ISSN 2320-1177, Volume 7, Issue 2, December 2018

Determinants of Indonesian Handicraft Industry Exports in Disruptive Era

Rudianto, Prijono Tjiptoherijanto**, Darwati Susilastuti*** & Bambang Bernanthos*****

ABSTRACT

In the disruptive era, old ways have been plagued by changes that took place very quickly. The research aims to analyze the determinants and dominant factors of the development of the Indonesian short-term and long-term handicraft industry exports in the current disruptive era.

The secondary time series data of the sample is determined by purposive sampling. Independent variable consists of the number of small and medium micro enterprises, the rupiah exchange rate against the US dollar, people's business loans, and inflation, while the dependent variable is the export value of the Indonesian handicraft industry. Data analysis method uses OLS (Ordinary Least Square) Multiple Regression with Error Correction Model (ECM).

The results of the study are the number of small and medium micro enterprises, the rupiah exchange rate against the US dollar, people's business loans, and inflation are determinants of the export of Indonesian handicraft industries. The dominant factor in increasing the export of Indonesian handicraft industry in the long term is the number of Micro, Small and Medium Enterprises, while in the short term the amount of People's Business Loans.

Keywords: Disruptive Era; Micro, Small and Medium Enterprises; Rupiah exchange rate against dollar America; People's Business Loans; Inflation; Craft Industry Exports; ECM

INTRODUCTION

In the disruptive era, systems and old ways have been plagued by changes that took place very quickly and were difficult to predict. Creativity and innovation have proven to be the key to maintaining a business in the disruptive era.

The role of exports as one of the main sources of state foreign exchange revenues is very strategic and important in supporting the continuity of national economic development. Therefore, success in building and improving export performance will determine the continuity of national economic development.

Exports are also one of the instruments that has a considerable influence in the effort to increase economic growth and equity, and provide a significant contribution in creating business opportunities and increasing

* Lecturer of Economic Faculty of Institute of Business and Multimedia Asmi Email: rudianto@asmi.ac.id

** Lecturer of Economic Graduate Program of Universitas Borobudur

*** Lecturer of Agriculture Faculty of Universitas Borobudur
Email: darwatisusi@borobudur.ac.id

**** Lecturer of Economic Graduate Program of Universitas Borobudur

employment and increasing income. Furthermore, exports are a source of foreign exchange which can be used to finance imports and state debt. Therefore, the government made various efforts in order to boost the performance of national exports. The efforts made include, the Indonesian government carried out various approaches both diplomatically and adopted the " *outward-looking trade policies* ".

Indonesia's trade balance in 2017 was a surplus of 11.84 billion US dollars, up 16.22 percent and the value of imports rose 15.66 percent year on year. Indonesia's non-oil and gas trade balance in 2017 was seen from the country, recorded a surplus against India (US $ 10.16 billion), the United States (US $ 9.44 billion), and the Netherlands (US $ 3.03 billion). The weakening of Indonesia's trade performance is due to one of them due to the low competitiveness in the trade liberalization arena.

The high share of exports in destination countries shows the high dependency and market concentration for Indonesia's commodity exports so that Indonesia will be very dependent on macro conditions in destination countries which will ultimately affect demand for export products. Dependence on these markets is certainly considered quite risky for the Indonesian economy. Indonesia's exports are supported by the performance of non-oil exports. Non-oil and gas exports rose by 15.8%. Exports of non-oil and gas goods experienced a significant increase.

Economic uncertainty and external turmoil in some of the world's major markets in the disruptive era require a tactical attitude for Indonesia. Furthermore, in anticipation of a sustained total trade balance deficit and a slowdown in non-oil exports, it is necessary to design an export development strategy by considering the *core competitiveness* of Indonesian export products. This is important for Indonesia because in addition to economic growth and expansion of employment opportunities, Indonesia also faces challenges in achieving development targets in a broader sense. The export value of the craft industry such as handicrafts shows an increase from year to year. Furthermore, handicraft industry exports continued to increase until 2016. On average, during the period of 2010-2016, handicraft exports increased by 6.93 percent per year. The largest increase in handicraft industry exports occurred in 2014, amounting to US $ 2,294.3 million or 14.46 percent.

