

The Role of Customs Regulations and Policies in Encouraging MSME Exports: A Case Study on MSMEs in the Creative Industry Sector

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Abstract

This study aims to analyze the role of customs regulations and policies in encouraging the export activities of Micro, Small, and Medium Enterprises (MSMEs), especially in the creative industry sector. This study uses a qualitative approach with a case study method on one of the creative industry MSMEs that has expanded to the international market. Data collection techniques are carried out through in-depth interviews, observations, and documentation, while data analysis uses an interactive model that includes data reduction, data presentation, and conclusions drawn. The results of the study show that government regulations and customs policies have a strategic role in increasing MSMEs' access to global markets, especially through simplifying export procedures, providing customs facilities, and digitizing export services. However, there are still a number of obstacles faced by MSMEs, such as low understanding of regulations, administrative complexity, and limited human resources in managing export documents. Therefore, synergy is needed between the government, business actors, and other stakeholders to increase regulatory literacy, strengthen export assistance, and optimize the implementation of policies that are more inclusive and adaptive to the needs of MSMEs. This research provides practical implications for the development of MSME internationalization strategies as well as theoretical contributions in the study of MSME-based public policy and international trade.

Keywords: Internationalization of MSMEs, Export Regulation, Customs Policy, Creative Industries, Export Competitiveness

1. Introduction

The internationalization of Micro, Small, and Medium Enterprises (MSMEs) is one of the important strategies in increasing national economic competitiveness in the era of globalization. MSMEs not only play a role as the backbone of the domestic economy, but also have great potential in expanding the market through export activities, especially in the creative industry sector based on innovation and added value. However, the process of internationalization of MSMEs is inseparable from various structural challenges, especially related to regulatory aspects and customs procedures that are often considered complex by business actors. In this context, customs regulations and policies have a strategic role as an instrument for trade facilitation as well as supervision of the flow of goods across countries



(Muchtar & Suganda, 2021). In recent years, the Indonesian government, through the Directorate General of Customs and Excise, has carried out various policy reforms to support MSME exports. The policy includes simplifying export procedures, digitizing customs services through technology-based systems, and providing fiscal and non-fiscal facilities for MSME actors. The implementation of systems such as the Customs-Excise Information System and Automation (CEISA) and the strengthening of the National Logistics Ecosystem (NLE) show that there are serious efforts to improve the efficiency of export services, both in terms of time and cost. In fact, the acceleration of the export service process that previously took longer can now be completed in a matter of minutes, which significantly increases the ease of doing business for MSMEs.

In addition, government policies are also strengthened through the issuance of regulations that are more adaptive to the needs of MSMEs, such as Minister of Finance Regulation (PMK) Number 96 of 2023, which regulates the provisions for the export and import of consignments. This regulation makes it easier for MSMEs to export on a small scale through a simpler freight delivery mechanism, integrated with the national logistics system. This policy is considered to be able to open wider international market access for MSMEs, especially for business actors who have just started export activities (Bambang, 2023). However, various studies show that the implementation of customs regulations and policies is not fully optimal in supporting the internationalization of MSMEs. A study by Hutabarat and Yulia (2024) found that the role of customs in empowering MSMEs is very significant in encouraging regional economic growth, but there are still obstacles in terms of understanding regulations by business actors and limited capacity in meeting export administration requirements. This shows that there is a gap between the policies designed by the government and the adaptability of MSMEs in the field.

Furthermore, the dynamics of international trade post-pandemic also show that the role of regulation is becoming increasingly crucial in maintaining export stability and sustainability. Data shows that despite a decline in trade activity in 2020, the value of Indonesia's exports increased significantly again in the following years, indicating an economic recovery and an increase in export activity. In this context, responsive and adaptive customs policies are an important factor in supporting the smooth flow of goods and increasing the competitiveness of MSME products in the global market (Sitompul & Nawawi, 2024). To provide a more concrete empirical picture, this study takes a case study on one of the MSMEs in the creative industry sector in East Java, namely MSMEs engaged in locally-based handicrafts that have succeeded in penetrating the export market. These MSMEs were chosen because they have representative characteristics in facing regulatory challenges and customs procedures, as well as showing success in utilizing government policies to expand international markets. In the process of internationalization, these MSMEs not only face the complexity of export administration, but also have to adapt to international standards, the classification of goods (HS Code), and the provisions of export documents set by the customs authorities.

