



Revitalization of Strengthening Economic Institutions and MSMEs in MSME Sector

Gusti Yosi Andri, Djuariah Endang Sutrisno, and Fatina Rizka Sahlia✉

Swadaya Gunung Jati University, Cirebon, Indonesia

fatina.sahila002@gmail.com

Abstract. The role and contribution of MSME in the economy in Indonesia is quite significant. One of them contributes to absorption and the spread of labor. The Covid-19 pandemic, which hit Indonesia, has an impact on the number of MSME actors, went out of business. Currently, MSME passions started to fluctuate again where business actors start starting their businesses again. But their activities are constrained by having to immediately compete with big capital entrepreneurs who can survive the Covid-19 pandemic outbreak. The purpose of research is to examine the revitalization of economic institutions and law in the MSME sector. The research method used is a descriptive study which aims to answer the problems faced today and the data that have been obtained through library studies and the results of interviews will be analyzed using qualitative methods. It is hoped that the revitalization of strengthening economic institutions and laws in the MSME sector, especially in partnership, the network of cooperation, marketing organizations, and resources, are the drivers for MSME actors in improving their productivity.

Keywords: Institutional · revitalization · MSME

1 Introduction

The process of globally economic recovery that has been carried out due to the impact of the COVID-19 pandemic around the world is still unbalanced. In developed countries and some of the developing country looked faster the recovery if viewed from several sectors that had bounced back after the pandemic. Unlike the poor country and other developing countries that are slightly late in the recovery process. This is one of the agendas to be discussed in the G20 Presidency where in December 2021, the President of the Republic of Indonesia, Joko Widodo, has opened the G20 Presidency officially and indicated that Indonesia as a host of 20 developed and developed at the peak event is that the High Conference (G20) at the Bali October 2022) summit in Bali. With the slogan “recovering together, recovering stronger”, Indonesia encourages all countries to work together to develop the conditions of the world’s economy in a sustainable manner to become stronger due to the impact of the COVID-19 pandemic. This is in accordance with the three main pillars of the G20 Presidency which is basically the handling of the COVID-19 pandemic to promote development and achieve economic recovery faster, also prevent or anticipate other pandemic outbreaks. The three main pillars from the

G20 Presidency are global health architecture, a sustainable energy transition, as well as digital transformation [1].

Indonesia has felt the role of MSME in helping to increase the economy of the state. Moreover, MSME characteristics are not vulnerable to the influence of changes in the exhaust condition. This characteristic is reflected in the very flexible of MSME as well as responding to external conditions that occurred where Indonesia had been proven when Indonesia experienced the economic crisis in 1998 and in 2008, the MSME sector was still strong to survive. Based on data from the Ministry of SMEs cooperatives provided quantities of MSMEs data at this time which reached about 64.2 million by contributing to GDP of around 61.07% or worth an estimated 8.573.89 trillion rupiah. Another contribution of MSMEs to the national economy is that its ability to absorb 97% of labor and its ability to collect 60.4% of total investment. Furthermore, Airlangga Hartanto, Coordinating Minister for Economic Affairs, in his exposure to say that MSME composition as of March 2021 based on Kemenkop UKM data was 99.62% or 63,900,000 micro-enterprises, 0.30% or 193.959.070%, and 05,% of the business actors or 70.50010% [2].

Although the quantity of MSME actors, especially micro-business actors, is quite widely matched with improved quality of MSME actors. One of them is low productivity, because the quality of MSME actors is still weak, both from the side of immorality, management, to marketing. In addition, the limited access of information, technology, and capital. Not to mention external problems such as business licensing problems that according to government regulations are formal legality to seek and the policy of limitation activities outside the home or social distancing, such as teaching and learning activities are no longer carried out at schools or campuses, so it creates online lecture methods, and public activities that are also limited to not do many activities outside the home that give birth to work for home or online shopping conditions.

