

Implication of Covid-19 Pandemic on Middle and Micro Business Resistance (UMKM) in Indonesia

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Abstract - The world trade war and the outbreak of the Covid-19 corona pandemic have had a major impact on the economy in Indonesia. Lockdown in several countries has huge implications and economic implications. transportation, aviation, and logistics are included in a very important sector, namely agrobusiness, where the food supply chain will be constrained, especially with the uneven distribution. Current economic challenges are very heavy. MSME is the first sector affected by Covid-19. However, the government has implemented a number of policies and stimuli to keep the business running, while maintaining the people's purchasing power. This study examines the impact of the co-19 pandemic on MSME resilience. (Micro, Small and Medium Enterprises). The phenomenon that occurs 37,000 small and medium enterprises affected by co-19, almost 37% affected is the micro level, 56% of MSMEs have decreased sales, 22% of MSME players have capital difficulties, 35% have difficulty in marketing, where MSMEs are required to market digitally in the covid-19 pandemic, 15% of distribution is hampered and 4% are raw material difficulties. MSMEs cannot carry out their business activities so that they are disrupted by their ability to meet credit obligations. Non-performing loans (NPL) for banking MSMEs can increase significantly, which has the potential to further worsen economic conditions. In this research, qualitative scoring is used where the results of data analysis in the form of exposure to the situation under study are presented in the form of narrative descriptions. The results of the study showed that the co-19 pandemic was very significant to the resilience of MSME businesses. Therefore, it was necessary to implement 5 protection and recovery of MSMEs amid the co-19 pandemic.

Keywords: Covid-19 Pandemic, Business Resilience, SMEs.

1. Introduction

The outbreak of the Covid-19 corona pandemic has a huge impact on the economy in Indonesia. Today's economic challenges are very heavy. People are in a state of caution and are very careful with the existence of work from home recommendations, stay at home resulting in limitations to outside the house and consumption, of course this has an impact on buying and selling transactions in the market. Various elements affected are restaurants, markets, shopping centers, online transportation, to SME owners (Small and Medium Enterprises). The economic pulse is like shortness of breath due to the corona storm which has been lunge since last February. What was hit at the first opportunity, in this situation, was surely the lower middle class businesses, which are often called Small, Medium and Micro Enterprises (MSMEs). The trouble is that this MSME, with its informal sector, is the pillar of the national economy. How come. According to the note of the Crisis Center UMKM, the UMKM sector plays a large role in the country's economy. The sector absorbs more than 100

million workers and contributes around 60 percent of gross domestic product (GDP).

In a crisis situation like now, SMEs are indeed a hope to boost the domestic economy, if they still have energy. The government fully understands this complicated situation. A number of incentives to keep the MSME business wheels spinning amid the Covid-19 pandemic have been released. These incentives, such as credit relaxation and the application of the Pre-Employment Card. The credit relaxation program has begun, although no doubt there are still a number of obstacles encountered in the field. It could be that the relaxation program needs a process. The response of the banking sector to the incentive program released by the government has been running, but it has not been optimal in its implementation. On the other hand, incentives such as taxation and additional new loans have not been heard much. Rapid execution is urgently needed so that it can mitigate the economic impact of the Covid-19 pandemic on MSMEs.

In contrast to the economic crises in 1998 and 2008, MSMEs can become an economic support because the majority of them do not yet have financial and capital access so they do not get a big influence. But this time, UKM became one of the most vulnerable to the impact of COVID-19. The turnover of Indonesian SMEs has decreased by 70 percent in the past week. this sector still cannot withstand the crisis caused by Covid-19. The effects of the previous economic and financial crisis were more localized in certain sectors. This time, UMKM has become the most vulnerable sector to the economic crisis because of Covid-19. At the moment what the government needs to do is to control the spread of Covid-19. Because, holding back the spread of Covid-19 will affect the economy. If the spread is not handled and reached lockdown, the cost is far greater than the steps needed now, steps to continue to increase the purchasing power of the community also need to be immediately responded quickly, for example the distribution of groceries, whether for example direct cash assistance. That's an emergency response that can be done.

The corona virus pandemic has hit the global economy. Composite Stock Price Index (CSPI) experienced the worst decline in the last decade or reached 5%, last Thursday. While the rupiah continues to weaken against the US dollar or translates to Rp15,200 per Wednesday (18/03).

