

# Beyond Financing: Improving Social Capital and Collaborative Capacity Building for Sustaining High Growth Entrepreneurs

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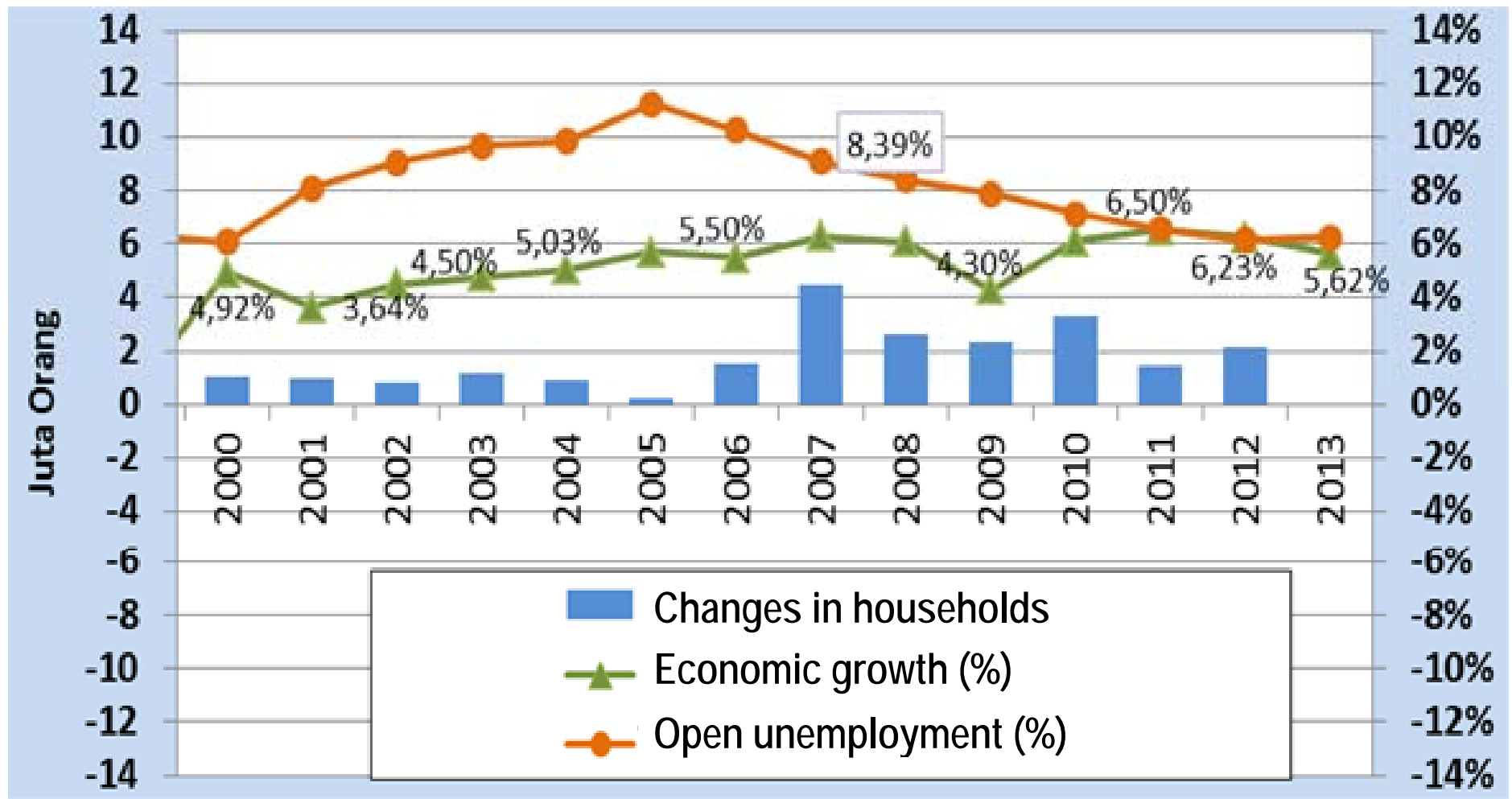
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# Outline of Presentation

1. Indonesia is supposedly moving to the right direction
2. Strategies to avoid the middle income trap
3. Current education system needs improvement
4. What is knowledge-based economy? (KBE)
5. What is the creative economy? Is this the answer?
6. Concluding remarks: Recommendation for the future