Main export destination countries craft industry is the United States, Switzerland, Japan, Singapore, Germany, China, Hong Kong, Belgium, South Korea and the United Kingdom. When compared with in 2015, exports to the ten countries in 2016 increased by 13.43 percent. The export value that experienced the highest increase was the value of exports to Switzerland, which amounted to 117.37 percent. In 2015 the value of exports to Switzerland only as big as US $ 960.9 million and increased to US $ 2.09 billion in 2016. The large increase in exports to Switzerland was caused by demand for craft commodities sub-sector, namely the results of the precious metal jewelry industry for personal use rose sharply by US $ 1.13 billion. The significant increase in the value of the commodity export of the craft sub-sector made Switzerland the second destination for the craft industry to export in 2016, shifting the position of Japan.

Exports of the Indonesian handicraft industry are constrained by various obstacles. Regulations related to issues of environmental security, health and consumer safety are constraints that are quite difficult for Indonesia. Handicraft producers from MSMEs lack access to fulfill these requirements. In addition, the pattern of consumers who have fast-changing tastes makes it difficult for Indonesian producers. Another obstacle arises because the

US wants handicraft products from Indonesia to have branding, while entrepreneurs of handicraft products that are generally MSMEs are quite difficult to fulfill this. If all these obstacles can be overcome, it is not impossible that exports of craft products to the US will increase.

The market opportunity is quite wide open. The opening of market access because it has been integrated in ASEAN free trade, especially when the MEA will be established is an opportunity for both countries. In addition, the large number of Indonesian citizens living in Malaysia can also assist in marketing the product. This is an opportunity for Indonesia to be able to increase exports of handicraft products to Malaysia. The barriers to entering the Malaysian market are more due to the increasing number of competitors from various neighboring countries (Thailand and Vietnam) who produce similar quality goods and competitive prices. Therefore, Indonesian producers must face challenges to compete with Thailand, Vietnam and Malaysia themselves in seizing the market for handicraft products.

The products produced by Indonesia's Micro, Small and Medium Enterprises (MSMEs) are still having difficulties in penetrating the export market, one of the obstacles experienced by MSMEs is constraints on language. So far, most MSMEs still only understand Indonesian. As a result, it is difficult to interact with export destination countries. For example in Singapore who interact using English or Mandarin. That also applies to the product brands listed. Another problem is the matter of marketing that is still limited. Unlike large companies, MSMEs that have less capital, it will be difficult to market their products abroad. That is also considered to be one of the obstacles to the difficulty of developing MSMEs abroad.

The problems most often faced by MSMEs today are capital problems which remain one of the important needs to run their business both for working capital and investment needs (Lijun, 2016, p. 1145). For MSME entrepreneurs, the provision of low interest loans is considered very important considering the need for working capital and investment financing is needed to run a business and develop the scale of its business. Financing the biggest challenge for MSMEs is effective financial management both to run the organization and to expand activities in consideration of global competition (Zhang, 2014, p. 99).

In addition, the problem of the rupiah exchange rate against the US dollar also affected the small size of Indonesia's handicraft export value. The rupiah exchange rate is volatile and very unstable influence circumstances Indonesian macro economy. Broadly speaking there are three variables that affect Indonesia's macro economy, namely, the first variable related with value exchange rupiah is the balance of demand and supply of domestic and foreign currencies. The decline in the rupiah exchange rate reflects the decline in public demand for the rupiah due to the declining role of the national economy or because of the increasing value of foreign currencies as an international payment instrument so that import costs have increased. The second variable is the interest rate and the third variable is inflation. Depreciation pressure on the rupiah must be balanced with monetary policy instruments carried out by Bank Indonesia to stabilize the rupiah exchange rate.

The weakening of the rupiah exchange rate that continues to change is a problem for Indonesia, which results in a decline in people's welfare. For import-based business people with the domestic market. How does it not become a problem, when a weaker rupiah value occurs making inequality in export goods and companies oriented to imported raw materials.

Another factor affecting the export of Indonesian handicraft industry is the problem of inflation. On generally occurrence inflation trigger growth import more fast developing compared to export growth (Sukirno, 20 1 2). It can be said that inflation has a negative relationship to exports (Wardhana, 2011). In various developed countries, the increasing number of money supply is a cause of inflation and different from developing countries, inflation itself is caused by fiscal imbalances, namely the existence of exchange rate depreciation and very high growth in the amount of money (Totonchi, 2011). Governments in various countries will definitely try to make inflation in their country at a normal level. Inflation is the cause of the sluggish economy because prices of goods and basic necessities continue to soar (Mankiw, 2009).

