Implementation of Business Resilience in MSMEs Malang City in Facing the Covid-19 Pandemic

Sovia Rosalin and Rani Auliawati Rachman
Faculty of Vocational Studies, Brawijaya University, Malang, Indonesia
soviavokasi@ub.ac.id

Abstract. The Covid-19 pandemic has had an impact on changes in all fields, including in the economic field with its multidimensional impact. The biggest impact is felt by MSME players, especially small-scale ones. In minimizing these impacts, MSME actors need special methods that can be used as the right solution to deal with unexpected situations such as the Covid-19 pandemic. This study was presented to see the implementation of the concept of business resilience in MSMEs in facing the Covid-19 pandemic disaster using the latest literature study methods. The research method used is a literature study, consisting of collecting various sources from previous research, then comparing the results found with relevant theories before analyzing them. The results of this study concluded that the application of business resilience to MSME actors in Malang City can maintain their business, based on the results of the analysis it was found that MSMEs in Malang City can maintain their business by having entrepreneurial characteristics, the use of technology and support from the government that implements policies to help MSME actors. Thus, the use of the concept of business resilience is important to be applied by MSME actors when experiencing pandemic problems that arise unexpectedly. Based on the findings from the research, the recommendations for the next author are to raise the theme of business resilience and its application to the conditions of the new normal era. Or maybe you can apply the concept of business resilience in a larger company as an object of research, to see how this concept is applied, then the findings can be compared with this study, so that findings are obtained regarding the effectiveness of implementing more complex business resilience.

Keywords: Business Resilience · Covid-19 · Disaster Management · MSMEs

1 Introduction

The impact of the Covid-19 pandemic has raised fears of an economic crisis due to the global economic downturn, and this could pose a major threat to economic sustainability in Indonesia. In Indonesia itself, based on a report from the Ministry of Finance, there are four sectors that have fallen due to the Covid-19 pandemic, namely the household sector, the financial sector, the corporate sector, and the micro and small and medium enterprises (MSMEs) sector. Of the four sectors, the MSME sector is the most affected sector [1].
During the Covid-19 pandemic, based on data from the Ministry of Cooperatives and SMEs, it shows that 98% of micro-enterprises or around 63 million consisting of 783 small businesses, 60 thousand medium-sized businesses and 5 thousand large businesses were also affected by the Covid-19 pandemic, which caused sales to fall and disruption of raw material supply [2]. The cause of the large number of average micro-enterprises affected by the Covid-19 pandemic is because it has an impact on important aspects of the economy, namely supply and demand. When viewed on the demand side, the policies that must be issued by the government in dealing with the Covid-19 pandemic situation by implementing a policy of limiting physical interaction have an impact on reducing community activities that require to stay at home, then this condition certainly has a great influence on purchases so that sales decrease and cause a decrease in income. The occurrence of this decrease in income causes the demand for goods and services resulting from MSMEs to also decrease so that MSMEs do not get profits. The policy of limiting interactions also affects the economic aspect from the supply side, because this encourages MSMEs that experience a condition of declining demand to make decisions to reduce their production, which causes the distribution of goods to also be hampered and conditions cause an alarming economic downturn.

The economy that was affected by Covid-19 and had a major influence on the decline in the number of MSMEs was also experienced by one of the regions in Indonesia, namely Malang. The number of MSMEs in Malang Regency as of July 31, 2020, was reduced to 425 thousand during the Covid-19 pandemic. This decrease in the number of MSMEs has a major impact on the community’s economy, especially in villages [3]. According to the results of a study conducted by the Malang Regency Cooperatives and Micro Enterprises Office on 686 existing MSMEs, it was found that during the Covid-19 pandemic, the fundamental problem experienced by MSMEs in Malang Regency was that sales fell to (44%); capitalization of (27%); inhibited distribution by (12%); difficulty of raw materials (9%); and production problems (8%). Based on these problems, it caused a decrease in sales turnover for MSMEs in Malang Regency by 77.6%, a decrease in assets reaching 42.7% and a reduction in labor to 46.1% [4].