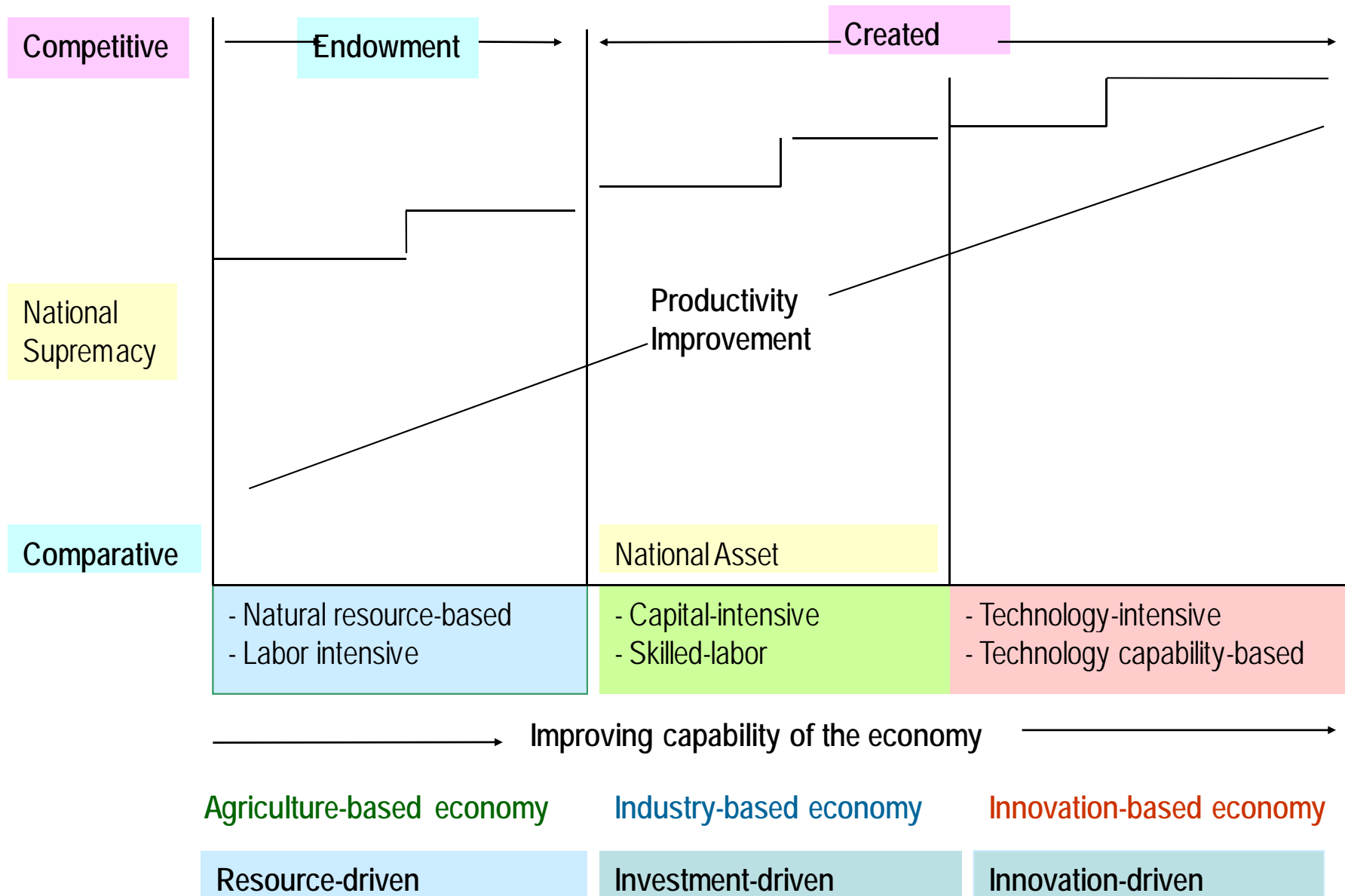
# Overview of the Indonesian Economy

- Growth remains high, albeit decreasing to 5.6% in 2013, and further decline to 5.2% in 2014
- Unemployment rate slightly increases (10,000 workers), especially for high school graduates