This phenomenon is interesting to study because it reflects the reality faced by many MSMEs in Indonesia, especially in the creative industry sector, which has high export potential but still faces limitations in terms of regulatory literacy and access to information. On the other hand, the success of some MSMEs in exporting shows that customs regulations and policies not only function as obstacles, but also as enablers that can encourage business growth and expansion if used optimally. Thus, this study aims to analyze in depth the role of customs regulations and policies in encouraging MSME exports through a case study approach. The main focus of this research is to identify the forms of policy support, obstacles

faced by MSMEs in the implementation of regulations, and adaptation strategies carried out by business actors in dealing with international trade dynamics. The results of this research are expected to make a theoretical contribution to the development of the study of the internationalization of MSMEs, as well as practical implications for the formulation of policies that are more inclusive and oriented to the needs of business actors.

2. Problem Formulation

Based on the background that has been described, the formulation of the problem in this study is as follows:

- 1) What is the role of government regulations in supporting the internationalization process and export activities of MSMEs in the creative industry sector?
- 2) How is the implementation of customs policy in facilitating export activities for MSMEs that are the object of the case study?
- 3) What are the obstacles faced by MSMEs in understanding and implementing customs regulations and procedures in export activities?
- 4) What is the adaptation strategy carried out by MSMEs in facing the complexity of customs regulations and policies to penetrate the international market?
- 5) What are the implications of customs regulations and policies on increasing the competitiveness and sustainability of MSME exports in the creative industry sector?

3. Research Method

This research uses a qualitative approach with a case study design, which aims to understand in depth the phenomenon of the role of customs regulations and policies in encouraging MSME exports in the creative industry sector. This approach was chosen because it is able to explore empirical reality contextually and comprehensively based on the direct experience of business actors in the internationalization process. The case study focuses on one MSME in the creative industry sector in East Java that has carried out export activities in a sustainable manner, so that it can provide a real picture of the implementation of customs regulations and policies at a practical level.

The research subject was determined by purposive sampling, which is the selection of informants based on certain criteria relevant to the research objectives. The main informants in this study include MSME owners or managers, staff involved in export activities, and supporting parties such as export consultants or representatives of related agencies (e.g., customs or trade offices). The criteria for selecting informants are based on first-hand experience in managing the export process and understanding of customs regulations and procedures.

The data collection technique was carried out through three main methods, namely in-depth interviews, observation, and documentation. The interviews were conducted in a semi-structured manner to obtain information related to the experience of MSMEs in dealing with export regulations, customs procedures, and adaptation strategies carried out. Observations are carried out to see firsthand the export operational process, including packaging, document preparation, and interaction with the customs system. Meanwhile, documentation is used to collect supporting data such as export documents, business activity reports, and related regulations relevant to the research.

The data analysis in this study uses an interactive analysis model consisting of three stages, namely data reduction, data presentation, and conclusion/verification. Data reduction

is done by simplifying and grouping information relevant to the focus of the research. The presentation of data is carried out in the form of a systematic descriptive narrative so that it facilitates interpretation. Furthermore, conclusions are drawn by identifying the patterns, relationships, and meanings of the analyzed data, as well as relating them to the theoretical framework used. To ensure the validity of the data, this study uses triangulation techniques, both source triangulation and method triangulation. Source triangulation is carried out by comparing information from various informants, while method triangulation is carried out by comparing the results of interviews, observations, and documentation. In addition, the researcher also conducts member checks to ensure that the results of data interpretation are in accordance with the actual conditions in the field.

By using this method, it is hoped that the research can produce valid and in-depth findings related to the role of customs regulations and policies in supporting the internationalization of MSMEs, as well as contributing to the development of more effective and inclusive export policies and practices.

