

The Threat of Covid-19: The Survival of MSMEs during Indonesian Pandemic

by Andi Irfan

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The Threat of Covid-19: The Survival of MSMEs during Indonesian Pandemic

Leny Nofianti*, Andi Irfan, Alex Wenda, Herlinda and Tasriani
{leny.nofianti@uin-suska.ac.id}

UIN Sultan Syarif Kasim Riau, Indonesia

Abstract. This research aims to explore the threats and strategies of MSMEs to survive during the pandemic. This research is a case study in MEMS actors, especially hospitality/lodging businesses in Riau and Yogyakarta. The results showed that MEMS actors who could survive during the pandemic were SMESs actors who were persistent in carrying out various strategies both internally and externally. Internal strategies or into the company are carried out by business actors, ranging from product improvements and modifications, service improvements, price strategies, promotional strategies to self-control strategies so as not to stress living life during a pandemic sincerely and *tawaqal* to the creator of the universe. External strategies are carried out by seeking access to funding or financing from both the government and other private parties. Persistence and confidence of business actors can survive during the pandemic is a very important capital must be owned by MEMSs actors.

Keywords: Threats; survival strategy; MSMEs; COVID-19 Pandemic

1 Introduction

Micro, Small, and Medium Enterprises (MSMEs) are the most affected sectors during the pandemic. The pandemic caused a decrease in sales experienced by MSME business actors, especially when the mitigation process and lockdown policy were taken by the state as a way to inhibit the spread of Covid 19 (Kim, 2021). Lockdown activities cause MSME access to carry out their business operations to be hampered, resulting in a decrease in turnover and income of MSMEs. A key factor in the rise of a country's economy is the success of MSMEs in increasing sustainable competitiveness by making innovations (Khajehieian 2013; Ebrahimi & Mirbargkar 2017). Recently, in improving the competitiveness of MSMEs has been hampered by the Covid-19 pandemic. This pandemic caused restrictions on community activities, especially economic activities, this had an impact on MSME operations. This obstacle certainly causes a decrease in the turnover of MSMEs that affects income and the unavailability of employment to create new potential poverty, even going out of business (Khajehieian 2014, 2017; Salamzadeh et al. 2017, Apriliasari, 2021, Tehseen & Sajilan, 2016).

The contribution of the MSME sector is not only for the development of social life, but also able to increase state revenue (Tehseen & Sajilan, 2016). Until October 2020, MSMEs in Indonesia were able to act as one of the national economic buffers (Kemen-KUKM, 2020). More than 64 million MSME actors absorb up to 97 percent of Indonesia's workforce and also contribute up to 60 percent of Indonesia's Gross Domestic Product (Kemen KUKM, 2020). This achievement is expected to continue with the increasing contribution of MSMEs to exports from

the previous 14 percent to 18 percent by the end of 2020 (Nugraha, 2019). It can be said that SMEs have a key role in the country's economic circulation, as it has contributed up to 45% of total employment and 33% of national income (Sandoval et al., 2019). This article aims to explore the threat of MSMEs during the pandemic. In line with that, three questions were asked, namely how the forms of threats, what factors caused the disruption to MSMEs in the pandemic period; and how the strategy is carried out by MSMEs in order to survive in the midst of a pandemic.

2 Literature Review

2.1 Threat Economy

The Covid-19 pandemic has affected various aspects such as demographics, income levels, health, especially in the economic sector, which often affects government policies in the process of preventing a beam of Covid-19 (Shams et al., 2020). In the context of preventing the spread of Covid-19, it is not uncommon for lockdowns of social activities and limiting people's mobility to be an option and enforced by global countries exposed to Covid-19 (Nguyen et al., 2022; Eguchi et al., 2021; Ladha, 2020).

2.2 Small and Medium Enterprises

Small and Medium Enterprises (SMEs) have not only grown and developed so rapidly in Indonesia, but have also played an important role in improving and regulating socio-economic stability that affects the consumption and manufacturing sectors (Adiyanto et al., 2022). SMEs themselves have definition with different standards in several countries, in European countries SMEs are defined by the standard of employing between 400 to 500 workers, while in Australia, SMEs are defined by the standard of employing between 150 to 200 workers and in southern Africa with the standard of employing between 100 to 200 workers (Eze et al., 2021).