The results of the survey that has been conducted on 206 MSMEs in Jabodetabek by Katadata Inshght-Center or KIC show that by 82.9% of the negative impact of the Covid-19 pandemic and only 5.9% of not affected are actually increasing growth. Even 63.9% of the 82.9% experienced a decline in income by about 30% and only 3.8% earned a income increase. MSME actors who can survive the pandemic outbreak according to KIC surveys are MSMEs that adjust to the situation happening are the emergence of consumer behavior because of government policy regarding large-scale public activities to not activation outside the house (low-mobility), avoiding crowds (less crowd), and trying to maintain distance (low-touch) and cleanliness (Hygiene) [3].

Therefore, habits or cultures tried from MSME actors should be renewed because consumers who have more activity from inside the house. One of the innovations carried out by MSME actors is the use and use of digital technology. With the changing people's behavior in the post-pandemic outbreak, then in the national economic recovery it is very important if economic development turns to the digitalization era. In line with the use of digital for MSME actors, said by Airlangga Hartanto, Coordinating Minister for Economic Affairs, said that only about 21% of MSMEs who have utilized digital technology [4].

Prof. Tulus Tamunan, conveyed his opinion in Webinar hosted by the Fiscal and Monetary Group of the Faculty of Economics and Business (FEB UNS), Thursday,

August 13, 2020 with the theme of the MSMEs Strategy in the Midst of a Pandemic, that the current state's marketing supported conventionally based on the MSME support system or the online socialization of the PSMEs area. In addition, in the same event, Lukman Hakim, Ph.D., one of the academics from FEB UNS highlighted the presence of a new paradigm that mentions "MSME by design" where MSME was created or made not because of an accretion (accident) such as MSME actors previously laid off, bankrupt, or failing to thrive, but MSME has to be fostered, which has to be properly developed, and has been correctly directed [5].

Because of this, the Government must support the existence of MSMEs towards a better direction by strengthening the foundation of various sectors and institutions so that the development in the MSME sectors is generally directed to the increase in the capacity, immorality of management, certainty, and business protection. The goal is to give birth to an independent, sustainable business unit, and ready to grow in order to be able to compete. For more purposeful in the discussion in this writing, it is more focused to strengthening institutions related to the implementation of the digitalization of MSMEs [6].

In general, the concept of strengthening institutions or capacity building has a meaning as a process in building the capacity of an individual or group (organization). Capacity building can also be interpreted as an effort to strengthen the capacity of individuals or groups (organization) through the development of abilities, potential (talent), ketemisan and competence with the aim of making individuals or groups (organizations) able to survive and be able to overcome the changes in external conditions that occur. While Milen defines reinforcing institutions as a special task related to the factors contained in the system or organization at some time [7].

Furthermore, Dyah Mutiarin explains that strengthening institutions are an effort from an organization to improve the capacity of both institutions, systems, and individuals in improving the organizational performance as a whole where there are three things that are the main focus in strengthening institutions, namely: the development of human resources through education and training, strengthening institutions through the improvement of procedures and methods in the organization, as well as the reefs of the system awareness of the system, regulations, and the management of the environmental system, so that they are more related to the three Msme discussions are associated with the MSME's is digitized [8].

2 Research Method

The research method used is a normative method where research is carried out by examining literature materials related to strengthening the MSME ecosystem in realizing MSMEs and using an approach to legal principles and laws related to regulations that support the realization of MSMEs.

Judging from the nature of research, the preparation of this journal uses the descriptive research method, where trying to reveal problems according to the situation of MSME actors in the face of digitization of MSMEs by describing or analyzing the attitude of MSME actors in utilizing the progress of digital technology.

The analysis technique is used qualitatively by describing the concept of law related to strengthening human resources and strengthening institutions in the MSME sector so that it can provide a constructive picture so that it can answer problems.

3 Findings and Discussion

Strengthening Human Resources or MSMEs

The obstacle for MSME actors in utilizing digital technology is limited to their ability and knowledge of the digital platform, such as how to download (down load) applications, upload (upload) images/photos and their product information, even in maximizing various features available in the platform. Not to mention the problem in the digital payment, where there are still many MSME actors who make transactions with cash or transfer between accounts. In short, to take advantage of digital teknologi, MSME actors must have a means of payment in the form of electronic wallets or e-wallet according to the platform where they sell it. Plus by determining what platforms will be used such as through marketplaces, social media (whatsapp, instagram, facebook), or creating a personal website.