With many entrepreneurs engaged in the field of crafts, it will produce new business opportunities while at the same time have a share in absorbing the workforce in Indonesia. The productivity of Indonesia's MSMEs from the handicraft industry category in the face of export challenges has been tested with its significant contribution to the creation of employment and foreign exchange. The growing growth of the handicraft industry and the expanding domestic and export markets, employment has opened up. Craft business is able to develop the real sector, create jobs, and provide income for all the elements involved in the business. The export growth of handicraft products once reached 5-6 percent. The contribution of handicraft exports to its own growth is not only directly, but also indirectly where established export growth drives the growth of people's purchasing power which later also becomes a supporting factor for overall economic growth.

The rapid development of information technology has shaken the old economic paradigm, so that the economic era can now be called an era of economic disruptive. In the era of economic disruptive, the problem of MSME export development will increase again, for example the influence of disruption in supply chain design and management, among others, is risk arising from disruption to normal activities (Li et al., 2010). Disruption occurs when there are new companies with technological advancements to shake established incumbents easily unexpectedly (Christensen et al., 2016) .

This paper only discusses the problem of the number of small and medium micro enterprises, the rupiah exchange rate against the US dollar, people's business loans and inflation affects the export of the Indonesian handicraft industry. The limitation of this problem is based on researchers' observations of some of these factors which have the potential to contribute to the increasing export of the handicraft industry as part of the creative economy industry in the current disruptive era. The problems that are formulated are what are the dominant determinants and factors for developing short-term and long-term Indonesian handicraft industry exports in the current disruptive era?

LITERATURE REVIEW

Alvin Toffler (1980) in his theory of dividing the wave of economic civilization into three waves. The first wave was a wave of agricultural economy. Second, the wave of the industrial economy. Third is the wave of information economy. Then the fourth wave is predicted which is a wave of creative economy oriented to creative ideas and ideas. Over the past 20 years, the theory of disruptive innovation has been very influential in business circles and a powerful tool for predicting incoming industries will succeed. Unfortunately, this theory has also been widely misunderstood, and the "disruptive" label has been applied too carelessly whenever new market entrants shake old established players (Christensen et al., 2016). Disruptive era is a time when it is full of disturbances with many changes. Technological advances and new innovations replace systems and old ways to become truly new systems and methods. The ways old businesses really turn out to be innovative creative businesses.

Central issues macroeconomic is economic growth, unemployment, inflation problem, the problem of instability of economic activity, and issue of trade balance and balance of payments (Bakti, Rachmat, and Sjahrir (2010). The economic policies formulated by the government would have to be adapted to its objectives or targets what must be achieved with the policy to be made, short-term policy aims to maintain stability, while the long-term policy is primarily aimed at growth.

The Indonesian Ministry of Trade (2010) states that the creative industry is an industry that originates from the use of creativity, skills and individual talents to create prosperity and employment through the creation and utilization of the individual's creation and creativity. The concept of the Creative Economy needs to be developed in Indonesia because it provides *Multiple-Effect* in the economy. Besides statistically the existence of creative industries increases GDP, this concept also absorbs a lot of labor. The Creative Economy does not process itself, with results that are not small. This industry revives other industries, such as processing, packaging, transportation distribution, advertising, product design, services and land rent, then creates new jobs, the main resources are renewable, unlimited, and sustainable.

Having a business in the era of Creative Economy is more interesting than in the previous economic era, because there are mass media, print and online. The business we have is not only limited, but also broad and can be expanded because of unlimited information exchange. Digital content is the main choice in the present era triggering the mindset of the community to be more creative, innovative, and sensitive to the issues around. The community is also required to be more technologically literate, with existing limitations and talents possessed. This is a reference point for the community to be more advanced and create new things and products to meet their needs. As a regional branding, the formation of identity and icon. An area, city or province, can make the concept of Creative Economy as a regional development strategy, as well as branding its regional self image. Howkins (2001) in his book *The Creative Economy* discovered the presence of a wave of creative economy after realizing that in the first time in 1996 the export of copyrighted works in the United States had a sales value of US $ 60.18 billion which far exceeded exports of other sectors such as automotive, agriculture and aircraft. According to Howkins new economies have emerged around the creative industry which is controlled by intellectual property laws such as patents, copyrights, brands, royalties and designs. Creative economy is the development of concepts based on creative assets that have the potential to increase economic growth (Dos Santos, 2007).