□ The government is preparing a stimulus for micro, small and medium enterprises (MSMEs). This is to reduce the impact of the corona virus outbreak on the economic activities of these business actors. Actually behind the pressure on the economy due to the corona virus outbreak, there are opportunities that can be exploited by businesses, especially MSMEs. Sustainability of cooperatives and MSMEs (KUMKM) is also an important priority that is saved amid the corona virus pandemic or Covid-19. The role of SMEs in the midst of crisis or outbreaks to keep the real sector moving in the country is very important. It was known that President Joko Widodo had previously asked all government officials to relocate the budget and refocus policies to provide economic incentives for MSMEs and informal actors, so that they can continue to produce and do activities and also not lay off.

The government is paying serious attention to MSMEs and the informal sector in addressing the economic impact of the COVID-19 pandemic. On the other hand, the Government has also ensured that there will be credit relaxation for MSMEs, especially for loans below Rp 10 billion in an effort to minimize the impact of the COVID-19 outbreak. The credit is detailed in both bank credit and the non-bank financial industry. Relaxation provided can be in the form of a one-year repayment delay and a decrease in interest. For SMEs, there is relaxation of credit installments at the bank so that the business continues to run. For example, for an online motorcycle taxi is very important to be given relief in the delay of credit installments. Especially in this social

distancing condition, online motorcycle taxi service is more needed to distribute MSME products. Meanwhile, for day-to-day workers including taxi drivers, to fishermen there will also be credit relaxation in the form of interest payments or installments given leeway for 1 year. This online motorcycle taxi is the spearhead of the SMEs in the midst of the impact of Covid-19. Online motorcycle taxi becomes the vanguard to distribute sales. Relief of delaying credit installments for online motorcycle taxis is important so that SMEs remain alive, therefore the government provides motivation and invites SMEs and daily workers to remain optimistic and not to worry but remain vigilant in the midst of the corona virus pandemic. the government needs to anticipate the impact of the new Corona Virus or COVID-19 on the nation's economy, among others by helping to encourage ease of business for SMEs in various regions. MSMEs are resistant to crisis or economic turbulence. UMKM is a form of business that will help the Indonesian economy in the event of turbulence like now, the government must prioritize the availability of jobs for the community.

From the description above, there are several problems as follows:

- 1) Demand is decreasing especially non-food, raw material and production difficulties.
- 2) Declining performance causes cash flow expenses.
- 3) Bankruptcy of UMKM
- 4) Purchasing power has decreased and poverty rates have increased.
- 5) Unemployment increases, business activity stops / layoffs (termination of employment).

Based on the above problem, the researcher is interested in conducting a study entitled "The Implications of the Covid Pandemic 19 on the resilience of Micro, Small and Medium Enterprises (MSMEs) in Indonesia".

II. Framework

End of 2019 until early 2020 the world of health is horrendous with the outbreak of a mysterious virus in China that has spread to other countries. Later it was discovered that it was a corona virus, or coronavirus, which can cause dangerous diseases. Corona virus is zoonosis, meaning that the way the virus can spread is transmitted from animals to humans. A detailed investigation has found that SARS-CoV is transmitted from ferrets to humans, and MERS-CoV from Arab camels to humans. But there are several types of corona viruses in animals which until now are known to have not infected humans. On December 31, 2019, the WHO office in China was notified of a pneumonia case whose cause was unknown detected in the city of Wuhan, Hubei Province, China. Then on January 7, 2020 the Chinese authorities identified that the cause was a new coronavirus (novel coronavirus). On February 11, 2020, WHO gave a special name to the disease caused by the new corona virus, namely COVID-19 which stands for coronavirus disease 2019 (201 corona virus disease). Later the new corona virus was also named SARS-CoV-2, short for severe acute respiratory coronavirus 2 syndrome.

Micro, small and medium enterprises (MSMEs) have become the most vulnerable sectors hit by the corona virus pandemic. This sector is called economists can no longer be a buffer of the economy as during the economic and financial crises of 1998 and 2008. In order for MSMEs to continue producing and avoid being laid off, the government requested reallocation of APBN and APBD to three fields, one of which is MSME.

MSME is a trading business that is managed by individuals or business entities which in this case are included as business criteria in a small or micro scale. Regulations regarding MSME have been discussed in Law Number 20 Year 2008. A business is referred to as MSME business if it meets certain criteria. In determining

these criteria, it is important to be able to determine the type of business entity that will be managed in order to obtain a business permit. Below is an explanation of the MSME criteria;

Micro Business is a business entity said to be included in the criteria of micro business if it has a net worth of under Rp. 50,000,000 per month in this case the building and business premises do not count.

Small Business is a small business is a business that is managed by individuals and not through a business entity. The criteria for a small business is as a micro business if you have or have a net worth under Rp. 300,000,000 per year.

Medium Business is a business where the net profit of the business entity is not more than Rp. 500,000,000 per month. The calculation does not include land and building assets. The medium-scale business also includes the MSME criteria because it stands for MSME itself, namely Micro, Small and Medium Enterprises.