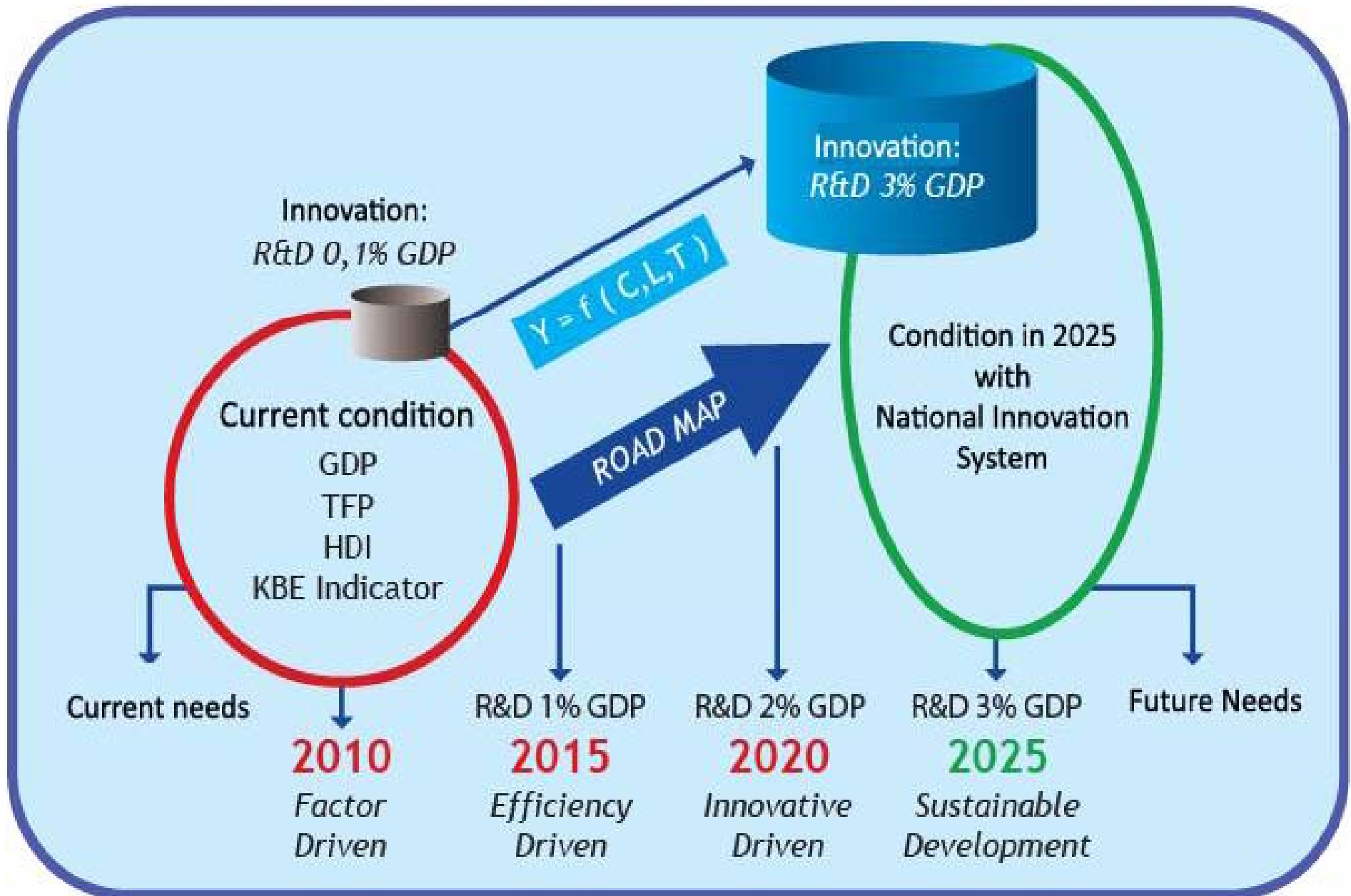


Source: National Development Planning Agency (Bappenas), 2014

# Indonesia: Investment to Innovation-based economy



# Master Plan of the Indonesian Economy 2025



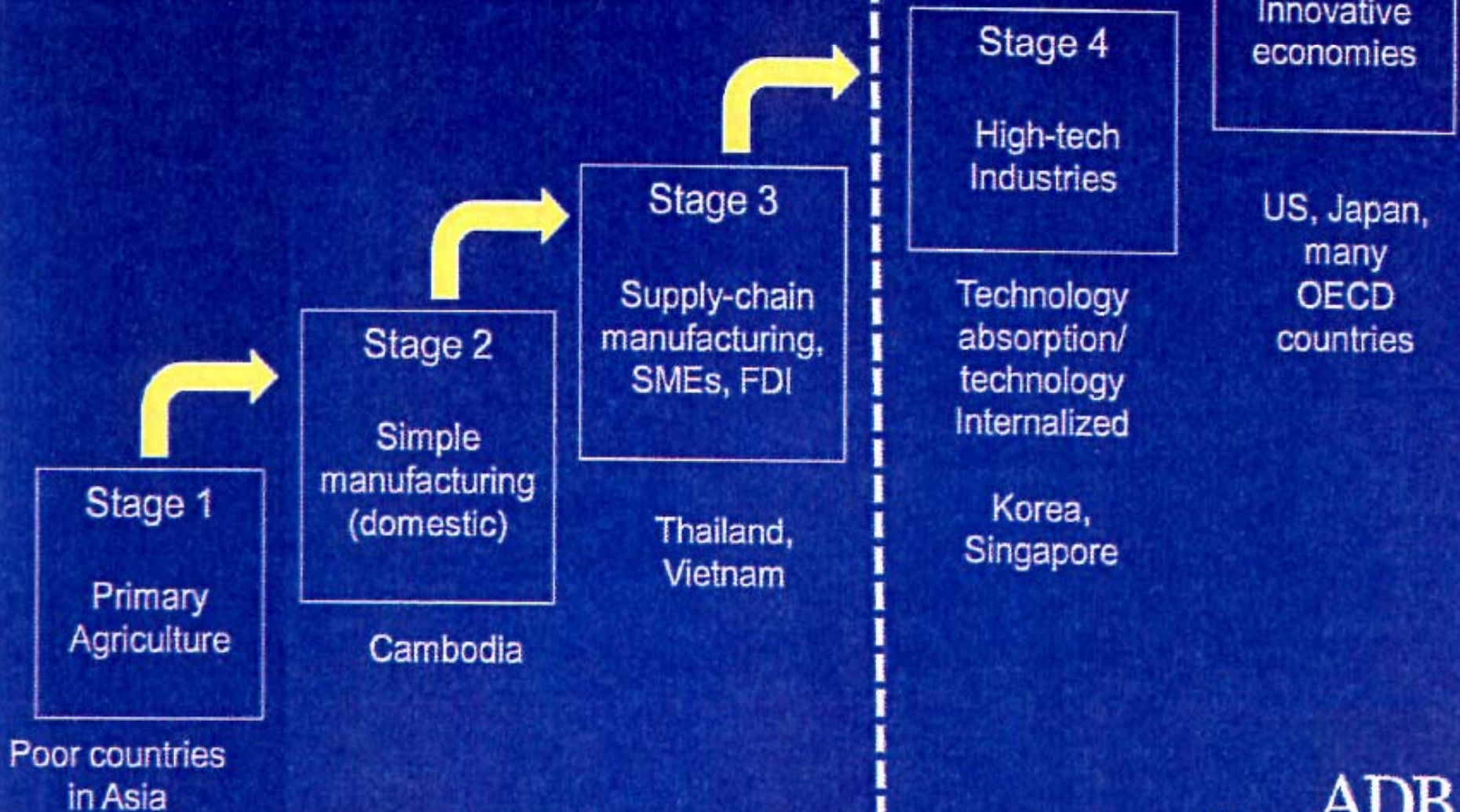
# The Challenges: Avoiding middle-income trap

- Development transformation from agriculture (stage 1) to simple industry (stage 2) and to integrated industry and FDI (stage 3) generally works very well and smooth.
- Transformation from stage 3 to high-technology industrial country (stage 4) might experience a trap. From stage 4 to creative and innovative economy (stage 5) is smooth.
- Strategy:
  - Knowledge-based economy, Innovation-driven economy
  - Improving social capital, ABGC partnership
  - Roles of research universities across the country
  - Collaborative capacity building for entrepreneurs



# Stages of Development

Middle Income Trap →



# What is Knowledge-Based Economy (KBE)?

Knowledge based-economy is one that has (ADB, 2013):

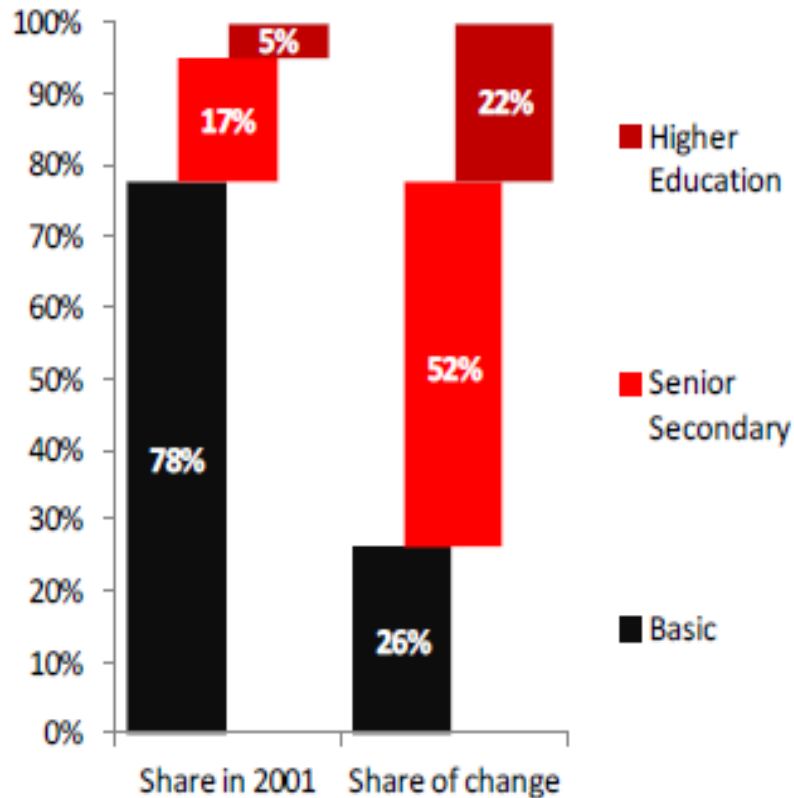
- Effective systems of education and skills: Providing higher order technical skills for the creative industries are required for the future
- Information and communication technologies: Expanding ICT infrastructures, support of applications e-banking, e-government
- R&D and innovation: Enabling policies to industry, universities and public sector partners to possibly share intellectual property benefits from applied research. SMEs need for greater support to patents, trade-marks and other innovative assets, and
- Economic and institutional regime conducive for knowledge: Policies are needed to remove key barriers to establishing, developing and financing creative industries, particularly in rural areas and smaller towns for SMEs.



