The Policy on Tourism MSMEs in Indonesia and Algeria: Sustainability and Challenges

Uswatun Hasanah\textsuperscript{a}, Bakhouya Driss \textsuperscript{b}

\textsuperscript{a} Faculty of Law, Universitas Trunojoyo Madura, Bangkalan, Indonesia.
\textsuperscript{b} Faculty of Law and Political Sciences, Ahmed Draya University of Adrar, Adrar, Algeria.

\textsuperscript{*} corresponding author: uswatun.hasanah@trunojoyo.ac.id

1. Introduction

MSMEs, undoubtedly, have played pivotal and strategic roles in national development in any country for promoting unemployment mitigation,\textsuperscript{1} labor absorption,\textsuperscript{2} innovation, and productivity growth.\textsuperscript{3} According to the Organization for Economic Cooperation and Development (OECD 2004), the contribution made by MSMEs accounted for more than 55% of GDP (Gross Domestic Product) and

\textsuperscript{3}Pattanapong Tiwasing and others, ‘Rural Businesses and Levelling up: A Rural-Urban Analysis of Business Innovation and Exporting in England’s North and Midlands’, Journal of Rural Studies, 100 (2023), 103007 https://doi.org/10.1016/J.JRURSTUD.2023.103007
more than 65% of the total work in high-income countries. Meanwhile, in low-income countries, the contribution of MSMEs was higher than 60% of GDP (Gross Domestic Product) and more prominent than 70% of the total jobs fields. Their contribution reached more than 95% of total work and was approximately 70% of GDP in middle-income countries. By January 2022, the micro and small enterprises supplied 48 fields of work and 34 percent of sales turnover in the British private sector.4

In Indonesia, the number of MSMEs accounts for 95% of all businesses and employs 99.8% of the workforce.5 Indonesia, like any country included in the third-world countries, has also been conscious of the significance of MSMEs and has concerted numerous efforts to enhance the competitiveness of MSMEs by creating a conducive atmosphere, enhancing human resources capabilities through several trainings as well as upgrading financial aids.6 However, it is unable to enhance the capacity and productivity of MSMEs.7 In some recent studies, a group of researchers revealed a drive for economic growth in the tourism sector.8 Other research confirmed that tourism is one of the most outstanding and fast-growing industries well accepted worldwide to increase national income.9 It is capable of creating jobs and heightening the national-societal cultures of a country.

Nearly most countries worldwide have placed tourism as a booster for their national economic growth,10 for example, in providing job fields in demand, increasing income, and stimulating changes in a society’s economic structure.11 More importantly, there were viewpoints on the relationship between tourism and

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7 Ridwan Maksum, Yayuk Sri Rahayu, and Kusumawardhani.
8 Doaa Abouelmagd, ‘Sustainable Urbanism and Cultural Tourism, the Case of the Sphinx Avenue, Luxor’, Alexandria Engineering Journal, 71 (2023), 239–61 https://doi.org/10.1016/J.AEJ.2023.03.041
economic growth; some claimed that tourism and economic growth reflect a two-way or causal relationship. The World Tourism Organization (UNWTO) reported that international tourist visits peaked at 1.3 billion in 2017. Tourism contributed 10.4% of the global GDP, and 313 million jobs relied on this sector. Furthermore, tourism contributed approximately 10% of the global GDP, 6% of the world exports, nearly 30% of the world service trade, 7% of the world investment, and 11% of the world consumers’ spending were contributed by tourism in 2022. From this, ten jobs were linked to this sector (UNWTO, 2022).

Tourism legal policy and MSMEs development are engaged in a mutualism symbiosis. Legal policy on tourism should ensure legal certainty for safeguarding and developing tourism MSMEs. Conversely, the absence of legal certainty will hugely hinder the development of tourism MSMEs. Various studies have proven the connection between the legal policy on tourism and the rising roles of MSMEs in job creation and entrepreneurship. A significant number of tourists should trigger local business opportunities in the form of small businesses. Undoubtedly, in areas where tourism grows exponentially, small businesses to cater to the tourists’ needs shall follow the trends, for example, by selling souvenirs typically or locally manufactured at tourist sites. Furthermore, these small businesses participation in tourism should practically contribute to the regional diversified income and poverty relief.

It has always been intriguing to have in-depth discussions about the relationship between MSMEs and tourism since they are closely related; the growth of tourism is usually equivalent to the enhanced potency and increased spectrum of MSMEs. Despite the complexity of tourism, MSMEs provide great support to tourism by which the main capital is shaped to enhance the social economy. The legal policy enactment shall establish a clear path for running MSMEs. They have clearly contributed to employment, innovation, and productivity growth.

