

The Resilience of Micro, Small, and Medium Enterprises in Facing COVID-19 in the Regional Economy

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ABSTRACT

The spread of the COVID-19 virus has impacted the economic activities of entrepreneurs. Micro, Small, and Medium Enterprises (MSME) is one business that is affected by the COVID-19 virus pandemic. This study aims to describe the conditions of MSME wingko producers in facing the impact of the pandemic. This is an exploratory research and the data analysis method used is descriptive. The primary data collection was carried out using in-depth interview technique and field observations for a period of approximately one month, from July 2020 to August 2020. The respondents in this study were the MSME producers of wingko processed food sector in Babat District, Lamongan Regency, East Java Province, Indonesia. The results of the study concluded that the spread of the COVID-19 virus caused a decrease in turnover, enough to halt the production process of MSME wingko.

Keywords: COVID-19, Food Security, Micro Small Medium Enterprise, Wingko.

1. INTRODUCTION

The COVID-19 pandemic that has hit the entire world since December 2019 is still ongoing. The outbreak of the virus from the city of Wuhan in China has not only hit the health and public service sectors, but also crippled various other sectors of human life. The COVID-19 pandemic has had a major impact on the continuity of Indonesia's Micro, Small, and Medium Enterprise or MSME. The economic crisis experienced by MSME has also become a major threat to the national economy, considering that MSME are the driving force of the domestic economy and the largest employer of labor in the last few decades. The COVID-19 pandemic has caused the decline in all sectors of economy, both large businesses and Small Medium Enterprise (1).

The COVID-19 pandemic has affected the citizens' economic activities. Economic activities in daily life have experienced a slowdown, such as the high number of stalls that have closed, and even food and goods traders have experienced a decrease in income and have even closed their businesses. This happens because of the social and physical distancing policies that limit the crowd. It is estimated that the MSME sector will

experience difficulties in dealing with the impact of the COVID-19 outbreak. In this case, MSME is considered vulnerable to the economic crisis due to the COVID-19. This vulnerability happens because this type of business is highly dependent on the money circulation from the commodity sales in the market. When there is a decrease in demand and the market become deserted, the MSME business activities will experience disruption.

MSME has a strategic role in national economic development. In addition to playing a role in economic growth and employment, MSME also plays a role in the distribution of development outcomes. MSME is expected to be able to utilize national resources, including the use of labor in accordance with the needs of the people and achieve maximum economic growth. MSME has also shown their role in creating job opportunities and as an important source for the growth of the Gross Domestic Product (GDP). However, the participation of MSME in the national and international economic order is still hampered by classical problems. What is even more upsetting is the fact that the government's role in advancing MSME is very minimal. Even though the MSME credit scheme has been made, it is no more than a lips service. Entrepreneurs still find

it difficult to get working capital because they do not have sufficient collateral (2).

Historically, MSME is an example of businesses that contributed significantly to the development of the Indonesian economy, especially in 1997 to 1998. When the monetary crisis occurred, the MSME sector actually became the backbone of the economy then. Even after the crisis, the number of MSME in Indonesia continued to increase each year. But now, MSME is one of the businesses most prone to bankruptcy when there is a COVID-19 pandemic outbreak that hits the national economy. As long as this epidemic is still not resolved, entrepreneurs will experience a decline and even business closures due to the decline in people's purchasing power. MSME entrepreneurs will also experience significant losses with the minimal income, which hampers sale and purchase transactions.

The COVID-19 pandemic not only affects large companies but also affects the sustainability of small and medium enterprises and their workers. The declines in sales and revenue, also the disruption of the distribution of raw materials as a result of COVID-19 have caused businesses to reduce production activities and even stop their production. This condition affects the use of labor. The State Minister for Cooperatives Small and Medium Enterprises noted that 37,000 small and medium enterprises were affected by the COVID-19 (3).

The research report generated by the International Organization for Migration (4) describes the impact of the COVID-19 on the development of the MSME sector in Iraq. The results of the analysis conclude that the COVID-19 pandemic has a significant effect on economic outcomes at company level. The survey results of the 456 companies also indicate that there is an effect on the sales and business production on MSME scale. The real effects felt are the reductions in working hours and the number of workers, as well as the decrease in profits for MSME companies.