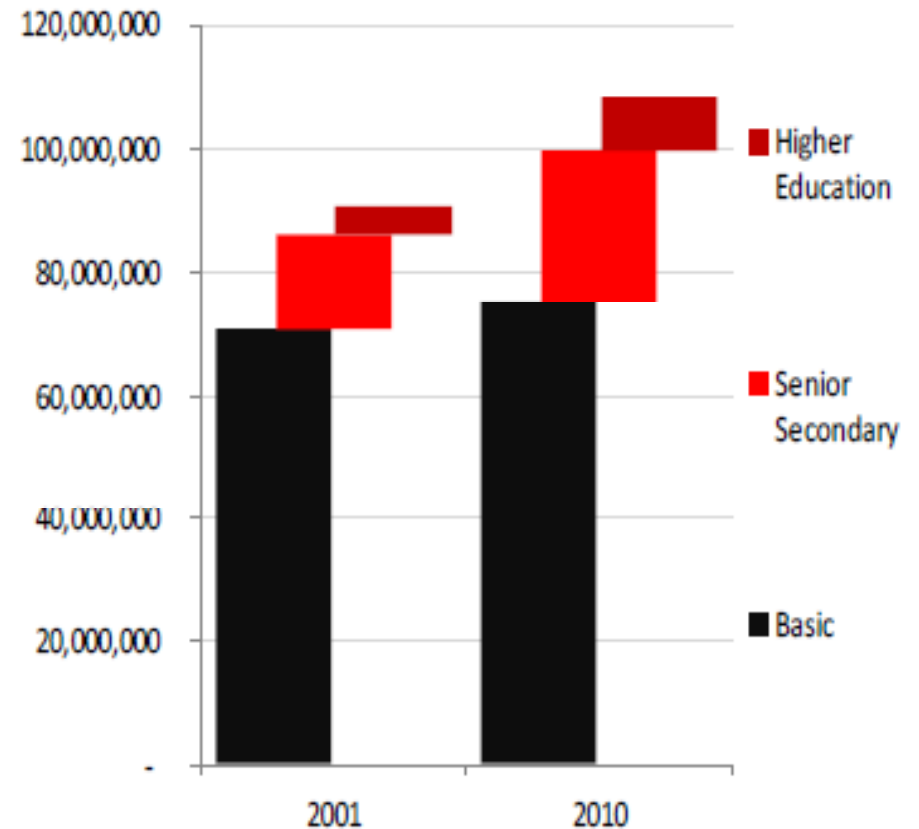
# Changes in Employment Structures

- Population with elementary education declines from 70% to 25%
- 17million more jobs created: 52 % high school, 22% universities
- However, 70% labor force has lower than high school graduates

