

Increasing the Economic Competitiveness of MSMEs in Nusa Tenggara Barat Through The Utilization of Intellectual Property Rights (IPR)

¹*Siti Yulianah M. Yusuf, ²Vidya Yanti Utami, ³Johan Mashuri
Mataram College of Administrative Sciences, Mataram, Indonesia
Email : sitiyulianah84@gmail.com

(Received: October 2022; Reviewed: November 2022; Accepted: November 2022; Available online: January 2023; Published: Januari 2023)

ABSTRACT

Utilization of IPR for MSMEs plays an important role in increasing the economic competitiveness of a business, both individual and legal MSMEs. The problem faced by SMEs is competition in the market. The aim of the research is to determine the increase in the economic competitiveness of Micro, Small and Medium Enterprises (MSMEs in NTB) through the use of Intellectual Property Rights (IPR). This research method is descriptive qualitative. The results of the study show that there are many benefits that can be felt if MSME actors register their IPR products, such as legal protection for these businesses so that other parties cannot use them without the permission of the right owner, because this can hinder the development of MSMEs due to piracy and at the same time act as a stimulus for creativity. society, and increase productivity, the quality and competitiveness of products produced by SMEs in NTB. In addition, the existence of IPR such as product patents will have an effect on increasing the selling price of products because it increases the selling value of products so that they can increase competitiveness in the market.

Keywords: *Competitiveness, Intellectual Property Rights, UMKM*

PRELIMINARY

Micro, Small and Medium Enterprises (MSMEs) have an important and strategic role in the structure of the Indonesian economy because they make a large contribution to Gross Domestic Product (61.1%), employment (97.1%), and exports (14.4%) (BI data, May 2022). In addition, MSMEs also have relatively high economic resilience so that they can become a support for small and medium enterprises stability financial system and economy. The number of MSMEs continues to increase from

year to year in almost all regions in Indonesia, including the NTB Province. Based on data from the NTB Provincial Office of Cooperatives and MSMEs, the number of MSMEs in NTB Province in 2021 reached 103,284, an increase of 7.8% compared to 2020. However, the increase in the number of MSMEs is often not matched by the quality and scale of business as reflected in the portion of MSMEs in NTB which are still dominated by the micro scale so that assistance is still needed, especially for MSMEs engaged in superior commodities.

Table.1 Number of MSMEs based on Business Classification and City Districts of NTB Province in 2021 (data.ntbprov.go.id) Data as of July 2021

Kabupaten/Kota	Mikro	Kecil	Menengah	Jumlah
Mataram	15.746	6.194	533	22.473
Kab. Lombok Barat	16.635	-	-	16.635
Kab. Lombok Tengah	309	11	3	323
Kab. Lombok Timur	14.356	6.390	284	21.030
Kab. Lombok Utara	4.820	173	5	4.998
Kab. Sumbawa barat	7.780	49	-	7.829
Sumbawa	5.501	4	3	5.508
Kab. Dompu	2.261	5	4	2.270
Kab. Bima	11.610	-	-	11.610

The data above shows that the development of MSMEs in NTB is quite high, due to the community's economic growth which is getting better after the Covid-19 pandemic. With the power of law through the registration of Intellectual Property Rights (IPR), it is hoped that NTB MSMEs will have the resilience to a market that is always changing and continues to grow in number.

According to Porter (2008), competitiveness is the ability or advantage used to compete in certain markets. This competitiveness is created through continuous development in all lines within the organization, especially in the production sector. If an organization

carries out continuous development it will be able to improve performance. The dimensions of the competitiveness of a company put forward by Muhardi (2007), among others, consist of: Cost, Quality, Delivery and Flexibility.

Intellectual Property is an exclusive right granted by the state to creators, inventors, designers and creators in relation to their creations or intellectual works. MSMEs in NTB in the form of Intellectual Property ownership are divided into two, namely personal ownership and communal ownership. Personal Intellectual Property Rights (IPRs) are IPRs that are fully owned by individuals or groups of individuals

with or without applying for monopoly rights over economic exploitation. Meanwhile, communal IPRs are IPRs that are fully owned by a group of people who live in one place permanently, usually related to community customs and traditions.

Seeing the potential for development, the number of MSMEs continues to grow, especially after the Covid-19 pandemic, making a sizeable contribution to the NTB economy. However, the classic problems that are still faced by MSMEs such as capital, licensing, raw materials, product marketing, financial management and innovation. If someone produces the latest intellectual work, invention or innovation, then that person has the right to get Intellectual Property Rights (IPR). IPR is given by the state to them (inventors, creators, designers, and so on) as a reward for their work as well as to protect the work. So that through the use of IPR it is expected to be able to develop these MSMEs so that they can increase their economic competitiveness.