In Indonesia, MSMEs contributed an increase of 3.6 percent to Indonesian GDP, reaching 60.38 percent. During the same period (2018), there was a rise from 5 to

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16 Ridwan Maksum, Yayuk Sri Rahayu, and Kusumawardhani.
17 Tiwasing and others.
97.53 percent in the workers hired by MSMEs. Moreover, the empowerment of micro and small enterprises has been the local government concern due to its proven role as the national economic security, so that the national economy holds a high economic resistance. In Indonesia, there are 63 million MSMEs, with 62 million of them being micro-enterprises, and the remaining are small businesses. If these micro-enterprises can be developed, they could contribute up to 60% to Indonesia’s GDP. Meanwhile, Indonesia has immense tourism potential due to its cultural diversity, natural beauty, and unique traditions. However, there is currently no specific policy, especially at the regional level, that orients MSMEs towards supporting global-scale tourism. As a result, MSMEs remain localized. Additionally, the MSMEs in the Indonesian tourism sector face competitiveness issues due to limited human resources and weak access to formal financial institutions.

Meanwhile, there were 748,000 MSMEs, representing 99% of all enterprises in Algeria. MSMEs constituted over 90% of the total number of companies, with micro-enterprises making up 97% of the existing MSMEs in the country. Despite their significant contribution to national economic growth, MSMEs have not yet fully demonstrated their potential as valuable resources and key development drivers in Algeria. The vast potential of the tourism sector remains largely unexplored and untapped as policymakers in Algeria have not established tourism policies as the foundation for tourism development. As a result, MSMEs may be less inclined to contribute to the development of tourism on a global scale. In contrast, many other countries have implemented relevant policies to ensure the achievement of tourism development goals and reap economic benefits from the sector. It is evident that countries with clear and effective tourism policies have benefited not only in the tourism sector but also in other productive industries. If a country aims to diversify its economic development, it becomes imperative for the government to focus on either increasing tourist visits or providing incentives and grants to support the tourism industry.

21 Saputra.
22 Surya and others.
Although Indonesia has adopted tourism as part of its national standards policy, in practice, some society still lacks comprehensive tourism concepts; for instance, most residents of Madura Island (east Java, Indonesia) perceive that tourism is against religious values. With the establishment of tourism as one of the leading sectors in national development, the Indonesian Central Government envisages support provided by the entire ministry offices and governing bodies in the country to foster accelerations on national developments. Conversely, not all regional governments are likely sustained with master plans for developing regional tourism or legal policies corresponding to Micro and Small Enterprises (MSE) from which strategic plans to boost MSE roles are specified. Moreover, the enacted policies, unfortunately, contain gray areas on how the development and protection for micro and small enterprises of tourism should be implemented. This will, therefore, inevitably exacerbate the empowerment problems for micro and small enterprises of tourism and greatly impact the corresponding entrepreneurs.

Some researchers conducted studies on MSMEs. However, they merely revealed MSMEs in general and tended to show the survey of innovations made in tourism MSMEs simply. Additionally, regarding social capital and MSMEs, the functions of social capital and its impact on tourism in general were observed. Nonetheless, there was a lack of explorations on potentials and local values as social capital with specific characteristics. This study offers an overview of the significance of developing construction value and encouraging shared perspectives toward tourism development wherein the empowerment of micro and small tourism enterprises is included. Any policies determined by the authorities should be based on local values as well as local potency to be utilized as social capital for escalating the success of the implemented policies. This study reveals and identifies the characteristics and problems related to the tourism MSMEs in Indonesia and Algeria. It analyzes the policy corresponding to the empowerment of tourism MSMEs as well as constructs local values as social capital for the concepts elaborated in policy-making related to tourism MSMEs in Indonesia and Algeria.

2. Research Method

This study utilizes a legislative approach and a comparative approach. Data were collected mainly with the observation (of problem), sustainability, and the legal policy of tourism MSMEs in Indonesia and Algeria. Algeria was chosen for comparison because it, like Indonesia, has adopted tourism as a strategy to diversify its economy and possesses significant tourism potential. However, the two countries have different policy strategies. The authors employed the data collection method through reference search by accessing the plentiful relevant literature resources. Subsequently, data was collected through reading, analyzing, and summarizing respective documents, law journals, and other resources concerning the main issue addressed in this study. Descriptive analysis was performed for data analyses. Furthermore, the data was closely checked based on law principles and respective laws to enable the description of the MSMEs tourism policy challenges in Indonesia and Algeria.