Share of jobs in 2001 and of new jobs, by level of education

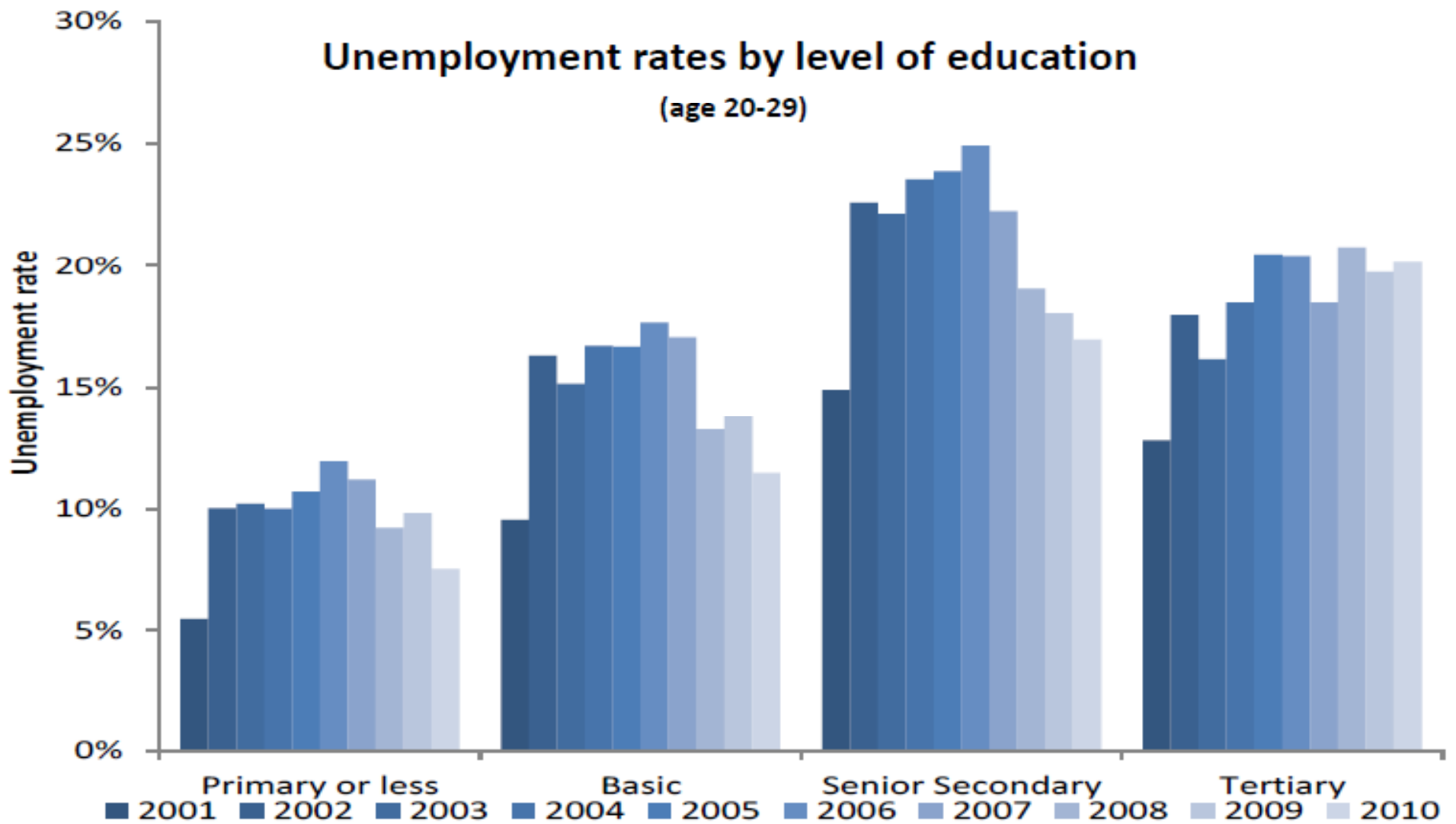


Numbers employed, by level of education



Source: Sakernas, 2001-2010

# Unemployment remains high, including those having completed university degrees

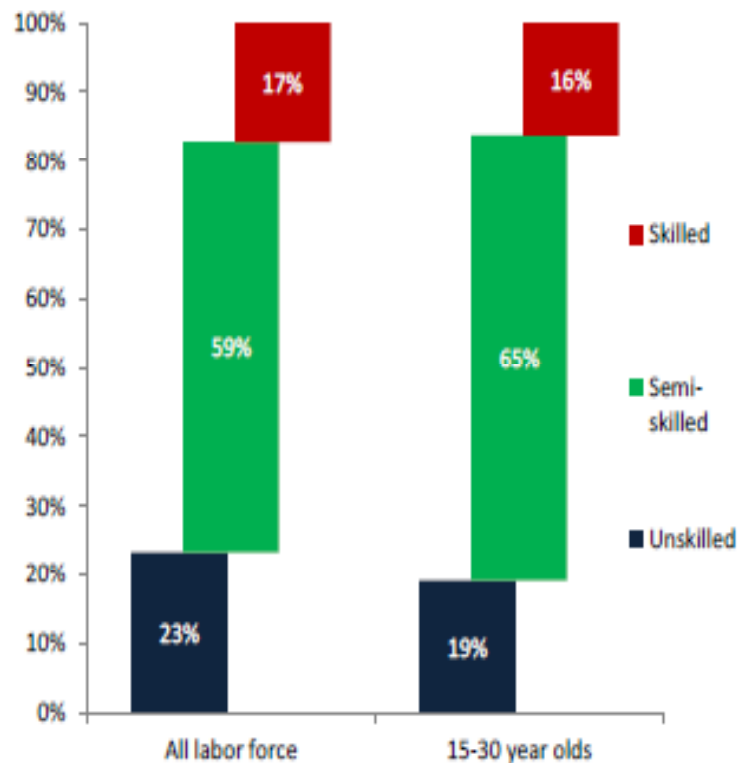


Sumber: Sakernas 2001-2010

# Skills Mismatch: New Entrants don't have right skills

- 23% of youth are inactive, and 23% new employed don't have skills
- But employers find it hard to find semi-skilled workers (Negara,2014)

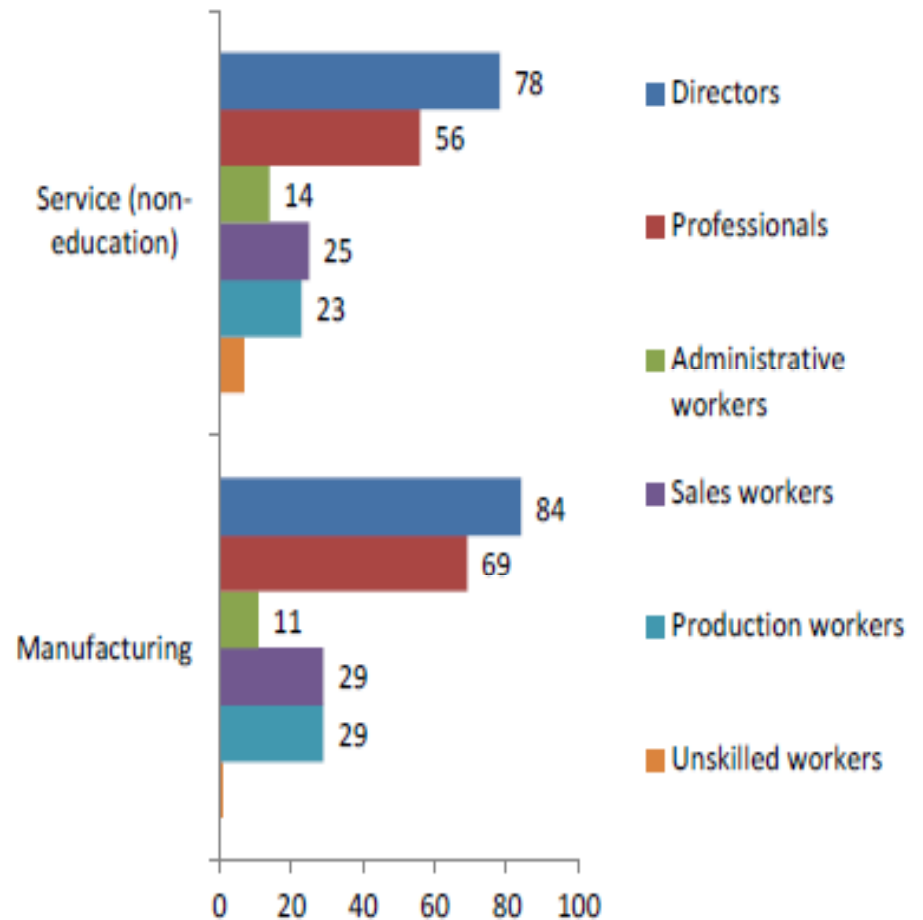
Percentage of new jobs for senior secondary education by type of job, 2001-2010



Source: Own calculations using Sakernas (2001-2010)

Note: skilled is manager and professional jobs, semi-skilled is sales and skilled production, and unskilled is blue-collar and agricultural laborers

Share of firms identifying the task of finding workers Very or rather hard. by type of job