LITERATURE REVIEW

1. Competitiveness

a. Definition of Economic Competitiveness

According to Porter (2008), defines competitiveness as the ability or advantage used to compete in certain markets. This competitiveness is created through continuous development in all lines within the organization, especially in the production sector. If an organization carries out continuous development it will

be able to improve performance. Another definition of competitiveness according to Frinces (2011), is defined as strength or ability and superiority that is built from potential and resources originating from within and outside the organization in a planned and systematic way to fight against the existence of latent or real potential, disrupt, shift and fight and annihilate the position, existence and existence of the party to be rivaled.

Based on the definition above, it can be concluded that competitiveness is the ability or advantage that is used to compete or provide more value to its products compared to its competitors.

b. Dimensions of Competitiveness

The dimensions of the competitiveness of a company put forward by Muhardi (2007), among others, consist of:

- 1) *cost*(Cost). The operational competitiveness dimension includes four indicators, namely production costs, labor productivity, use of production capacity and supplies.
- 2) *Quality*(Quality). It is a dimension of competitiveness which is also very important, which includes various indicators including product appearance, product acceptance period, product durability, speed of resolution of consumer

complaints, and product conformity to design specifications.

- 3) *Delivery*(Serving Time). Serving time is a dimension of competitiveness which includes various indicators including production timeliness, reduced production waiting time, and product presentation timeliness.
- 4) *Flexibility*(Flexibility). Is a dimension of competitiveness which includes various indicators including the types of products produced, the speed of adjusting to environmental interests.

2. Micro, Small and Medium Enterprises (MSMEs)

According to Rudjito (2003), the definition of Micro, Small and Medium Enterprises (MSMEs) is a business that has an important role in the Indonesian economy, both in terms of the jobs created and in terms of the number of businesses.

In Chapter I Article 1 of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (UMKM), what is meant by Micro, Small and Medium Enterprises (UMKM) are:

- 1) Productive businesses owned by individuals and/or individual business entities that meet the criteria for micro-enterprises as regulated in this Law.
- 2) Small business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not

branches of companies that are owned, controlled, or become part either directly or indirectly of medium or large businesses that meet the business criteria. small as referred to in this law.

- 3) Medium business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part, either directly or indirectly, with small businesses or large businesses with total net worth or sales proceeds as regulated in this Law.

Based on the above understanding, it can be concluded that Micro, Small and Medium Enterprises (MSMEs) are a form of productive economic business carried out by Micro, Small and Medium Enterprises.

3. Intellectual Property Rights (IPR)

a. Definition of IPR

According to Peter Mahmud Marzuki (2011), IPR is a right that arises from someone's intellectual work that brings material benefits. Another definition according to Muhammad Djumhana and R. Djubaedillah (2003), Intellectual Property Rights (IPR) as rights originating from human creative activities which are expressed to the general public in various forms, which have benefits and are useful in supporting human life, and also have economic value. .

A Zen Umar Purba (in Anne Gunawati, 2015), argues that Intellectual Property Rights (HKI) are assets that legally give rise to rights and obligations for their owners, just like other assets, for example land with certificates, and ownership of objects moving, attached to the master.

So it can be concluded that Intellectual Property Rights are rights that arise to protect the results of thought and/or someone who produces a product or process that has uses for humans. The right to enjoy economically the results of an intellectual creativity. Objects regulated in IPR include, among others, works that arise or are born due to human intellectual abilities.

Substantively, the notion of IPR can be described as property rights that arise or are born due to human intellectual abilities.

b. Intellectual Property Rights

Following are the objectives of Intellectual Property Rights in general:

- 1) Providing legal clarity regarding the relationship between property and inventors, creators, designers, owners, users, intermediaries who use it, the area of work for its utilization and those who receive the consequences of using IPR for a certain period of time.
- 2) Giving awards for the success of a business or

effort to create an intellectual work.

- 3) Promote the publication of inventions or creations in the form of IPR documents that are open to the public.
- 4) Stimulate the creation of information transfer efforts through intellectual property and technology transfer through patents.
- 5) Provide protection against the possibility of being copied because of a guarantee from the state that the implementation of intellectual works is only given to those who are entitled.

c. IPR category

Due to its wide coverage, IPR is divided into two categories, namely copyright and industrial property rights. Copyright is an exclusive right for creators or recipients of rights to announce or reproduce their creations or give permission for it without reducing the restrictions according to applicable law.