The result of have presented that covid-19 pandemic affects the performance of Micro, Small and Medium Enterprises (MSMEs) in China. The decreasing performance among the MSMEs is due to the restriction in logistics, lack of manpower, and lack of demand. As the result, around 80% of SMEs are temporarily shut down by the owner during the first wave of covid-19 pandemic in China. After the relaxation phase of lockdown on April 2020, many MSMEs only run their businesses partially (especially those who export their product). It is caused by inadequate demand in the market. Besides, around 18 percent of SMEs were totally shut down during the two waves of survey from February to May 2020 (5).

The result study have analyzed the impact of covid-19 on micro, small, and medium-sized enterprises in

Pakistan. The findings concluded that MSMEs were directly affected by covid-19 pandemic. Their business state was effected in terms of their performance. They face several problems such as: lack of financial, supply, demand, sales, and profit. Furthermore, more than 83% of companies were not ready to face any impacts resulted by covid-19 on their businesses. Even two third of the respondents stated that they would not be able to sustain their business when the lockdown policy keeps being implemented (6).

Covid-19 pandemic has made the performance and productivity of MSMEs sector decreased Pandemic covid-19 in the regional economy. There are many types of MSMEs sector, such as food and beverages that becomes the featured product in many areas, especially East Java Province, Indonesia. One of the featured products in East Java is Wingko Babat. Several MSMEs in Babat District, Lamongan Regency, East Jawa relies on their distinctive taste in their production in order to compete in the regional market. However, covid-19 pandemic also effects on the business' sustainability belong to the MSMEs. One of their strategies to maintain their business is implementing online-based sales. MSME's in Babat are dominated by those who sells souvenirs from Babat that is widely known as "Wingko Babat". In order to maintain the business and minimize loss, they decided to discontinue the production ever since February 2020. Based on the explanation in the background above, this research aims at analyzing the impact of covid-19 on the sustainability of Wingko Babat MSMEs in the regional economy.

2. METHOD

This study is explorative research. Explorative research is one of the types of social study that intend provide a bit of definition or explanation on the concept or pattern used in the research. In this particular study, the researchers do not have any portrayal on the definition or concept of the research (7). While for the method used in analyzing the data is descriptive method that is explaining the condition of an object observed in a description. The objects observed are the entrepreneur of MSMEs in running their business.

Type of the data is gained primary data collection that is data collected from direct interview between the researcher and the entrepreneur of the MSMEs. Besides, the other data are collected from direct observation on the activities carried out in the research location. This research is located in Babat District, Lamongan Regency, East Java Province, Indonesia. Data collection process started from 25 July 2020 until 25 August 2020.

The respondents in this research consist of the entrepreneurs of Wingko Babat MSMEs who are affected by Covid-19 pandemic. Wingko MSMEs are considered to be the oldest business that widely spread

out in Lamongan Regency in comparison to another sector of MSMEs. The samples were selected through purposive sampling method from the population of

3. RESULTS AND DISCUSSION

3.1. Description of Respondents

Table 1. Description of Respondents

Respondent	Marketing Method	Age (Year)			
Number of Employers	Products				
		Before Pandemic (kg/day)	Whilst Pandemic (kg/day)		
1	Offline dan Online	122	-	50-250	20-40
2	Online dan Offline	22	-	10-150	10-40
3	Online dann Offline	20	5	20-60	By order only
4	Offline 40	-	25-75	No production	

The table above demonstrates the conditions explained by the respondents, Wingko MSMEs entrepreneur, in District Babat Lamongan Regency, East Java. The four MSMEs explain about their condition before the pandemic started and throughout the pandemic. They discontinue their production; even some only run their production only when they receive order. Meanwhile, on normal days, they used to produce at least 10 kilograms every day and maximum 250 kilograms in a day. During the pandemic, they only produce 10 to 40 kilograms every day, even some shut down their production since they closed their store for 5 months. Unfortunately, they did not open an online store, and only sell and offer their product in their store and bus station. If only they operate an online store, it could help them to gain more efficiency in sales.

