role of start-ups and MSMEs as Indonesia's bulwark from the invasion of imported goods. Therefore, the government is ready to provide incentives for MSMEs. Indonesia is still experiencing the Current Account Deficit (CAD) problem due to the flood of imported goods. It is hoped that in the future start-ups can expand to the trade sector, if they need incentives, they need to be supported. Currently, through Government

Regulation (PP) Number 74 of 2017, an <sup>2</sup> electronic-based national trade roadmap (E-Commerce Roadmap) has been prepared, hereinafter referred to as the 2017-2019 SPNBE Roadmap.

The 2017-2019 SPNBE Roadmap as referred to includes funding programs, <sup>2</sup> taxation, consumer protection, education and human resources (HR). Also communication infrastructure, logistics, cyber security, and the establishment of management for the implementation of the SPNBE Roadmap. The government has cut final PPh 0.5% for MSMEs. Also through PMK Number 150, in 2018, the digital industry can get income reduction incentives (PPh) or tax holidays.

Regarding Start-up Opportunities. The Presidential Advisory Council, Suharso Monoarfa, assessed that the current policies are still lacking, only 5% have the chance to be successful, currently there are not many start-ups that have become initiators and more followers (followers). Innovators must first be owned by this nation. Only 5% chance of all successful start-ups. Out of 5% only 25% make money. Indonesia as a beginner is still low. Slightly below Vietnam. Far behind Singapore. The key, is innovation, originality of ideas, and not the end user.

To make Indonesia a superior country in advancing start-ups, he said, Indonesia must have a special capital instrument. The state must be present in it. The state must provide venture capital. This is being discussed, (to establish) the Indonesian Development Bank, which is to provide liquidity only. So that start-ups can move.

In addition, what is needed is financing in the field of technology. The government will prepare a law on the national knowledge and technology system. It can be research and technology, so there is nothing to dispute. We also have academies, instruments that provide funding for research. This fund has collaborated with the UK, even in Asean they are appointed as the leading sector for the value of domestic results. If these instruments are not available, Indonesian start-ups will just sit there. Because the start-up industry players themselves are still very difficult to get capital, especially from banks. As is known, banks have long prerequisites for lending their funds. There is accountability that must be accounted for. Therefore, the state needs venture capital. The state cannot do that all of a sudden. The state can act on two things. Because of the rules and there is a budget. These two things must appear in the Act.

The Job Creation Law that has just been passed has had a variety of impacts on the business ecosystem of startups. Chairman of the Indonesian Venture Capital Association (Amvesindo) Jefri Sirait said that this law could be a breath of fresh air from the investment side. The Job Creation Law could improve policies related to taxation, especially capital gains. However, there will be pros and cons related to this law, depending on how the government shows what benefits can be received by the

community, as well as reducing and finding solutions to the detrimental effects of the law.

Regarding input on what role is needed by the growth and development of startups in Indonesia, said CEO of Mandiri Capital Indonesia, Eddi Danusaputro, assessing that there are several tips for creating Indonesian startups to become competitive world class. Startup players must dare to compete and expand to the regional level. The next trick, startup actors must have a clear profit strategy. Another strategy is that startups must have a vision to become a market leader in their sector. So that they can compete with world startups.

According to economic observer from Indef Bhima Yudhistira, to build a world-class startup, Indonesia needs support for human resource development from quality universities, the curriculum taught and the expertise needed in startups must be interrelated. Tax and non-tax incentives should be used as policies to encourage research spending, so that the development of supporting ecosystems can be increased effectively. Our research spending ratio to GDP is still below 1%, far below China's 2.18% in 2018. The government must develop digital infrastructure, especially internet access, evenly. All regions of the archipelago to the countryside must have internet access in order to expand market penetration as China did.

Head of Operations for GnB Accelerator Elsy Yolanda compared the conditions of startups in China, which are very different from Indonesia, that Chinese products can go global thanks to e-commerce so that players there know the market needs. This is put to good use by shipping service actors and factories. They are good at using e-commerce so that many Chinese products can be sold in the world. Indonesian startups find it difficult to match China, especially Alibaba, because they control a very wide market. Therefore, the government must continue to penetrate the internet throughout Indonesia. For example, Gojek and Traveloka from Indonesia have begun to expand the Asian market, although not globally. This is because the products brought must be adapted to the target market of each country. Meanwhile, e-commerce will be easier to develop into the global market because it is more practical. Although in Indonesia there are e-commerce such as Tokopedia, the conditions are very different. For example, the large number of factories in China makes the price of goods much cheaper. In fact, Indonesians also shop online from China for items such as spoons. Meanwhile, Gojek and Traveloka have the potential to find suitable target markets abroad. However, do not compete directly with Alibaba because the scale is much larger. Gojek is said to be able to rely on Gopay because it can be adapted anywhere. Gopay may still enter the Korean or Chinese market. Traveloka also has potential, at least controlling countries in Southeast Asia. Role of Capital