4. Result and Discussion

4.1. Role of government regulations in supporting the internationalization process and export activities of MSMEs in the creative industry sector

The role of government regulations in supporting the internationalization of MSMEs in the creative industry sector can be analyzed concretely through the experience of Batik Tulis "Batik Sari Kenongo" in Sidoarjo. In practice, regulations function as an enabling framework that provides legal certainty while facilitating MSME access to the global market. For Batik Sari Kenongo, government policies related to exports—such as simplifying procedures and digitizing customs services—help business actors in reducing administrative obstacles that were previously the main obstacles. This is in line with the findings of Ariyani (2022), who stated that the MSME internationalization policy is directed at strengthening the export ecosystem and increasing the involvement of MSMEs in global value chains.

Operationally, the role of regulation is increasingly seen through policies and programs from the Directorate General of Customs and Excise, which acts as a trade facilitator. Batik Sari Kenongo benefits from export assistance programs in the form of technical assistance, education related to customs procedures, and guidance in fulfilling export documents such as invoices, packing lists, and HS Code classification. This program has been proven to be able to increase the export capacity of MSMEs and accelerate the process of adaptation to international trade standards. Empirical studies show that customs not only play a role as a supervisor, but also as a strategic partner in encouraging MSMEs to penetrate the global market through export assistance and facilitation.

In addition, regulations also provide support in the form of fiscal facilities and export facilities, such as the import ease of import scheme for export purposes (KITE), which allows MSMEs to obtain raw materials at a more cost-efficient cost. This contributes to increasing the competitiveness of Batik Sari Kenongo products in the international market, as stated by Muchtar and Suganda (2021), that customs facilities can encourage the growth of small industries and increase the added value of export products.

However, the implementation of regulations still faces challenges, especially related to the complexity of rules and the limitations of regulatory literacy at the MSME level. As experienced by Batik Sari Kenongo in the early stages of export, understanding international standards and customs procedures requires an adaptation process that is not instantaneous.

Research by Carissa et al. (2023) also confirms that regulatory complexity and differences in international standards are one of the main obstacles for MSMEs in global trade. Thus, it can be concluded that government regulations play a significant role in encouraging the internationalization of MSMEs, but their effectiveness depends on the synergy between adaptive policies and the ability of business actors to utilize them.

4.2. Implementation of customs policy in facilitating export activities on Batik Tulis "Batik Sari Kenongo" in Sidoarjo: What Internal and External Factors Affect the Success of Internationalization of MSMEs

The implementation of customs policy in facilitating export activities in Batik Tulis "Batik Sari Kenongo" in Sidoarjo shows a real role as a trade facilitator in supporting the smooth internationalization process of MSMEs. In practice, customs policy is realized through simplifying export procedures, digitizing services, and providing technical assistance to business actors. Batik Sari Kenongo utilizes an electronic-based service system that allows the management of export documents, such as Goods Export Notification (PEB), to be carried out faster, more transparently, and more efficiently. This digitization significantly reduces the administrative process time and minimizes the potential for errors in filling out documents. This is in line with the findings of Muchtar and Suganda (2021), who stated that the modernization of the customs system is able to increase logistics efficiency and accelerate the flow of export goods.

In addition, the implementation of customs policy is also seen through assistance and assistance programs provided to MSMEs. In the case of Batik Sari Kenongo, business actors received guidance related to the classification of goods using the HS Code, the fulfillment of export documents, and an understanding of customs procedures in accordance with international regulations. This assistance is very important, especially in the early stages of export, where MSME actors still have limited technical knowledge. Hutabarat and Yulia (2024) emphasized that the active involvement of customs in providing education and assistance contributes to increasing the export capacity of MSMEs and encouraging export-based economic growth.