3. Results and Discussion

MSMEs Policies in Indonesia and Algeria

The legal policies implemented for micro-businesses in Indonesia can be found in Act Number 20 of 2008 on MSMEs expansion, which was ratified on July 4, 2008, to increase job creation and boost people’s income. The definition of micro business is expressed in Act Number 20 of 2008 regarding Micro, Small, and Medium-sized Businesses on the base of net worth or annual sales turnover. A micro business is a company whose net worth is at a maximum of 50 million rupiahs or gains the annual sales turnover at a maximum amount of 300 million rupiahs. Act No. 11 of 2020 subsequently changed the criteria by which the small business: that is, the net worth or sales turnover is changed to basic capital. Hence, a micro business is defined as a business whose capital is worth 1 - 5 billion rupiahs. According to Kukuh, a micro and small-sized business is a company whose employees range from 5-20 people. In some countries, a micro business is described as hiring approximately 10-50 employees, whereas other countries define a micro business as a business entity hiring < 5 people (fewer than five people) and a small business as a business entity hiring approximately 5 - 19

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people.\textsuperscript{31} However, small business was also qualified as business entity with employees ranging from 250 to 1500 people.\textsuperscript{32}

According to Algeria’s Ministry of Industry, SME and Investment Promotion, MSMEs have increasingly expanded since 1990 since their number multiplied twofold: from 104,000 to 687,386 MSMEs recorded in the first semester in 2012 with an average growth of 9\% / year and approximately 95\% MSMEs were micro business, from which approximately 1.8 million people were hired for average 2.61 of work in each MSME in 2012. Legal policies implemented in micro business in Algeria can be viewed in Act Number 17-02 on MSMEs expansion ratified on January 10, 2017. Those laws aimed to boost new MSMEs establishments and enhance their exports’ competitiveness and capacity.\textsuperscript{33} These laws also assigned the development institution of MSMEs for increasing growth and modernization of MSMEs sector, applying strategies for the accompanying national development, and establishing the coordination council deployed on August 1, 2017, which integrated special organization representatives. The laws also mandated Special Agencies for MSMEs in Algeria. In addition, the laws planned programs of funds addressed to the MSMEs development comprised the Guarantee Fund for credit and seed capital fund. At last, the laws delivered support in funding related to developing product prototypes such as business, research, and development plans.

Article 5 of SME Promotion Act 2017 No. 17-02 defined a small and medium-sized business as a business entity producing goods and services with employees ranging from 1 to 250 people. As such, the business is run on a turnover below 4 billion Algerian dinars or annual revenues lower than 1 billion. Subsequently, articles 8, 9, and 10 described that a micro business is a company whose employees range from 1 to 9 people, whose turnover is below 40 million Algerian dinars (DA), or whose annual balance sheet is lower than 20 million DA. A small business that hires 10-49 people and produces a yearly turnover lower than 400 million DA or has an annual balance sheet of less than 200 million DA. Furthermore, a medium-sized business hires approximately 50-250 people whose annual turnover ranges from 400 to 4 billion dinars or whose annual balance sheet ranges from 200 million dinars to 1 billion dinars.\textsuperscript{34} The definition followed the European Union definition based on the number of employees, unlike the definition applied in the USA, whose

qualification for MSMEs is specifically for industry, whereas the industry MSMEs in Algeria were reported at 15.44%. Despite the contribution to the national economic growth, MSMEs have yet to transform their performance so that they would function as Algeria’s wealth resources and development machine.

Based on the data from the Ministry of Cooperatives and Small and Medium Enterprises of Indonesia in 2021, the number of MSMEs in Indonesia has shown an increase. In 2017, the total number of Indonesian MSMEs reached 60 million. In 2018, there were 64.2 million MSMEs, consisting of 98.69% micro-enterprises, 1.22% small enterprises, and 0.09% medium-sized enterprises. Then, in 2019, the number of MSMEs increased by 1.98% to reach 65.5 million, with 98.68% being micro-enterprises, 1.22% small enterprises, and 0.1% medium-sized enterprises. MSMEs in Indonesia employ approximately 119.6 million people, which accounts for 97% of the total workforce in Indonesia. Their contribution to Indonesia’s GDP was 60.51% in 2019 and increased to 61.97% in 2021.

Generally, the choice of commodities used in businesses is largely influenced by the typical products produced in villages or the distinctive regional products. The availability of abundant raw materials can greatly benefit MSME operators, as they won’t need to purchase them from other areas or import them from other countries. Villages known for their specific products can be transformed into hubs for superior commodities, fostering exponential growth for micro and small enterprises based on their villages’ potential. These villages are often grouped together based on the uniqueness of their products and are commonly referred to as ‘kampung’ or neighborhoods. In essence, micro and small enterprises preserve the uniqueness of their products in alignment with the distinctive characteristics of the villages, which can stem from natural beauty, unique cultures, or the production of typical commodities.