The two aspects that support the digitalization of MSMEs are strengthening the MSME ecosystem and strengthening the e-commerce ecosystem. Which is included in strengthening the MSME ecosystem, including training and assistance, access to market and raw materials, certification and permits, as well as financing and taxes. The MSME actors, as the party involved in the activity of MSMEs, are necessary to increase the empowerment of human resources to meet the elements in strengthening the MSMEs ecosystem in question. Empowerment is a sustainable activity to change a person's ability or weak group, slumped, and a ringkih/vulnerable due to the internal and external influence, becoming magnitude or ability to meet basic needs in his life is not only physically but also in the socio-economic, as well as reaching its productive potential so that it can increase income [10].

Based on the general explanation in the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises (hereinafter UMKM Law), which states that to increase opportunities, capabilities, pupil, and protection of MSME, MSME is needed to be more empowered through the climate method that can support the MSMEs, and development of MSME assistance, and MSME assistance. As a form of effort in improving the ability, civility, and role of UMKM in the national economy, empowerment is carried out in the synergy, thoroughly, continuous and sustainable by various parties such as the central and regional governments, business actors and business entities.

Regarding the strengthening of institutions to realize the digitalization program of MSMEs, I should first be mandated by empowering individuals on their MSMEs to immediately move towards the digitalization era. Because there are still many business actors who do not understand enough, understand, and master the development of this digital technology. This was thus experienced by a Zaskia Adya Mecca, which is a MSME actors in the culinary field of Mamake Jogja Café. When he was hit by a pandemic outbreak, his business turnover decreased drastically from sales of around 1,600/day to less than 100/day. To stay and pass through the pandemic outbreak, then the original

type of business sold souvenirs for tourists added by selling daily meals (innovation) but still prioritizing the quality of the products he sells (qual control). Because the limited community activities to leave the house, sales were carried out online without the need to meet face-to-face with their consumers (adjustment) [11].

The movement must indeed be done by MSME actors to be able to pass through pandemic attacks even to start a new normal era after the outbreak. However, not all of the MSME actors who take steps such as the owner of Mamake Jogja Cafe. This condition is caused by not familiarnya, the use of digital technology and the lack of assistance and even counseling/socialization of the use of digital technology for MSME actors in the face of the pandemic outbreak. This is very reasonable because MSME actors have a difference in knowledge which is reflected in MSME characteristics such as the management of simple and easy business, run by poor human resources because of a relatively low education level, and a fairly small business coverage with merchandise that can change [12].

Thus, it is natural that not all MSME actors are aware and know the use of digital technology. For this reason, campuses and students are needed in encouraging MSME actors can compete in the global market by improving digital literacy to utilize digital technology optimally for MSMEs. According to the Tri Dharma Higher Education, there is necessary by moving students to an active role in conducting research to determine the digital literacy of MSME actors and conducting public services such as education, training, extension, socialization and organizing the KNTIC program on the use and utilization of digital technology for MSME actors.

For example, the service of the community that has been carried out by lecturers of the Faculty of Independent University of Mount Jati Cirebon, namely Ramlah Puji Astuti, Kartono, and Rahmadi regarding the development of MSME through digitization of technology and the integration of access to capital, shows that the problems of MSME actors in the village of Sindangkasih Regency still have low human resources quality, lack of innovation and the difficulty accessing capital. Then in the service of the community was compiled by a mentoring program against ten MSME actors in the field of food businesses from starting socialization, training, and technical guidance by taking advantage of the progress of digital technology. The results of the achievement of the public service were immediately felt by the ten MSME actors by taking advantage of digital technology in marketing their products. Guidance on bookkeeping and simple business management makes MSMEs able to facilitate financing to obtain additional financing for business capital from banking [13].

