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# Government Initiatives to Empower Small and Medium Enterprise: Comparing One Stop Shop for Licensing in Indonesia and Australia

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## Abstract

*This article analyzes the initiatives taken by both Indonesian and Australian governments in undertaking bureaucratic reform to support small and medium enterprises. The focus is on how government harmonizes bureaucracy and regulations to empower small, medium enterprise in starting, operating, and growing their business. One of the key initiatives in the two countries is to streamline business regulations and licensing through a single portal so-called "one stop shop for licensing". Both Indonesia and Australia have started such initiatives almost at the same time, in 2006 and 2008 respectively. Until recently, the two countries have made important progresses but with different approaches. In Indonesia, the objective of the one-stop shop is to provide easiness for companies to start the business; while in Australia, the purpose is broader and more comprehensive, which is to achieve "seamless Australian economy". This study was conducted in Canberra and Queanbeyan, Australia. The research has found important key lessons from Australia that may be applicable to Indonesia in establishing mechanisms for government initiatives to better support small and medium enterprise through one stop shop for licensing.*

Keywords: Small and Medium Enterprise, One Stop Shop for Licensing, ABLIS, PTSP

## Introduction

Implementing government policies and initiatives in empowering small and medium enterprises (SMEs) have never been easy. Blackburn and Schaper (2012) found common issues in government policy development and implementation across Asia. The SME development would need very long term commitment from the government, but in reality, the policy making is often ad-hoc and subjective (Blackburn & Schaper, 2012, p.12). Furthermore, Blackburn and Schaper (2012) posit that the policy makers often fail to recognize the real

need of SMEs thereby the government interventions become ineffective, especially when the policies are implemented without proper evaluation (p. 12). How do Blackburn and Schaper's arguments apply to Indonesia and Australia in conducting their bureaucratic reforms in supporting SMEs?

Both Indonesia and Australia have deployed a national initiative to roll out "one-stop shopping for business licensing" in 2006 and 2008 respectively. Indonesia has started the nationwide initiative of one stop shop for licensing, so called *Pelayanan Terpadu Satu Pintu (PTSP)*

for almost one decade, but the implementation has been inconsistent across regions (Forum PTSP Nasional, 2010a). Indeed, up to 2013, 80% of regulations in Indonesia are not streamlined, and the mechanism for monitoring and evaluation of this initiative is yet to be established (Sutiyono, 2013). Therefore, continuous reform and harmonization in various government regulations and initiatives are necessary to make it easier for SMEs to flourish and grow (Mourugane, 2012; Sutiyono, 2013; Tambunan, 2013). In the meantime, almost in the same period, Australia has made progress with integrated nationwide mechanisms to support MSE through two mechanisms: business.gov as one-stop shop for SMEs to open, operate, grow, and close their business; and Australia Business Licence and Information Services (ABLIS) that serves as one-stop shop for business licensing (Hamburger, 2014).

Taking salient lessons from Australia, this article explores how the national, provincial, and local governments are integrated to empower SMEs in starting, running, expanding, and closing their business. This study is intended to be a first step in getting the bigger picture of the interplay among different government entities to support SMEs. The lessons from Australia may be applicable to Indonesia, especially in improving coordination and mechanism for effective PTSP implementation.

This research was conducted in two cities in Australia: Canberra, ACT and Queanbeyan, NSW, and was funded by the Australian Leadership Award and Allison Sudradjat Award scholarships. This topic was chosen because of its relevance to the current development of Indonesian government initiatives in

streamlining business licensing and in supporting SMEs.

This study combines desk research and interviews. The researcher interviewed Small Business Commissioner, Australian Competition and Consumer Commission, ACT Government officials, independent advisors, university researcher, officers of the Australian Parliament House, and manager of Business Enterprise Center to seek further information and confirmation for the findings she found from desk research. The process of desk research, meetings, report writing, and editing was conducted from November 2013 to early February 2014. The findings of this study were communicated to the public through a seminar on 18 March 2014 in Jakarta, funded by the Allison Sudradjat Award of the Australian Government.

This article starts with comparing the roles of SMEs in Indonesian and the Australian economy, followed by comparisons of initiatives by the two governments in supporting SMEs. Subsequently, the article compares and contrasts Indonesia's and Australia's efforts in streamlining regulations and licensing procedures through one stop shop for licensing called PTSP in Indonesia and ABLIS in Australia. Finally, the last part of the article discusses the relevance of Australian experience into Indonesian context, the conclusions, ways forward, limitations and further research.

### **The Roles of SMEs in Indonesian and Australian Economy**

SMEs become backbones of the Indonesian and Australian economy. As discussed below, Australian SMEs have larger scale compared to Indonesian

SMEs, but the Australian government provides supports to SME development because of their “smallness.” Indonesian SMEs face Australian’s because of their informality and very low capacity that makes them more dependent on supports from government and other stakeholders.

### SMEs in Indonesia

Indonesian companies can be categorized into micro, small, medium and large enterprises as shown in Table 1.