Meanwhile, industrial property rights include several rights, including; Patents, Trademarks, Industrial Designs, Layout designs of integrated circuits, Trade Secrets and Plant Varieties.

d. The Important Role of Intellectual Property Rights

The existence of IPR in fact does not only provide protection for creations. Furthermore, this IPR can be an important part in maintaining a country's industrial excellence.

The hope is that new findings and innovations will emerge that will encourage the industry to compete internationally. Even according to Munaf (2001), in HKI and its implementation challenges, the role of IPR is quite important, such as; first, as a means of trade competition, especially for developed countries so that they can maintain their position in dominating the international market with their goods; secondly, as a means of driving the progress of science and technology with new innovations that can be industrialized; and thirdly as a means of increasing the economic welfare of the community, especially researchers whose findings are industrialized where they can receive rewards in the form of royalties

e. IPR benefits

With the existence of IPR, it will certainly bring benefits to many parties, starting from inventors, industry or business sector, to the state. HKI also guarantees legal certainty so as to prevent counterfeiting.

The other benefits of IPR include:

1. For the business world, there is protection against misuse or falsification of intellectual works owned by other parties within the country and abroad. Companies that have been established will get a positive image in competition if they have

legal protection in the field of IPR.

2. For inventors, it can guarantee legal certainty for both individuals and groups and avoid losses due to counterfeiting and fraudulent acts by other parties.
3. For the government, there is a positive image of the government implementing IPR at the WTO level. In addition, there is foreign exchange earnings obtained from HKI registration.
4. There is legal certainty for rights holders in conducting their business without interference from other parties.
5. Rights holders can take legal action both civil and criminal in the event of a violation or imitation.
6. Rights holders can grant permits or licenses to other parties.

RESEARCH METHODS

This research is a qualitative descriptive study. Where data analysis in this study was carried out in four stages according to Burhan Bungin (2003), including:

1. Data collection, is the process of collecting data used to support research results.
2. Data reduction is a selection process, focusing on simplifying, transforming raw data that emerges from field notes.
3. Presentation of data is the activity of presenting a set of information in the form of narrative text assisted by metrics, graphs,

networks, tables and charts which aims to sharpen the researcher's understanding of the information obtained.

4. Drawing conclusions is looking for meaning, patterns, explanations, possible configurations, causal flows, and propositions. Conclusions are drawn carefully by verifying in the form of a review of field notes so that the existing data is tested for validation.

RESULT

Dimensions of MSME Economic Competitiveness in NTB

1. Cost

The role of HKI in economic development is very large. In general, there are several benefits that can be obtained from the IPR system for economic development, namely that it can create a conducive climate for investors, enhancing and protecting IPR will accelerate industrial growth, create new jobs, encourage economic growth, improve the quality of human life that provides the necessities the wider community, especially business actors in NTB, provide legal protection and at the same time act as a stimulus for creativity for the community, as well as increasing productivity, quality and competitiveness of products produced by MSME actors.

The element of competitiveness, which consists of costs, is capital that is absolutely owned by a business, in this case MSMEs in NTB, which includes production financing, labor productivity, utilization of the

company's production capacity and the existence of production reserves or supplies that can be used at any time by the company to support the smooth running of the business.

2. Quality

Quality plays an important role as one of the dimensions of economic competitiveness, which includes various indicators including product appearance which can be reflected in the product or service design, good product appearance is one that has a simple design but has high selling value, the period of product acceptance is related to the length of time the product can be accepted on the market, the longer the age of the product on the market, the better the quality of the product, the durability of the product, the speed of resolving consumer complaints, and the conformity of the product to design specifications.

So that through the use of IPRs, MSMEs play an important role in increasing the economic competitiveness of a business, both individual and legal MSMEs. This is in line with the opinion of the Head of the HKI Division of Kumham NTB, Mr. Zulhairi, who said that there are actually many advantages if SMEs register their IPR products, such as legal protection so that other parties cannot use them without the rights owner's permission. In addition, he continued, product patents will have the effect of increasing product selling prices because they will increase the selling value of products so that they can increase

competitiveness in the market. IPR registration also plays a role in protecting against acts of piracy that can hinder the development of MSMEs. (Interview, Wednesday, October 12, 2022).