Not only that, the research conducted by students is also on the development of products or innovation in order to make a flagship product from the MSME actors. The role of campus and its students is not as a capital giver, but fostering the nose and abilities of MSME actors and has become a source of learning in accompanying MSMEs to innovate or develop their products (link and match). The collaboration is expected not to produce superior products, also provide a company's management solution in terms of bookkeeping, marketing, employment, and legality trying to (both licensing and intellectual property rights) so that it can open the opportunity to obtain additional funds for business capital from the banking party.

Chusnul Rofiah, devotion to society in the village of Jatigedog Regency Jombang about the introduction of product innovation, from introduction, development to reconcept. Products innovated are foods in the form of traditional wet cakes change to quite a long-lasting modern cake like Koreanal. The results of innovation are quite satisfying because almost all people who participate in the introduction of product innovation because they get knowledge, inheritance and the ability to innovate the innovation of a product into a product that can be proud, compete and flagship. However, the shortage of public service can be seen from the lack of maximum people in marketing these innovation products caused by only relying on conventional marketing media [14].

Assistance, counseling, socialization, coaching, and the briefing that had to be sustainable. Not only socialization of the use of digital technology, but must be followed by exploring the potential through product innovation so that they can still compete. Therefore, the empowerment of human resources, in this case, MSMEs are very playing a role to make MSMEs more independent, tough and unprone changes in external conditions that occur. The empowerment itself contains two understanding. The first is development, independence, and strengthening external negative effects. The second understanding is to protect and defend the weak party so that *eksploitasi* does not arise from the situation that is not balanced. By carrying out sustainable empowerment is expected to provide or grow strength, either in the form of knowledge, pupil, and ease of access, to a or group so that they can meet the needs of life and be able to face and overcome the problems existing so that it can show the contributions and role in social life.

Strengthening Institutions

One of the Government programs is a Joint Business Group (hereafter KUBE) which aims to stage poverty. The Ministry of Social Affairs of the Republic of Indonesia has implemented KUBE as a forum for community empowerment that aims to be a means of training and learning for the poor so that it can increase the nose and competence. KUBE is also expected to be able to foster a soul of togetherness and concern, a sense of family, and the spirit of *kegotongroyongan*. The government also hopes that through KUBE can improve the ability of managers and organize community so they can take advantage of the potential and socio-economic sources that have optimally owned.

Again, campuses and students can organize community through KNKNMATIC activities to form KUBE to improve the welfare of the surrounding community. From the official Social Office site, it is stated that KUBE is a group of the poor people's families who are formed, established, grow, and developed based on their initiative to carry out the Productive Economic Business (next UEP) which is in the form of providing social assistance for KUBE to be able to improve income and family social welfare [16].

The concept of KUBE can also be applied to the empowerment of human resources, where MSME downturn, because of the pandemic outbreak, one of which is not the spirit of togetherness, concern, and *kegotongroyongan* among MSME actors so that they act alone in saving their businesses. Therefore, in the G20 Presidency, Indonesia carries the slogan "recover to together, recover stronger" where Indonesia has a commitment to invite all parties related to work together so that they can recover together, and grow sustainably along with more strong. This is in line with Article 5 of the MSME Law

that states the purpose of empowerment of MSME is to grow and develop MSMEs to become an independent and tough business.

MSMEs empowerment through KUBE is carried out to facilitate access in reaching MSMEs and diverse types. Then to optimize the process of empowerment of MSME actors through KUBE, used an approach oriented to community development. This means that all knowledge, immorality, potential and sources of existing and owned by MSME actors must be used together. So that KUBE will be a means of meeting, training, education, guidance, assistance, and even increasing welfare with MSME actors who were KUBE members. Thus, in its implementation, there will be a transformation of knowledge and expertise between MSME actors who are members of KUBE where MSMEs who feel competency or abilities in him are still lacking, will obtain a sustainable learning process can even exchange for each other. KUBE basically has a program for poverty alleviation, so that for MSME actors, both those affected by the COVID-19 pandemic and what will only start to be fostered and directed so that MSME actors will no longer become by accident but structured and planned or by design.