**Table 1. Category of micro, small, medium and large enterprises**

	Net assets not including land and buildings (IDR)	Net assets not including land and buildings (US\$)	Total Annual Sales (IDR)	Total Annual Sales (US\$)	Workers
Micro Enterprise	≤50 million	≤5,263	≤300 million	≤31,279	1–19
Small Enterprise	>50–500 million	>5,263–52,632	>300–2,500 million	>31,579–263,195	1–19
Medium Enterprise	>500–10,000 million	>52,632–1,052,632	>2,500–50,000 million	>263,195–5,263,158	20–99
Large Enterprise	>10,000 million	>1,052,632	>50,000 million	>5,263,153	>100

*Source:* Law No. 20 of the year 2008, Indonesian Agency of Statistics and Ministry of Cooperatives and MSEs Development as written at Mardjuni (2010) and Tambunan (2010)

The above table shows that the scales of micro and small companies in Indonesia are very small. However, despite their smallness, micro-enterprises account for more than 50 million or 98% of total business units in Indonesia as compared to 520 thousand units of small enterprises, around 39 thousand units of medium enterprises and around 4 thousand units of large enterprises (Tambunan, 2010). Moreover, yet, micro and small enterprises provide the livelihood for over 90% of the and the youth in rural areas (Tambunan, 2008). The majority of micro and small enterprises are dominated by self-employed enterprise without hired wage-paid workers (Tambunan, 2008). By 2008, total workers absorbed by micro enterprises reached more than 83 million people, compared to almost 4 million people in small enterprises, around 3

million people in medium enterprise and almost 3 million people in large enterprises (Tambunan, 2010).

Although the capacity of micro and small enterprises are still limited because they face major constraints such as lack of capital, lack of access to business information, difficulties in marketing and lack of technical competence, they are actually the engine of economic growth and source of income for poor families in local economy and communities (Tambunan, 2008, p. 150). Micro and small enterprises are also the source of entrepreneurship, especially in rural areas (Tambunan, 2008, p. 150) and became the backbone of Indonesian economic recovery the economic crisis in 1997 (Mourugane, 2012). Therefore, the empowerment of SMEs will contribute to

national and regional development, especially in generating employment, local income, local economic growth and poverty eradication (Kementerian Koperasi dan UKM, 2010).

### SMEs in Australia

Like Indonesia, micro and small businesses are the backbone of the Australian economy, representing 95.8% of business entities in the country. The Australian Bureau of Statistics categorizes micro enterprises as the establishment of

having 0-4 staff; small firms have 5-19 staff; medium sized firms with 20-199 staff; and large firms with 200 or more staff (Australian Bureau of Statistics, 2013, p. 22). By 2012, micro-enterprises account for 85% of business units; small enterprises 10.8%, medium-sized firms 3.5%, and large firm 0.3% of business units respectively. Table 2 shows the number of establishment and the percentage of business establishment in Australia.

**Table 2. Structure of Australian business units by size (units and percentage of business establishment)**

	Micro Enterprises 0-4 staff	Small Enterprises 5-19 staff	Medium Enterprises 20-199 staff	Large Enterprises 200+ staff	Total
Number of business	1,820,952	231,891	82,326	6,411	2,052,543
Percentage	85 per cent	10.8 per cent	3.8 per cent	0.3 per cent	100 per cent

*Source:* Australian Bureau of Statistics (2013b, p. 22)

Further, Schaper, Volery, Weber and Gibson (2014, p. 83) and the Australian Bureau of Statistics (2013) also identify the profile of small business owners as being male, aged between 35 to 54, Australian-born, independent contractors who works as tradespersons or professionals working under contracts for their services with clients. They operate as sole traders or work in partnerships with no formal management training, have no business plan. They work from home and do not employ staff. The Productivity Commission of Australia finds that the motivations of entrepreneurs to run micro and small business vary from capitalizing their skill set, the flexibility of for being their "own boss", and flexibility to balance family and work lives (Productivity Commission, 2013, p. 30).

Although the scale of SMEs in Australia is larger than Indonesia, they have similar challenges. Most of the micro and small enterprises in Australia have a limited market as they sell their goods and services in the local market. Very limited numbers of them sell their products overseas (Productivity Commission, 2013, p. 31). Besides, because of their limitations in finance, staff, and skills, the owners of micro and small business have to deal with regulatory compliance themselves. Such requirements to comply with regulations take away their time from running the business. Hence, it is very important to politicians as the policy makers in the country to understand the limitations of small business in complying with regulations (Mazzarol, 2013). The

Productivity Commission of Australia posits that small business would appreciate the regulatory environment that is more “educative, facilitative and not combative.” That means SMEs expects compliance requirements that are easy to “find, understand, and implement” including communication access of compliance and reporting. Accordingly, in dealing with SMEs, regulators have to be flexible and proportionate in their enforcement (Productivity Commission, 2013, p. 38).