Creative industries based on foreign references are as follows: Creative Industries as those industries which have their origin in individual creativity, skills & talents, and which have a potential for wealth and job creation through the generation and exploitation of intellectual property. This includes: advertising, architecture, the art and antiques market, crafts, design, designer fashion, film and video, interactive leisure software, music, performing arts, publishing, software and computer services, television & radio (Natale De Douglas and Gregory H.Wassal, 2007).

The creative industry is a part or subsystem of the Creative Economy, which consists of creative industry, forward and backward creative industry linkage. Creative Core industry is a creative industry where the creation of its main added value is the utilization of the creativity of creative people. In the process of creating added value, *core creative industries* need output from other industries as input. The industry that is the input for core creative industries is called *backward creative industry linkage* . Output from *core creative industries* can also be an input for other industries, which are called *forward creative linkage industry* (Creative Economy Agency, 2012).

Craft activities are creative activities related to the creation, production and distribution of products that are made and produced by craftsmen who start from the initial design to the completion of the product. The process of craft activities includes handicrafts made of precious stones, natural and artificial fibers, leather, bamboo rattan, wood, metal, (gold, silver, copper, bronze, iron) wood, glass, porcelain, marble, clay and chalk. Even though it is processed with relatively simple equipment, but handicraft products have very high artistic value that has quite expensive selling power. Handicraft products are generally only produced in relatively small quantities (not mass production). The production volume that can be produced by this handicraft industry group is very dependent on the number and expertise of available craftsmen, so that this industry group can be categorized as labor intensive industry (Trade Department, 2008).

The craft industry players are still limited to craftsmen and handicraft entrepreneurs who are still of the scale of Micro, Small and Medium Enterprises. Micro, small and medium enterprises (MSMEs) play important roles in development and economic growth (Tambunan, 2013). In this strategic position, on the other hand Micro and Small Enterprises still face many problems and obstacles in implementing and developing their business activities. Actually the problems and obstacles faced are still classic in nature that have been frequently expressed, including: management, capital, technology, raw materials, information and marketing, infrastructure, bureaucracy and levies, and partnerships. People's Business Loan (PBL) is credit / financing to Micro, Small and Medium Enterprises (MSMEs) in the form of working capital and investment that are supported by guarantee facilities for productive businesses. PBL is a program launched by the Indonesian government but the source of funds comes entirely from bank funds. The performance of MSMEs can be affected by inflation.

Inflation can cause an unstable environment for economic decisions. So if consumers estimate that the future inflation rate will rise, then will encourage them to purchase goods and services on a large scale. Likewise with banks or other lending institutions, if they suspect that the inflation rate will rise, they will charge a high interest rate on loans given as a protection measure in the face of losses of income and wealth (Bradley, 1985 in Nanga, 2005).

International trade occurs on the basis of differences in technological capabilities between countries (David Ricardo's comparative advantage theory), because of differences in the wealth of production factors owned by the countries concerned (Hechkscher and Ohlin) and or occurs due to differences in preferences of certain goods and services (Dong-Sung Cho & Hwy-Chang Moon, 2000).

According to Todaro (2004) and Bachrawi (2004), exports are international trade activities that provide stimuli to foster domestic demand which causes the growth of large factory industries, along with stable political structures and flexible social institutions. In other words, exports reflect international trade activities, so that a developing country is likely to achieve economic progress on a par with more developed countries. The obstacles faced in commodity exports include competitiveness that is low in price and time of delivery. Competitiveness is often considered an exporter's internal problem, even though it is actually a national problem that cannot be overcome by entrepreneurs themselves. Marketing channels do not develop abroad. This activity requires a fee. However, if the business is successful, the company will enjoy large profits and at the same time the company has made an important contribution to the country's economic development in the form of increased exports, increased foreign exchange, increased taxes, increased national income and increased employment opportunities.

In conducting international transactions, each country must take into account the exchange rates or exchange rates of other countries so that transactions between countries are made easier. Exchange Rate is the price of a currency of a country that is measured or expressed in another currency. Exchange rates play an important role in spending decisions, because exchange rates allow a country to translate prices from various countries into one common language (Krugman and Obstfeld, 2006) .