Ventures are also needed besides the government. Capital is needed to compete at the global level. It is also advisable to provide tax facilities or incentives because



currently the majority of foreign venture capital is based in Singapore. The Indonesian market is still very attractive, especially in the fintech sector. Because the penetration of the financial sector is still low. The weakest thing for startup development in Indonesia is that it is very slow in developing its technology. This, according to him, is the result of the government being lazy to develop research on campuses. Meanwhile, overseas research and innovation is very fast through campus. For example, research for the field of artificial technology or machine learning. This is precisely one of the fastest ways to accelerate quality startups in Indonesia.

Kudo CEO Albert Lucius said that quite a number of local startups had died due to an unfavorable regulatory climate. Even if it grows, according to him, its growth seems to move slowly. This is because government regulations are not considered pro startups. The development of startups in Indonesian technology in recent years has skyrocketed, making it the government's new hope in the economy. It's just that local startups so far still think that the government is making it difficult for local players to grow and develop through its regulations. So far, ordinary people think that startups are only GoJek, Tokopedia, and others. In fact, many startups are not well known and end up dying.

This condition is contrary to the government's program to encourage the growth of the creative industry. Moreover, the government of President Joko Widodo is known to have more attention to the creative industry by supporting the 1000 startup program in 2020 which is run by the creative consultant Kibar. Some parties think that the government's intention to advance the industry is still inconsistent with reality. There are many supporting factors that make the government considered not serious, ranging from regulations, infrastructure, and ecosystems which are considered to hamper the growth of local startups. As for examples of rules that require our server to be inside. Here there is no guarantee that our server is safe from being bitten by rats. The confidence level is below 95 percent.

According to Andi Zain from Kejora Ventures about the government's focus on e-commerce. It was explained that Startup is not just e-commerce. And we need accelerator regulation to accelerate backwardness in Indonesia. On the other hand, the government is adamant in implementing tax regulations that aim to prevent even the smallest transactions from startup operations from being transferred to other countries' pockets as a form of state savings. As for this year, the start-up development budget is available through government incentive assistance (BIP) for four sub-sectors, namely digital and games, fashion, craft, and culinary. However, the number is not large. The budget of IDR 6 billion can fund about 30 start-ups. The government provides a maximum ceiling of IDR 200 million for one start-up industry.

In addition, Bekraf has also prepared GoStartupIndonesia (GSI), a platform that synergizes various parties involved in the existing start-up ecosystem. For example,

through this GSI, they want to help them enter the funding sources from the capital market. From Bekraf's records, only three start-ups have gone public. It is hoped that in the future more start-up companies will fill in the special acceleration boards prepared by the IDX. Three start-up companies that have been listed on the IDX include PT Kiosonn Komersial Indonesia Tbk., PT Mcash Integration Tbk., and PT Yelooo Integra Datanet Tbk. Start-ups require capital in all phases, from the idea phase, early stage, growth, to mature. In the idea phase, capital is needed from investors to government funds. The next stage is only funded by investors, followed by venture capital, to the capital market channel. When it is said that you want to increase the number of start-ups on the stock exchange, you must start from upstream.

### **Government Support in Keeping the Eco Digital Movement of Innovative Products Stable in the New Normal Era**

Indonesia's economic growth is targeted to reach seven percent in order to become a middle-income country by 2025. This figure will be difficult to achieve if the government does not provide support. According to the SME Powering Indonesia Success report, there are five points that the government should pay attention to in its role in supporting the involvement of SME digital technology.

The Minister of Communication and Information, Rudiantara, stated that SMEs must be protected, lest it be allowed, foreign (parties) have come in and bought all existing SMEs. These SMEs make a tremendous contribution to the growth and resilience of the Indonesian economy. If foreigners want to enter, the ecosystem must first be established. Deloitte Access Economics and Google Indonesia in publishing the report "SME's Powering Indonesia's Success: The Connected Archipelago's Growth Engine". According to him, the government must also play a role in supporting the involvement of digital technology in SMEs. One of the ongoing efforts is to improve the quality of internet access in Indonesia. In the report "SME's Powering Indonesia's Success: The Connected Archipelago's Growth Engine" itself, there are five policy direction points that the Indonesian government must pay attention to. The following are the five policy directions.

#### **1. Improve Broadband Access**

The lack of broadband access in Indonesia is currently a major problem that must be resolved by the government. Only 15.8% of Indonesia's population has access to the internet and its connection speed is the fourth slowest among ASEAN countries. This is a major barrier to the development of the SME sector and the digital growth of the broader economy. Currently, the government's focus is on running Indonesia's broadband program to catch up with Indonesia's lagging internet access. The program is planned to run for five years.