### **Government Initiatives to Support SMEs in Indonesia and Australia**

To some extent, both Indonesian and Australian governments are aware of the challenges facing SMEs in the countries. The governments have conducted various initiatives in empowering the SMEs as discussed below.

#### **Indonesian Government Initiatives to Support SMEs**

In Indonesia, besides the government, large corporations play a significant role in empowering SMEs by building SMEs capacity and providing access to SMEs products. Large corporations develop SMEs through the transfer of technology and sub-contracting arrangements between large companies and SMEs (Tambunan, 2009, p. 31). The Indonesian government has also enabled the large companies to do so through their corporate social responsibility initiatives (Menteri Hukum dan Hak Asasi Manusia Republik Indonesia, 2007a, 2007b). Furthermore, the Indonesian government has also supported SMEs in getting access to government procurement since 1994. Unfortunately, as discussed below,

because of lack of management system in the government, such initiatives are still scattered with many rooms for improvement to achieve the expected outcomes.

#### **Participation of SMEs in Government Procurement**

Back in 1994, Indonesian government stipulated that government tenders using the state budget should be given to SMEs without middlemen. Such commitment was enacted through government regulation No. 16 the year 1994 and Presidential Decision No. 24 the year 1995 on government procurement. However, there has been a lack of mechanisms for SMEs to be able to access to government tenders, and for the government to monitor the successful implementation of that regulation (Dharma Bhakti Astra Foundation, 1996a).

#### **Building the Linkages between Large Companies and SMEs**

A national movement to build the linkages between MSEs and large companies was established in 1996 by the former President Soeharto. The President had obtained commitments from large companies called “Jimbaran group” and state-owned companies that they would set aside a certain percentage of their profits to develop cooperatives and MSMEs (Dharma Bhakti Astra Foundation, 1996b). There has been government policy in existence since 1989 providing that state-owned companies must invest 1 to 5 % (later it became 1 to 3 %) of its profit to support cooperatives, micro and small businesses regarding working capital, fixed asset, education and training, internship, promotion and research. The funds should be allocated for micro and small business (50%) and

cooperatives (50%), including 5% to be allocated for the state-owned companies' cooperatives (Dharma Bhakti Astra Foundation, 2003). However, there have been no operating regulations on how large companies and state-owned companies are to implement such obligations (Dharma Bhakti Astra Foundation, 2003).

### **Corporate Social Responsibility (CSR)**

The government enacted Indonesian investment law no. 25 of 2007 and the company law no. 40 of 2007 stipulating that CSR is compulsory for companies operating in or related to natural resources. Companies face legal sanctions for a failure to comply with the law (Menteri Hukum dan Hak Asasi Manusia Republik Indonesia, 2007b). With the stipulation of these laws, companies should start to think about co-creating value with SMEs in their supply chain, hence improve local economy while managing the sustainability of companies in the long run. However, like the first two initiatives, the government mechanisms to implement, monitor, and evaluate the law has not been established (Waagstein, 2011).

In sum, Indonesia still needs to develop and establish mechanisms to integrate scattered initiatives in supporting SMEs. An Australian experience below may generate insights which may be relevant to Indonesia.

### **Australia Government Initiatives to Support SMEs**

In Australia, small business regulations and support are delivered at three different levels of government: local, state, and national government. According to Schaper (2013), local

municipalities enforce regulations relating to premises, food, health and related matters. State governments have responsibility for areas such as occupational health and safety and licensing of many professions and trades. The national (federal) government regulates laws on business incorporation, taxation, and competition provides general support and also regulates some other areas where nation-wide rules apply. The state and federal governments also provide advice and support to SMEs. For example, there is a network of free advisory centers, usually known as Business Enterprise Centres, in most states. Several states also have Small Business Commissioners that provide information gateways and dispute resolution services. The federal government operates a national telephone hotline service and online gateway, [business.gov.au](http://business.gov.au) (Schaper, 2013).

### **The Role of Regulators in Supporting SMEs**

Regulators in Australia are defined as "entities that are empowered by legislation to grant approvals, monitor compliance and enforce laws" (Productivity Commission, 2013, p. 27). Regulators will often have complementary roles such as developing and reviewing regulations or standards and providing information or education about regulatory requirements. The Productivity Commission of the Australian Government reports there is approximately 130 national regulators, 350 state/territory (equivalent to provincial) regulators, and 560 local councils in Australia. They cover all areas that touch the livelihood of Australians, including to ensure that businesses comply with the required licenses and code of practices (Productivity

Commission, 2013). The Productivity Commission suggests that the nature of the relationship between business and regulators cover four areas: education,

licensing and approvals, compliance and risk monitoring, and enforcement, as shown in Table 3.