Indonesia’s tourism potential can be categorized into nature tourism, cultural tourism, and tourism centered on artificial attractions. For instance, Indonesia offers nature tourism experiences, such as tourism exemplified by the Batur Global Geopark in Bali. Micro and small enterprises (MSMEs) that support these various forms of tourism generally share common features, as tourists typically seek accessibility, attractions, and amenities. The differences lie mainly in the specific offerings and designs. For instance, MSMEs catering to natural tourism have unique attractions compared to those serving cultural tourism, resulting in distinct services, particularly in the provision of souvenirs related to the tourist destination and security measures. In summary, souvenirs play a crucial role in promoting

36 Novikasari, Ly, and Gershaneck.

Uswatun Hasanah, et.al (The Policy on Tourism MSMEs in Indonesia........)
relevant tourism experiences. Furthermore, MSMEs catering to historical tourism in Indonesia cater to tourists’ needs, particularly at historical sites and palaces. These businesses align their product offerings with the specific type of tourist destination, whether it is cultural or historical tourism.38

The contribution of MSMEs to the total workforce in Algeria was relatively low in 2013, standing at 18.4%. This proportion fell significantly short of expectations, considering the rapid population growth rate of 500,000 people per annum, which should naturally lead to increased labor force participation. Algeria's MSMEs’ contribution rate was notably lower compared to that of other developing countries. However, the landscape began to change as the Algerian government intensified its support and attention to MSMEs, primarily through strengthening legislation. Act Number 17-20 played a pivotal role in transforming and enhancing Act Number 18-01, emphasizing training and development for MSMEs in Algeria. Consequently, by 2019, the contribution rate of MSMEs to the total workforce absorption had risen to 25.62%. Data from the Ministère de l’industrie et des mines in 2019 revealed the number of existing MSMEs in Algeria, which stood at 1.2 million. This figure comprised 1.6 million micro-businesses, 31,000 small businesses, and nearly 5,000 medium-sized businesses. In terms of business structures, a substantial 97.84% of all MSMEs in Algeria were micro-businesses, each employing a maximum of 9 employees. The remaining 2.16% consisted of small and medium-sized businesses. Among the existing MSMEs, those in the service sector led the way, accounting for 51%, followed by MSMEs in the industry sector at 15.4%.” 39

In spite of their contribution to the national economic growth, MSMEs in Algeria have not yet transformed their performance to function as the country’s wealth resources and development engines. Among the existing MSMEs in Algeria, a significant 74% were not engaged in innovations; they continued to utilize outdated technology, employed unskilled labor and served small-scale markets.40 This hindered their growth and global competitiveness.41 MSMEs continued to face a range of issues, stemming either from within the company or caused by external factors. These setbacks included persistent bureaucracy, corruption, competition from informal sectors, limited access to industrial sites, a lack of funding access, an

41 BENSEDIRA, HABBACHE, and MAIZA.
inefficient taxation system, a shortage of managerial and marketing capacity, and limited application of technology.\(^{42}\)

In response, the Algerian government initiated reforms in the business environment by eliminating certain regulations, attempting financial sector reforms, and removing barriers to trade and investment. To address the issue of poor performance due to a lack of entrepreneurial spirit, the Algerian government focused on enhancing entrepreneurship within this sector.\(^{43}\) They established a supporting agency for MSME development in Algeria, known as the National Agency for the Development of SMEs (ANDPME). This agency played a pivotal role in implementing comprehensive policies aimed at boosting the necessary skills in production and management. Additionally, it strengthened the development of business incubators, provided guidance and consultations to meet the demands of MSMEs, and increased financial assistance.\(^{44}\)

**Tourism MSMEs Policies in Indonesia and Algeria**

Tourism has gained the attention of entire countries worldwide. A group of researchers has confirmed that a growing economic trend shifted to tourism.\(^{45}\) Consequently, tourism sectors resulted in positive economic growth.\(^{46}\) Tourism is one of the fastest-growing industries in the world’s growth rate.\(^{47}\) Many countries rely on tourism to generate national income, open job opportunities, grow private sectors, and build infrastructures (World Tourism Organization 1997). WTO noted the growth of international tourist visits by 6.2% per annum and increased tremendously from 25 to 980 million tourists recorded from 1950 to 2011. International tourist visits continued to increase in 2017 by 1,341 million (Ministry of Industry and Mines, Information Bulletin SME Statistics 2017). Furthermore, in 2019, international tourist arrivals worldwide peaked at 1.5 billion (4% growth), whereby all regions benefited from the increased tourist arrivals and the growing international tourist visits (UNWTO 2020). Total revenues generated by

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\(^{44}\) Suminah and others.


\(^{46}\) Roudi, Arasli, and Akadiri.

international tourism was US$1,507 trillion or 7.56% higher than the earnings received in 2018.

The development of tourism in Indonesia is oriented towards regional development, with a focus on the community and the empowerment of the people, including small business empowerment. Article 8 of Law No. 10 of 2009 states that tourism development is carried out based on the master plan of national, provincial, and district/city tourism development, indicating that the legal policies and political decisions of local governments significantly impact the protection and development of MSMEs. The development of tourism in the era of regional autonomy presents a challenge for the government and all stakeholders to understand each region’s local resources and characteristics, enabling each region to express its uniqueness, distinctiveness, and local wisdom. The global tourism trend is shifting towards special interest tourism that emphasizes the utilization of local resources. Through policies, the direction of a region’s tourism development becomes clear. Through local legal policies, local resources and wisdom gain legitimacy in terms of development and preservation. In addition, as a manifestation of tourism development as a key sector in national economic development, the government has devised a blueprint for the development of 88 strategic national tourism areas and ten super-priority destinations. Therefore, the master plan for regional tourism development, issued through regional regulations, serves as a legal foundation that ensures legal certainty for protecting and empowering tourism-related UMKMs in the region.