METHODOLOGY

The study was conducted in 2017 - 2018. The secondary sample time series data collection was determined by purposive sampling. Independent variable consists of the number of small and medium micro enterprises (X1), the rupiah exchange rate against the US dollar (X2), people's business loans (X3), and inflation (X5). The Dependent variable is the export value of the Indonesian handicraft industry (Y).

Data analysis method uses OLS (Ordinary Least Square) Multiple Regression with Error Correction Model (ECM). The model formulations are:

1. *Ordinary Least Square* (OLS) Multiple Regression Model: $Ln\_EXPORTt = \beta 0 + \beta 1\ Ln\_MSMEt + \beta 2\ Ln\_ERt + \beta 3\ Ln\_PBLt + \beta Ln\_$ Ln_INFLATION $t\ \varepsilon t$ (1)
2. *Error Correction Model* (ECM):
   a. Long-term estimation equation (L) $Ln\_EXPORTt = b\ 0 + b\ 1\Delta\ Ln\_MSMEt + b\ 2\Delta\ Ln\_ERt + b\ 3\Delta\ Ln\_PBLt + b\ 4\Delta Ln\_INFLATIONt + ECTt$ (2)
   b. Short term estimation equation (S) $Ln\_EXPORTt\ \text{-}1 = b\ 0 + b\ 1\Delta Ln\_MSMEt\ \text{-}1 + b\ 2\Delta\ Ln\_ERt\ \text{-}1 + b\ 3\Delta Ln\_PBLt\ \text{-}1 + b\ 4\Delta\ Ln\_$ Ln_INFLATION $t\ \text{-}1 + ECTt\text{-}1$ (3)

Where :

Ln_Export	=	Indonesian Handicraft Export Industry
Ln_MSME	=	Micro small and Medium Enterprises
Ln_ER	=	Exchange Rate of Rupiah / USD
Ln_PBL	=	People's Business Loans
Inflation	=	Inflation

Multiple regression analysis was carried out after fulfilling the Classic Assumption Test (BLUE), namely Data Normality Test, Multi-collinearity Test, Heteroscedasticity Test, and Autocorrelation Test, ECM Analysis through 3 steps of data analysis namely (1) stationary test data, (2) co-integration test to find out whether there is a long-term and short -term relationship between variables X and Y, and (3) compiling *Error-Correction Model* (Gujarati, 2006).

RESULTS AND DISCUSSION

The classic assumption test results for all variables, based on the *Jarque* method - *Bera probability* value > 0.05, then the data is declared to be normally distributed. Correlation coefficient <0.80 then the model does not contain multi-collinearity. *Correlation Matrix* Testing White method, with *Probability* value *Chi- squared* > 0.05, there is no problem of heteroscedasticity. The *Breusch-Godfrey* method *is* the *Lagrange Multiplier* method Chi- squared Probability value > 0.05, so there is no problem with autocorrelation.

The first stage stationary test in estimating data using the *unit root test*. Based on the test results of *Augmented Dickey-Fuller* (ADF) at the level of the level that includes the intercept, all variables at this level are probability values > 0.05. Up to this stage, for all variables said to be not stationary at the same degree, namely at the level of the level. So it is necessary to do a degree of integration test or stationary test on the degree of difference until all variables observed are stationary at the same degree. Statistical test results on the *first difference* show that the ADF probability value < 0.05, for all these variables do not contain unit root problems and have stationary data conditions at the *first difference* level or one degree of integration.

The results of the co-integration test with Johansen's method approach, the result is the value of *Trace Statistic* (65,951) > *Critical Value* (60,061) and a Probability value of 0.014 < 0.05, as well as the Max Eigen *Statistic value* (73,681) > *Critical Value* (69,818) and Probability value 0.0238 < 0.05, thus it can be concluded that all variables in the long term there is co-integration in the equation model.

Testing the hypothesis of the Influence of Micro, Small and Medium Enterprises, Exchange Rate of Rupiah against US dollar, People's Business Loans and Inflation on Indonesian Handicraft Industry Exports based on stationary test and Co-integration test with analysis using ECM stated a long-term balance. The long-term balance estimates are presented in Table 1, while the short-term balance equations are presented in Table 2.

