

Strategy of Micro, Small, and Medium Enterprises (MSMEs) in Merauke Papua to Improve Economic Welfare During the Covid-19 Pandemic

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ABSTRACT

The world is experiencing a Covid-19 pandemic, including Indonesia and especially Merauke Regency, Papua. The appeal to prevent the chain of spreading this virus requires people to stay silent at home. This has an impact on economic instability and one of those affected is MSMEs. For this reason, a survival strategy is needed for MSMEs to be able to continue to maintain their business in the midst of this pandemic. The research method used in this research is descriptive analysis. The results of this study recommend a survival strategy for UKMK in the form of sales aspects, production cost aspects, formulating road maps, strengthening digital technology, and providing guidance models by the government.

Keywords: MSMEs, covid-19, welfare.

1. INTRODUCTION

The covid-19 pandemic has an impact on decreasing economic growth in Indonesia. Many MSME players have to stop their business because of the various problems caused by the Covid-19 pandemic. However, the government has also issued various policies to stimulate MSMEs so that they can survive in the midst of the Covid-19 pandemic. Various strategies are carried out, one of which is the e-marketing strategy through social media and e-commerce. The e-marketing strategy is considered to be able to help MSMEs in marketing activities and expand the market amid the Covid-19 pandemic. Micro, Small and Medium Enterprises (MSMEs) have a strategic role in advancing the people's economy nationally, currently the government must pay attention to strategies and policies for the advancement of MSMEs. The problem of developing UMKM is in order to improve people's welfare, various kinds of exploitation of UMKM and forms of UMKM legal protection. Currently, problems with the development of MSMEs consist of marketing difficulties, financial constraints, limited human resources, raw material problems, and technological limitations. Meanwhile, the pattern of exploitation of MSMEs consists of capital accumulation, the creation of economic and social dependence, and a non-political market structure. Until now, the form of MSME legal protection provided by

the government is through convenience. requirements and procedures for registering business licenses, procedures for development, partnership patterns, coordinating and controlling the empowerment of MSMEs, as well as procedures for granting administrative sanctions [1]. The government issues economic policy packages to boost the national economy. One of the policy points is aimed at empowering the Micro, Small and Medium Enterprises (UMKM) sector. The government provides an interest subsidy facility in financing exports through the Indonesian Export Financing Agency (LPEI) and the People's Business Credit (KUR) program. This facility allows MSMEs to obtain low-interest credit, from 22-23% to 12% [2].

The growth of MSMEs nationally in the last five years has always shown an increase of 7,853,160 units or 15.26%. Although nationally, the growth of MSMEs is always increasing, but regionally, especially in Merauke Regency, the growth of MSMEs has fluctuated. Data on the growth of MSMEs in Merauke district in each sector is presented in table 1 below.

Table 1. Data on MSME growth in Merauke regency

Year	Industrial(unit)	Trade (unit)	Total (unit)	Growth (%)
2015	826	464	1326	
2016	828	615	1443	8.1%
2017	869	1161	2030	28.9 %
2018	889	1789	2678	24.1%
2019	921	2311	3232	17.1%
2020	993	2039	3032	-6.5%

BPS 2016-2021 (processed data)

decline in the number of MSMEs in Merauke Regency in 2020 shows that the impact of the Covid-19 pandemic has caused some MSMEs to be unable to survive and develop their businesses.

In a crisis situation like this, the MSME sector really needs special attention from the government because it is the largest contributor to GDP and can be a mainstay in absorbing labour, substituting the production of consumer goods or semi-finished goods [3].

2. RESEARCH METHODS

This research was conducted in Merauke Regency using a qualitative descriptive research method. Qualitative data is descriptive data and the conclusions drawn from qualitative research are highly dependent on the logic and data analysis techniques of the researchers.

The object of this research is the formal small industry sector UMKM which is registered in the Industry and Trade Office of Merauke Regency. This object was chosen because the small formal industrial sector although the number of units is smaller than the informal small industry sector, but the absorption of labour, the value of investment, and the value of production are greater than the small, non-formal industrial sector.

3. RESULT AND DISCUSSION

In the people's economic development efforts, Micro, Small and Medium Enterprises (MSMEs), including cooperatives, have now been used as a means of national development policy. This is done because, there are many important roles that can be given by the existence of MSMEs in Indonesia, especially in providing employment, reducing poverty, unemployment, inequality in income distribution and excessive urbanization [4]. The important role of the existence of MSMEs in Indonesia is increasingly felt in the process of national economic development in Indonesia. Initially, the existence of MSMEs was considered an important source in creating job opportunities and the main motor of economic development in rural areas. However, in the current and future era of globalization, the role of MSMEs is increasingly important, namely as a source of foreign exchange for Indonesia's non-oil and gas exports [5].

