

Contribution of SME and MSME Business in the Bandung Raya Region Against the Economic Improvement of West Java Region Before and in the Middle of the Pandemic Covid 19

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Abstract- Small entrepreneurs who are often referred to as SMEs and small and medium entrepreneurs who are often called UMKM in the Greater Bandung area, before the Covid 19 pandemic, had a strategic role in improving the economy in the West Java region. Referring to the research that has been done, it is found that the small entrepreneurs are able to face the economic crisis, with the competitive advantages possessed by the products produced by these small entrepreneurs. It is best if the entrepreneurs by the local government in 3 districts, namely: Bandung, West Bandung, Sumedang and 2 municipalities namely Bandung and Cimahi get more attention from their respective regional governments. With the partnership of SME and MSME entrepreneurs in the industry, they have been able to contribute around 30.26% to West Java's GRDP for the economy of the Greater Bandung Region in particular and West Java Province in general. However, during the Covid 19 Pandemic, it experienced a decrease in its contribution to GRDP when compared to the time before the pandemic occurred. Thus it can be stated that these business actors from the SME and MSME sectors make a real contribution to improving the economy of the Greater Bandung and West Java regions. To maintain the role of SME and MSME business actors, government assistance is needed in developing business partnerships, especially in capital, online marketing, and other assistance needed by the sector.

Keywords: *UKM, UMKM, PDRB, Covid-19, Bandung Raya.*

I. INTRODUCTION

1.1 Research Background

Small and Micro Business Actors (UKM), Small and Medium Enterprises (MSMEs) are business actors who are part of the community in the Greater Bandung area which includes West Bandung Regency, Bandung Regency, Bandung Municipality and Cimahi Municipality. At the time before the Corona outbreak (Covid 19), the SME and MSME business actors in the Greater Bandung area, which in the era of regional autonomy were one of the potentials that the local government continued to promote in each of these cities. In order for this business actor to run well, the entrepreneur must get a stimulus from the productive activities he does. In connection with the economic activities that have been carried out, it will mean that increased income for small entrepreneurs will provide added value to economic activity.

Entrepreneurs from the MSME group in developing countries, such as in Indonesia, are often associated with domestic economic and social problems. In this regard, it is hoped that the development of MSMEs can make a significant positive contribution to efforts to overcome these problems. Economic activities that

involve entrepreneurs from the MSME sector in a region vary widely, in terms of types of business, labor and capital capacity.

As it is known, the programs of each regional government include the role of economic actors from the informal sector, namely those from the MSME sector to become one of the pillars that are expected to be able to contribute to regional economic activities. The development of these small, micro and medium entrepreneurs becomes an integral part of a region. Economic institutions can be developed through the principles of good governance, for example in business competition, developing product standardization, increasing competitiveness, and developing technology, in order to strengthen the economy of the Greater Bandung area of West Java province.

1.2 Problem Identification

In this study, it is intended to be able to identify the business contribution made to MSMEs in the Greater Bandung area by detecting the problems faced and finding alternative solutions in achieving economic improvement in these four cities in West Java. Furthermore, the identification of problems in this study can be stated as follows:

1. How much is the contribution given from the small and medium business sector in the framework of economic development in the Greater Bandung area.
2. What are the business constraints experienced by small and medium entrepreneurs in the Greater Bandung area.
3. How big is the contribution of this business sector to the achievement of economic improvement in the Greater Bandung area.

1.3. Purpose and Research Objectives

Furthermore, the objectives to be achieved in this research are: a. To be able to find out the business contribution made by the small and medium business sector in order to achieve economic improvement. b. To find out the contribution of SMEs and MSMEs in the framework of economic development in the Greater Bandung area. c. To find out the problems and business constraints faced by small and medium business sector entrepreneurs in developing business in the Greater Bandung area.

II. THEORETICAL BASIS

Definition

Small and Medium Enterprises (SMEs) are the most numerous types of businesses in Indonesia, but currently there are still various limitations regarding the criteria for small businesses in Indonesia.

The definition of small in small business is relative, so there needs to be a limit that can lead to definitions of small business from various aspects.

The definition of MSMEs according to Law No. 20 of 2008 is a trading business managed by an individual which refers to a productive economic business with criteria that have been stipulated in the Act.

Gross Regional Domestic Product (GRDP)

Domestic Product of a region is the value of all products and services produced in the region regardless of whether the production factor comes from the region itself or not. Income arising from these production activities is domestic income. Meanwhile, what is meant by the domestic area or region is covering the areas that are within the geographic area of the region. The facts show that some of the factors of production from

production activities in one area come from other regions. Likewise, on the contrary, the production factors owned by the region are also involved in the production process in other regions. In other words, the Gross Regional Domestic Product (GRDP) shows a “Production Originated” picture. This causes the value of domestic production that arises in an area to be different from the income received by residents of that area. The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing coronavirus disease pandemic 2019 (COVID-19) caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) [1]. The disease was first identified in December 2019 in Wuhan, China.