**Table 3. Nature of relationship between business and regulators**

Nature of relations	What regulators should do	What business should do
Education	<ul style="list-style-type: none"> <li>• Deliver information on regulatory requirements</li> <li>• Provide advice on compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Seek advice</li> <li>• Understand responsibilities</li> <li>• Provide feedback to regulators (&amp; policy makers)</li> </ul>
Licensing and Approvals	<ul style="list-style-type: none"> <li>• Assess application</li> <li>• Issue licenses, registrations, and accreditations</li> <li>• Impose and collect fees</li> </ul>	<ul style="list-style-type: none"> <li>• Apply for licenses, registrations &amp; accreditations</li> <li>• Pay fees</li> <li>• Provide requested information</li> </ul>
Compliance and risk monitoring	<ul style="list-style-type: none"> <li>• Assess risks</li> <li>• Collect data, monitor compliance and outcomes</li> <li>• Conduct inspections and audits</li> </ul>	<ul style="list-style-type: none"> <li>• Meet regulatory obligations</li> <li>• Facilitate inspections and audits</li> <li>• Provide information to demonstrate compliance</li> </ul>
Enforcement	<ul style="list-style-type: none"> <li>• Impose pecuniarily and non-pecuniary penalties</li> <li>• Reward good compliance practice</li> </ul>	<ul style="list-style-type: none"> <li>• Implement required changes to practice</li> <li>• Comply with penalties imposed</li> </ul>

*Source: Productivity Commission (2013, p. 36)*

With such interactions, the Australian government or regulator plays very important roles in educating business about laws and regulations that may impact the business at the federal, state and local levels.

In sum, the above the experience of Indonesia and Australia in empowering SMEs confirmed the findings of Blackburn and Schaper (2012) that the policy objectives of governments often pursue similar goals across the world, but its implementation frequently takes different

routes (p. 12). The following discussion on the Indonesian and Australian government initiatives in designing and implementing a one-stop shop for licensing shows how Indonesia and Australia took such different paths.

### **One Stop Shop for Licensing in Indonesia and Australia**

Indonesian and Australian governments started harmonizing and streamlining their regulations on business licensing through “one stop shop for



licensing” almost at the same time. Indonesia has started earlier, in 2006, compared to Australia that started two years later, in 2008. However, as discussed below, Australian government took a more holistic, long-term, and coordinated approach in designing and implementing such an initiative.

### **One Stop Shop for Licensing in Indonesia**

To streamline, harmonize and reduce regulatory burden for business, Indonesian government rolled out a national program for the one-stop shop (OSS) for licensing or *Pelayanan Terpadu Satu Pintu* (PTSP) in 2006. The implementation of PTSP relies on commitments from the heads of provincial and city governments to delegate their authorities on the licensing process to PTSP. This government policy was made to enhance the business climate in Indonesia (Forum PTSP Nasional, 2010b). The Presidential Decree No. 27 the year 2009 on PTSP in the field of investment stipulates that the PTSP be situated under the Investment Board of provinces, regencies, and municipalities. It has delegated authority to process licenses and non-licences in its jurisdiction. Based on the delegation of authority, the head of investment board can process the licenses, from the proposal up to the issuance. The licenses and non-licences related to investment (which were previously

handled by different institutions) then could be handled by the investment board. The government expects that PTSP could improve the service quality for licensing process, regarding speed, punctuality, simplicity, transparency and legal certainty (Forum PTSP Nasional, 2010a). According to Forum PTSP National (2010a), until 2010, 33 provinces, 282 regencies, and 79 cities were participating in the PTSP program, with the authority to process the proposals and issue licenses in the following sectors:

1. Education
2. Health
3. Public works
4. Spatial planning
5. Transportation
6. Cooperatives, micro, small and medium enterprises
7. Manpower and cooperatives
8. Social welfare
9. Defence
10. Environment
11. Culture and tourism
12. Communications and Informatics
13. Agriculture and food security
14. Forestry
15. Energy and mineral resources
16. Industry
17. Trade
18. Ocean and Fishery

The services to be provided by PTSP are very comprehensive, covering licensing and non-licensing services as summarized in Table 4

**Table 4. Licensing and non-licensing services of PTSP**

Licensing services	Non-licensing services
1. Investment registration	1. Facilities for importation of machinery taxation
2. Principle permits for investment	2. Facilities for importation of materials taxation
3. Principle permits for change of investment	3. Recommendation to get facilities for corporate taxation
4. Principle permits for investment expansion	4. Identification number for producer-importer
5. Business licences	5. Planning to employ expatriates (RPTKA)
6. Business expansion license	6. Recommendation for working visa (TA.01)
7. License to merge companies	7. Permit to employ expatriates (IMTA)
8. License to change the business	8. Regional incentives
9. Location licence	9. Information and feedback mechanisms
10. License for space utilization	10. Other on licenses services
11. License to build	
12. License to avoid disruption (HO/UUG)	
13. License to utilize water (under soil water)	
14. Company Registration (TDP)	
15. Land rights	
16. Other licences	

Source: Forum PTSP Nasional, 2010a

To achieve such an ambitious plan, the government issued a joint decision of three ministers on 15 September 2010, signed by the Minister of Trade, Minister of Home Affairs and The Chief of Investment Coordinating Board issued a joint letter No. 570/3727/SJ, SE/08/M.PAN-RB/9/2010, and 12/2010 (Forum PTSP Nasional, 2010c). A recent development of PTSP implementation at a provincial level is discussed below.

