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## **The Role of the Private Sector to Support the Special Region of Yogyakarta's Craft Product Exports to the Global Market**

**Shanti Darmastuti**

Fakultas Ilmu Sosial dan Ilmu Politik, Universitas Pembangunan Nasional Veteran Jakarta  
shanti.darmastuti@upnvj.ac.id

**Sri Issundari**

Fakultas Ilmu Sosial dan Ilmu Politik, Universitas Pembangunan Nasional Veteran Yogyakarta  
sri.issundari@upnyk.ac.id

**Mansur Juned**

Fakultas Ilmu Sosial dan Ilmu Politik, Universitas Pembangunan Nasional Veteran Jakarta  
mansurjuned@upnvj.ac.id

**Nazaruddin Agus Salim Putra Angkotasan**

Fakultas Ilmu Sosial dan Ilmu Politik, Universitas Pembangunan Nasional Veteran Jakarta  
nazaruddin.aspa@upnvj.ac.id

### **Abstract**

*As international trade flows, businesses aim to expand their market to the global market. One of Indonesia's flagship industries in trade is the creative industry, in which handicrafts are produced. Handicrafts have been Yogyakarta's (officially, the Special Region of Yogyakarta) featured product for export. The government has tried many efforts to increase the chance of accessing the global market with the handicrafts, such as holding exhibitions and building capacity for the craftsmen. Not only the government but also the private sectors are supporting the effort. This study aims to visualize and analyze the role of the private sector in improving the local and global craft markets. We conducted interviews from May to October 2022 with Yogyakarta's government and private sectors to obtain primary data. We also used document analysis to supplement the interviews' analysis. Results show that the role of the private sector, both when working independently and in partnership with the government, is important in supporting the export of Yogyakarta's craft products. However, the study also found that there are some challenges that need to be solved to optimize the private sector's role. Therefore, future studies can be focused on private sector strategies for addressing challenges in export activities.*

**Keywords:** Private, Trade, Market, Industry, Government, Export, Product

### **INTRODUCTION**

Free trade is one of the economic activities that occur in international trade. International trade is the exchange of goods and services between businesses in different countries. In

the implementation of international trade, free trade is carried out to remove trade barriers that complicate the entry of products into a country, such as policies regarding tariffs, quotas, import duties, export duties, and dumping (Firmansyah

& Hendra, 2015). Thus, reducing trade barriers through free trade can smooth international trade activities.

Free trade has encouraged governments to implement policies that prioritize economic growth and product competitiveness in order for their commodities to perform better in international trade. Many governments use this scheme to incentivize citizens to improve their country's economy and productivity. Free trade is expected to encourage more production and improve a country's productivity. This improvement will not occur without the support of policies and institutions, or economic agents, that are responsive to the dynamics of change in international trade. Without the right economic agents, international trade will only give unfitting results to the country's trade target.

In an economic system that focuses on growth, the government has limited ability to cover all types of resources management. The government's role is limited to resources that are the basic needs of the community as regulated by the law. This limitation is where the private sector can complement. The more flexible and open pattern of a private sector are, the wider it can manage. No wonder the private sector is known as one of the main actors in trade, hence making them one of the driving actors in economic activity, both on trade and investment. Compared to the government, the private sector is also easier to adapt with changes of market conditions and to innovate, thus creating product diversification which then become new types of export commodities.

Indonesia's export performance experienced a decline during the Covid-19 Pandemic. As the Ministry of Industry of the Republic of Indonesia reported in 2020, there has been a decline in exports from the processing industry since February 2020. The smallest drop occurred in May 2020, when it was down by US\$ 8.33 billion, or 25.74%, compared to April 2020. This was because of the lockdown policies and restrictions on mobility during the pandemic. However, Indonesia's non-oil and gas processing industry exports continued to increase starting in June 2020 and in December

2020 by 6.76% compared to the previous period. This figure increased compared to December of the previous year, where this value rose 19.11% year-on-year (YoY) (Kementerian Perindustrian Republik Indonesia, 2020).