Long-term estimation equations based on Table 1 are as follows:

L (LnEXSPORTS) = 3.927558 + 0.822543 L (Ln_MSME) - 0.239533 L (Ln_ER) + 0.162854 L (Ln_PBL) - 0.064179 L (Ln_ INFLA-TION) (4)

TABLE 1. RESULTS OF LONG TERM ESTIMATES

	Variable Dependent: Ln_EXPORTS			
Independent Variable	**Coefficient**	**Std. Error**	**t-Statistics**	**Prob.**
C	3.927558	1.270681	3.090908	0.0037
L (Ln_MSME)	0.822543	0.129298	6.361609	0.0000
L(Ln_ER)	-0.239533	0.109148	-2.194571	0.0342
L (Ln_PBL)	0.162854	0.035156	4,632315	0.0000
L (Ln_Inflation)	-0.064179	0.029060	-2.208453	0.0332
R-squared	0.911878			
Adjusted R-squared	**0.902839**			
F-statistics	100.8916			
Prob (F-statistic)	0.000000			

Source: Data processed Eviews 8

TABLE 2. RESULTS OF SHORT TERM ESTIMATES

Independent Variable	Variable Dependent: Ln_EXPORTS			
	Coefficient	Std. Error	t-Statistics	Prob.
C	0.014219	0.002861	4.970655	0.0000
S (Ln_MSME)	0.06964A7	0.025171	2.766906	0.0093
S (Ln_ER)	-0.284808	0.102353	-2,782607	0.0087
S (Ln_PBL)	0.640623	0.201190	3.184162	0.0032
S (Ln_INFLATION)	-0.009776	0.003867	-2,528232	0.0163
ECT (-1)	-0.153643	0.061803	-2.486019	0.0176
R-squared	0.8 08577			
Adjusted R-squared	**0.79 1628**			
F-statistics	2 .950246			
Prob (F-statistic)	0.0000 0 0			

Source: Data processed E views 8

Short-term estimation equations based on Table 2 are as follows:

S (Ln_EXPORTS) = 0.014219 + 0.069647 S (Ln_MSME) - 0.284808 S (Ln_ER) + 0.640623 S (Ln_PBL) - 0.009776 S (Ln_INFLATION) - 0.153643 ECT t-1 (5)

Based on the results of the above research, it is stated that (1). The long-term export of the Indonesian handicraft industry has high hopes because the L intercept > S intercept; (2). The number of MSMEs and PBL has a significant positive effect on exports, both long and short term; (3). Exchange rates and inflation have a significant negative effect on exports both long and short term; (4). The independent variable under study contributes greatly to exports, namely 90% in the long term and 79% in the short term; (5) The determinant of Indonesia's long-term handicraft industry exports is the number of MSMEs, while the short term is the number of PBL.

Influence positive the number of MSMEs means that every increase in the number of MSMEs will be followed by an increase in the number of Indonesian handicraft industry exports. These results explain that the Micro, Small and Medium Enterprises (MSMEs) in the era of economic disruption have an important role in the economy in Indonesia. MSMEs have a proportion of 99.99% of the total business actors in Indonesia or as many as 56.54 million units (BPS, 2016). Micro, Small and Medium Enterprises have been able to prove their existence in the economy in Indonesia. When the storm of the monetary crisis hit Indonesia in 1998 small and medium scale businesses were relatively able to survive compared to large companies. Because the majority of small-scale businesses are not too dependent on large capital or external loans in foreign currencies. So, when there are fluctuations in exchange rates, large-scale companies that generally always deal with foreign currencies are the ones that have the most potential to experience the impact of the crisis. The MSMEs business contributes around 60% of GDP (Gross Domestic Product) and opens employment opportunities for the community. The number of MSMEs is the dominant factor in increasing the export of Indonesia's long-term handicraft industry.

The results showed that the People's Business Loans (PBL) had a significant and positive effect on the Indonesian Handicraft Industry Exports both in the long term and in the short term. In the short term, PBL is a determinant of export development. Based on Ministry of Cooperatives and Small and Medium Enterprises data on December 28, 2016, the total realization of Micro PBL was 65.4 trillion. Retail PBL and TKI are recorded at Rp. 28.2 trillion and Rp. 151 billion respectively. The realization of People's Business Loans Distribution (PBL) in 2017 fell compared to the realization in 2016. Until December 31, 2017 PBL distribution reached Rp 95.56 trillion or 89.6% of the target of Rp 106 trillion. The previous year, PBL distribution reached Rp. 94.4 trillion or 94.4% of the target of Rp. 100 trillion. The total PBL was distributed to 4,408,925 debtors, through 36 PBL channeling institutions. The increase in the craft industry based on the development of the number of MSMEs in the short term, for example from year to year requires additional capital that can be obtained through the provision of PBL.