### **One Stop Shop for Licensing in Jakarta**

In 2012 DKI Jakarta, the capital city of Indonesia, had a new governor. By 18 December 2013, the Parliament of Jakarta province enacted provincial regulation to implement PTSP (PTSP Jakarta, 2013a). To do so, DKI Jakarta established an agency

to coordinate the regulations across regulators in the provinces, and to have

full authority to provide the licensing and information service for business (Sutiyono, 2013, p. 8).

The Jakarta governor stated his commitment to providing better service for

the citizens through PTSP. For example, the process of getting the license to start up a business (SIUP) would only take three days, and there would be clear information to citizens about the issuing agencies, the process, the length, and the cost of obtaining the license to start the business (PTSP Jakarta, 2013a). In line with the national government plan, PTSP Jakarta would eventually cover licenses in 18 sectors discussed above (PTSP Jakarta, 2013b).

PTSP initiatives at the national and provincial level cover general licensing and non-licensing requirements to start-up the business; and there are not yet requirements for compliance with code of practices (see section for licensing and code of practice requirements for business licences in Australia). To illustrate, the

following Table 5 provides the list of licenses need for a company to start its business in Jakarta and its surrounding areas:

**Table 5. Licenses needed to operate in DKI Jakarta and its surrounding areas:**

Licenses/Compliance	Issuing agencies
1. Legality of land title	National Land Agency (BPN)
2. Location permit	Provincial Development Agency, Office of City Planning (Bapeda)
3. Permit to use and utilize the land (IPPT)	Provincial Development Agency, Office of City Planning (Bapeda)
4. Site plan	Provincial Development Agency, Office of City Planning (Bapeda)
5. Compliance of flood management (Pel Banjir)	Municipality Office of Public Works and Irrigation
6. Permit to use of public roads (Adalalin)	Municipality Office of Transportation
7. Permit to avoid public disturbance (HO/UUG)	Municipality Office of Environmental Impact
8. Compliance to environmental management (UKL) and environmental impact evaluation (UPL)	Municipality Office of Environmental Impact
9. Recommendation letter from team 17 to utilize the land (SPPL)	Provincial Development Agency, Office of City Planning (Bapeda)
10. Permit of building establishment (IMB)	Provincial Development Agency, Office of City Planning (Bapeda)
11. Permit from local communities	Head of community groups (RT/RW) adjacent to the business location.
12. Recommendation letter from Head of Village and Head of Sub-District	Office of Village (Desa/Kelurahan) and Office of Sub-District (Kecamatan)

Source: Buletin YDBA (2007); PTSP Jakarta Pusat (2014)

### **Challenges in Implementing One Stop Shop for Licensing in Indonesia**

The current report produced by the University of Canberra found five

challenges for Jakarta and Indonesian government to roll out PTSP (Sutiyono, 2013; Sutiyono, 2014), especially related to SME development. Firstly, the entities that manage SMEs and PTSP are not

connected. The coordination of the business licencing part of PTSP is managed under the National Investment Coordinating Board (BKPM), and their portfolio does not include SMEs. Matters related to MSEs are coordinated under the Ministry of Cooperatives and SME. Therefore, the PTSP initiative does not necessarily support SME development.

Secondly, there has been a lack of coordination between national, provincial and local government related to PTSP implementation. Business owners at the local level may not be able to find relevant regulations issued by the provincial or national level. They have to find such information at different government offices, resulting loss of time and increasing costs.

Thirdly, business owners are reluctant to deal with bureaucracy because of the lack of clarity and inefficiency of government employees in providing services for business. This has led to the increased use of middlemen such as notary services or third parties in dealing with government bureaucracy.

Fourthly, there are problems in harmonization of regulation between national, provincial and local governments. For example, over 80% of provincial and local government regulations related to company registrations are not harmonized with existing regulations issued by the Ministry of Trade.

Finally, the requirements for a company to obtain business licencing do not address the issue of compliance with codes of practice. The compliance with codes of practice will ensure that companies, when they are in operation, will comply with the standards such as consumer protection, health, safety and environment.

In sum, Indonesia has made various attempts to support SMEs and to reduce regulatory burden for business through PTSP. However, despite the implementation of PTSP, the country still faces many challenges in empowering SMEs. Insights about how other countries implement similar initiative more successfully would enable Indonesia measure and assess its progress and to make relevant adjustments and plan for the future. The following section outlines how Australia supports SMEs through one stop shop for licensing mechanism.