2.3 Going Concern

Business sustainability is the condition and condition of a business, which is related to ways in maintaining, developing, and protecting resources and meeting needs related to a business (Handayani, 2007). According to (Alshehhi, et al; 2018) in (Isyaroh, Lailiyatul, 2020) explained that business sustainability is the ability of an organization to manage effectively and efficiently its very limited resources in terms of meeting long-term needs. Business sustainability is the process of taking place a business that includes development and growth and ways in maintaining the sustainability and development of a business.

3 Method

This research paradigm is an interpretive paradigm using case study methods. The main characteristic of case studies is that this study only applies specifically to cases with similar conditions in similar studies (Bagiada and Darmayasa 2015). This research was conducted on several hotel / lodging business actors in Pekanbaru (Riau) and Yogyakarta. The research was conducted by conducting interviews with several informants who had individual experience and were influenced by the interpretive research environment (Creswell 2007: 79). Individual

experience in this study is a description of the individual's experience in researching (Bungin 2012: 104).

4 Result and Discussion

4.1 Threats Experienced by MSMEs during the Pandemic

Various forms of impacts caused by the pandemic for Small and Micro Medium Enterprises (MSMEs) include financial burdens, employee reductions to business closures. Due to the financial burden that must be maintained, while income decreases during the pandemic, not a few MSMEs must eventually close their businesses. Based on the results of the ADB survey (2020), there are about 48.6 percent of MSMEs that are temporarily closed (Jaffry, 2020). Data from the Indonesian MSMEs Association (Akumindo), shows that in 2020 there were about 30 million MSMEs that went bankrupt due to Covid-19. When compared to the number of MSMEs in Indonesia in 2019 there were 64.7%, and after the Covid-19 pandemic the number of MSMEs in Indonesia became 34 million in 2020 (Lidya, 2021). The closure of the business carried out by MSMEs is a signal that the pandemic greatly affects the survival of MSMEs.

The survival of MSMEs is threatened by government policies to suppress the transmission of the Covid-19 virus. One of the policies of the order is restrictions on people's mobility. Restrictions on community mobility range from the term PSBB (Large-Scale Social Restrictions) to PPKM (Implementation of Community Activity Restrictions) level 3 and 4. The policy of limiting people's mobility in the form of social distancing / physical distancing has an impact on the decline in business performance, but it is also seriously affected by aspects of total production, trade value, and the amount of labor that must be lost. The implementation of government policies has an impact on MSMEs both financially and non-financially. The financial impact can be problems regarding debt or credit payments, decreased production and sales processes, and reductions in the number of workers. Non-financial impacts include decreased consumer confidence and psychological factors of business actors.

4.2 MSMEs Threat during the Pandemic

Regulation of restrictions on community mobility has a great impact on one of the MSME business sectors, namely hospitality businesses. From survey data conducted on several hotels in Riau and Yogya showed a decrease in the number of visitors, an average of 30%-50% during the Covid-19 period. The data that the hospitality sector is a fairly large sector affected by the Covid-19 pandemic.

4.3 MSMEs Strategy to Survive in the Midst of a Pandemic

Some further actions are taken by business actors to survive, including by making savings, managing cash flow, finding funding, doing good accounting records and so on. Austerity measures include reducing the amount of production, reducing the number of employees and minimizing unnecessary expenses. Various actions taken by business actors in order to survive during the Covid-19 pandemic. Based on interviews conducted with several hotel owners on September 17, 2021 in Pekanbaru, some of their actions were taken in overcoming financial problems, including: *"reducing the number of employees, saving energy, selling hotel rooms at low prices / massive discounts, selling food delivery systems, managing cash flow well by making savings and creating a new evolution that can help increase revenue. Companies and*

employees must be prepared to face these changes, and some businesses are trying to seek help from the government." A hospitality business owner stated that his business conditions before the Covid-19 pandemic were going well. But during the pandemic, he experienced difficulties due to the lack of visitors who stayed overnight. He also modified his homestay. He also manages his employees with clear rules even he goes down directly to control his business. "To overcome this, I modified the homestay by dividing 2 rooms for kostel, thank God there are two students who live there. For employee problems I am not too much of a problem, because my employees are "Free line" and I also go down directly to handle" (Interview, 2021).