3.2 The Sustainability of Wingko MSMEs in District Babat

Since covid-19 pandemic is not yet over, the entrepreneurs would probably experience recession due to the low purchasing power of society. As the consequence, MSMEs would experience significant loss due to the minimum income and lead to hindering economic transaction. Various policies has been enacted by the government to decrease and stopping the pandemic, such as Social Distancing, Physical Distancing, Huge-Scale Social Restriction, and the prohibition from travelling. Indeed, those policies help to maintain the society's health in order to cut down the spread of corona virus. But on the other hand, it gives so

Wingko MSMEs entrepreneurs in Babat District, Lamongan Regency, East Java, Indonesia.

Covid-19 pandemic created a downturn on economic activities in many sectors, both in micro and Babat District, Lamongan Regency, East Java.

macuh negative impact on the economy significantly for the business world in Indonesia. Accept it or not, many stakeholders feel the negative impact from the corona virus pandemic this year. Society's income decreased, especially those who receives daily wages such as hired labor, street seller, online deriver, parking security, etc.

Commonly, Winko MSMEs could produce wingko from 150 kilograms of coconut, but ever since the pandemic strikes all production discontinued due to the difficulties in promoting the product. It is also affected by the reduction of travellers who visit District Babat, Lamongan to buy the souvenirs from Babat, wingko. The low or even the discontinuation of public transportation between cities or province is also the cause of the tourist reduction. Wingko MSMEs in District Babat mostly relies on offline promotion or direct market from the tourists who visit the store, they are indeed the target of the business, especially in the public places that are full of people. That surely becomes the factor on the decreasing amount of income among the wingko businesses. Even so, the decreasing income is apparently not only cause by the lack of people who visit the offline store. It is proved by the fact that only a few people who order the product throught the online store of Wingko MSMEs.

Another MSME who also produce Wingko stated that they normally made wingko out of 20 to 20 kilograms of coconut. Today, they only run their production when they receive an order. Commonly, Wingko MSMEs cooperate with travel agents to help the tourist buying souvenirs. Yet, since the beginning of

April, not many tourists come and travel. Furthermore, the rising price of raw ingredients to make wingko, as the impact of pandemic, also hinder the production. The ingredients required to make this treat from Babat, Lamongan such as glutinous rice flour is currently increased in price which previously Rp 150.000 per-box (10 packs in each box) become Rp 160.000. Coconut that previously costs Rp 4.500 per item becomes Rp 6.500. The price of raw ingredients rises, while the demand is decreasing. Several stores of Wingko Babat only receive order in advance. When there is no incoming order, Wingko Babat will not produce any. The MSMEs think that at least they could gain the replacement from the capital that they have invested.

3.3 Government Support

Today, the government has implemented Large-Scale Social Restrictions (PSBB) in almost all regions in Indonesia. To succeed in the rule that they made, the government must work with the community to have it go according to health protocols by the government. One of the examples is that people should not do activities that cause a crowd in one place, such as holding tasyakuran and wedding receptions, doing religious activities (pengajian), going to tourist attractions, eating in public places, and other activities. Micro, Small, and Medium Enterprises or MSME (UMKM) will surely also experience significant losses with a lack of income and hampered buying and selling transactions. This pandemic must be upsetting the productivity efforts made by MSME entrepreneurs.

Encountering various complaints from MSMEs, the government took action by relocating budgets and refocusing policies to provide economic incentives for MSMEs and the informal sector. This policy is expected to make MSMEs able to produce and do activities and not to have the termination of employment (PHK).

The Financial Services Authority (OJK) then issued an OJK Regulation (POJK) on National Economic Stimulus as a solution to the economic impact of the spread of Covid-19. POJK Republic of Indonesia Number 11/ Pojk.03/2020 states that banks will implement policies that support economic growth stimulus for debtors affected by the spread of Covid-19, including MSME debtors. It is expected to encourage the optimization of the banking intermediation function, maintain financial system stability, and support growth.