Based on these conditions, every organization, including MSMEs, needs to have disaster management to survive. Disaster management is a risk management activity for disaster management that occurs in organizations [5]. The disaster in question can be a sudden and unexpected change. The COVID-19 pandemic is considered a disaster because it occurs suddenly and unexpectedly [6]. For this reason, MSME actors, especially in the Malang area, must not remain silent and must make new breakthroughs to overcome the negative impacts caused by the Covid-19 pandemic. MSME actors are required to be able to adapt quickly to the changes that occur, even MSME actors need to have a way to manage and continue to survive if unexpected changes occur again.

Seeing these conditions, MSME actors need to have “resilience” in facing sudden changes. L. Cutter and Susan [7] define Business resilience is the ability of social systems to respond to and recover from disasters and include conditions that allow systems to absorb impacts and cope with events, as well as post-event adaptive processes that facilitate the ability of social systems to reorganize, transform, and learn in response to threats. According to Sinambela [8] Variable business resilience is operationalized as an assessment by MSME actors at the organizational level related to business capacity to
survive in response to external threats (such as the pandemic period), especially in the response phase.

In facing the Covid-19 pandemic, MSME players can apply business resilience as a method to maintain their business in the face of sudden changes in the situation. According to Whitting [9], business resilience (business resilience) is one of the top 10 skills of 2025. With the business resilience carried out, it will provide the ability for MSME actors to continue to survive, this is because business resilience is a concept that can help MSMEs to see the upcoming situation and prepare to face unexpected situations. Therefore, the government and MSME actors must pay more attention to business resilience.

In this study, we explored the business resilience measures of MSME actors in Malang. As is the case in regions throughout Indonesia and even around the world, MSMEs in Malang areas are also experiencing a downturn as the data explained above that with the Covid-19 pandemic. MSMEs in Malang are also experiencing an alarming crisis. Problems that occur such as declining sales, difficulties in raw materials and distribution stops due to social restrictions. For this reason, it is necessary to have a business or strategy to maintain the business resilience of MSME actors in Malang.

Through business resilience, MSME actors can find out how to identify problems, starting from the causative factors, forms, characteristics, effects to the root causes of MSME problems in dealing with the Covid-19 pandemic case. Then it can be known that the opportunity can be applied as a preventive measure as well as a method of solving problems or strategies that can be done if you experience the same problem. In essence, the concept of business resilience can assist MSMEs in absorbing impacts and overcoming an event, as well as post-event adaptive processes that facilitate the ability of social systems to reorganize, transform, and learn in response to threats. So that if it is related to the preparation of work programs or MSME activities, it can be realized effectively and achieve maximum results to face all situations.

2 Method

This paper is prepared based on the literature study approach method through the identification, evaluation, and synthesis of the latest research results related to business resilience as a solution for MSME actors to survive in the Covid-19 pandemic situation. According to Florian [10], the literature study is described in several phases which can be seen in Fig. 1. The data collected came from searching for journal articles on google scholar with searches for related keywords, MSMEs during the covid-19 pandemic in Indonesia, then searches were narrowed back to the topic of discussion of MSMEs in the city of Malang during the covid-19 pandemic, this was done to obtain information and literature materials that were in accordance with the theme to be written. The author is also looking for journal articles that discuss the business resilience of MSME actors during the pandemic.

Based on the literature search, the articles that discuss the impact of business resilience on disaster management mostly focus on the interview method as a theory test. However, this research focuses more on exploring the contribution of the concept of business resilience in tackling the impact of the Covid-19 pandemic, especially in
making decisions that must be done quickly and accurately. Therefore, this paper is limited to only discussing a contextual approach that presents the contribution of decisions that must be taken by MSME actors when a disaster occurs suddenly. In summary, this research is expected to provide a reasonable exposure based on an analysis of the economy.