III. METHODOLOGY

Research Object

In this research, which was carried out by limiting the scope of the research is a business partnership between SMEs, MSMEs for several years (2017-2019), which focuses on SMEs, MSMEs in the Greater Bandung area, West Java province.

Research methods

This study analyzes the business contribution made by SMEs, MSMEs in the Greater Bandung area in order to achieve economic improvement in relation to regional GDP from small and medium business actors.

The population units in this study are SMEs and MSMEs that have partnered with other large or medium-sized economic companies in the Greater Bandung area.

In this study, a survey method was used, while the data was collected by means of sampling, namely research that took information from respondents by random sampling. and data collection using a structured questionnaire in the form of a questionnaire, as well as secondary data obtained from relevant local government agencies, the Office of Cooperatives and Small and Medium Entrepreneurs as well as the Department of Industry and Trade of the Greater Bandung area. In this study, the population of small and medium-sized enterprises was 94 business units that have made business partnerships in the Greater Bandung area.

IV. DISCUSSION

Based on the above circumstances, the thing that needs to be considered is that in a program or strategic planning it must be carried out in an integrated manner, that is, it is not carried out by only one party. The program is compiled as a reference for local governments in each of the four cities of Bandung Regency, West Bandung Regency, Bandung Municipality and Cimahi Municipality in the Greater Bandung area so that empowerment efforts run on target, which include: on time, right location, right number, and right quality. Empowerment of SMEs, MSMEs in order to develop the economy and the business world requires data and information in the form of actual conditions of the type of business structure and the business climate that exists in the community, so that policies taken by the local government can be effective. Also look at how big the contribution of UKM, UMKM is in the GRDP of each district and city in the 4 cities, namely Bandung Regency, West Bandung Regency, Bandung Municipality and Cimahi Municipality. Furthermore, based on data and information it is used as the basis for formulating policies in order to develop the economy and business world in the four cities.

Table 1. The growth of the Contribution of MSMEs and SMEs to National GDP

Growth of SMEs & MSMEs Against	GDP Percentage (%)
2017	57.1
2018	60.2
2019	60.0
2020	61.1

Source: Ministry of Cooperatives and SMEs 2020 (data processed)

Based on the data in Table 1, Micro, Small & Medium Enterprises (MSMEs) have a very significant role in national economic development, seen from the contribution to Indonesia's Gross Domestic Product (GDP) which continues to increase every year. In 2017, showing the SME sector, MSMEs could contribute (57.1%) and (60.2%) in 2018, (60.0) in 2019 and (61.1) in 2020 to national GDP.

From the data in Table 1 shows that Micro, Small & Medium Enterprises (MSMEs) have a very significant role in national economic development, this can be seen from the contribution to Indonesia's Gross Domestic Product (GDP) which continues to increase every year from 2017 to in 2020 it increased with an increase of (3.1%) in 2017 and the last was (1.1%) in 2020. The average increase was (1.33%). In increasing the Gross Domestic Product (GDP), there is a contribution from Micro, Small & Medium Enterprises (MSMEs) to the Gross Domestic Product (GDP) which continues to increase every year which has a very significant role in national economic development. If you look at some of the data presented in Table 1. The relationship between the role of GDP and Regional Domestic Product (PDRB) for the Greater Bandung area for 3 years in more detail is stated in Table 2.

Table 2. GRDP Value Based on Regional Prices Bandung Raya 2017-2019

Classification based on	PDRB (Rp./Trillion)		
	2017	2018	2019
Bandung Regency	102.87	113.28	124.01
West Bandung Regency	33.99	37.04	40.22
Bandung Municipality	172.85	185.08	197.64
Cimahi Municipality	26.59	28.99	30.15
West Java	1,788.36	1,962.23	2.125.16

Source: West Java BAPPEDA (2020) data processed.

If we look at some of the data presented in Table 2, from the four cities, on average, they show a significant increase from year to year. It can also be seen that the role of the increase in GRDP which is directly caused by the significant contribution of Micro, Small & Medium Enterprises (MSMEs) has a very significant role in national economic development, this can be seen from the contribution to Gross Regional Domestic Product (GRDP) in West Java.

Based on the table above, it can be seen that the number of business units, small and medium industries in four cities from 2017 to 2019 shows an increase of around 1% each year. It can also be interpreted that this increase means that the role of the SME and UMKM sectors still contributes to the increase in GRDP in the four cities and also provides additional income for the workforce in the four cities. Furthermore, on the other hand, namely strengthening the issue of funding for SMEs and MSMEs has been pursued through cooperation with the banking sector, including from Bank Jabar Banten (BJB), and other banks.

