

PESTLE Analysis for Indonesia's MSME during Covid-19

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ABSTRACT

The purpose of this research is to determine whether the political, economic, social, technology, law and environment is significantly related to the pandemic for micro, small, and medium (MSME). Data collection in this study was carried out by collecting previous data and research. Some instruments are collected from the journal and websites. The result of this study shows that the political, economic, social, technology, law and environment is significantly related to the pandemic for micro, small, and medium (MSME).

Keywords: *Micro, Small and Medium Enterprises (MSME); Political, Economic, Sociological, Technological, Legal and Environmental (PESTLE); CoronaVirus-19 (Covid-19).*

1. INTRODUCTION

Indonesia has 59,2 million Micro, or Small, and Medium Enterprises (MSME). While there are only eight percent (3,79 million) who use online sites to sell their products (Kominfo, 2017). The Indonesian law number from 20 of 2008 states that a MSME is productive businesses owned by individuals or people's business entities. The criteria is needed to meet the standard for Micro Enterprises as regulated in this Law. The rules categorize MSME as:

- Micro business requires an asset of maximum of 50 Million with a turnover of maximum of 300 Million. The small Business requires assets to be between 50 Million and 500 Million. The turnover must be around 300 Million and 2.5 Billion.
- The medium business requires assets between 500 Million and 10 Billion. While having a turnover between 2.5 Billion and 50 Billion.

MSME is very important because the business helps the economy and development (Putra, 2016). MSME is affected by things around them, such as pandemic. Covid-19 is coronavirus disease which starts in 2019 (WHO, 2021). This virus forces the world to be locked down. Lockdown is a restriction policy for people to stay in their place. This will reduce the risks if they interact freely. In Indonesia, we state this term as Community Activities Restrictions Enforcement (PPKM) or work from home (WFH). Lockdown has limited people's movement unless it is for urgent activity.

There are multiple aspects related to the covid-19 and the MSME in Indonesia. A PESTLE analysis is an important framework to analyse the key factors. Those key factors are Political, Economic, Sociological, Technological, Legal

and Environmental. Those factors are influencing an organisation from the outside (CIPD, 2021). It is important to know about PESTLE aspects because they will help us to get a diverse view to understand the problem.

Many researchers have done research related to the impact of the pandemic. One of the best ones is Taufik and Ayuningtyas (2020). They have done research regarding the impact of the pandemic on business.

There are three business activity states that were impacted by the covid-19 pandemic. First, the stable business that survived. The second, the business that flourished due to the pandemic. And third, the business that declined badly. Stable business survives through adjustment with interaction models. There are multiple ways to integrate with online platforms, such as education, food, basic needs and health products, which were very demanding in the pandemic. On the other hand, there are some businesses who fail or decline badly. This happens because the visit of customers is not happening due to the restriction. People do not use public transportation to go anywhere, nor people enjoy tourism or hospitality, or other shopping centers. Last, there are some businesses who benefited from the pandemic. Businesses are able to develop due to the adjustment and market dynamics from using online applications. For example, telecommunication or online shopping. The increasing products such as basic needs and health products. These include MSME who have tried to follow the customer demands in the pandemic (Taufik and Ayuningtyas, 2020).

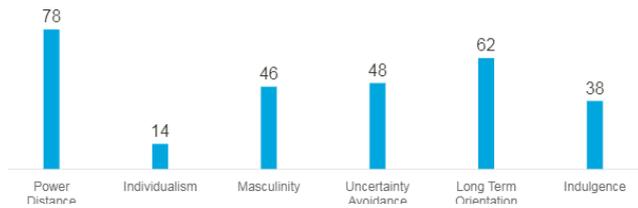


Figure 1 The National Culture of Indonesia

Besides economics, society and culture also play a big role on this issue. Hofstede (2021) classified national culture into six dimensions, those are power distance, individualism and collectivism, masculinity and femininity, uncertainty avoidance, long term orientation and short term normative orientation, and indulgence or restraint.

The graph above shows the national culture of Indonesia. Hofstede (2021) says that Indonesia is a collective society. Therefore, social activity is important, especially in a pandemic. For example, people try to donate to their neighbour and be helpful with charity. For example, the citizen donates some food for people who are self-isolated and for the health worker (BBC, 2021). Other examples, there are some people who lost their job or did not get a job and started their own small business. So their customers tend to come from their acquaintance first (BBC, 2020).

Besides social factors, Panggabean, Tjitra, & Muniarti (2014) states that Indonesia has seven cultural standards. The standards are religious, friendly, multicultural, facilitating leadership, implied communication, Nrimo, Generalist and Technical (Functional) Excellence. In a personal context, religiosity can be used as a guide in behavior. Religion is important for Indonesians and they affect their daily life. Indonesia's president, Joko Widodo invites Religious Leaders to Support Handling Covid-19 (Tempo, 2021). Facilitating leadership expects leaders from the workplace or religious people to give examples so others will follow the rules.