The steps taken by the author in analysing the topic of discussion are the first of the authors to observe and analyse the phenomena that are happening related to the research topic. Second, determine the focus of research based on information that has been obtained from the literature, namely related to the implementation of business resilience in helping MSME actors survive through the Covid-19 pandemic. Third, the data sources collected are in the form of information or empirical data sourced from journal articles, research reports and other literature that can provide new research scope related to the theme of MSME business resilience. The three stages assist researchers in identifying various variables related to the research topic. Fourth, after various literature related to the resilience of MSME businesses during the Covid-19 pandemic have been obtained, the author then examines various literature sources to be able to obtain maximum results so that they will find new ideas related to research topics. Finally, the author analyses research records from various literature related to the resilience of businesses carried out by MSMEs in Malang during the pandemic period which then gets conclusions on several ways MSME actors in Malang can survive during the pandemic which are compiled in the form of research reports with applicable writing systematics. Thus, the literature study method can combine findings with the same theme as preliminary studies with contemporary studies [11].

3 Finding

3.1 The Governments Role in Efforts to Save MSMEs During the Pandemic

Based on the finding of research that has been carried out, data has been obtained that the central government has a role to help MSME actors in facing the pandemic period, various policies and efforts have been made by the central government to help MSME actors survive such as:

- SME Credit Restructuring

Credit restructuring policy assistance for MSMEs is carried out through principal delays and interest subsidies as well as relaxation of asset quality assessments. The Interest-Bearing Working Capital Credit is given as a working capital policy assistance by
providing guarantors to Jamkrindo and Askrindo while other support for MSMEs is carried out in the form of providing incentive assistance for the final PPH of MSMEs borne by the government and providing (the president’s rocks productive micro-enterprises). Based on the Financial Services Authority regulation Number 11/PJOK.03/2020 and 14/PJOK.05/2020, the first credit restructuring for MSMEs is carried out through a relaxation of the assessment of the quality of MSME assets.

- Digitization of MSMEs

The Ministry of Cooperatives and SMEs has formulated strategies to develop the digitalization of MSMEs. The Ministry of Cooperatives and SMEs has 4 stages of strategy in order to develop the digitalization of MSMEs, namely: First, increasing human resources so that their capabilities can increase. Second, intervene in the improvement of business processes from MSMEs which are formulated into several productive programs. Third, expanding marketing access, one of which is the Ministry of Cooperatives and SMEs, which has collaborated with the Government Procurement Policy Institute. Some of the activities carried out include: E-learning Training, MSME Go Online Program, Online Training, Introduction to the QRIS system.

- Tax Incentives

Tax incentive is a policy set by the government aimed at companies and organizations to facilitate and stimulate taxpayers to improve compliance in carrying out their tax obligations. The provision of tax incentives for MSME actors affected by the Covid-19 pandemic is stated in PMK No. 86 of 2020. Tax incentives can be done by submitting directly or applying online through the www.pajak.go.id.

- Social Assistance

Bansos (Social Assistance) is provided by the government for MSME actors who experience capital problems in running their business. The provision of social assistance is carried out directly through the accounts of MSME actors with bank intermediaries appointed by the government.

- Provision of Product Buffers in the MSME Ecosystem

Agricultural, fishery, culinary and household industry products need buffer support to ensure product uptake, thereby ensuring the turnover of product supplies. This policy is more useful if accompanied by providing e-commerce services in buffer areas.

- Program at Neighboring Warung

A program to ensure the supply of basic needs of the community in traditional stalls at a stable price. This program aims to ensure that people’s needs are available and strengthen the economy and connect traditional stalls with online platforms to reduce physical mobility, ordering and delivery via delivery services.

And Malang regency local government policy in helping MSMEs, such as: (1) Assistance of production infrastructure to 50 groups of SMEs amounting to 15 million / group; (2) Training that reaches 200 SMEs on branchless services through https://swapasar.id and other training by relevant agencies; (3) Focus on promoting MSME products; (4) Running a small incubator program; (5) Digitalization of marketing for MSME players
aged 30–50 years; (6) Digitalization / market place involving 500 SMEs for packaging and design activities; (7) Increasing the role of PLUT by providing online services; (8) Technical guidance for improving MSME human resources.