The private sector plays a huge role in restoring the economy through international trade, primarily through the export activities they carry out. Export activities motivate companies to provide the best products and services that they can produce for the international market. Improving the quality of goods and services is carried out by applying leading technological innovations that can improve production efficiency and product quality. These efforts to improve production by private entrepreneurs ultimately result in increased export competitiveness (Ngatikoh & Faqih, 2020).

Indonesia is a geographically large country rich in commodities and in socio-cultural contexts unique to each of its regions. The private sector produces commodities distinct to each region, offering various types of goods to the international market. This condition makes micro, small, and medium enterprises (MSMEs) dominate the market and become an important foundation in the Indonesian economy. The Ministry of Cooperatives and Small and Medium Enterprises (SMEs) reported in 2021 that the number of MSMEs currently reaches 64.2 million units. The contribution of MSMEs to the national gross domestic product (GDP) is 61.07%, or 8,573.89 trillion rupiah (around USD551 billion). Meanwhile, MSMEs have absorbed 97% of the workforce and collected 60.4% of the total investment (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2021).

The diversity of resources and sociocultural influences may also present difficulties for developing MSMEs. Small and medium-sized businesses should be aware of this situation. Large private companies can support their expansion through various efforts to address this issue. Large organizations, for instance, can train small and medium-sized businesses in areas like resource management, supply chain creation, access to financial services, and quality

management. To support monitoring efforts, the private sector may also engage in field monitoring and form collaborations with several regional organizations (Suparno, Wicaksono, & Ariyani, 2013). Businesses could also need to develop a working relationship with the local governments. "MSME Go Export" and other national government initiatives will benefit from these efforts in the future.

Cooperation between local governments, communities, and the private sector in improving the regional economy through the management of local resources to improve the economy is referred to as "local economic development" (Rachmawati, 2015; Munir & Fitanto, 2008). The active role of local governments in developing their areas by involving the private sector has a positive impact. This local economic development helps create new jobs, which then have an impact on economic growth. In connection with the role of the private sector in the economy, the craft industry in Indonesia is well-dominated by the private sector. Being one of the vastly growing provinces in Indonesia, Yogyakarta is rich in craft productivity led by the private sector. Crafts produced in Yogyakarta are rich in cultural and economic values, making them a valuable commodity in the global market.

Many articles have been written about the global market potential of the Indonesian craft industry. For example, the study on the pearl industry in Mataram City suggested that the local private sector utilize distributors as agents to expand their market to the international market. This business strategy was a byproduct of the actor's limited knowledge about global marketing. They also use the internet as a platform to introduce their products (Ilhamuddin, Rusminah, Hilmiati, & Ahyar, 2018). The study on batik promotion strategy also suggested that, other than the government, batik craftsmen and businessmen play important roles in promoting their products in the global market.

Businesses need good competition to reach the global market. It was important to build the capacity of the batik craftsmen and have their training certified by the government. Cooperation

between the batik craftsmen under the batik association also strengthened their development. The study also found that there were challenges for the small-scale craftsmen to improve their capacity to reach the global market (Sukmawati & Kurniawan, 2020). A study performed by Ristiyanti and Debora (2018) also found other challenges faced by the small-scale business in creating the value chain of the earthenware global industry in Kasongan Village, Yogyakarta. Their dependence on export actors and asymmetrical relations with consumers are the main challenges that they face, hindering them from expanding their business to the international level. As a result, the study suggested that the use of e-commerce could be a solution for Kasongan Village's small-scale businesses to market their products.

We can conclude that there are many alternatives for small and medium-scale enterprises to market their products in the global market. Previous studies have also mentioned challenges that they found in small businesses. However, these studies have not specifically studied the role of the private sector in what has been done or can be done to support local products in reaching the global market. Therefore, we offer a description and analysis of the role of the private sector in improving Yogyakarta's craft industries for export.