The functions and roles of MSMEs in Indonesia are quite a lot both economically, socially, politically, culturally and in security. Economic-socio-political functions and roles, for example, to increase people's income, reduce unemployment and poverty and the flow of urbanization. Even though, the function and role of MSMEs are very important, until now there is no standard definition and theory to solve all the problems that exist in MSMEs in Indonesia, especially in Merauke, Papua. Meanwhile, the existing theory from the West cannot be forced to solve the problems faced by MSMEs in Eastern Indonesia. However, there are some specific characteristics, namely MSMEs as an economic / business organization that has a very simple structure, few formalized activities, simple technology, flexible management, it is difficult to distinguish personal wealth from business assets, simple administration and without elaboration. In the structure of the Indonesian economy, MSMEs are productive economic activities of the people, which dominate more than 99% of the national economic structure [6]. If we look closely, the existence of MSMEs is quite a dilemma. On the one hand, its existence is considered as a helper because it is better able to survive in times of economic crisis and becomes the foundation of people's hopes. Because of its existence, it is able to provide many job opportunities, reduce poverty, unemployment, and the flow of urbanization as well as the driving force for national and regional development. On the other hand, its existence also faces many obstacles and limitations both internally and externally.

Internally, the existence of MSMEs in Merauke faces many limitations; capital, production techniques, market share, management, and technology, as well as weak in decision making and financial supervision and low competitiveness. Meanwhile, externally faced more problems such as: Issues of licensing, raw materials, marketing location, difficulty in obtaining bank credit, unfavourable business climate, public concern, and lack of guidance [7]. The role of MSMEs in overcoming poverty and unemployment rates for improving the welfare of the community, which is reflected in the increase in community income and the availability of access to basic services. In order to increase the income and welfare of the people, the government has set targets for macroeconomic indicators which will serve as the direction of the policy implementation strategy, namely: 1. accelerating economic growth; 2. job creation; and 3. poverty reduction. According to development economic theory, the direction of high economic growth supported by the growth of the industrial sector is to encourage an increase in demand for labour which in turn can expand employment opportunities. With the presence of new job opportunities, it can boost the rate of people's income, so that people's purchasing power will increase. Furthermore, the opportunity to get a job means

reducing unemployment and increasing people's income, which in turn can increase welfare and reduce poverty and unemployment rates in Merauke.

So, if poverty eradication is the main goal of any development policy, increasing the provision of employment and increasing the income of the poor is the most important objective of all activities, and the role of small businesses including small handicraft industries (MSMEs) can be believed to be the main support for the people's economy. Thus, equal opportunities must be provided through policies and regulations as well as healthy business regulations in competition between MSMEs in Merauke and large businesses in Indonesia, because eradicating poverty through providing employment is felt to be more successful than providing output. In other words, it can be recognized that the functions and roles of MSMEs have been proven to be resilient and more immune to crises, as well as able to absorb a large number of workers. Thus, the role of MSMEs can be used as the spearhead of poverty and unemployment reduction.

Therefore, efforts to reduce the unemployment rate must be carried out through sharpening development priorities, especially in sectors that have high employment absorption, such as MSMEs. But unfortunately, at this time there has been no visible effort and real commitment from the government in enhancing the functions and roles of MSMEs, both in the form of empowerment that is empowering, enabling and protecting.

The challenges of the Indonesian nation in the future are increasingly difficult, and helping the MSME problem is not enough with credit assistance alone, so taking sides with the people's economy more seriously and in fact is an absolute obligation that must be done to tackle the problems of poverty and unemployment. In addition, all parties must realize that unemployment can actually occur not because there are no jobs. Job opportunities exist, but only a few people have the will and ability. Imagine, if many alumni of leading universities do not find work in offices, they are willing and willing to work while helping their relatives who live in rural areas in agriculture and small craft industries. They will obviously find jobs faster. It is better if university alumni in Indonesia think more about how to overcome unemployment and poverty in this country by empowering MSMEs to help their underprivileged siblings, so the impact will be positive, meaning that the problems of poverty and unemployment will gradually be reduced significantly. The most prominent role of the existence of MSMEs is their ability to absorb labour (reduce unemployment). For most people who are creative, innovative, resilient and have a high work ethic, this is precisely what becomes more attractive to establish MSMEs. Because, they will feel freer, and realize that big business also

starts from small businesses that have the potential to grow big. In addition, they have better flexibility and ability and are more dynamic in adapting to market conditions that can change rapidly than large enterprises, which are generally more bureaucratic. Furthermore, when they already have their own business that is strong and independent, the problem of poverty will be easier to solve, because the problem of poverty generally occurs because they do not have a job (unemployed) and people who do not have a job mean they have no income, then people who do not have a job. no income, close to poverty. Poverty is a fact of life. Seeing this fact, the government policy in empowering MSMEs through business capital assistance is not wrong and must be continued and improved. However, be aware that the existence of MSMEs is diverse and it is not always the main and first problem that is needed by MSMEs is a problem of capital. It could be that the main and first problem that is being faced by MSMEs is the problem of limited marketing factors including limited market share and low competitiveness, so this problem must be resolved first. Therefore, it is better if a good policy program to be implemented in empowering MSMEs is simultaneous [8]. The following is the classification of Micro, Small and Medium Enterprises in Merauke Regency, which can be seen in table 2.