### **One Stop Shop for Licensing in Australia**

To empower SMEs in dealing with government requirements and to support their business, the Australian government has established the Australian Business Licence and Information Services (**ABLIS**) and **business.gov**. ABLIS is the “first stop” for business seeking for licensing and compliance in establishing, growing and exiting the business. And through **business.gov**, business owners can get information on resources that enable them to do business (Hamburger, 2014).

#### **The Australian Business License and Information Services (ABLIS)**

ABLIS provides single place for business to find all regulations from national, state or territories, and local level of government. ABLIS works in partnerships with state and local government to provide supports for small business if they have questions about compliance with the regulatory requirements. It provides business with personalized information pack for companies to start, operate, grow and exit the business. By having access to ABLIS,

SMEs can process their business compliance simultaneously. The licence requirements in Australia are much more rigorous compared to Indonesia, as they also include Codes of Practice, but Australian SMEs can apply for various licenses simultaneously because ABLIS shows clearly the contact person, the cost, and the procedures of getting the licences ((Australian Business Licence and Information Services, 2014) .

ABLIS initiative started when the Australian Government (Commonwealth, States and territories) agreed in 2008 to implement reforms on competition and regulation under the National Partnership of Council of Australian Government (COAG) called “The National Partnership Agreement to Deliver a Seamless National Economy”. The aim of this reform is to reduce the regulatory burden imposed on enterprises that operate in multiple jurisdictions. The cost reductions to business could achieve AUD 4 billion per year, and an increase of 1.5% of national GDP or around AUD 6 billion per year (COAG Reform Council, 2012). The Australian government attempt to achieve the overall target by 2020. Under this partnership, there have been 45 separate reforms: 27 deregulation priorities; 17 areas of competition reform; and 1 reform to regulation making and review processes (COAG Reform Council, 2012).

In implementing this reform, the Commonwealth (national) government provides incentives for States and Territories to start the program, and to reward the States and Territories if they can achieve progress in on the agreed reforms. COAG Reform Council sets very clear balanced score card to evaluate the report, and conducts monitoring and evaluation on the implementation of reform process, and provide feedback to COAG on necessary improvements.

The National partnership is a long-term initiative with measurable outputs. Deregulation priorities to achieve seamless national economy cover are listed below (COAG Reform Council, 2012)

1. Environmental assessment
2. Health workforce
3. Trade measurement
4. Rail safety
5. Consumer law
6. Product safety
7. Trustee Corporations
8. Consumer credit (three reforms)
9. Development assessment
10. Standard business reporting
11. Food
12. Wine labelling
13. Payroll tax
14. Occupational health and safety
15. Chemicals and plastics
16. Business names
17. Personal property securities
18. Licensing system (this is related to ‘one stop shop’ or Australian Business Licensing and Information Services/ABLIS)
19. Construction code
20. Mine safety
21. Electronic conveyancing
22. Oil and gas
23. Maritime safety
24. Directors’ liability
25. Consumer credit (phase two)
26. Retail tenancy
27. Anti-dumping and countervailing
28. Parallel book importation
29. Infrastructure (rail access)
30. Not-for-profit sector (fundraising)
31. Energy (market investment)
32. Infrastructure (port regulation)
33. Infrastructure (competitive neutrality)
34. Occupational licensing

The reform has clear milestones with specific targets on outputs and outcomes. COAG Reform Council (2012) reported that after four years of implementation (by June 2012), the government has completed the first 15 reforms. For the reforms which are not completed, the Reform Council provides the National Partnership with thorough analysis and recommendations on actions to be taken.

### **Business.gov**

In addition to ABLIS, the Australian government establishes another mechanism to support SMEs at the national, state and local government through one stop portal called business.gov. Through business.gov SMEs can get supports on how to start, operate, grow and exit the business. Business.gov can be accessed on-line and through business enterprise centers and local business points located in cities all over Australia.

### **Assistance to Start the Business**

The business enterprise centers and local business points will advise the small businesses about their readiness to enter the business, including the skills, the finances, the markets, time commitments, the investment, and the awareness about regulatory requirements to enter the business. When preparing SMEs for business readiness, the Australian government assists small business to assess whether they are ready to start a business and whether their business ideas are likely to succeed. Small business can also talk to business service points or business enterprise centers to discuss how to develop the plan, and join relevant training related to business plan. The

government also ensures that SMEs comply with all licenses, permits, approvals, registrations, codes of practice, standards and guidelines which are integrated into ABLIS.

### **Assistance to Operate the Business**

The assistance to operate the business includes support for marketing and promotion, employment and training, and getting business premises. The Australian government provides support for small business to promote and target their client base and meet the changing needs of marketing. In terms of employment and training, the government also assists small business in considering type of employment, organization structure and finding the right skill for their business. In getting business premises, the government also provides referral for small business to get expert assistance on their business premises, whether they want to rent or buy property or whether they want to conduct business from home. Business has to comply with relevant laws and regulations on business premises.