## **METHODS**

This is a qualitative study that provides a description and analysis of Yogyakarta's local craft industry, as well as the role of the private sector in improving the industry for international export. By using snowball techniques, we interviewed four informants, namely the representative from the Industry and Trade Agency of Yogyakarta (Disperindag DIY), the Regional Development Planning Agency of Yogyakarta (Bappeda DIY), the Chambers of Commerce and Industry of Yogyakarta (KADINDA DIY), and a craft industry community in Yogyakarta. The data were collected from May to October 2022. We also studied documents consisting of journal articles and online articles that discuss Yogyakarta's craft industry in the global market. We use a systematic

literature review by focusing on the themes and methodologies used in previous research to determine the position of this research. The analytical techniques used in this study were carried out through stages of data reduction, such as grouping relevant data, presenting data in descriptions, and verifying data to conclude. Data verification is done by cross-checking data obtained from interviews with literature studies.

## RESULTS

Officially the Special Region of Yogyakarta, Yogyakarta is a province located in the center of Java Island. Its capital city is Yogyakarta, and the province is rich in natural resources and cultural heritage. Based on the regional medium-term development planning of Yogyakarta City for the years 2017–2022, the city is superior in three industries: agriculture, tourism, and creative industries. However, the plan mentioned that agriculture has contributed negatively to the city's gross regional domestic product (GRDP) in 2012–2016, down to -2.86% annually. In contrast, the tourism industry contributed 0.57% annually to the city's GRDP. From this situation, the government issued the Governor of the Special Region of Yogyakarta's Decree No. 193 for 2017 on the Tourism Priority Area of Yogyakarta, expanding from Parangtritis to Kasongan-Tembi Village (Pemerintah Kota Yogyakarta, 2017).

Other than tourism, the creative industry is also a priority in Yogyakarta's development plan from 2017 to 2022. The number of Yogyakarta City's micro- and small-scale creative industries is growing rapidly compared to the medium-scale creative industry, with 97% annual growth. The number of MSMEs in 2012–2016 also showed significant growth. These figures show that there was growth in the lower-middle class of Yogyakarta. For example, the people of Bantul Regency have multiple types of creative industries. About 70% of the craft production in Yogyakarta comes from Bantul Regency. It has 24,942 small-scale craft industries per 2021, absorbing 104,363 workers and possessing a production value of 269,766,000 rupiahs (USD 17,362.59). Bantul Regency is home to many crafts in its

villages, such as earthenware in Kasongan, batik in Wijirejo and Wukirsari, leather in Manding, wooden batik in Krebbe, and the infamous tatah sungging (wayang crafting) in Pucung. The regency has 75 creative industrial centers in total. These centers are also active in export activities in 2021, with 18,046.2 metric tons of export volume valued at USD 158,889,210.28. Some of the exported products from Bantul Regency are ceramics, crafted leathers, kris, batik, crafted bamboo, wooden batik, and many more (Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu Kabupaten Bantul, n.d.).

To strengthen the handicraft industry market in the global market during the pandemic, the development of breakthroughs in increasing the handicraft industry market in Yogyakarta is increasingly being carried out to restore the market affected by Covid-19. Through digital marketing, for example, businesses conduct virtual exhibitions to promote their products. The use of social media is used to maintain the handicraft industry market at the international level. Cooperation between craft actors in Yogyakarta is a solution to responding to the impact of the pandemic on their product markets. This is done considering that the handicraft industry is one of the leading commodities from Yogyakarta penetrating the export market (Suharson, 2020).

The unique and creative crafts of Yogyakarta are tourist attractions. Another type of Yogyakarta's craft that still has room to develop is the silver and Manding's leather craft industries, where the products are sold at a relatively low price. Both are also of good quality for export, with Manding's leather crafts slowly taking hold in the international market (Kementerian Perindustrian RI, 2012).

As a tourist destination, the craft industry of Yogyakarta is one of the supporting industries for tourism. The craft industry of Yogyakarta itself is a tourist attraction. Other than for tourism purposes, the craft industry has also created job opportunities for the people of Yogyakarta. The silver craft industry produces goods for local tourism and export needs. As a means of doing business, they work in an organized manner under



the auspices of craft associations and unions. Associations also act as growth platforms to build the capacity of small-scale silver craftsmen (Daliman, 2000).