Technology helps people in their daily life. Technology is the collective of techniques, skills, methods, and processes used in the accomplishment of objectives and the production of goods or services. In the business, technology is a great factor for success. McKinsey' survey (2020) states that Covid-19 has forced the company to adopt technology and will be useful in the long term. Company has tried to digitalize the products, while the customer has also moved their consumer behavior through online channels. This acceleration toward technology enhancement is mandatory for the sustainability of covid-19 restriction.

The law and rules affect how the people and business behave in the pandemic. Based on the minister of social decree of the republic of Indonesia which number is 54 / HUK / 2020. The law regarding basic necessities, the government gives some basic necessities for the people who come from lower economic class. They get some money or some daily necessary products. This rule will help people who lost their job, get a wage reduction or stay at home (KEPMENSON, 2002).

The government gives punishment for breaking PPKM. The KUHP articles 212 and 218 says that people who break the PPKM can get to jail or must pay a fine. This law will encourage people to obey the rules better. Not only the individual will get punishment, the company will also get punishment for breaking the rules by forcing the employee to disobey the law (Liputan6, 2021).

The lockdown rules in the pandemic force people to work from home. There are seventy one percent people working from home due to the pandemic in 2021 (Pewresearch, 2020) Even after the pandemic, they still wanted to continue working from home. The workers have enough technology to do the projects. Besides having enough time to do the projects on time. Adequate workspace and work without interruptions. And lastly, the motivation of the workers.

After describing the issue above, the research hypothesis for this research is:

H0: The political, economy, social, technology, law and environment is not significantly related to the pandemic for MSME

H1: The political, economy, social, technology, law and environment is significantly related to the pandemic for MSME

Based on the description of the relationship between the variables above, the research model is as follows:

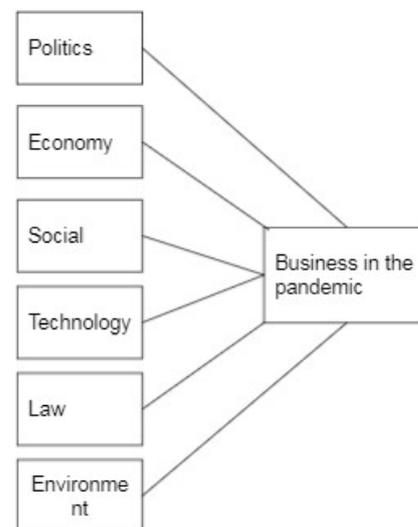


Figure 2 Research Model

2. METHOD

The method that the group uses in researching this research is a qualitative research method. Specifically, qualitative research with a descriptive qualitative approach. Narbuko (2007) explains that descriptive research is research that aims to describe problem solving based on data. In conducting a complete descriptive qualitative research, this research also presents data, analyzes and interprets it

according to the problems raised. To enrich the data, we will do literature review from multiple sources so there will be more insight. Literature review is an overview or getting a general image of the scientific topic. Therefore, the main purpose of this research is emphasized on PESTLE analysis for MSMEs in Indonesia during covid-19.

Data collection in this study was carried out by collecting previous data and research. The literature is collected from the journal and websites. Validity and reliability analysis were done by collecting data from the accredited journal.

Table 1 Measurement Data Variable

Variable	Items	Reference
Independent Variable 1. PESTLE	-	
Dependent Variable 1. MSME		-

3. RESULTS AND DISCUSSION

The results of data analysis are briefly listed in Table 2. below

Table 2 Hypothesis Testing Result

	Hypothesis	Coefficient	T-Statistics
H0	The political, economy, social, technology, law, and environment is not significantly related to the pandemic for MSME	-	-
H1	The political, economy, social, technology, law, and environment is significantly related to the pandemic for MSME	-	-

*p < 0.05; **p < 0.01

The result of testing the first hypothesis showed that the political, economic, social, technology, law and environment is significantly related to the pandemic for MSME. That means H0 is rejected. Furthermore, the H1 hypothesis is not rejected. The source of literature above supports this hypothesis.

4. CONCLUSION

There are multiple aspects for business in the pandemic. PESTLE is the tool to describe the issue. The analysis conducted from previous literature proves that the political, economic, social, technology, law and environment is significantly related to the pandemic for MSME. The rules or law stated by the government is done to reduce the spread of covid-19. The environment has less people because people are expected to stay at home. The economy and business is affected by this business as there are less people going out. Society tries to help people who get sick by giving them basic necessities. Most MSME go online as they are forced to work from home.

The results of this study are expected to serve as a consideration in decision making for MSME to utilize the aspect around them. PESTLE comes from outside, but they can be supported by them by the opportunity. There are some limitations for this research. First, the literature was limited and might not be the best theory to describe the problem. Second, the next researcher might be able to increase the number of sources of literature as there is too little literature regarding this research. Third, the next researcher can find quantitative samples to enrich the research.

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