Furthermore, the customs policy also provides convenience facilities for MSMEs through certain schemes, such as export services for small and medium enterprises and convenience in shipping small-scale goods through integrated logistics channels. For Batik Sari Kenongo, this facility allows the delivery of products in stages according to international market demand without having to bear the burden of high logistics costs. This is in accordance with the research of Sitompul and Nawawi (2024), which states that an adaptive customs policy can increase the accessibility of MSMEs to the global market.

However, in its implementation, there are still several obstacles, such as dynamic regulatory changes and the need to adapt to the digital system that continues to develop. However, overall, the implementation of the customs policy has made a positive contribution to facilitating the export activities of Batik Sari Kenongo, both in terms of operational efficiency and capacity building of business actors in understanding international trade mechanisms.

4.3. Obstacles faced by MSMEs in understanding and implementing customs regulations and procedures in export activities

The obstacles faced by Batik Tulis "Batik Sari Kenongo" in Sidoarjo in understanding and implementing customs regulations and procedures reflect the general challenges experienced by many MSMEs in the creative industry sector in the export process. One of the

main obstacles is the low level of regulatory literacy, especially related to understanding technical provisions such as the classification of goods using the HS Code, the preparation of export documents (invoices, *packing lists*, and *Export Notifications of Goods/PEB*), and the fulfillment of standards set by the destination country. In the early stages of internationalization, business actors experience difficulties in interpreting regulations that tend to be complex and administrative, so that they have the potential to cause errors in the export process. This is in line with the findings of Hutabarat and Yulia (2024), who stated that limited understanding of regulations is one of the main obstacles in increasing MSME export participation.

In addition, the complexity of customs procedures is also a significant obstacle. Even though the government has digitized services, Batik Sari Kenongo still faces challenges in adapting to electronic systems that require high precision and certain technical capabilities. Limited human resources (HR), especially in terms of export administration competence and mastery of technology, are an inhibiting factor in optimizing the use of the system. Muchtar and Suganda (2021) emphasized that digital transformation in customs has not been fully balanced with the readiness of MSME human resources, thus creating a gap in policy implementation.

Another obstacle is the dynamics of regulations that often change, both at the national and international levels. This policy change requires MSMEs to continue to update their knowledge and adjust their business processes, which is not always easy for business actors with limited access to information. In addition, differences in product standards, certification requirements, and technical provisions in the export destination country are also challenges. Carissa et al. (2023) stated that the non-conformity of standards and the complexity of cross-border regulations often hinder MSMEs from expanding into international markets.

Thus, the obstacles faced by Batik Sari Kenongo are not only administrative but also structural, including limitations in regulatory literacy, human resource capacity, and complex policy dynamics. This shows the need to increase mentoring, training, and simplification of regulations so that MSMEs can be more optimal in carrying out export activities.

4.4. Adaptation strategies carried out by MSMEs in facing the complexity of customs regulations and policies to penetrate the international market

The adaptation strategy carried out by Batik Tulis "Batik Sari Kenongo" in Sidoarjo in the face of the complexity of customs regulations and policies shows a gradual and learning-based approach. One of the main strategies is to increase regulatory literacy through participation in export training, workshops, and mentoring programs organized by government agencies such as the Trade and Customs Office. Through this activity, business actors gain a better understanding of customs procedures, preparation of export documents, and the use of integrated digital systems. This strategy is in line with the findings of Hutabarat and Yulia (2024), who emphasized that capacity building through education and assistance is the key to strengthening the export readiness of MSMEs.

In addition, Batik Sari Kenongo also adopts a collaborative strategy by establishing partnerships with third parties, such as exporters, aggregators, or freight forwarders who have experience in managing exports. This collaboration helps MSMEs in overcoming limited human resources, especially in the technical aspects of administration and compliance with international regulations. By utilizing this network, MSMEs can minimize the risk of errors in the export process while accelerating global market penetration. Muchtar and Suganda

(2021) stated that synergy between MSMEs and supporting actors in the export ecosystem can increase the efficiency and success of internationalization.