The Minister of Finance, Sri Mulyani Indrawati, conveyed that the government-assisted that there are two forms of Government support for the MSME sector of 35, 28 trillion and credit programs for working capital for new MSMEs or to develop owned MSMEs by providing guarantees in terms of credit risk (hukumonline.com).

According to the Head of Economics of PT Bank Negara Indonesia (Persero) Tbk (BNI), Ryan Kiryanto, several sectors were affected due to Covid-19, in which there are MSMEs, are the tourism sector (tourism and travel), the aviation sector, the retail trade sector. Second, the oil and gas sector, automotive, logistics, and many more (8).

Including the three, the banking sector or financial services industry is also affected. Since those of us who are eliminated, sooner or later will inevitably be affected, said Ryan at the Forwada online discussion entitled, Update MSME: Stance to Survive During the Covid-19 Pandemic, Tuesday (5/5/2020) (9).

In Indonesia, the government has allocated IDR 150 trillion that focuses on helping the MSME economic sector. In addition, the credit restructuring policy from the OJK for MSMEs is carried out by reducing interest rates, term-length, reducing principal arrears, reducing interest arrears, adding credit/financing facilities to become a temporary capital equalizer (10).

This rule is set out in POJK No. 11/POJK.03/2020 on National Economic Stimulus as a Counter-Cyclical Policy. Re-structuralization credit/payment made among others by providing a delay of installment payment waiver through a restructuring program for credit/leasing payment for a period of one year. The stimulus policy included assessing the quality of credit / other fund payments based solely on the accuracy of principal and/or interest payments for loans of up to IDR 10 billion. Banks can restructure all credit/payments regardless of the credit limit or type of debtor, including MSMEs.

3.4 Strategies for Survival

Businesses need several steps to survive in a situation like this. Changes to the arrangement of business financial flows, for example, need to be made to maintain their business sustainability (11). The steps for MSMEs to survive this pandemic are (12):

a. Focus on Consumer Needs.

No matter how good the products or services we sell and offer, no one will buy them if consumers don't want or need them. Simply put, we cannot persuade anyone to purchase what we offer unless we understand what consumers want. Knowing and understanding customer needs is the essence of business success. This understanding can be used to convince potential existing customers and customers that the products sold are in their best interests. Related to this, what has become a public need in the pandemic era is personal protective equipment such as masks and hand sanitizers or antiseptics. Thus, it is expected that businesses can take advantage of this opportunity to survive in the Covid-19 pandemic era.

b. Continue to Innovate and be Creative at both the Product and Service Levels.

In these circumstances, it is the right opportunity to analyze the product shortages we have. Starting from packaging design, product quality, to no exception how our service to consumers. These things can be analyzed and improved again to be able to improve the quality of our products and services. The packaging is one of the essential factors that need to be continuously updated. The appeal of interest from consumers is inseparable from good and attractive packaging because the packaging is the first thing that consumers see. Unique, nice, neat, and cute packaging that is consumers usually look for. Therefore, MSMEs are continually updating the display of their product packaging every given period of time to attract more interest from consumers or potential buyers.

c. Develop Research and Development to Increase Durability

The PSBB in almost all regions in Indonesia results in a lack of activity outside the home. It has considerably lowered sales figures for MSMEs who use offline sales systems or rely on consumer visits to purchase products sell in-store. The solution to the problem is to switch by utilizing online media to target the market of MSMEs. For example, wingko MSMEs sold in some market places require to make wingko more durable and durable to survive delivery with an expedition can more or less last for seven days. To make wingko that is durable than usual it is necessary to develop a new recipe so that the taste of the wingko that is sweet legit and savory is maintained, and the quality increases because it is enduring.

d. No Quick Complacency

If the MSMEs can survive and after this pandemic ends, they can get through it all, then the MSMEs are considered successful. However, the success they achieved should not make them easily satisfied. It is precisely the experience that has been passed that sharpens our mental and thinking methods in facing problems. It is better if the profits are saved and the save is used as a cost just in case under certain conditions so that when an unexpected event happened we have the funds to handle it.

e. Prepare the Next Generation to Become UMKM Leaders

The efforts that we pioneered is not forever our own operation. Our position will be replaced by youngers who are better at innovating to advance the businesses that have been initiated. For that, we need to prepare the next generation to lead the way of MSMEs. The next generation of our business will bring our efforts more advanced and more focused on its development.