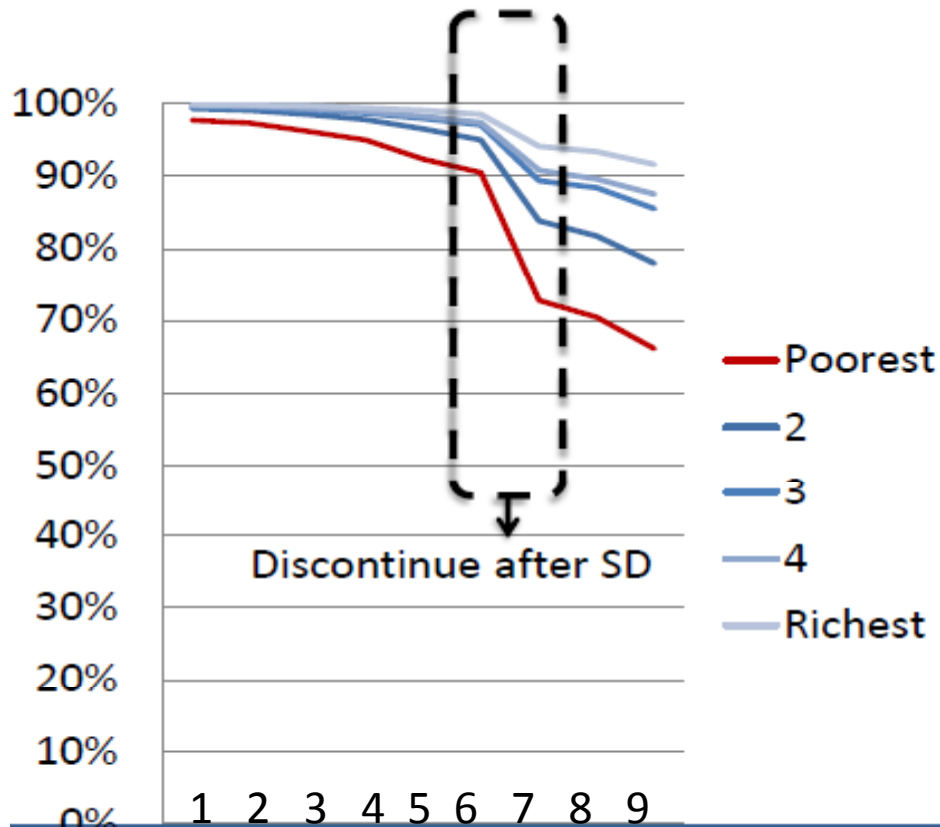


Source: Skills for the Labor Market in Indonesia, World Bank (2011)

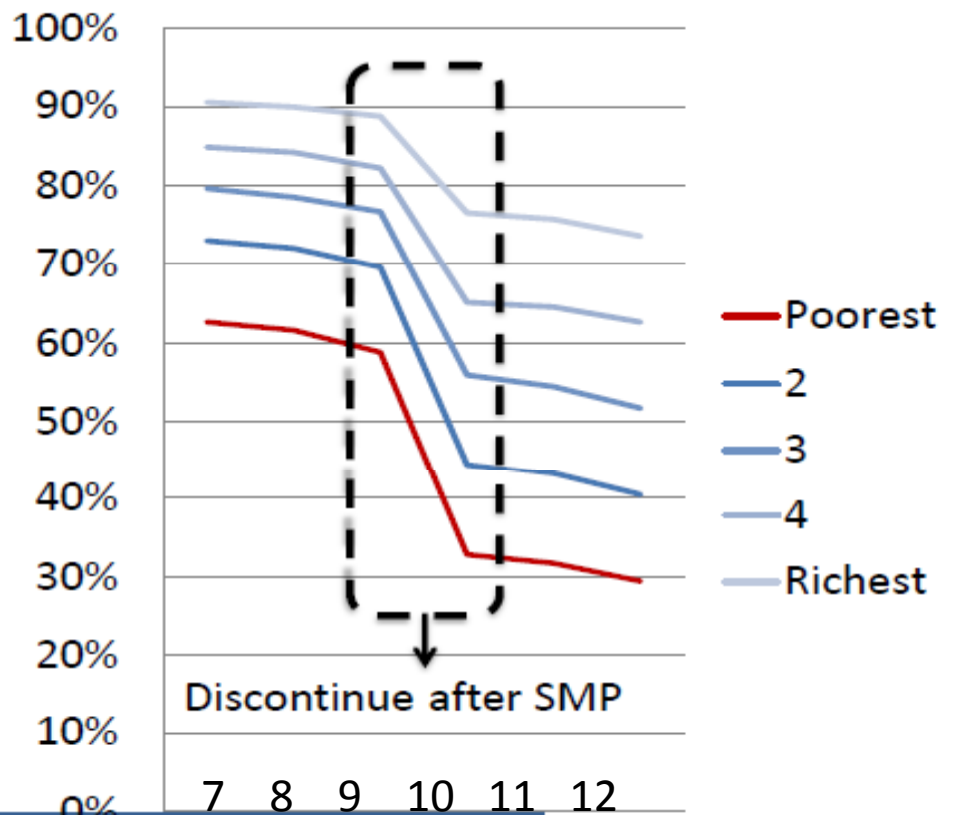
# Drop-out in Transition (SD→SMP & SMP→SMA)

- 20% of poor drop out at elementary, 30% of poor drop out at SMP
- 32% of poor continues to SMP (from 60% of elementary graduates)
- 11% of youth completed university. But, 1% of poor has graduated