#### **2. Helping SMEs to Switch to the Online Realm**

The government actually has an important role in raising the level of digital participation of SMEs. Not a few government agencies have spawned programs that aim to increase the digital involvement of SMEs. Initiatives such as one-stop shops (OSS) or commonly known as the One Stop Service Center (PTSP) is one of them. The program could help reduce the need for SMEs to obtain permits from several local governments and this could be an important step in resolving administrative issues. However, based on the survey results, many parties feel that there are rules that are still overlapping and limited in scope. To that end, coordination between government agencies is expected to go hand in hand so that future policies can support the establishment (registered with the government) of the SME sector and increase their access to core government support programs.

### 3. Expanding the Electronic Payment System

With the development of the digital economy as well as the e-commerce industry, the Indonesian government needs a strong platform in banking and financial services to facilitate online transactions. This can be overcome through branchless banking and transaction settlement using online payment systems. The government should be able to play a role in increasing trust in this digital payment platform, by increasing the financial credibility of consumers and businesses in Indonesia and expanding the digital payment system so that it can help increase the volume of digital transactions itself. Don't forget, there is still a dream of a National Payment Gateway System in Indonesia, which is commanded by Bank Indonesia.

### 4. Expanding Access to Finance (Investment)

Another obstacle that Indonesian SMEs feel in the digital economy is the lack of access to financial or investment options. According to reports, SMEs account for only 20 percent of Indonesia's debt and 27 percent of bank accounts (Bank Indonesia, 2014), below their contribution to employment and GDP. When it comes to digital engagement, SMEs need a mix of domestic and international investment. Barriers to access to investment can reduce the potential for SMEs to develop. Future investment policies must be more open to all sources and types of capital so that SMEs in Indonesia will later benefit from wider access to online microfinance tools.

### 5. Expanding e-government services

Government services through online platforms (e-government) are actually much more effective and efficient in terms of various aspects. Expanding e-government services can also play a role in building consumer and business trust in terms of online activities and services going forward. Examples of e-government services include general services such as online forms and telephone applications and certain SME services such as online registration can be in the form of market places provided by the government. The transformation of offline to online SMEs can provide the business performance improvements that Indonesia needs to maximize its economic potential and

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achieve middle-income country status by 2025. In addition to the broadband program, the Indonesian government still has several other options to help SMEs continue to grow. Some of them are maximizing the implementation of 4G/LTE in various regions, TKDN and Independent Design House policies, and the warmest is the roadmap for e-commerce.

#### 6. Job Creation Act

The Job Creation Law that has just been passed has had a variety of impacts on the business ecosystem of startups. Chairman of the Indonesian Venture Capital Association (Amvesindo) Jefri Sirait said that this law could be a breath of fresh air from the investment side. The Job Creation Law could also improve policies related to taxation, especially capital gains.

#### 7. Creative Economy Agency (Bekraf)

The government through the Creative Economy Agency (Bekraf) encourages start-ups in Indonesia to enter the stock exchange floor through an initial public offering (IPO). Bekraf's Deputy for Access to Capital, Fadjar Hutomo, explained that efforts to encourage start-ups to be listed on the Indonesia Stock Exchange (IDX) are an easy alternative to encourage start-ups. Compared to turning startups into unicorns or startups, they are valued at over US\$1 billion. There is a budget of Rp 6 billion to develop start-ups in Indonesia. The Government's role in the startup industry, currently the government through the Indonesian Creative Economy Agency (Bekraf) is trying to build infrastructure to support the presence of startups in Indonesia. BEKuP (Bekraf for pre-startup). In collaboration with MIKTI (IT Creative Industry Society) and Telkom Bekraf will hold intensive workshops for people who intend to build startups in 15 big cities.

#### 8. Turning Universities into Startup Incubators

How startups can grow, of course, cannot be separated from policies supported by the government. This is in line with the Government's desire to have a world-class startup. However, startups cannot just grow, there is an environmental ecosystem that must be created. There are several important things to make the startup ecosystem conducive. In addition to the government which is ready to provide support, startups also need strong universities. University is a gathering place for talents who are the main bloodline for the realization of startups. In addition, startups need a community to share experiences and information, and of course business people who are actively helping startups with their expertise and capital through incubators and venture capital. Many universities are pioneering the manufacture of incubators for startups, but actually the industry is more ideal for making incubators through intensive experience and guidance.