3.2 Application of MSME Business Resilience in Malang Facing the Covid-19 Pandemic

Based on the findings from the analysis out by the author, the results are obtained that during the Covid-19 pandemic to create business reliance and be able to survive in the midst of the Covid-19 pandemic needed by MSME actors, such as: (1) Characteristics of entrepreneurship, its means The characteristics of entrepreneurship related to a person’s personal or psychological uniqueness consisting of the dimensions of attitude values and needs in running a business are important to build entrepreneurial characteristics in business leaders, this is because entrepreneurial characteristics greatly determine business success, especially in the conditions of the Covid-19 pandemic. (2) Technology Utilization. The use of technology in MSMEs affects facing crisis management such as the Covid-19 pandemic, if these MSMEs utilize information technology to the maximum, they can face crisis situations strongly. Information and various platforms or tools can be used by MSME actors to survive the Covid-19 pandemic. (3) Government Support, Priority policies for support carried out by the government include: credit restructuring, working capital credit, digitalization of MSMEs, tax intensive, and social assistance. A series of these steps are expected to run effectively to maintain the existence of MSMEs in the midst of pandemic conditions. Additional support carried out by the government such as making MSMEs a priority in the expansion of social protection programs and PEN, accelerating MSME access to short-term cash and financial funds and government support for channel development and program alignment between agencies is needed to support the resilience and reactivation of MSMEs.

4 Discussion

One of the important things to maintain business resilience during the Covid pandemic is the existence of entrepreneurial characteristics which are the ability, character, disposition, or trait of a person who is good at recognizing new products, determining new production methods, compiling operations for the procurement of new products and marketing and regulating the capital of their operations [12]. MSME actors must have entrepreneurial characteristics because then a business has behaviors that can create an innovative breakthrough in order to maintain the stability of MSME performance [13]. In addition, MSME actors must also have the spirit to move forward and a creative and innovative spirit that will be useful to help find solutions when unexpected situations such as the Covid-19 pandemic occur. The importance of entrepreneurial characteristics in maintaining business resilience has been carried out by Mukoffi [14] that the performance of MSMEs during the Covid-19 Pandemic can be maintained and can even be improved by maintaining entrepreneurial characteristics and business capital. From the results of the study, it was found that the efforts made to maintain entrepreneurial characteristics were determined by internal factors such as the locus of control” [15]. According to
Lüthje and Franke [16], the locus of control is the personality of business owners where they believe they can improve the performance of MSMEs. This is also supported by research from Helmawati [17] saying that the performance of MSMEs looks good or not depends on the individual performance of business owners as leaders, one of the supporting factors in this case is the locus of control, where every business owner who is ready to bear the risk shows better performance to face any situation [16]. Strengthening the characteristics of entrepreneurship to assist in the resilience of MSME businesses is also proven by research conducted by Nurhayati [18] in their research succeeded in finding that the psychological characteristics of entrepreneurship have a real and positive effect on entrepreneurial competence and business performance. The characteristics of entrepreneurship related to a person’s personal or psychological uniqueness consisting of the dimensions of attitude values and needs in running a business are important to build entrepreneurial characteristics in business leaders, this is because entrepreneurial characteristics greatly determine business success, especially in the conditions of the COVID-19 pandemic. Leaders of business actors / MSMEs who have entrepreneurial characteristics can be used as a force to maximize efficiency from the use of economic competitiveness development factors, thus allowing MSMEs to have a more positive mind-set, build sensitivity to the market and create creative thinking power so as to be able to improve their performance. Based on the results of the research above, it can be concluded that strengthening entrepreneurial characteristics affects the performance of MSMEs.