Article 3 paragraph (1) of Social Minister Regulation Number 2 of 2019 concerning Socio-Economic Social Assistance To the Joint Business Group For Poor Human (next Permensos BSUEP) to formulate or establish KUBE as follows:

1. Have a willingness, potential, ability and mataram to develop a joint business.
2. Have other types of businesses and domiciled in the village/village territory/other names in the same district.
3. Experience a limited access to markets, raw materials, capital, and businesses.

Seeing that the formula for the formation of KUBE above, so for MSME actors was affected by the COVID-19 pandemic would be sedated and directed by a companion to join and establish KUBE. Companion is someone who comes from the sub-district social welfare, social workers of the community, organizations, the management of social welfare institutions, and/or youth figures, religious figures, or the community figures, where the task of accompanying the formation and implementing KUBE so that they are able to improve the welfare of its members.

The process of forming or KUBE establishment is facilitated and monitored by local governments (regency/government). Not firmly whether to be made an establishment or not in Permensos BSUEP. Article 4 paragraph (1) Permensos BSUEP states that members who form KUBE must enter the criteria for poor, remote, and/or vulnerable to socio-economic. Then Article 5 Permensos BSUEP determines the requirements as a member of KUBE must be the head of a family or the main person in making a living, has potential, it is married or already from 18 years old until 60 years (still productive), permanent domicilers, and having self-identity cards.

After the founding or the formation of KUBE, the KUBE management composition was made of the chairman, treasurer, secretary, and member based on the joint decision which was reported extraordinarily members. Members of KUBE themselves amount to at least five heads of family and most are twenty heads of families. As an illustration, if in KUBE consists of five members, three of them are appointed as caretakers and the remaining two are members. Companion's position by Permensos BSUEP is not put in the management of KUBE and only mentions his tasks to Article 9 Permensos BSUEP of

including membentuk KUBE, provide technical guidance and motivation, and others. So, Companion KUBE continues to foster, directing, and educate members who are MSME actors to continuously develop and innovate to its superior products. Therefore, KUBE is also a place for information and experience between members without members to compete with each other but spark the spirit of togetherness and mutual cooperation.

By joining the MSME actors to be in a container called KUBE, it can be motivation to keep producing. Moreover, they receive additional knowledge, mataram, even financing, thus increasing the confidence of UMKM actors. Article 11 Permensos BSUEP determines the formation of KUBE, then social assistance in the form of ten million rupiah will be given to KUBE with the aim of being used by KUBE members to increase business productivity. Article 16 paragraph (3) Permensos BSUEP, which meneybutkan is that money comes from social assistance given through a transfer mechanism to bank account KUBE. While Permensos BSUEP does not mention firmly the form of KUBE as a business entity or not so that the obstacles to open an account on behalf of KUBE the bank will feel objected if not equipped with the establishment or NPWP KUBE. KUBE does not run a company as a business entity in general such as maatschaaf, firm, cooperatives, or PT., so that the technical transfer to KUBE accounts will be a obstacle. It takes the assertiveness from the government to reset the regulations regarding the technical provision of social assistance to KUBE.

If considered a cooperative or micro-enterprise agency, it turns out that KUBE does not collect funds or receive mandatory contributions from members such as a cooperatives, but only organizes UEP social assistance received. Article 4 jo 5 of Law Number 1 of 2013 concerning Micro Financial Institute (hereinafter LKM Law) has determined that the requirements to establish micro-enterprise financial institutions or LKM must be able to do legal entities with the cooperatives or persahaan is limited (PT). likewise with cooperatives that are a business entity. Meanwhile, in Permensos BSUEP, once again, does not affirm the form of KUBE's business.

The government by involving various parties related to the business world should immediately provide legal certainty for the existence of the KUBE. Sticking to Government Regulation Number 5 of 2021 concerning Implementation for Risk-And Business-based Licensing Business Regulation Number 6 of 2021 concerning the Implementation of Business Licensing in the Regional Government, the Regional Government can at least strengthen the existence of the KUBE into the form of a training hall or startup (make a startup).