CONCLUSION

The conclusions in this study are:

1. The number of small and medium micro enterprises, the rupiah exchange rate against the US dollar, people's business loans, and inflation are the determinants of the Indonesian handicraft industry.
2. The dominant factor in increasing the export of Indonesian handicraft industry in the long term is the number of MSMEs (small and medium micro enterprises), while in the short term is the amount of PBL (people's business loans).

REFERENCES

Alvin Toffler. 1980. *The Third Wave*. New York: Bantam Books.

Bachrawi Sanusi, 2004. *Pengantar Ekonomi Pembangunan*. Jakarta: Rineka Cipta

Badan Pusat Statistik, 2012. *Neraca Perdagangan Indonesia 2012* Jakarta

Badan Pusat Statistik, 2014. *Ekspor Ekonomi Kreatif 2007-2013*. Jakarta : Puska daglu

Badan Pusat Statistik, 2017. *Ekspor Ekonomi Kreatif 2010-2016* . Jakarta

Badan Pusat Statistik, 2017. *Buletin Statistik Perdagangan Luar Negeri* . Ekspor Jakarta

Badan Pusat Statistik, 2017. *Nilai Tukar Valuta Asing di Indonesia* Jakarta

Bakti, T. Diana, Rakhmat Sumanjaya, dan Syahrir Hakim Nasution, 2010. *Pengantar Ekonomi Makro*, Medan : USU Press

Christensen, CM, Raynor, M., McDonald, R., 2016. What is disruptive innovation? Harv. Bus. Rev. doi:10.1353/abr.2012.0147

Dong Sung Cho dan Hwy-Chang Moon, 2000. *From Adam Smith to Michael Porter, Evolusi teori daya saing* . Jakarta: Salemba Empat

Kementerian Perdagangan, 2008. *Pengembangan Ekonomi Kreatif Indonesia 2025* .

Kementerian Perdagangan, 2010. *Studi Industri Kreatif Indonesia Tahun 2010* .

Krugm an, Paul R and Obstfeld Maurice, 200 6 . *Ekonomi Internasional (Teori dan Kebijakan)*. Edisi Kedua. Jakarta : Manajemen PT Raja Grafindo Persada.

Li, F., Hou, J., Xu, D., 2010. Managing disruption risks in supply chain, in: 2010 IEEE International Conference on Emergency Management and Management Sciences. IEEE, pp. 434–438. doi:10.1109/ICEMMS.2010.5563408

Lijun Liu, Jiang, Zuhua. 2016. *Influence Of Technological Innovation Capabilities On Product Competitiveness* . Vol 116 No. 5. Shanghai Jiaotong University, Shanghai, China.

Mankiw N Gregory, 2009 . *Makro Ekonomi* . Penterjemah Fitria Liza dan Imam Nurmawan. Jakarta : Airlangga

Nanga, Muana. 2005. *Makroekonomi: Teori, Masalah dan Kebijakan*, Jakarta : PT Raja Grafindo Perkasa

Natale, De, Douglas and Gregory H.Wassal, 20 07 . *The Creative Economy: The New Definition "A Research Framework for New England and Beyond, Including an Economic Analysis of New England's Cultural Industries and Workforce* . New England Foundation for the Arts.

Sukirno, S., 2012. Makro Ekonomi, Teori Pengantar. Jakarta, PT. Rajagrafindo.

Tambunan Tulus, 2012. *Perekonomian Indonesia kajian teoritis dan analisis Empiris* . Bogor : Ghalia Indonesia

Todaro, Michael dan Smith C Stephen, 2008 . *Pembangunan Ekonomi* . Penterjemah Haris Munandar. Jakarta : Erlangga

Totonchi, Jalil. 2011. *Macroeconomic Theories Of Inflation International Conference on Economics and Finance Research (IPEDR)* . Vol. 4 pp. 459-462

Zhang, Huilan & Okoroafo Sam C. 2014 . *An E-Commerce Key Success Factors Framework for Chinese SME Exporters* . International Journal of Economics and Finance,6 (1). Retrieved from Canadian Center of Science and Education