Several reports presented data on tourism growth in diverse countries, such as the tourism service earnings generated in Malaysia increased from 23.5% in 1985 to 28% in 1990, following the increase in foreign tourists. Meanwhile, Australia’s tourism contributed $47.5 billion to Australia’s GDP in 2014-2015, $ 47.5 billion consisting of $ 34.2 billion domestic tourists and $ 13.3 billion foreign tourists. Later, in 2019, its contribution to Australia’s GDP reached 3.1%, and 5.2% was for job fields. In 2018, India’s tourism made a contribution of 9.2% of the total

51 Santoso, Triyanta, and Thontowy.
52 Tien Duc Pham, Son Nghiem, and Larry Dwyer, ‘The Determinants of Chinese Visitors to Australia: A Dynamic Demand Analysis’, Tourism Management, 63 (2017), 268–76 https://doi.org/10.1016/J.TOURMAN.2017.06.015
53 Pham, Nghiem, and Dwyer.
In 2017, the contribution of tourism to Indonesia’s GDP reached 4.1%, accounting for 21.3% of service exports and 5.9% of employment. When considering tourism growth, Indonesia ranked 9th with a growth rate of 22 percent. Additionally, in 2019, there was an increase in tourist flow of 23.57% in Algeria, starting in 2018, when 3.539,964 foreigners visited Algeria.

According to Article 1(3) of Law No. 10 of 2009 concerning Tourism, tourism is defined as various tourism activities supported by various facilities and services provided by the community, entrepreneurs, the government, and regional governments. Tourism enterprises, on the other hand, are businesses that provide goods and/or services for the fulfillment of tourists’ needs and the operation of tourism, as stated in Article 1, paragraph 7 of Law No. 10 of 2009. The tourism industry is closely related to MSMEs. MSMEs play a key role in the national development. The tourism potency in Indonesia consists of agrotourism, ecotourism, cultural tourism, nautical or water tourism, culinary tourism, spiritual tourism, attraction tourism, and historical tourism. Tourism potency requires the participation of the micro and small enterprise operators in its management to meet tourist demands. The intertwining characteristics of tourism shall bring up implications for micro and small enterprises' characteristics for fulfilling tourist demands. In addition, the micro and small enterprises are connected to each other to meet tourist demands within the tourism establishments. There are five elements of tourism: entertainment, transportation, travel, housing, and shopping. Therefore, the related services available are lodgings, accommodation, food, transportation services, souvenir supplies, and tour guides provided by micro and small enterprises.

56 Saputra.
61 Lin and others.
Although Indonesia has adopted tourism as a part of national standards policy, in practice, some societies, especially in areas that still adhere to local values, still lack comprehensive tourism concepts. For instance, most residents of East Java (Madura Island) hold on to the notion that tourism is against religious values. With the establishment of tourism as one of the leading sectors in national development, the Indonesian Central Government envisions support provided by the entire ministry offices and governing bodies in the country to foster accelerations on national developments.

In Indonesia, to ensure legal certainty, the Local government has regulated laws to establish a sustainable policy for empowering tourism MSMEs. It is obligated by Act No. 10 of 2009, article 17, that the Government and Local Government have to develop and protect MSMEs by providing facilities and supplying partnership aid. To the policymakers, tourism development is deemed necessary for the tourism resources to cover the conditions of the existing nature, floras, faunas, historical legacy, arts, and cultures; hence, it encourages the even distribution of running businesses, boosting society income and welfare.

Furthermore, previous studies have identified visitor experiences affecting their sensitivity to being in relatively strange environments. Their experiences are highly influenced by social contexts applied to tourism activities. Moreover, the typical products of a village are manufactured as superior commodities so that micro and small enterprises expand according to the village potency, and more diverse clustered villages are likely established and known for the typical products and commodities made by the villages. Such policy is recognized as the program of one village, one product. A similar program is also fostered by the Government of Thailand through its project called One Tambon One Product (OTOP). While in the Philippines and Taiwan, the resembled programs are known as One Town One Product (OTOPs). All of them are inspired by the success of one Village program initiated in Japan Product (OVOP). Governor Oita Morihiko

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Hiramatsu built a concept of reinventing products that originated in Japan as the pride of the local people.\(^{66}\)