4 Conclusion

Strengthening institutions in the MSME sector can be seen in three aspects, namely strengthening the system, human resources, and institutions. Strengthening the system, it has been launched by strengthening the MSMEs ecosystem by digitizing MSMEs which are basically an obligation for the Government, the business actor and the public.

The three Dharma MSMEs has a significant role against strengthening institutions on human resources, especially for MSME actors by conducting research and community services among MSMEs. Socialization or extension about the benefits of the use of digital technology can increase the access of the markets of MSME actors. Product

processing research and innovation to be a top product that can compete with large companies. The KNTUTIC program can also make students a companion in fostering and directing MSME actors to form joint business groups in order to achieve market access, raw materials, and capitals.

As one of the poverty alleviation programs, KUBE can become a foundation of strengthening MSME, not only on the use and use of digital technology, but also in the coaching and the steering of MSME actors as a stronger, independent and helpful human resources.

References

1. Milen, Anelli., 2004. Pegangan Dasar Pengembangan Kapasitas. Pondok Pustaka Jogjakarta.
2. Mutiarin, Dyah., 2014. Manajemen Birokrasi dan Kebijakan: Penelusuran Konsep Dan Teori, Pustaka Pelajar, Jogjakarta.
3. Suteki dan Galang Taufani, 2020, Metodologi Penelitian Hukum (Filsafat, Teori, dan Praktik), PT Rajagrafindo Persada, Kota Depok.
4. Sugarto, Edi., 2005. Membangun Masyarakat Memberdayakan Rakyat Kajian Strategis Pembangunan Kesejahteraan Sosial dan Pekerja Sosial, PT Ravika Adimatama, Bandung.
5. Widiastuti, Siti Kurnia., 2015. Pemberdayaan Masyarakat Marginal, Pustaka Pelajar, Jogjakarta.
6. Astuti, Puji., Kartono, dan Rahmadi, 2020. Pengembangan UMKM Melalui Digitalisasi Teknologi dan Integrasi Akses Permodalan, Jurnal Penelitian dan Pengabdian kepada Masyarakat, Volume 8 Nomor 2, Juni 2020.
7. Ratnasari, J. D., Makmur, M., & Ribawanto, H., 2013. Pengembangan Kapasitas (Capacity Building) Kelembagaan pada Badan Kepegawaian Daerah Kabupaten Jombang. Jurnal Administrasi Publik Volume 1 Nomor 3, 2013.
8. Rofiah, Chusnul., 2020, Pelatihan Peningkatan Inovasi Produk UKM di Desa Jatigedog, Jurnal Pengabdian Masyarakat Ekobis Abdimas, Volume 1 Nomor 2, Desember 2020.
9. Departemen Komunikasi BI, Go Digital Strategi Memperkuat UMKM, <https://www.bi.go.id/id/publikasi/ruang-media/cerita-bi/Pages/Go-Digital-Strategi-Memperkuat-UMKM.aspx>.
10. Hartanto, Airlangga., Dalam acara Kuliah Umum dan Diskusi Panel Menuju Presidensi G20 Indonesia 2022 yang diselenggarakan oleh FEB UGM dengan tema Digitalisasi UKM: Daya Dorong Ekosistem Digital dan Demokratisasi Ekonomi Indonesia, <https://www.youtube.com/watch?v=Do-FhqUNUko>.
11. Mecca, Zaskia Adya., Webinar yang diselenggarakan oleh FEB UGM dengan tema Digitalisasi UKM: Daya Dorong Ekosistem Digital dan Demokratisasi Ekonomi Indonesia, <https://www.youtube.com/watch?v=AXaURLPWACs>.
12. Suryaningtyas, Fasrinisyah., Lima Hal Penting di Balik Slogan G20: Recover Together Recover Stronger, <https://www.idntimes.com/business/economy/fasrinisyah-suryaningtyas/hal-penting-di-balik-slogan-g20-recover-together-recover-stronger-c1c2?page=all>.
13. Susanto, Irwan., Kelompok Usaha Bersama (KUBE), <https://kemensos.go.id/kube>.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