Other than the local and national markets, Yogyakarta's craft industry also has its own place in the global market. The silver craft industry started its effort to access the global market in 1962 and successfully made its first entrance in 1972. They have entered the markets of Canada, Asia, Australia, Europe, and the United States (Daliman, 2000). Regarding this export market, SMEs are one of the players in the handicraft industry supporting the Yogyakarta export market. The wood handicraft industry, for example, is considered to have significant export market potential due to the availability of abundant raw materials, and the demand for this commodity is also increasing in the global market (Ismianti, Mulyani, Halimi, & Saputro, 2019). So, in this case, Yogyakarta's local handicraft commodities have great potential and opportunities to support economic growth in the region.

Yogyakarta's local commodity has contributed a good amount of income for the region. In December 2021, Yogyakarta's exports were valued at USD 64 million, a 14.9% (USD 8.3 million) increase from the previous month's USD 55.7 million. Yogyakarta's exports to giant markets such as the United States, Japan, and Australia reached USD 25.7 million, USD 6.9 million, and USD 5.8 million, respectively. The exported commodities were: (1) 33.25% of unknitted garments; (2) 13.72% of home lighting equipment; and (3) 9.14% of knitted goods. Each commodity contributes USD 26.9 million, USD 7.5 million, and USD 7.5 million, respectively, to the government of Yogyakarta. The three commodities are under the HS-2 group of exports, whereas the group contributed ten types of commodities in January–December 2021, or about 88.4% of Yogyakarta's total exports. The ten types of exported commodities in the HS-2 group have grown by 43.01 percent since 2020. Other than the three leading commodities, agriculture and processing commodities are also Yogyakarta's flagships. In December 2021, each sector will

contribute USD 0.2 million and USD 63.8 million, respectively. The export value in December 2021 compared to December 2020 (year over year) shows that the agriculture commodity did not experience an increase or decrease. In contrast, the processing of commodities experienced a 40.8% increase (Badan Pusat Statistik Provinsi DI Yogyakarta, 2022).

Data received from the Central Bureau of Statistics on Yogyakarta's commodity and export growth shows similar results to Bank Indonesia's data. Bank Indonesia reported that by 2022, Yogyakarta's export performance will be supported by commodity exports dominated by textile, crafted wood, and crafted leather. In the fourth quarter of 2021, Yogyakarta's export performance rose by 28.63% (YoY). This figure is also higher than its previous quarter (18.78% YoY) (Bank Indonesia, 2022).

We've interviewed the Export Development Division of Yogyakarta's Industry and Trade Agency (Informant 1) on the largest market destination. So far, the largest destinations are: the United States of America, Australia, South Korea, Japan, China, Honduras, Germany, the Netherlands, and the United Kingdom. The informant also said that the exported crafts include wooden furniture, leather gloves, textiles, and clove essential oil. The government of Yogyakarta also aims to develop the fashion industry for export with their sister cities. Yogyakarta is partnering with Victoria (Australia), Gyeongsangbuk-do (South Korea), and Kyoto (Japan) to expand their reach to the global market. Other than partnering with cities, Yogyakarta also regularly holds exhibitions targeting local and international audiences.

Developing industrial centers in Yogyakarta is one of the strategies to support regional economic development. In this case, the characteristics of the local community can be represented by souvenir products. The creation of industrial centers can contribute to the tourism sector and the empowerment of local communities. The development of industrial centers can take the form of developing industrial centers for pottery, weaving, and wall decoration (Widyastuti, Abadi,

& Putra, 2022). Thus, the creative industry can be one of the business sectors that encourage economic development. To strengthen the development of the creative industry, a collaboration between the government, businesspeople, and academics is needed so that the development targets are in line with what has been targeted. The development of the handicraft industry also needs to get support from the community (Purnamawati, Herliyani, & Agustini, 2019).

Regarding Yogyakarta's craft market, the Chamber of Commerce and Industry of the Special Region of Yogyakarta (Informant 2) explained that Yogyakarta has huge potential in the craft industry, with gloves as their flagship product. The production of gloves has also attracted multinational corporations to invest in the industry and export their goods to the foreign market. The industry is dominated by 50–200 local craftsmen and workers. Moreover, the government has also given grants for capacity building for small and medium-sized industries to expand more into the global market. They received training on product design, marketing, and the export marketing system. The government also arranged specific budgets and strategies for regular exhibitions at local, regional, national, and international levels.