**Years of Completed Education  
(16-18 year olds, 2012)**



**Years of Completed Education  
(19-21 year olds, 2012)**



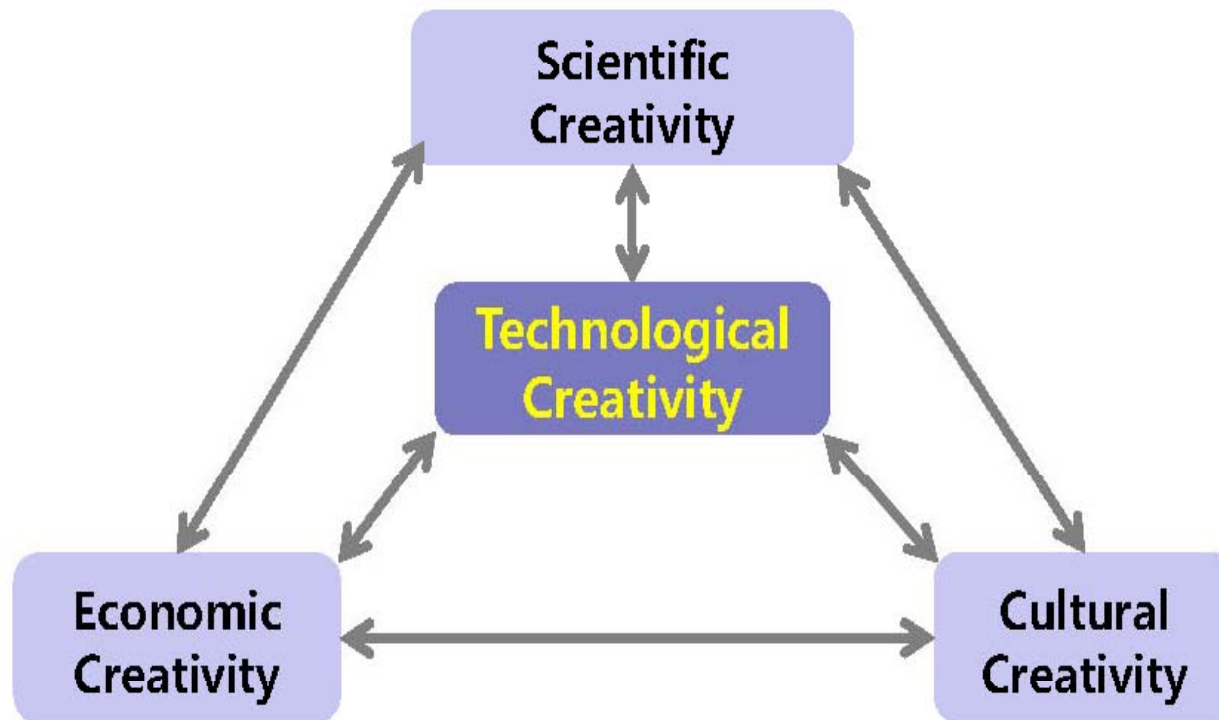
Source: Negara (2014)

# What is creative economy? The answer?

- The economy that praises copyright, patent, trademark, etc.
- At least, there are 15 sectors of creative economy: advertisement, architecture, art, handy-craft, design, fashion design, film, music, art-show, publishing, R&D, software, games, mainan dan permainan, TV, Radio, video games;
- “We can create the jobs and industries of the future by doing what America does best—investing in the creativity and imagination of our people” (Obama, 2011-America Innovation)
- “The realization of creativity-leading development strategy should be from future-oriented national strategy & fundamental measures for accelerating changes in China’s economic development” (PM China Li Keqiang—The 12<sup>th</sup> Nationwide Committee, Nov 2013)

# Creativity: Creating something from something

Curiosity and a willingness to experiment  
and make new connections and problem solving

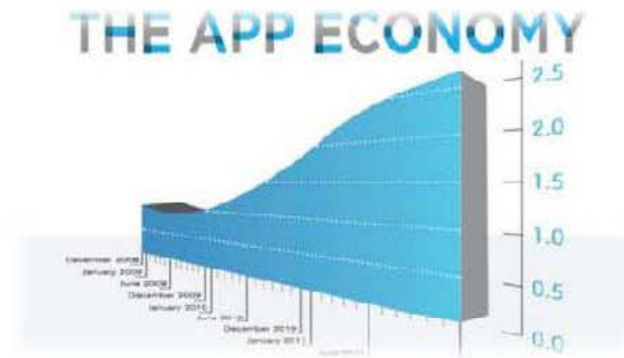


Dynamic process leading towards innovation  
in technology, business practices, marketing, et.  
and is closely linked to gaining  
competitive advantages in the economy

Involves imagination and a capacity to generate  
original ideas and novel ways of interpreting  
the world , expressed I text, sound and image



# Creativity: The Fourth Wave of Civilization



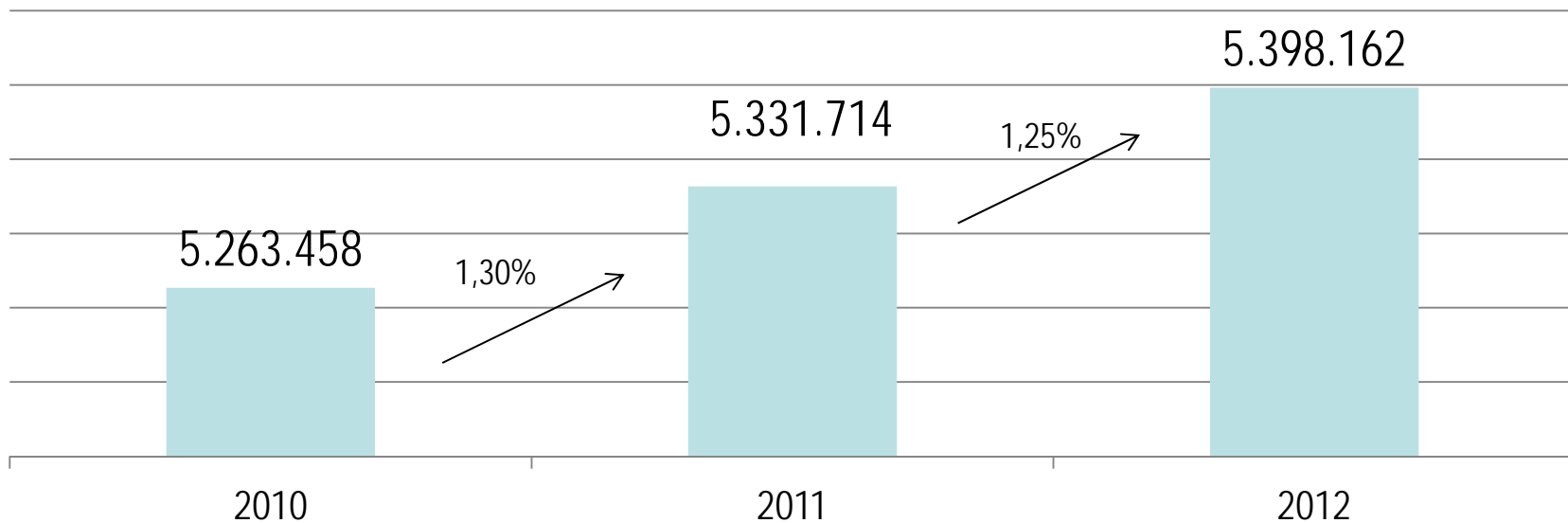
# Creative Goods: Top 20 Exporters Worldwide