Because with younger, creative, and innovative thoughts that make everything more focused.

f. Maintain reciprocal relationships with vendors, suppliers, and distributors

Maintaining good relations with vendors is a thing that affects product sales. To be able to maximize our products, vendors are very influential in it. Therefore, MSMEs must have the widest possible relationship to influence the surrounding environment to know the products we sell or even buy them. Indeed, our friends are not always our markets. However, this can be done during Covid-19 pandemic like this to stay afloat in running a business.

g. Gathered in MSME organizations as a means of developing networks and businesses.

An organization is a group of people in one place for common goals. In these circumstances, the organization can help us run our business. Besides being able to add relationships, joining a gathering of MSME organizations can add benefits. As a forum for exchanging insights and opinions, in these organizations, we can also offer our products so that people are more aware of them, and perhaps someone in an organization is interested in our products.

i. Collaborate with other Products.

Collaboration is essential for every type of business. Many collaboration ideas can be done to broaden the business. Collaboration with other brands is an effective way to make our products visible to new target audiences. Collaborate better, not with competitor products, but partnering with local businesses, non-competitors with similar products, and non-profit organizations. Here are some collaboration ideas in doing business:

j. Cross-Promote Brand on Social Media.

This is a great opportunity to reach new audiences quickly and easily. If we and our partners don't compete directly, we'll get a lot of benefits from new customers who are interested in what products we sell.

k. Collaboration with Influencer.

Collaborating with influencers is one of the more modern and highly profitable types of business collaboration. Influencer marketing studies suggest that a business can make \$6.50 for every \$1 spent. In addition, 59% of marketers plan to increase influencer marketing budgets.

l. Guest Posting

Doing guest posts or visiting on other websites has the same benefits as posting on social media or even better. We introduce our products in someone else's place, and hence we can get new customers (13).

The COVID-19 pandemic caused the deterioration of all sectors of the economy, both large businesses, and micro, small and medium enterprises (MSMEs). The business sector in Indonesia is dominated by micro, small and medium enterprises (99%) and a source of income for 97% of the workforce in Indonesia (15). The COVID-19 pandemic not only impacted large companies but also affected the viability of small and medium-sized businesses and their workers. The decline and sales of revenue and disruption of the distribution of raw materials as a result of COVID-19 have caused businesses to reduce production activities and even halt production.

In response to the problems faced by families affected by the pandemic, the government issued a policy by providing social assistance. Government policy for MSME businesses by exempting interest payments and delaying the principal installment of KUR for businesses are affected by COVID-19, for at most 6 months. MSME tax exemption for 6 months.

4. CONCLUSION

The resilience of MSME businesses in dealing with the impact of the spread of COVID-19 virus on the regional economy can be demonstrated by the production activities they carried out. Most of the wingko MSMEs in Babat sub-district mostly choose offline markets or direct markets that are tourists or visitors who come to the store. It is surely a major factor in the decline in the trade turnover of wingko products in almost all MSMEs, only a small fraction of MSMEs can survive in the middle of a pandemic. Moreover, those who can improve business performance are even smaller. Certainly, creative and innovative ideas are the key to the survival of MSMEs amid pandemics.

The results of this study also provide a basic conclusion that the spread of the COVID-19 virus greatly affects all sectors, especially MSMEs in affected countries including Indonesia. It means that the initial impact is the continued decline in sales figures. Whereas if this happens in the long run it will result in a decrease in economic growth. The situation is still uncertain in the condition of COVID-19, the MSMEs of wingko babat decided not to produce wingko to suppress the loss figures.

A good marketing strategy is also needed to keep the business running and keep generating revenue. The marketing strategy in question is to continue to promote and introduce Wingko Babat MSME products to the community and also take advantage of facilities and adapt to technological advances.

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