To enter the export market, various efforts were made, such as the development of Kasongan

pottery craft designs. The innovation of Kasongan pottery crafts is supported by various efforts made by the local government in managing business spaces that are conducive to business actors. The opening of foreign cooperation is also a supporting factor for expanding the Kasongan pottery industry market (Susanto, 2012). MSMEs of Yogyakarta's products have reached traditional and non-traditional markets with the help of the Ministry of Trade, the central institution that initiated the Export Coaching Program (ECP). This program is organized by the Export Human Resources and Trade Service Training Center of the Ministry of Trade. This program has helped four of Yogyakarta's MSMEs debut their exports in 2021. The four MSMEs are as follows: (1) CV Ride One Gallery with a total transaction of USD 24,600 to France on antique ceramics; (2) IDR 167,963,482 to Belgium on glass handicraft (specifically two 40-foot high cube containers); (3) PT Bumicharya Utama Luhur with a total transaction of EUR 69,000 to Italy's traditional market on teak flooring; and (4) PT Serena Sejahtera with a total transaction of USD 14,553.

Table 1 shows the countries' destinations for HS-2 commodities that come originally from the province of D.I. Yogyakarta from January to May 2022. The more detailed information in Table 1 is presented in the following section.

**Table 1.** Shows the countries where HS-2 commodities from Yogyakarta are exported January–May 2022

Desti- nation Country	Unknit- ted Gar- ment (62)	House- hold Lighting Furni- ture (94)	Knitted Goods (61)	Leath- er Goods (42)	Woven Materi- als (46)	Wood, Wood- en Goods (44)	Es- sential Oils, Cosmet- ics, and Perfum- ery (33)	Plastics (39)	Feath- ers (67)	Stone, gyp- sum, and cement- base goods (68)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
United States	40.15	25.29	58.42	61.83	69.99	16.69	0.30	33.41	90.40	28.84
Ger- many	19.66	2.56	3.40	3.23	1.69	3.12	1.91	10.52	0.00	2.46
Japan	9.58	4.72	11.06	4.89	0.23	0.68	0.68	21.11	4.38	0.46
Australia	5.04	16.71	1.05	0.78	2.52	4.24	0.00	5.42	0.00	22.08
Nether- land	1.31	10.67	5.66	1.19	5.03	16.40	5.77	1.00	0.00	10.34
United King- dom	2.92	2.42	10.88	3.58	4.56	1.85	0.81	5.44	0.00	3.33
Austria	0.92	1.25	2.04	16.68	0.19	3.39	0.00	12.12	0.00	0.31
South Korea	0.57	10.14	1.33	0.19	2.28	3.75	19.61	0.55	0.01	4.86
France	0.25	1.56	0.32	0.83	0.04	3.30	37.38	0.15	4.68	0.15
China	10.10	24.61	3.85	6.78	13.46	46.58	33.54	9.24	0.53	27.17
Other										
<b>Total</b>	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Based on the table above, we can see that the United States is Yogyakarta's main HS-2 commodity destination, except for essential oils, cosmetics, and perfumery (HS 33), which are mostly exported to China and France. The most products exported to Germany and Austria are unknitted garments (HS 62); meanwhile, it's plastics for Japan (HS 39), stone, gypsum, and cement-base goods (HS 68) for Australia, wood and wooden goods (HS 44) for the Netherlands, knitted goods (HS 61) for the United Kingdom, and leather goods (HS 42) for South Korea (BPS Provinsi D.I. Yogyakarta, 2022).

The government makes various efforts to encourage the export of local products. One of them is through exhibitions (Pambudi,

2021). Based on an interview with informant 1, Yogyakarta was the host of the sixth Jogja International Furniture and Craft Fair Indonesia (JIFFINA). The event had 200 participants, including MSMEs and consumers from many countries. Other than to promote the local craft and furniture industries, the government expected that local enterprises would use the event as a business opportunity platform to expand into the global market. The fair also facilitated link-and-match between the large-scale industry and small- and medium-scale furniture enterprises as prospective supply chains.