#### 9. Protecting MSME products from Current Account Deficit (CAD) issues through Government Regulation (PP) Number 74 of 2017,



MSMEs are Indonesia's bulwarks from the invasion of imported goods. Therefore, the government is ready to provide incentives for MSMEs. Indonesia is still experiencing the Current Account Deficit (CAD) problem due to the flood of imported goods. It is hoped that in the future start-ups can expand to the trade sector, if they need incentives, they need to be supported. Currently, through Government Regulation (PP) Number 74 of 2017, an electronic-based national trade roadmap (E-Commerce Roadmap) has been prepared, hereinafter referred to as the 2017-2019 SPNBE Roadmap. The 2017-2019 SPNBE Roadmap as referred to includes funding programs, taxation, consumer protection, education and human resources (HR). Also communication infrastructure, logistics, cyber security, and the establishment of management for the implementation of the SPNBE Roadmap. The government has cut final PPh 0.5% for MSMEs. Also through PMK Number 150, in 2018, the digital industry can get income reduction incentives (PPh) or tax holidays.

#### 10. Facilitate creative ideas

Facilitating innovation, original ideas, and not end users through grants and competitions in various aspects of local creative businesses, research and academic technology.

#### 11. Providing liquidity, guaranteeing LPS Deposit insurance institutions to owners of capital.

To make Indonesia a superior country in advancing start-ups, he said, Indonesia must have a special capital instrument. The state must be present in it. The state must provide venture capital. This is being discussed, (to establish) the Indonesian Development Bank, which is to provide liquidity only. So that start-ups can move. In addition, what is needed is financing in the field of technology. The government will prepare a law on the national knowledge and technology system.

#### 12. Evaluate educational curriculum with graduate skills keahlian

According to economic observer from Indef Bhima Yudhistira, to build a world-class startup, Indonesia needs support for human resource development from quality universities, the curriculum taught and the expertise needed in startups must be interrelated.

### **Startup Barriers and Challenges in Indonesia**

Constraints and Challenges of Startup in Indonesia. As for the obstacles and challenges of startups in Indonesia, namely the founders are not ready to partner. Not infrequently the founders experienced internal problems related to share ownership, because there was no profit sharing agreement at the beginning. In addition, the startup challenge is financial intelligence in business management. Startups need people who are not only technically savvy, but also smart to manage their business. Startups need to find ideas that can be proven to make money, look for ideas that can be validated to

solve problems and make money for the startup. In addition, it requires large capital, where startups at the beginning usually require large funds to finance their growth. Sometimes startups experience financial liquidity difficulties. Next up is the Talent challenge. There are still not enough talents who can develop digital startups, as well as rejections from the public regarding digital payment methods can be an attitude of refusal that will become an obstacle to the development of startups in the future. Payment system problems, as in Indonesia the payment system is still not well managed, people are still more interested in conventional payment methods, but millennials have started to accept and apply electronic payments for several transaction needs used by several startup companies. The next obstacle is the Internet and infrastructure, where there are still many places where the internet network and infrastructure are still not accessible or the network is less stable.

## CONCLUSIONS

The policy directions that the Indonesian government must pay attention to regarding the development of startups in Indonesia are as follows: Increasing Broadband Access; Helping SMEs to Switch to the Online Realm; Expanding the Electronic Payment System; Expanding Access to Finance (Investment); Expanding e-government services; socialize the Job Creation Law, which has just been passed to provide a variety of impacts on the business ecosystem of startups; Creative Economy Agency (Bekraf), currently the government through the Indonesian Creative Economy Agency (Bekraf) is trying to build infrastructure to support the presence of startups in Indonesia. BEKuP (Bekraf for pre-startup); In collaboration with MIKTI (IT Creative Industry Society) and Telkom Bekraf will hold intensive workshops for people who intend to build startups in 15 big cities; Making the University a Startup Incubator; Protecting MSME products from Current Account Deficit (CAD) problems; Socializing Government Regulation (PP) Number 74 of 2017; Prepare an electronic-based national trade roadmap (E-Commerce Roadmap), hereinafter referred to as the 2017-2019 SPNBE Roadmap; Program funding, taxation, consumer protection, education and human resources (HR). Also the communication infrastructure, logistics, cyber security, and the establishment of management for implementing the SPNBE Roadmap; The government cut final PPh 0.5% for MSMEs. Also through PMK Number 150, in 2018, the digital industry can get income reduction incentives (PPh) or tax holidays; Facilitating creative ideas, innovations, originality ideas, and not end users through grants and competitions in various aspects of local creative businesses, research and academic technology; Provide liquidity, provide LPS guarantees Deposit insurance institutions to owners of capital; Prepare financing in the field of technology. The government will prepare a law on the national knowledge and technology system; Evaluating the education curriculum with graduate expertise, especially in higher education and secondary education.

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