The underlying spirits grown in the OTOP program belong to the local society empowerment program through strategies on how local people can utilize local resources to create new business opportunities based on the uniqueness of their culture and local norm values. The government of Thailand conducts such a program to support micro and small enterprises (MSE) in villages and home industries through an integration of supply chain management at local levels. In addition, the government of Thailand has also assisted village societies in marketing their products in domestic and foreign markets. The Government of Thailand has empowered MSE by providing better access to financing, training, and skills\(^{67}\). The program of one village, one product is meant to realize policy relevant to the empowerment of MSE conducted by the regional government in Indonesia. Furthermore, the regional government in Indonesia should learn from the success of the town of Burgos. It is famous for its creative, healthy cooking, and local tourism is promoted based on these typical resources. Similarly, Edinburgh is recognized as a city of literature for there are vast numbers of novel festivals held in town, and unknown authors are present during the festivals; while its politics-related policies mark Barcelona.\(^{68}\)

Algeria streamlined diversifications of its economic development by adopting tourism as a high profit-making strategy. The absence of synergy among sectors in Algeria caused the incapability of fulfilling the national demands, let alone attracting international tourist visits to Algeria. The local society’s engagement in tourism development highly contributed to the society’s welfare.\(^{69}\) The success of tourism development would only be made possible when there was a model development by which the entire development objectives were integrated alongside the stakeholders’ engagement\(^{70}\) of the entire MSMEs operators from


\(^{67}\) Phonsuwan and Kachitvichyanukul.


\(^{70}\) Sabrina Boulhila and others, ‘Towards a Development Model of Local Cultural Tourism through the Involvement of Local Actors (Province of Constantine, Algeria)’, GeoJournal of Tourism and Geosites, 40.1 (2022). https://doi.org/10.30892/gtj.40101-797

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diverse economic sectors wherein tourism was included.\textsuperscript{71} Vast tourism potentials have yet to be explored and utilized as the key factor of economic development since Algeria’s policymakers have not established tourism policies as the basis of tourism development. Consequently, MSMEs were likely less oriented to foster global-scaled tourism development. Should a country diversify its economic development, it would be urgent for the government to establish development by means of either improving tourist visits or incentives grants for tourism industries.\textsuperscript{72}

Algeria has established the National Tourism Development Plan (Schéma Directeur d’Aménagement Touristique, SDAT), serving as a plan for promoting tourism ahead to the year 2030. However, there are issues still left unresolved; that is, there are detailed rules related to the vision and mission of tourism development that remain unclear, no clear divisions of jurisdiction between the central and regional government regarding tourism development, no such policies in demand for safeguarding and expanding tourist destinations within the national and international levels, and no synergy nor collaborative relationship between the authorities of MSMEs and those of tourism MSMEs.

**Sustainability, Problems, and Barriers of Tourism MSMEs in Indonesia and Algeria**

Policies for developing tourism in Indonesia are integrated between the central government, provinces, and regencies or regional governments. Therefore, the governance of tourism management and empowerment of local tourism MSE should be in line with the higher regulations. However, policies at the national level define the clear path of tourism development by cherishing religious and cultural values on the principle basis of sustainable development oriented to integrated economic growth, an increase of job opportunities or occupations, poverty relief, natural preservation, in inter-sector, inter regions, interactors as well as driving collaborations between the government, stakeholders (private, society, universities, NGO etc.).\textsuperscript{73} Consequently, an integrated approach is necessarily applied within the drafting of policies, regulations, management of tourism development, and sustainable tourism. Sustainable tourism is the tourism-oriented policies that are reliable and smart and conducted on the basis of local activities of handicraft production, agritourism, village tourism, and

\textsuperscript{71} Badri Abdelmadjid and Taibi Boumedyen, ‘Empirical Analysis on the Contribution of Algerian SMEs in Regional Development-Study Territory” West Algeria’. \texttt{http://dx.doi.org/10.13140/RG.2.2.18739.89128}

\textsuperscript{72} Lee and Jan.

Tourism policies were initially concentrated on promoting tourist interests, while investments made for services and infrastructures were also created.\textsuperscript{75} Next, any developments with local society involvement highly contribute to improved society welfare.\textsuperscript{76}

The MSMEs require sufficient human and networking resources capacity to ensure developed and competitive tourism. The government plays a key role in upgrading society’s capacity, which particularly belongs to the operators of tourism MSMEs and will subsequently be integrated into making policy-related norms for the Empowerment of MSMEs.\textsuperscript{77} Nevertheless, each region demands compatible policies and strategies that perfectly suit its uniqueness rather than its strategies or national policies.\textsuperscript{78}

The empowerment policy enacted for tourism MSMEs is partially implemented since it is hardly connected to the government’s existing policy for tourism. So far, unfortunately, the policy-related documents regarding the tourism development in regional government (several districts in Indonesia) have been unavailable despite the benefits of tourism for MSMEs welfare enhancement and possible contributions to job creation and improved local economic growth. The paradox worsens due to the existence of conflicting perspectives of policymakers and public figures concerning tourism concepts. To the policymakers, tourism development is deemed necessary for the tourism resources to cover the conditions of the existing nature, floras, faunas, historical legacy, arts, and cultures; hence, it encourages the even distribution of running businesses, boosting society income and welfare. On the other hand, public leaders reject tourism because it is a source of evil, and the practices related to tourism are against the local religious norms.