The figures above show that Yogyakarta's craft products are superior commodities for export. Some of the superior products are apparel, knitted

goods, furniture, and home appliances. Moreover, Yogyakarta's craft products attract investors to expand regional industries' reach to the global market. Cooperation with the local craftsmen is one of the efforts made by the investors in the production process.

## DISCUSSION

The private sector has a role to play in supporting economic growth. Support for the economy can be seen in the role of the private sector in creating jobs from the businesses carried out. Profit is one of the targets of the private sector in running a business. Internal capital or capital in the form of loans is a source of capital from the private sector (Putra, 2022). This condition is different from that in the public sector. The public sector is a non-profit, government-managed sector; its very existence demonstrates the government's responsibility to provide facilities for people's welfare.

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In addition, the private sector also has an essential role in building the national economy and alleviating poverty. The benefits of the private sector include access to infrastructure for people's mobility and various other primary materials, which will later help provide export production along the global value chain (Budiyanti, 2018). Private companies also open job opportunities, increase market competitiveness, and bring local products to the foreign market. Hence, a strong private sector at the national level can export their products to improve the national economy's development, job opportunities, and state income.

In terms of exporting products, a segmentation, targeting, and positioning (STP) strategy is needed to understand the international market. The segmentation strategy aims to group calls based on characteristics and demand. After segmenting, the next strategy is targeting: a decision to target the most suitable market for products owned by export companies. And the last is the positioning strategy, which is a strategy for companies to position their products so that they can have a difference and more value compared to other competitors so that these products can win the competition in the international market (Prastyoko, Fanani, & Mawardi, 2016).

The ability of the private sector to manage its own production gives it a better chance of responding to the challenges and opportunities that affect export performance. The private sector can identify challenges in the market, provide feedback on current technological needs, identify opportunities for added value, and innovate against market change. However, the private sector's condition can also be affected by its support and relations with the government. It will be hard for the private sector to reach its target production if the government doesn't create programs that can support their business performance.

MSMEs are a part of private sector. MSMEs can support Indonesia's economy in critical times. History has shown that the MSMEs strived and supported Indonesia's economy in the 1998 economy crisis (Sarfiyah, Atmaja, & Verawati, 2019). Even Naisbit (1994) predicted that MSMEs will become a dominating sector in world economy, so that countries with strong MSMEs will perform better in the global market competition. To survive the global economy uncertainties, MSMEs need to innovate and make their products sustainably compete in the international market.

The role of the private sector in export is very important. Other than being a business actor, the private sector is also a partner for the government in improving trade performance. The association of private craftsmen in Yogyakarta had brought Indonesia's craft products to the global market. The bamboo craftsmen of Sendari Village have



exported their goods to many countries abroad. The head of the bamboo craftsmen community in Sendari Village (Informant 3) said that:

"Our bamboo crafts are exported to Los Angeles, the United States, the United Kingdom, Norway, Yemen, Malaysia, Australia, and Spain, and the most profitable export goes to France because we have a competent partner there." (10/06/2022)

From that information, we know that France has the most foreign bamboo craft consumers. Informant 3 also explained that France does not have complex business requirements, so they can send large-sized goods like gazebos. France does not demand uniform-size bamboos; this has made export easier since not all bamboos grow to the same size. Other countries require uniform-size bamboos in each crafted product, resulting in higher prices due to the more complex crafting process.

Craftsmen obtained access to the global market by being contacted by foreign buyers and by participating in government-hosted exhibitions. However, more sales are created when they can see their consumers directly. Another interesting finding is that the bamboo craftsmen focus on not only the sales but also community capacity building by hosting bamboo craft and construction training. They give training for Indonesian craftsmen and foreign craftsmen. They have students in Timor Leste and Papua New Guinea. Informant 3 also said that the Covid-19 Pandemic affected their business, so they took a different alternative in promoting their products by using social media. With online promotion, they were able to receive orders during the pandemic.