Another adaptation strategy is the use of digital technology in the management of the export process. Batik Sari Kenongo actively uses an electronic-based customs service system for the submission of export documents, as well as utilizing digital platforms for international marketing. This digitalization not only improves operational efficiency but also expands market access globally. Ariyani (2022) emphasized that digital transformation is an important factor in supporting the integration of MSMEs into international trade. On the other hand, these MSMEs also implement a continuous learning strategy by actively following regulatory developments, both at the national level and in export destination countries. This is done to ensure compliance with international standards and anticipate dynamic policy changes. Carissa et al. (2023) stated that the ability to adapt to regulatory changes is a crucial factor in the sustainability of MSME exports.

Thus, the adaptation strategy of Batik Sari Kenongo includes capacity building through training, collaboration with experienced parties, the use of digital technology, and continuous learning. This approach has proven to be effective in helping MSMEs overcome the complexity of customs regulations and policies, so that they are able to penetrate and survive in the international market.

4.5. Implications of customs regulations and policies on increasing the competitiveness and sustainability of MSME exports in the creative industry sector

The implications of customs regulations and policies on increasing the competitiveness and sustainability of MSME exports in the creative industry sector, as reflected in the Written Batik "Batik Sari Kenongo" in Sidoarjo, show a significant influence both operationally and strategically. In terms of competitiveness, supportive regulations such as simplifying export procedures, digitizing customs services, and providing fiscal facilities can reduce logistics costs and speed up delivery times. This has a direct impact on operational efficiency and the ability of MSMEs to meet international market demand promptly. Muchtar and Suganda (2021) emphasized that customs ease contributes to improving supply chain efficiency and strengthening the competitive position of MSMEs in the global market.

In the case of Batik Sari Kenongo, the customs policy also encourages improvement of managerial quality and compliance with international standards. The obligation to meet the requirements of export documents, product classification, and quality standards from the destination country indirectly spurs MSMEs to improve professionalism and product quality. This is in line with Ariyani (2022), who stated that export regulations can be an instrument to increase the capacity of MSMEs in entering *global value chains*. Thus, regulation not only serves as a control tool but also as a learning mechanism that increases long-term competitiveness.

From the perspective of export sustainability, an adaptive customs policy provides business certainty and encourages the continuity of export activities. Batik Sari Kenongo can export regularly due to a structured system and consistent policy support. In addition, mentoring and assistance programs from the government help MSMEs in anticipating regulatory changes and maintaining compliance with international regulations. Hutabarat and Yulia (2024) emphasized that the sustainability of MSME exports is greatly influenced by the synergy between government policies and the readiness of business actors to adapt.

However, these implications are inseparable from challenges, especially if regulations are dynamic and not yet fully inclusive for MSMEs with limited resources. Therefore, the success

of increasing competitiveness and export sustainability is highly dependent on the balance between adaptive policies and the ability of MSMEs to utilize available facilities. Overall, customs regulations and policies have significant positive implications in strengthening the position of MSMEs in the creative industry sector in the international market, both in the short and long term.

5. Conclusion

Based on the results of the discussion, it can be concluded that government regulations and customs policies have a very strategic role in encouraging the internationalization and export activities of MSMEs in the creative industry sector, as shown in the case of Batik Tulis "Batik Sari Kenongo" in Sidoarjo. Adaptive regulations, simplification of procedures, and digitization of customs services have proven to improve operational efficiency, reduce logistics costs, and expand international market access. In addition, the policy also encourages increased managerial capacity and MSME compliance with global standards, thereby contributing to increasing competitiveness and export sustainability. However, there are still various obstacles, such as low regulatory literacy, limited human resources, and complexity and policy dynamics that require high adaptability from business actors.

Therefore, it is recommended that the government continue to optimize policies that are more inclusive and MSME-friendly, especially through simplifying regulations, increasing socialization, and strengthening sustainable export assistance programs. On the other hand, MSMEs need to increase internal capacity through training, the use of digital technology, and building networks with parties with experience in exports. Synergy between the government, business actors, and other stakeholders is the key to creating a strong and sustainable export ecosystem, so that Indonesian MSMEs, especially in the creative industry sector, are able to compete optimally in the global market.

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