Act Number 10 of 2009 of Tourism describes that institutions’ significant roles are to organize resources and benefit distributions in efforts to boost tourism potency and to serve as the driver by providing tourism facilities. One of them is to encourage MSMEs to address support for tourism. On the other hand, tourism


\textsuperscript{76} Suárez-Rojas, González Hernández, and León.

\textsuperscript{77} Luz Helena Díaz Rocca and Seweryn Zielinski, ‘Community-Based Tourism, Social Capital, and Governance of Post-Conflict Rural Tourism Destinations: The Case of Minca, Sierra Nevada de Santa Marta, Colombia’, \textit{Tourism Management Perspectives}, 43 (2022), 100985 https://doi.org/10.1016/J.TMP.2022.100985

MSMEs have yet to be capable of exploring and coping with the diverse obstacles they have faced so far. Furthermore, the political will of the regional government for empowering MSE, which is practiced in several efforts, has yet to break the boundaries of MSE empowerment in tourism. The enacted policies are yet in synergy and collaborative; MSE authorities are not in synergy and collaborative with tourism authorities. Implications derived from such matters are that empowerment needs consistent practices to hoist MSMEs to higher levels; hence, innovation skills are highly required.79 MSMEs development should be directed toward developing quality and competitiveness. At the same time, the MSMEs operators still lack education, expertise, networking, and managerial skills80 deemed as underlying problems to enabling competition within the global markets.81

Local government policies are the key to the success of empowerment programs; tourism MSE empowerment is included. The principal role of government policies is to shape entrepreneurship conditions.82 Regarding that, being the interpreter for the government policies, the local government in Indonesia has initiated the empowerment imposed on tourism MSMEs based on the perspectives addressed to the development of local tourism can function as the brand new machine for running regional economies to ensure the prospective local potency as a capital base demanded in tourism developments. The objective of the tourism-oriented policy is to maximize the benefits gained from the tourism business as well as to diminish the negative impacts of the tourism business. In planning sustainable tourism, visitors' support, including their perspectives toward tourist destinations, is essential for the successful tourism business.83

As the key pillar for ensuring tourism development, MSMEs were in need of capacity upgrades on human resources, resources, and networking for shaping the competitive and developed tourism MSMEs. The government played a key role in improving the capability of society, particularly those of the tourism MSMEs operators, which subsequently be integrated within the policy-making drafting.84 However, each region required such policies and strategies to properly fit in their uniqueness in addition to applying the national strategies and

80 Nguyen and others.
81 Nguyen and others.
84 Rocca and Zielinski.
policies. Besides, what they needed were strategies enabling innovations in tourism MSMEs so that they would qualify for global competitiveness.

The existing diverse areas and tourist needs would demand more orientations addressed to the tourists. In this context, the construction of tourism clusters has been opted as a new method to attract higher tourist visits. The cluster method bridges and integrates diverse tourism business operators in an area to boost their competitiveness. Tourism MSMEs require communication as well as information technologies to facilitate the exchange of information about services offered to tourists. For that purpose, several MSMEs were gathered in a group to engage in shared work and synergies to shape an integrated tourism business in an area (cluster tourism).

Thanks to globalization, MSMEs were driven to have innovative capabilities to enable access to global markets. The lack of managerial education, expertise, and skills in adopting information technologies hindered MSMEs. Furthermore, digital technology adoption was inevitable for MSMEs to confirm strong and competitive business. To achieve their goal, MSMEs to be participating in the global economy were in need of digitalization capability upgrades. Thus, the MSMEs authorities in Indonesia and Algeria should provide special attention to them. Moreover, the digitized era has brought up transformations in working patterns and has compelled all micro and small enterprises to be dependent upon digital technologies. Additionally, non-disruptive digital technology adaptation is inevitable for MSMEs to enhance human resources capability and improve marketing strategies to ensure that MSMEs can reinforce their business and elevate business competitiveness. Tourism is affected in many ways by the expansion of digitalization. Consequently, the tourism sector should be alert and able to seize the momentum of digital technology heyday to boost its competitiveness. Technology platforms have evolved the work system of the tourism sector. Platforms will enable consumers to access tourism service providers so that all developing countries can benefit from digital transformations.