The classification of SMEs (Micro, Small and Medium Enterprises);

- Livelihood Activities (New Employment)

In running this MSME, of course, it will produce a new field of work. The new job opportunities have benefits, namely to reduce the impact of unemployment and also increase the income of people who do not yet have income.

- Micro Enterprise (Nature of Entrepreneurship)

These MSMEs can lead to entrepreneurship. The nature of entrepreneurship is important so that people are not always affected by the statement of being an employee or also an employee throughout his life.

- Small Dynamic Enterprise (Soul Entrepreneurship)

After having an entrepreneurial nature, the next step is expected to be able to have an entrepreneurial spirit. This entrepreneurial spirit needs to be possessed by someone if he wants to achieve success.

- Fast Moving Enterprise (Motivation to Become Big Business)

The SMEs who have opened new jobs, have an entrepreneurial nature, build the spirit of entrepreneurship, then it will be formed by itself to be able to have a big business to be able to build the Indonesian economy.

During the covid pandemic -19 various attempts were made by the government to protect MSMEs due to economic pressures as a result of COVID-19. The protection is in the form of two schemes, namely through economic mechanisms and social assistance. The economic mechanism is aimed at business actors who can still survive, while the social assistance mechanism or social assistance for those affected, especially in the micro and ultra-micro sectors, such as those who can no longer sell.

There are six main programs that have been approved by the government related to the COVID-19 impact mitigation program on MSMEs, namely:

1. Stimulus relaxation of installment loans and interest for 6 months for recipients of People's Business Credit (KUR), as well as ultra-micro credit recipients under 10 million channeled through LPDB, PNM, Micro Capital Services Unit Program (ULMM), Mekar and through ventures and through pawnshop.
2. The government provides injections of new financing, new loans, especially ultra-micro, by using all credit distribution through kur, which is expanded through various channels through government BLU, savings and credit cooperatives, rural banks and BMT.
3. Elimination of tax for MSMEs for six months. Next, the Ministry of SMEs and Cooperatives will provide social assistance expansion for the ultra-micro who can no longer try.
4. Other programs are targeting the purchasing power stimulus of MSME products as well as the integration

program for the implementation of social assistance, cheap food cards with the involvement of traditional stalls.

5. There is a catalog of MSME products, such as personal protective equipment. In this case, his party is working with Daruma who has a certificate to control quality while at the same time finding its market.
6. Facing the economic impact triggered by COVID-19, SMEs as an economic buffer in times of crisis. The government is committed to helping the sustainability of MSMEs to continue producing.

In the present time the use of technology will be the best solution to help the wheels of the UKM economy continue to run. In addition to capital assistance, marketing through social media and bookkeeping automation will make it easy for SMEs to devise strategies that would be appropriate for current and future business continuity.

III. Methodology

In this study, researchers used qualitative research that is research that does not use mathematical models, statistics or computers. The research process begins by developing basic assumptions and rules of thinking that will be used in research. Qualitative research is research in which researchers do not use numbers in collecting data and in providing interpretation of the results (Sugiono, 2016). Qualitative researchers are analytic descriptive, the data obtained such as observations, interview results, photo results, document analysis, field notes, compiled by researchers at the research location, not set forth in the form and figures.

Researchers conduct data analysis by enriching information, looking for relationships, comparing, finding patterns on the basis of the original data (not transformed in the form of numbers). The results of data analysis in the form of presentations about the situation under study are presented in the form of narrative descriptions.

IV. Results and Discussion

Results and discussion in qualitative research are rather difficult to distinguish and separate, because of the nature of the information obtained, the results section and the discussion section are put together. There are three discussions in this research namely how the impact of the covid-19 pandemic virus on MSMEs in Indonesia. Second, how big is the resilience of UMKM in facing the co-19 pandemic. The three strategies are what the government has done so that MSMEs can survive the Covid-19 pandemic. In this case, it will discuss the findings from field research relating to how the knowledge mechanism is used to obtain knowledge from the source to the recipient in accordance with the production process undertaken. The analysis in this section is based on qualitative information with a case study approach (Yin, 2009).

First, the co-19 pandemic outbreak had a very significant impact on the resilience of micro, small and medium enterprises. According to data on March 20, the number of patients who died in Indonesia was 32 people and patients who recovered 17 people. The percentage of Covid-19 patients who died in Indonesia reached around 8%.

The government currently has a lock down, social distancing system, which all of these policies are made to minimize the spread of this deadly virus. Of course this policy has been thought about beforehand, and this policy is also applied by other countries. Of course, this policy has both positive and negative impacts, especially on the national economy.