Table 2 Classification of formal and non-formal small industries in merauke regency

Branch	Small Industry Formal Small Industry (Unit)	Small Industry Non-Formal (Unit)	Medium Industry (Unit)
Textile Industry and various	65	92	-
Metal industry, machinery and transportation equipment	91	217	-
Argo industry and forestry products	208	215	6
Chemical and electronic industry	23	75	1
Total	387	599	7

BPS, 2020 (data processed)

There are several characteristics of micro, small and medium, namely: 1. The type of commodity being traded is not permanent and may change at any time. 2. The place to run the business can be moved at any time. 3. Have not implemented administrative activities in running their business, often they cannot even distinguish between personal and business financial needs. 4. Human resources (HR) in it do not have a capable entrepreneurial spirit. 5. Usually the level of human resource education is still low. 6. MSMEs do not usually have a banking network, however, some of them already have networks with non-bank financial

institutions. 7. In general, small business actors have not received proof of legality or a business license, such as a taxpayer identification number (NPWP) [9].

Welfare is a measurement point for a society to be in a prosperous condition. Welfare is an equation of life that is one level higher than the previous life. Feelings of pleasure, not lacking anything within the limits that may be reached, he is free from poverty and the dangers that threaten are the characteristics of a person whose life is prosperous. Welfare is a condition in which all the physical and spiritual needs of the household can be fulfilled according to the level of life. And to measure the level of human welfare, BPS has several indicators that can show the welfare of the community [10]. Revenue is the total cash received by a person or household during a certain period of time (one year). Micro enterprises play an important role in developing the country's economy, especially the economy of the surrounding community to meet their daily needs, especially in the future. In this case, the role of micro-businesses is very large in the economic activities of the community. Micro, Small and Medium Enterprises (MSMEs) have a very important role in economic growth in Indonesia. Micro, Small, and Medium Enterprises have proven their existence in the economy in Indonesia in various circumstances.

During the Covid-19 pandemic that occurred at this time, apart from being considered a disaster, an outbreak that brought losses to various sides of the nation's life and economy but also provided challenges as well as opportunities for the government in maintaining the existence of MSMEs in Indonesia [11]. In this case, challenges can be interpreted that there is a need for short-term solutions to help the downturn of MSMEs and workers within these MSMEs. While opportunities can be interpreted as short-term solutions that must be followed by long-term solutions to how MSMEs not only survive but also develop their businesses and become strong supports for the Indonesian economy. Therefore, with regard to various problems faced by Indonesian MSMEs during the pandemic period, it is taken as a complement and support for the policies set by the government. This strategy is needed so that government policies can run effectively during the covid-19 pandemic and also when the covid-19 pandemic ends. The supporting strategy can be in the form of a short-term strategy as well as a long-term strategy.

Some of the short-term steps taken by MSMEs in Merauke in maintaining business in the midst of the Covid-19 pandemic include, namely 1. Sales Aspect: The discount strategy is carried out by the majority of businesses that are classified as Ultra Micro Enterprises. Meanwhile, Micro, Small and Medium Enterprises prefer a strategy by finding new markets. 2. Production Cost Aspects: In this aspect, both Ultra Micro and

MSMEs are choosing strategies to find cheaper suppliers of new materials. In addition, many MSMEs in this survey chose to reduce labour in order to save on production costs. As for financing and credit, all businesses choose to apply for postponement of payments and ask for interest relief. The covid-19 pandemic conditions can also be an opportunity for the government and MSME players in Merauke. This opportunity means that there is an opportunity for MSMEs to survive and even develop their business and become the main support for the economy during the Covid-19 pandemic and after the Covid-19 pandemic. So, in seizing these opportunities, the government and MSMEs must have a long-term strategy. There are several long-term strategies that can be carried out by the government and MSMEs as follows: 1. The government must formulate a road map for the development of MSMEs in dealing with the business world after the Covid-19 pandemic in particular and the business world in general. MSME players must be equipped with various activities to encourage understanding of MSMEs in the business era 4.0. The government's pre-work program can be used as a trigger for efforts to hone the skills of MSME players in facing the era of digitalization in the future. 2. Strengthening digital technology to support the economic activities of MSMEs, in which this effort is a continuation of the short-term strategy. However, in the long-term strategy, digital technology must be the main platform in the MSME business process. Where, in the future, it is hoped that MSMEs can use digital technology to carry out the production process, promotion and determine the potential market for their products. 3. The government can provide a development model for MSMEs by cooperating with stakeholders, both institutions and academic institutions in the field of entrepreneurship and business management so that MSMEs can become a tangible form of business practices in the field in accordance with the development of the business world. 4. As a step to streamline main policies and strategies for MSMEs, the government can channel funds or organize Corporate Social Responsibility (CSR) programs intended for MSMEs. These companies can foster MSMEs as partners in their business lines, so that indirectly it will have a positive impact on the sustainability of the company itself as a provider of CSR and for the development of MSMEs in Indonesia. So it can be said that during the Covid-19 pandemic, there were changes in the behavior of consumers and producers. The tendency of consumers to access the internet has been getting stronger since the Covid-19 pandemic. So that it has become a necessity and obligation for MSMEs to enter the digital world and change their approach to consumers through digital systems [12].

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