The development of sustainable tourism should be obliged not only to strive to diminish the negative values of tourism towards society but also to engage communities and to establish social participation as one of the priorities for poverty relief, to set policies enabling the marginal society participation within the

85 Tiku, Shimizu, and Hartono.
86 Prijadi and others.
planning and organizing tourism activities. Competitiveness indicators of a region comprise financial and sustainable social capital and innovations. In case of an emerging gap in electronic coordination between public agencies and special agencies, it shall bring about implications of failure in the national innovation included in the tourism sector. Therefore, Sustainable tourism policies, not only assets but also partnerships and networking with society, are demanded for regional development, including tourism development, to boost the competitiveness of tourism MSMEs. Tourism development will fail to achieve the targeted goal without developing models that integrate the entire development objectives and engage all relevant stakeholders. Tourism development requires government collaborations with the entire stakeholders (private companies, society, institutions of higher education, non-profit organizations, etc.). Based on that fact, the integrated approach within the drafting of policy-making, regulations, and management of tourism MSMEs has been centralized. Sustainable tourism policies are reliable and smart tourism policies on the basis of activities of local handicraft productions, agrotourism, and rural ecotourism.

The previous research was on the organization hierarchy in numerous countries, including Algeria. The finding shows that Algeria significantly has far more centralized organizations. At first, the tourism policy focused on promoting tourist destinations alongside infrastructure construction. Subsequently, the policy emphasized that local society and indigenous participation contributed to society’s welfare. Following the tourist village development in the province of Tizi-Ouzou, Algeria, also has a renowned tourist village up on the mountain. Thus, it takes integration within the planning and development program ahead of the tourist object revitalization, such as the Development and Urban Master Plan, Land Use Plan, and Provincial Tourism Development Master Plan. The integration among different master plans is integral to producing effective outcomes since, based on the data recorded in the local province, there were fewer tourists visiting natural sites/mountains simply because of the travel agency’s poor marketing, low

83 Schönherr, Peters, and Kuščer.
84 Suárez-Rojas, González Hernández, and León.
Stakeholders taking part in tourism developments are society, tourism providers, business owners, local government, and universities. Collaboration among stakeholders, stakeholders’ participation in the policy-making, business owners’ support to the start-up micro-enterprises, and the achieved set goals can only occur through social capital. Social capital has proven to make contributions to the development and endurance of industries. For example, social capital was involved in house demolition in China for the sake of establishing tourism villages. Stakeholders included in tourism development consist of society, tourism organizers, business operators, and institutions of higher education. Through social capital, a targeted objective can be achieved; that is, how collaboration between stakeholders can be carried out, how stakeholder engagement in policy formulation can be created, and how support can be provided for small business operators (start-ups). Social capital proves to have contributed to industry development and maintenance. For that reason, social capital requires reconstruction to gain positive values by which it serves as an essential capital within the policy-making construction. The residential home demolition for tourism development was made possible due to the support provided by the host communities in China; they trusted the government’s goodwill to enhance the local potential by means of tourism development. Therefore, it could create more job opportunities in demand, and consequently, they voluntarily take part in it.

The case of Algeria can be learned to reveal the significance of social capital as a policy-making construction. Despite its tremendous potential due to its vast natural resources, the Algerian authorities initially opted not to benefit from tourism because of considerable social and religious issues, such as intensified violence and attacks by Islamist militants by which the tourism industry was hindered. When oil prices plunged, the Algerian authorities intended to diversify their national economy by privatizing tourist industries. MSMEs operators must

be knowledgeable and cognizant of tourism to make MSMEs collaboration and participation happen; otherwise, all planned policies constructed in the tourism development shall fail.99

Tourism development can benefit from stakeholder engagement in the construction of development policies due to its power to elevate society participation; the stakeholder is deemed relevant to the host residents' needs.100 For that purpose, communications are necessarily built among stakeholders engaged in the development of tourism MSMEs. In addition, to encourage increased social participation and contribution to MSMEs for capacity upgrades, Annamalah stated that social capital in the tourism industry comprises information exchange, activity coordination, and collective decision-making.101 All of these are examples of social capital to be taken into account as social capital within the mechanism for policy-making construction. As such, the engagement and coordination of stakeholders within policy-making construction can intensify social participation, particularly those of the tourism MSMEs operators.

4. Conclusion

Tourism MSMEs have yet been unable to explore their business as a significant contributor to drive economic growth. Emerging technologies applied to tourism have transformed lifestyles and tourism experience. The main challenge MSMEs encounter within the international scope is to promote policy-making, enabling tourism MSMEs to develop exponentially and to compete successfully in international markets. The Algeria case has shown that unless the government equips the MSMEs development policy with tourism laws. They will merely be unable to help address competitiveness challenges in the international scope. By using a social capital base for the construction of legal policy of tourism MSMEs development, the policymakers shall likely produce proper policies for accommodating the needs of each particular region. Furthermore, stakeholder engagement as social capital within policy-making constructions shall enable open dialogs, socialization, and viewpoints sharing; thus, it can improve society participation and encourage successful national economic diversification.

100 Duk Byeong Park and others, ‘Factors Influencing Social Capital in Rural Tourism Communities in South Korea’, Tourism Management, 33.6 (2012), 1511–20 https://doi.org/10.1016/J.TOURMAN.2012.02.005
101 Annamalah.
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