Various other strategies are also carried out by MSME actors so that the businesses pioneered can survive the Covid-19 pandemic, including managing cash flow and recording good financial statements. Based on 2017 data, the number of MSMEs that have been able to compile financial statements is only 20%, while 80% of MSME actors cannot compile financial statements. MSMEs who have made the report are still compiling reports manually. (Viktor Mahrizal, 2017). MSMEs are an important sector in community business activities that contribute quite a lot to the national economy, the participation of the government is very much expected during this pandemic. The participation of the government is very necessary in efforts to maintain the survival of MSMEs. Micro Small and Medium Enterprises (MSMEs) get an allocation of assistance from the government to rise again after the Covid-19 pandemic.

MSMEs experience the impact of the covid pandemic most directly felt by the community. Pandemic conditions cause business actors to think hard to find solutions in order to survive/ survive. Various efforts are carried out both related to financial and non-financial. Some further actions are taken by business actors to survive, including by making savings, managing cash flow, finding funding, doing good accounting records and so on. Various efforts are carried out by MSME actors in order to survive during the pandemic. MSMEs experience the impact of the covid pandemic most directly felt by the community. Pandemic conditions cause business actors to think hard to find solutions in order to survive/ survive. Various efforts are carried out both related to financial and non-financial. Some further actions are taken by business actors to survive, including by making savings, managing cash flow, finding funding, doing good accounting records and so on. Various efforts are carried out by MSME actors in order to survive during the pandemic.

The second strategy is product strategy. This strategy is carried out by MSME actors by utilizing time as much as possible by paying attention to two things, namely the accuracy of starting a business and reducing MSMEs in the form of food that is easily stale because it risks the destruction of products so as to trigger losses for MSMEs. The third strategy is the price strategy. The price of MSME processed products can be said to be much cheaper and affordable than similar companies, during this pandemic, which makes the price of MSME products more expensive is the staple used has increased. The fourth strategy is promotion strategy. His strategy is direct person-to-person promotion. While there is also through social media such as using Whatsapp and Facebook. But promotion through social media is still less effective due to lack of knowledge in managing social media. The fifth strategy is a strategy of surrender and sincerity to God. This strategy is carried out by MSME actors by believing that God sent the Covid19 pandemic not only as a disaster but as a *muhasabah* or self-introspection (Alini et al; 2021). Alini et al (2021) also said that MSME actors think that this virus is a cost virus and there is no need to worry excessively. MSME actors also assume that the most important thing is that the business or economy is maintained stability and not disturbed by the pandemic and age, sustenance is all dependent on God (Alini et al, 2021).

Various problems faced by MSMEs during the pandemic in running businesses and various strategies and solutions are also carried out by MSMEs in order to survive / going concern both

internally and externally. Strategies and solutions carried out by MSMEs from interviews conducted by researchers to hotel / lodging business owners, that they take policies internally, including reducing the number of employees / laying off, saving energy, selling hotel rooms at low prices / massive discounts, selling food delivery systems, managing cash flow well by making savings and creating a new evolution that can help improve company revenue. The external strategy is carried out by seeking government assistance in the form of loans or relief in debt payments. All efforts are made by MSME actors in order to survive the Covid-19 period.

The efforts made by MSME actors in overcoming problems during the pandemic show that the great desire of business actors in order to be able to survive/going concern. This is in line with the concept of going concern and sustainable. Various strategies are carried out by MSME actors, both internal and external. Internal strategies or into the company are carried out by business actors, ranging from product improvements and modifications, service improvements, price strategies, promotional strategies to self-control strategies so as not to stress living life during a pandemic sincerely and tawaqal to the creator of the universe. External strategies are carried out by seeking access to funding or financing from both the government and other private parties. Persistence and confidence of business actors can survive during the pandemic is a very important capital must be owned by MSME actors.

5 Conclusion

MSMEs are one of the sectors most affected by the Covid-19 pandemic. About 7.06% of IMK's efforts even had to close temporarily and 11.25% did not produce in the fourth quarter of 2020. This condition is due to restrictions on community activities to reduce the transmission of the Covid-19 virus. On the one hand MSMEs are an important sector in community business activities that contribute quite a lot to the national economy. During the economic crisis of 1997-1998, small industries became the support of the national economy. However, with restrictions on community activities due to the pandemic, many small business actors are experiencing financial problems and even going out of business cannot survive continuing their business. Various forms of threats both financial and non-financial are experienced and faced by MSME actors. Likewise, in order to survive and be sustainable, various strategies are carried out by MSME actors both internal and external strategies. The persistence and confidence of MSME actors is a very important capital must be owned in order to always survive during the pandemic.

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