With the start of the implementation of the lock down system established by the government, the state of the

Indonesian economy has increasingly declined. Can we see where now the price of 1 USD has reached 16 thousand, which is the worst number since 20 years ago, even during the monetary crisis in 1999, 1 USD did not even reach 16 thousand, not so bad, which it means that the impact of the lock down is very much felt for the nation's economic situation and of course the economy of the community through the monetary crisis of 1999. With the lock down and the suggestion to stay at home, the people are unable to find income especially for people whose work is paid daily, surely they will be very affected. From the Covid-19 impact analysis, it is clear that the outbreak of the Covid-19 outbreak had an impact on the economist Pandemic Corona Covid-19 with a significant impact on micro, small and medium enterprises (MSMEs) and local brands in Indonesia. Even so, it turns out that conditions like this would be the right time for SMEs to launch a move that has a similar name, namely COVID. "This COVID is an acronym for Collaboration, Evaluation, Innovation, and Development (Ardhi Setyo Putranto, CEO of Maxi Consulting, 2020). Collaboration or collaboration can be carried out by MSMEs for the time being. To do this, make a list of parties that are possible to collaborate with and work together to develop a business that is currently being run.

Second, evaluation. MSMEs can take advantage of this break time to evaluate the business model that has been used, whether it is optimal or not. Evaluation can also be applied to business strategies that have been undertaken so far.

Third, innovation. The situation now can be utilized to find new ideas from the production process that has been undertaken. This innovation idea is about product innovation, process innovation, service innovation, or even marketing innovation.

The fourth is the development or development so in the Corona pandemic situation as now SMEs are actually reminded to arrange what developments will be carried out in this business, the development plan is made in detail along with the budget or costs needed.

The second discussion, MSMEs can survive in facing the co-19 pandemic if they have the personal power branding, the products offered must be unique to meet the needs of consumers and MSMEs must always be creative. Some of the reasons for MSMEs being able to survive in uncertain economic situations include MSMEs producing goods and services that are needed by the community, and MSMEs also utilizing local resources, such as local workers and local raw materials. In addition, public panic should be anticipated with information disclosure from the government. This is important to reduce the possibilities that have a negative impact on the economy. It is hoped that the central government can immediately coordinate with relevant ministries or institutions as well as regional governments.

The third discussion, five strategies that can be applied by MSMEs in dealing with the impact of Covid-19, namely:

1). Take advantage of social media as the main marketing channel

In the covid pandemic 19 period, people are advised to reduce face-to-face and going out, social media can be one way to promote a product or business that you have if you haven't tried it. Many SMEs in Indonesia are helping each other with businesses nowadays, starting by actively telling a product or business, giving promos, to asking friends to help promote a business.

2). Make sure the cash flow is maintained properly.

Cash flow is the most important element in business so business owners must be able to manage cash optimally and well. With this situation, there are business owners who are hampered in conducting billing and payments

to business partners because it is usually done face-to-face.

3). There are five government schemes in providing economic MSME protection and recovery for the MSME sector, namely:

- a. Small and medium businesses that are categorized as poor and vulnerable are affected by co-19, are strived to be recipients of social assistance from the government.
- b. Tax incentives for MSMEs whose turnover is below Rp. 4.8 billion per year. Against them the government bears the final PPH fee for MSMEs for six months, from April to September 2020.
- c. Relaxing and restructuring MSME loans which include delays in installments and interest subsidies for KUR, MI, PNM Mekaar recipients,

V. Conclusion

The conclusion of the results of this study are as follows:

1. Small and Medium Enterprises will be able to survive the covid-19 pandemic if 5 UMKM protection and recovery schemes are released by the government in the case of the Minister of Cooperatives and MSMEs, which include MSMEs as recipients of social assistance, tax incentives for MSMEs with turnover below Rp.4.8 billion per year, relaxation and restructuring of credit for MSMEs, expansion of working capital financing, the Ministry, SOEs and Regional Governments to support MSMEs.
2. There are several ways in which MSMEs survive the Covid-19 pandemic, namely: product marketing is done online, switching from selling professions to basic needs in a pandemic, simple financial bookkeeping through applications, cutting budgets or costs, re-planning revenue, massive discounts but still remaining above the basic price or do the promotion no profit no loss.

While the advice of researchers:

1. In a pandemic, one of the most important strategies is product innovation, business innovation. In order to capture market opportunities, digitalization is very important at this time, so that SMEs can take control of the domestic market.
2. We must be together in eradicating this virus by staying at home, maintaining personal hygiene so that it can reduce the level of spread, let alone the spread of covid-19 is very easy,

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