### **Assistance to Grow the Business**

Business.gov and its partners all over Australia provides small businesses with opportunities to grow and improve their business performance by networking, mentoring, training, and seminars; business advisory services; grants and financial assistance; new enterprise incentive schemes; and events to promote their business. One-on-one consultations, free or at low cost, subsidized by the government, are available through Business Enterprise Centers and Business Points throughout the country (Hamburger, 2014).

When small businesses are planning to export, the government provides supports for developing business plan; consultation on mandatory and voluntary standards, mandatory and voluntary industry codes of practices that are required for companies to export; as well as the free trade agreement with overseas countries and the international intellectual property (IP) protection. The government provides assistance to small business through export market development grants (EMDG) scheme and the Export Finance and Insurance Corporation (EPIC), so SMEs are able to tackle large scale business which may otherwise be beyond their financial capabilities.

### **Government Procurement and Tenders**

The Australian government encourages small business to sell their product or services to government as a way to grow their business. Small businesses have to follow guidelines and procedures of procurements, including open tenders, select sourcing or tendering, direct sourcing or single select tendering. The government tendering guide is available online through Austender website, where small business can register to get updates for tender opportunities. In ACT, the government's commitments to support SMEs are also reflected in the procurement decision, where for procurements of over \$200,000, the tender participants should indicate whether they are local SMEs. If not, they have to indicate that they will subcontract to local SMEs.

### **Assistance to Exit the Business**

The government through business enterprise centers and business points provide guidance and referrals for

business owners who want to leave the business. It is inevitable that businesses owner will retire or for some reasons have to sell the business. A good succession plan will maximize the value of the business. Guidance from the Australian government on succession plan include: template in developing succession plan, seminars on succession plan, and free advice and support from business enterprise centers and business points.

In sum, the access to information on government support to SMEs in Australia is available online and offline. They are integrated into a national system, which are translated into local actions. Such availability of supports and information shows comprehensive and harmonized efforts by the Australian government to support SMEs.

### **Key Success Factors of ABLIS**

According to the ACT Government officials in charge of ABLIS, the implementation of ABLIS has been very challenging because the national, state and local governments have to integrate over 6,000 records related to regulation, and the logic to produce information pack for the public on regulations and licensing to open a certain business. Such massive tasks require collaborative actions from the national government, state governments, and local governments to ensure that all regulations within their jurisdiction are integrated into data management system which is current, accurate, and accessible. The key success factors of the implementation of ABLIS include commitment of top-level leaderships, clear vision about seamless national economy, clear structure and communication mechanisms, clear division of responsibilities regarding funding, and flexible choice by local

governments to reach MSEs (Hassett, 2014; Honeyman, 2014).

At the national level, top level leaderships at all level of government through COAG (chaired by the Prime Minister of Australia, with Prime Ministers of States, Chief Ministers, and Chairperson of the Association of Local Government serve as members of COAG) are committed to implementing ABLIS' strategic plan. Such commitment is translated into a clear vision about Seamless National Economy at the national level, which is operationalized at the local level. ABLIS service delivery aims at stopping digital divide; no people left behind. For example, Canberra Connect and Canberra Business Points are the shop fronts that can provide 'one stop shop' for the citizen, and 'referral' for business. The shop fronts provide access to a phone line, website, and consultants to guide business to get information on how to start, how to operate, how to grow and how to exit the business. The shop front also guide businesses if they have a question related to ABLIS. In Canberra, 95% of clients access the information on-line, and 5% go to service points (Honeyman, 2014).

Furthermore, there have been clear structure and communication mechanisms among stakeholders involved in ABLIS. Representatives from each state work together as Management Committee and Business Design Reference Group. The working groups have monthly meetings to check progress, discuss issues and evaluate the program. Meetings can be done face to face, or via online meetings. In terms of funding and ways of working, the national government provides incentives for state government to roll out the program; the Department of Industry in charge of

ABLIS Portal; and the state government in charge of ongoing cost. For data update, the state governments are in charge of updating the central database to ensure that they are correct; educating business for compliance and helping business to do the right thing.

Finally, the state and local governments have the flexibility to establish service points to reach the clients. For example, in Canberra, the business point is an outsourced service funded by the ACT government to conduct mentoring and advises for small business; provide a referral for legal issues and finance issues; connect people with the right contacts. In New South Wales (Southern Region), the government provides salaries and facilities for consultants, but the Business Enterprise Centers also need to generate funding from their services to finance some overhead costs.

These key success factors of the implementation of ABLIS can serve as key lessons for Indonesia in implementing its own PTSP.

### **Comparing the Implementation of One Stop Shop for Licensing in Indonesia and Australia**

From the above discussions, it can be seen that streamlining business regulations and licensing through one single portal (PTSP and ABLIS) is very challenging and important. However, having one single portal for licensing is only one of many important tasks that the governments of Indonesia and Australia have to do to support SMEs.