The following is data on MSMEs in NTB who registered their creations or intellectual works at the Regional Office of the Ministry of Law and Human Rights in NTB from 2019 to June 2022, totaling 352 applicants, consisting of 325 individual MSME applicants and 27 legal entity applicants.

Table.2 Data on UMKM Registering Intellectual Property Rights at the Legal and Human Rights Office of West Nusa Tenggara

Tahun	Jenis Usaha	
	Perorangan	Badan Hukum
2019	91	2
2020	53	6
2021	153	8
2022	28 (Masih dalam proses pengajuan sampai dengan per Juni 2022)	11 (Masih dalam proses pengajuan sampai dengan per Juni 2022)
Total	325	27

Sumber: Kanwil KUMHAM NTB

In addition to the data above, there are still dozens of MSMEs, both individuals and legal entities, which are in the process of submitting registration for their creations or intellectual work at the West Nusa Tenggara Ministry of Law and Human Rights Office. In addition, there are also applicants who experience rejection of IPR registration, the main reason being that the registrants have the same dominant or overall trademarks registered on the same type of

goods. Apart from that, another cause of rejection is that the MSMEs use the name of another country which is almost 100% (percent).

3. Presentation Time (Delivery)

Serving time is a dimension of competitiveness related to the company's accuracy in carrying out production, reducing production waiting time, and the timeliness of product presentation. These three things are related, the timeliness of product presentation can be affected by the timeliness of production and the length of time waiting for production.

One of the crucial problems faced by MSMEs in NTB is the low level of capital. MSMEs still face obstacles in increasing capital, both for working capital and investment capital. Difficulties in capital issues, lead to fundamental problems that affect the process of innovation and transformation of MSMEs, also impact on difficulties in marketing, especially in terms of market recognition, pricing, negotiation, and distribution and sales channels (Lincoln Arsyad, 2010). In addition, small entrepreneurs in general cannot promote their products through the mass media, because the volume of production income is unable to cover promotion costs. If there are promotional costs, the media chosen are usually inexpensive and cover a narrow area, such as local private radio, flyers, or cars with megaphones. Another quite crucial obstacle is the difficulty of raw materials, especially MSMEs in the processing and manufacturing

sectors. This can occur due to the lack of working capital so that all transactions must be carried out in cash.

On the other hand, production equipment facilities such as quality control, storage warehouses, distribution tools are often not owned by MSME entrepreneurs. As a result of this incomplete equipment it has an impact on the limited number, type and variety of products produced so that the resulting products become static and are no longer able to compete in the market. Various other obstacles that are still often encountered in MSMEs are the low quality of human resources, which is reflected in the lack of development of entrepreneurial behavior, weak regeneration, creativity, discipline, work ethic, and professionalism. So that through the registration of Intellectual Property Rights, it is expected that MSMEs can improve their positive image or added value in competition if they have legal protection and face business competition both domestically and abroad.

4. Flexibility

Flexibility is the competitiveness of operations which includes various indicators including the types of products produced, the speed of adjusting to market needs. So that the market never sleeps, demanding that MSMEs continue to innovate according to market demand. Challenges for the development of MSMEs, namely: 1. Increasingly tight competition in the domestic market, especially for MSMEs in

NTB so that they can compete in the domestic and international markets. 2. Maintaining the competitiveness of MSMEs as a creative industry with product design and quality through science and technology and entrepreneurship applications. 3. The government is not biased in taking action to intervene to protect MSMEs, either through subsidies or other protection, especially through the use of IPR so that MSMEs have the power to legally compete in their markets.

The following are the requirements for registering IPR through the Regional Office of the Ministry of Law and Human Rights in West Nusa Tenggara, as follows:

1. Brand (brand.dgip.go.id)

Requirements:

a. General/Individual

- 1) Applicant's Name, Address, Email Address and Mobile Number
- 2) Photocopy of the applicant's KTP (1 sheet)
- 3) Example of brand logo according to color, minimum 2 x 2 cm, maximum 9 x 9 cm (1 sheet)
- 4) Applicant's signature on blank paper (1 sheet)
- 5) Social media names: Whatsapp, Instagram and FB numbers

b. MSMEs

- 1) Photocopy of the applicant's KTP (1 sheet)
- 2) Example of brand logo according to color, minimum 2 x 2 cm, maximum 9 x 9 cm (1 sheet)
- 3) Applicant's signature on

blank paper (1 sheet)

- 4) SME certificate/recommendation from the Department of Industry and Trade (downloaded at merk.dgip.go.id)

- 5) SME statement letter 10,000 stamp duty (downloaded at merk.dgip.go.id)