Rank		Value (in millions of \$)		Rank	Market share %	Growth rate %
2008	Exporter	2008	2002	2002	2008	2003 - 2008
1	China	84,807	32,348	1	20.8	16.9
2	United States	35,000	18,557	3	8.6	13.3
3	Germany	34,408	15,213	6	8.5	14.7
4	China, Hong Kong SAR	33,254	23,667	2	8.2	6.3
5	Italy	27,792	16,517	4	6.8	9.7
6	United Kingdom	19,898	13,657	7	4.9	6.5
7	France	17,271	8,999	9	4.2	10.2
8	Netherlands	10,527	3,686	15	2.6	11.6
9	Switzerland	9,916	5,141	11	2.4	13.5
10	India	9,450	..	-	2.3	15.7
11	Belgium	9,220	5,387	10	2.3	6.7
12	Canada	9,215	9,327	8	2.3	-0.9
13	Japan	6,988	3,976	13	1.7	14.7
14	Austria	6,313	3,603	16	1.6	8.5
15	Spain	6,287	4,507	12	1.5	4.9
16	Turkey	5,369	2,154	23	1.3	15.0
17	Poland	5,250	1,983	24	1.3	14.9
18	Mexico	5,167	3,797	14	1.3	9.1
19	Thailand	5,077	2,899	18	1.2	10.3
20	Singapore	5,047	2,619	21	1.2	6.0

Sumber: *Creative Economy Report 2010*

# Creative economy in Indonesia: Growing

- GDP: Rank 7<sup>th</sup> from 10 economic sectors: Rp 573.9 trillion (6.9%) from the total of GDP Rp 8,309.6 trillion in 2012;
- Employment: Rank 4<sup>th</sup> from 10 economic sectors, employment was 11.8 million from total 110.8 million employment in 2012;
- Business Units: Rank 3<sup>rd</sup> from 10 economic sectors, business units were 5.4 million unit (9.72%) from total 55,5 million;

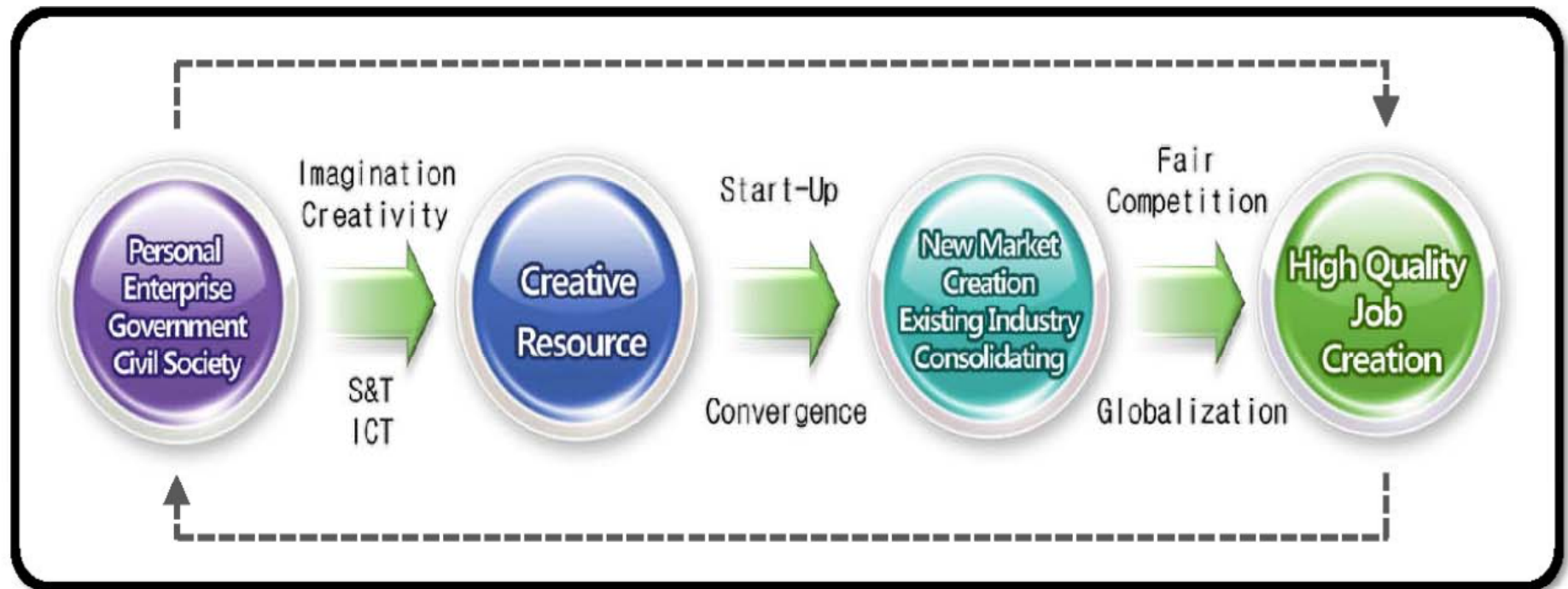


Sumber: Kemen Parekraf, 2012

# Benchmark: Korean Creative Economy

- “The creative asset that combines *creative idea, imagination and ICT* plays a pivotal role in stimulating startups. New growth strategies can be mapped out to create many *high-quality jobs through the convergence* with existing industries, which in turn leads to the emergence of new markets and industries”

(The inaugural address, the 18<sup>th</sup> President of Korea, 2013. 2. 25)





# Improving Social Capital and Collaborative Capacity Building



ABGC Partnership: Academics, Business, Government and Civil Society



Entrepreneurship field school



Hand-on experience on pruning and seedling propagation for mango



ICT Training for SMEs and Outreach – Entrepreneurial students are involved

# Concluding Remarks: Policy Recommendation

1. Entrepreneurship education is critical so that the government and universities could establish centers of excellence to strengthen coordination between research and development (R&D) in public research institutions and the need of industries.
2. New initiatives for banking professionals and financial institutions are really needed to develop collaborative capacity building programs and entrepreneurship nurturing in the industries.
3. New and futuristic policies are needed to remove key barriers to establishing, developing and financing creative industries, particularly in rural areas and smaller towns for SMEs.
4. Appropriate capacity-building policies are needed to ensure the extension of human capabilities to decentralized regions across the country.