The private sector has a significant role to play in supporting government programs. One of them is through providing training and coaching. Training and coaching are crucial for business actors entering the export market (Widyantini, 2019). These descriptions show that the private sector has helped expand the market to the global market, both independently and with the help of the government. In its own right, the private sector contacts or is contacted by foreign buyers to sell their products or, in the case of Yogyakarta's

bamboo craftsmen association, to train other foreign craftsmen.

We can also see the role of the private sector in how the Kasongan Village's earthenware did its part in expanding Yogyakarta's craft export. MSMEs in Kasongan consist of both direct and indirect exporters. Most earthenware craftsmen in Kasongan are indirect exporters, meaning they are only suppliers for other exporting companies. Human resources issues and a lack of technology have hindered them from becoming independent exporters, so being a supplier to bigger companies has become a solution for the small-scale Kasongan industries (Ristiyanti & Debora, 2018). One of the obstacles that arise in terms of exports is the lack of understanding of SMEs regarding the requirements that must be known regarding exports (Farransahat & Ma'ruf, 2006), so they choose to sell their products to prominent entrepreneurs. Only a few craftsmen can export their products independently. Many craftsmen have little to no knowledge of doing paperwork for export requirements. This condition has led them to prefer selling their products to bigger and more experienced companies for exports. Dependency on bigger companies can also be found in Bantul Regency. MSMEs' inability to independently export their products matches the testimony of the Sub Coordinator of Business World of the Regional Development Planning Agency of Yogyakarta (Informant 4):

"The problem with Yogyakarta's craft industries is that they are still at the microlevel; they have not reached the medium- and large-scale levels." They have limited capacity for capital expansion, and they are so used to supplying their products to third parties. The most common export pattern in Yogyakarta is for producers to supply their products to item applicators. Those applicators mostly do not come from Yogyakarta. "They're more comfortable supplying the applicators than expanding their own market." (31/05/2022)

This situation has hindered opportunities for micro- and small-scale industries to grow their businesses. Supplying the products to a third party has become customary; many craftsmen or business owners are stuck in their comfort zones.

Hence, they prefer being suppliers to bigger companies and do not feel challenged to expand their business.

Other than human resources and mindset, logistics also become a problem. Transportation costs a fortune when exporting goods from Yogyakarta. Despite having shorelines, Yogyakarta doesn't have its own harbor to transport goods by sea. Currently, most business owners in Yogyakarta transport their goods by land to the nearest harbor, like Tanjung Emas Harbor in Semarang, or to the airport for air cargo (Rasbin, 2019). This is a difficult situation for many exporters in Yogyakarta, especially when they must transport their goods by air. A transportation fee will raise the price of their goods while decreasing their competitiveness. No wonder many craft industries prefer selling their goods to item applicators because local transport is easier than the other foreign alternatives. It is also cheaper for business owners to store their products with the item applicators because the applicators collect goods from various MSMEs up to a certain quota before exporting.

Based on the statement above, we can see that the private sector has a significant role in encouraging Yogyakarta's exports by being an independent exporter or a partner to the government to pave access to the global market. Despite the positive findings, Yogyakarta must address the human resources, mindset, and logistic challenges. It is important to implement practical solutions to these issues to sustainably boost Yogyakarta's exports.

## CONCLUSION

The role of the private sector is important in improving Yogyakarta's exports to the international market. Amidst the economic challenges faced by the government, the private sector aids the region by creating market opportunities through product diversification and market expansion into foreign countries. Even during the Covid-19 Pandemic, the private sector was able to strive for the region's economy by working independently and with the government. Market expansion is carried out through participation in various exhibitions

to promote local handicrafts and find new target markets. At the same time, product diversification is carried out by creating products that are unique and adapted to the demands of the market.

However, the craft industry faces numerous challenges, including a lack of technology, a lack of entrepreneurial spirit among business actors, and high-cost transportation logistics. These are the main challenges that Yogyakarta faces in improving its exports. To solve these problems, the government of Yogyakarta may conduct socialization on business management, encourage capacity building on entrepreneurial spirit, and make sure that the supplied goods are not stuck in the harbor. When these are solved, exporting from Yogyakarta is expected to be easier. For further studies, we suggest that researchers focus on the government's efforts to boost Yogyakarta's export performance.

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