- 6) Social media names: Whatsapp, Instagram and FB numbers

c. Legal entity

- 1) Photocopy of the applicant's KTP (1 sheet)

- 2) Example of brand logo according to color, minimum 2 x 2 cm, maximum 9 x 9 cm (1 sheet)

- 3) Applicant's signature on blank paper (1 sheet)

- 4) Photocopy of deed of legal entity establishment

- 5) Social media names: No Whatsapp, Instagram and FB

**2. Industrial Design-
designindustri.dgip.go.id**

Requirements for General/UMKM/ Business Entity:

- 1) Industrial Design Drawings;
- 2) Industrial Design Description;
- 3) Industrial Design Ownership Statement;
- 4) Power of Attorney (if submitted through a consultant);
- 5) Statement of Transfer of Rights (if the applicant and designer are different);
- 6) UMK Certificate (if the applicant is a micro or small business);
- 7) SK Deed of Establishment (if the applicant is a government educational or R&D

institution);

**3. Copyright (e-
hakcipta.dgip.go.id)**

General requirements):

- 1) An application for the registration of a work can only be submitted for one work

- 2) Statement of ownership of creation

- 3) Photocopy of KTP/Passport

- 4) Scan of Individual/Company NPWP

- 5) Attach a power of attorney if submitted by a power of attorney

- 6) Include the names of the applicants if submitted by more than one person by specifying only one address

- 7) Attach proof of transfer of rights if the creation experiences a transfer of rights

- 8) Attach a sample of the work being requested for registration or its replacement

- 9) UMK Certificate (downloaded at e-hakcipta.dgip.go.id)

4. Patent(patent.dgip.go.id)

General requirements)

- 1) Description of the Patent Application in Indonesian;

- 2) Claim;

- 3) Abstract;

- 4) Image of Invention (PDF) and Image for Publication (JPG);

- 5) Statement of Invention Ownership by the Inventor;

- 6) Letter of Transfer of Rights (if the inventor and applicant are different or the applicant is a legal entity);

- 7) Power of Attorney (if submitted through a consultant);

- 8) UMK Certificate (if the applicant is a micro or small business);

- 9) SK Deed of Establishment (if the applicant is a government educational or R&D institution).

CONCLUSION

The use of IPR for MSMEs plays an important role in increasing the economic competitiveness of a business, both individual and legal MSMEs. Many advantages can be felt if MSME actors register their product IPR, such as legal protection for the business so that it cannot be used by other parties without the permission of the right owner, because this can hinder the development of MSMEs due to piracy and at the same time act as a stimulus for creativity for the community, as well as increase productivity, quality and competitiveness of products produced by SMEs in NTB. In addition, the existence of IPR such as product patents will have the effect of increasing the selling price of the product because it increases the selling value of the product so that it can increase competitiveness in the market.

Suggestion

The need for more vigorous socialization in the future, both from the local government and related agencies for the registration of Intellectual Property Rights for business actors, especially MSMEs in NTB, in order to enhance a positive image or added value for MSMEs in market competition. Because if they have legal protection, MSME actors can face business competition both domestically and abroad, from things such as piracy of rights that can hinder the development of these MSMEs.

REFERENCES

- Arsyad, Lincoln. (2010). *Regional Development Economics*. Yogyakarta, UUP STIM YKPN.
- Djumhana, Muhammad and R. Djubaedillah. (2003). *Intellectual Property Rights: History of Theory and Practice in Indonesia*. Bandung, PT. Image Aditya Bakti.
- Frances, Z. Heflin. (2011). *Be An Entrepreneur (Be An Entrepreneur) Strategic Study on Entrepreneurship Development*. Yogyakarta. Science House.
- Marzuki, Peter Mahmud. (2011). *Legal Research*. Jakarta, Kencana Prenada Media Group.
- Michael E. Porter. (2008). *Competitive Advantage: Creating and Maintaining Superior Performance*. Tangerang, Kharisma Publishing.
- Muhardi. (2007). *Operations Strategy: For Competitive Advantage*. Yogyakarta, Graha Ilmu.
- Rudjito. (2003). *MSME Development Strategy Based on Business Strategy*, Paper Presented at the Seminar on the Role of Banking in Strengthening National Resilience in Cooperation between Lemhanas RI and BRI.
- Zen Umar Purba, A. in Anne Gunawati. (2015). *Protection of Well-Known Brands of Unequal Goods and Services Against Unfair Business Competition*. Bandung PT Alumni.