In Indonesia, the objective focus of one stop shop (PTSP) is to provide easiness for companies to start the



business; while in Australia, the purpose is broader, which is to achieve “Seamless Australian Economy”. As the result, in Indonesia, the focus of PTSP is to enable the business to get a licence from one office, while in Australia, ABLIS is designed as the “first stop” for the business to get their licenses. ABLIS refers business people to relevant regulators, because there are very technical matters, for examples, compliance on food handling or control of hazardous substances that should be handled by relevant regulators directly.

Furthermore, in Indonesia, efforts to develop SMEs are not part of PTSP initiative, while in Australia, ABLIS is an integral part of SME supports. ABLIS is part of the overall government support for SMEs to start, operate, grow and exit the business.

In Indonesia, holistic approach by the government still needs to be developed. Due to limited supports by the government, some roles for SME developments are provided by large companies and NGOs. While in Australia, government plays the role as the leading institution to serve MSMEs. The roles of private companies or NGOs in assisting SMEs are usually supported and coordinated by the Australian government.

The Australian experience does demonstrate the power of having a single portal that links the services available from different levels of government. The single portal allows SMEs to see everything that is available. It also allows widespread delivery of capacity building. It also provides a capacity for analysis of the sector and support that is available to identify gaps, lessons, and areas of possible improvement (Hamburger, 2014).

## **Conclusions, Ways Forward, Limitations, and Further Research**

### **Conclusions**

Overall, there are four lessons from Australia that can be derived from this research. Firstly, the Australian government policy on small business has been improved continuously to make it effective to a specific context. To achieve “seamless national economy” by 2020, the Australian government started ABLIS in 2008. The program is evaluated yearly to ensure that it generated the expected outcomes, such as reduction of the burden for small business to start, operate, grow and exit the business; reduction of the cost of doing business, and improvement of national GDP.

Secondly, when delivering policies on small business, Australian government needs to work with local institutions to translate the policy into actions. Different states or cities cooperate in the same national government portal to support small business. The Australian government has established two “one-stop portals,” that is, ABLIS and [business.gov](http://business.gov). For effective implementation, the state and local government may use different mechanisms in delivering the services to reach their local citizens and business.

Thirdly, prior to implementing policy, the Australian government pre-tests policy ideas with business owners. Once the policy is implemented, continuous improvements are conducted with inputs from the business and industry players. Mechanisms to provide inputs to drafts of policies and the implemented policies are available on-line or through direct communications with the national, provincial and local

government. Small Enterprise Association of Australia and New Zealand (SEAAANZ), Council of Small Business Owners of Australia (COSBOA) and Small Business Commissioners play important roles in bridging the views of SMEs with the government (Brennan, 2013; Baxter, 2013).

Finally, policy objectives can only be delivered and achieved through the integration of policy objectives into the structure of Australian government. For example, ABLIS is an initiative of the National Partnership between national, state and local government of Australia to achieve seamless national economy by 2020. There are 47 reforms in various areas with very specific targets of yearly outputs and outcomes. COAG Reform Council, consisting of Prime Minister and Heads of State and Territories and Head of Association of Local Government, ensures that the targets are achieved, obstacles are overcome, and improvements are implemented. There are mechanisms of stakeholder interactions and management cycle to ensure effective implementation and evaluation of ABLIS.

### **Ways Forward**

Lessons from Australia show that SME development requires holistic and strategic actions with very disciplined monitoring and evaluation by the government. Along this line, the Indonesian government can drive the harmonization of currently scattered efforts in supporting SMEs. The Ministry of Cooperatives and SME can play a key role in coordinating this effort (Sutiyono, 2014). The government can start making an inventory of what have been done by the national, provincial and local level of government, large companies/state owned

companies and communities/NGOs to support SMEs. Furthermore, the implementation of PTSP should be integrated into the overall strategy of SME development rather than being a separate initiative. More broadly, is it worth looking at what the PTSP delivers and whether it can deliver more to SMEs (Hamburger, 2014)? To do so, the government should assess all regulations related to business at a national, provincial and local level in Indonesia, not only on the licensing but also on the code of practices.

The government can also start evaluating the current status of PTSP implementation in Indonesia, especially to what extent each PTSP has been able to harmonize business-related regulation. PTSP is not only about delivering the service to provide the license quickly but also to ensure that the licenses are given to companies that could comply with code of practices. The government should also develop realistic long-term plan (at least 10 years) with realistic milestone of achievements monthly, quarterly, yearly. By doing so, scattered initiatives in empowering SMEs can be integrated; conflicting regulations can be streamlined; and SMEs could be empowered towards a more prosperous Indonesia.

### **Limitations and Further Research**

This study serves as a good start for getting ideas from Australian experience to apply relevant lessons into Indonesian context. Australian experience can be a good lesson for Indonesian government efforts to streamline regulations for SMEs. However, because of the difference in the characteristics of SMEs in Indonesia and Australia, Indonesia has to refine the model to make it suitable for Indonesian context. Furthermore, because Indonesia

has entered ASEAN free trade by 2015, it may also be beneficial to look at other ASEAN countries' efforts in preparing their SMEs to compete in the regions.

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