On the other hand, even though there has been assistance from the Government for this funding, the

attention from the Government has not been sufficient, this is because there are still a few SMEs and MSMEs that have not been touched by the government. Apart from the government, there is also assistance from BUMN or from private companies for these SMEs and MSMEs, but unfortunately most of the areas that are fostered are in the field of finance or funding only. Even though the problems of SMEs and MSMEs are not only in the financial sector, but also in the management or managerial sector which will determine the sustainability of their business.

This managerial field is also closely related to the company's operational function, namely in the fields of marketing, production and human resource management. Furthermore, for SMEs and MSMEs, the problem of access to formal banks is limited and the capital that can be provided by the Government through government banks is not all sufficient, this can be overcome by accessing national financial institutions as well as formal banks and micro financial institutions. (LKM). Other problems, namely production, bookkeeping, and marketing, have so far been attempted to be overcome with training, where the role of the MFI is as a facilitator for SMEs and MSMEs. Besides that, several MFIs also tried to provide assistance by finding a market for their SME and UMKM products to be developed in Bandung Regency, West Bandung Regency, Bandung Municipality and Cimahi Municipality, West Java Region. Meanwhile, the Covid 19 pandemic has an impact on the decline in the business activities of SMEs and MSMEs, which are almost close to 50% to 60% of the sales of SME and MSME products in 2019. Whatever is done by these various parties in general will provide maximum results for development. UKM and UMKM developed in Greater Bandung Area, West Java Province.

Table 3. Number of Business Units, UMKM in the Region West Java 2017 - 2019

Classification based on	Business Unit / Year			
	2017	2018	2019	2020
West Java Province	3,309	3,475.	3,523	3,643

Source: West Java Province Industry & Trade Office, 2020 (processed data)

The development of large industrial business units in four cities of Bandung Regency, West Bandung Regency, Bandung Municipality and Cimahi Municipality in the Greater Bandung Area, West Java is quite encouraging, as evidenced by an increase although not too large, namely approximately 5.01% in the number of large industries. from 2017 to 2018 this is still pretty good. Because the increase in the number of UKM and KUKM in the four cities is not easy. From 2018 to 2019, namely 1.38%. Because in 2020 the Covid 19 pandemic occurred, the revenue from SMEs and MSMEs decreased drastically, which is estimated to only reach around 40% of what was planned in 2020.

Great attention from both the government and society so that these two sectors can develop more competitively with other economic actors. Future government policies need to be made more conducive to the growth and development of SMEs and MSMEs. The government needs to increase its role in empowering SMEs and MSMEs in addition to developing mutually beneficial business partnerships between large entrepreneurs and small entrepreneurs, and improving the quality of Human Resources and other resources owned by SMEs and MSMEs in the four cities, by conducting learning and training to do online sales for products from SMEs and KUKM.

V. CONCLUSION

Conclusion

Small, Micro and Medium Enterprises, MSMEs & SMEs in four cities of Bandung Regency, West Bandung Regency, Bandung Municipality and Cimahi Municipality in the Greater Bandung Area, West Java Province have a strategic role in economic development in the West Java Region because in addition to playing a role in economic growth and employment also plays a role in contributing to the growth of GRDP in the Greater Bandung area in West Java, and also in the distribution of development results for the region. The existence of the Covid 19 Pandemic needs to be a serious concern from the government because of its enormous impact because sales from SME and MSME players have decreased significantly for the growth of contributions to the GRDP of West Java

The development of UKM and UMKM needs to get great attention from both the government and the community so that they can develop more competitively with other economic players. Future government policies need to be made more conducive to the growth and development of SMEs and MSMEs. The government needs to increase its role in empowering SMEs and MSMEs in addition to developing mutually beneficial business partnerships between large entrepreneurs and small entrepreneurs, and improving the quality of the human resources of the actors and other resources owned by these SMEs and MSMEs. One of the things that was carried out during this pandemic was to provide tax incentives through the Minister of Finance Regulation No. 86. Furthermore, the number of residents who work in the industrial and trade sectors are also included in SMEs and MSMEs occupying a significant position from the four cities, Bandung Regency, West Bandung Regency, Bandung Municipality and Cimahi Municipality.

Suggestions

1. To be able to maintain the existence of SMEs and MSMEs today, it is necessary to take breakthrough actions for SMEs and MSMEs, namely changing their sales patterns from traditional to modern due to the Covid 19 pandemic which is expected to take a long time in recovery, namely through online sales without having to meet face to face with the buyers or customers in making sales transactions for their products.
2. Developing the habit of using payments via credit cards or non-cash payments, namely applications, namely from payment models issued by services from other parties, for example using Gosend from Grab or from Gojek for the Bandung Raya area of West Java province.
3. Improve product quality by observing the innovation of products made by SMEs and MSMEs.

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