Factor to maintain business resilience during the Covid pandemic is Technology Utilization. The use of technology has long been intensified to support more effective marketing activities, and it turns out that it also helps MSME actors in dealing with the Covid-19 pandemic situation. Based on the results of Paramitha’s research in 2022 the use of technology in MSMEs affects facing crisis management such as the Covid-19 pandemic, if these MSMEs utilize information technology to the maximum, they can face crisis situations strongly. Information and various platforms or tools can be used by MSME actors to survive the Covid-19 pandemic. Research related to the use of technology was also carried out by Rosmadi with the title “Application of Business Strategies during the Covid-19 Pandemic” the result of the research was to use a business approach to promoting products using social media [19]. According to the research findings, this technique can operate as intended if the purchasing power of customers is taken into account during the covid-19 pandemic. The funds needed by small businesses, on the other hand, can be reduced by utilizing social media tools. The use of technology in MSME business strategies can be an alternative that is carried out to survive during the Covid-19 pandemic, social restrictions set by the government change the behavior of consumers who cannot leave the house to switch to making purchases online, and the ease of utilizing social media is also a factor of changing consumer behavior in terms of purchase transactions.

And the last is government support, Various policies and assistance such as training have been provided by the government to help MSMEs. This research reveals that government support for MSMEs has no effect in dealing with crisis management such as the COVID-19 pandemic, but government support during times of crisis will greatly affect the operational activities of MSMEs, especially the spread of COVID-19 which
causes various restrictions will greatly impact business operations, most of which rely on direct marketing. Capital assistance and training held by the government can also help in readiness for MSMEs in facing the COVID-19 pandemic situation. Priority policies for support carried out by the government include: credit restructuring, working capital credit, digitalization of MSMEs, tax intensive, and social assistance. A series of these steps are expected to run effectively to maintain the existence of MSMEs in the midst of pandemic conditions. Additional support carried out by the government such as making MSMEs a priority in the expansion of social protection programs and PEN, accelerating MSME access to short-term cash and financial funds and government support for channel development and program alignment between agencies is needed to support the resilience and reactivation of MSMEs.

5 Implications

Implication is a consequence or direct result of the discovery of scientific research. The results of this study are about the implementation of business resilience carried out by MSME actors in Malang during the COVID-19 pandemic. Based on the results of the study, it is known that during the pandemic wave that hit Indonesia, the central government implemented various policies to reduce the spread, which had an impact on MSME actors, to be able to survive the government sought various ways to help MSME actors with various policies and also training and providing assistance to MSME actors so that their businesses could survive. In addition to assistance from the government, to create business resilience, MSME actors must also have several ways to survive the COVID-19 pandemic, namely by having good entrepreneurial characteristics and the use of technology in carrying out their business activities. This research examines the scope of MSMEs during the COVID-19 pandemic, the conclusions drawn certainly have implications in the MSME field during the COVID-19 pandemic and also subsequent research. In connection with this, the implications of this study based on the results of the research above found that to create business resilience by MSME actors is a good collaboration between MSME actors and the government, support from the government in the form of policies, training and assistance will greatly help MSME actors to survive, but government support will not be carried out properly without good entrepreneurship characteristics and innovation to take advantage of technology. So, the implementation that needs to be carried out by MSME actors in Malang city is by improving their entrepreneurial characteristics, starting to utilize technology in their business operations and utilizing government support.

6 Conclusion

Based on the presentation of the discussion that has been presented in the previous section, it can be concluded that the concept of business resilience consisting of entrepreneurial characteristics, the use of technology and the existence of government support is important to be applied by MSME actors to be able to survive during the Covid pandemic, business resilience can also help MSME actors to analyze if other unexpected situations occur again. The concept of business resilience has been mostly
applied by MSME actors, especially in the Malang area, the application of this concept can be seen, one of which is from several research results related to MSME actors in Malang who have utilized technology in their business activities. Research related to the role of the government and also policies that have been implemented to help MSMEs face the COVID-19 pandemic situation have also been pursued.

It does not stop at this stage, later it is necessary to conduct a study on other objects or methods to be compared with the results of this article in order to obtain more in-depth scientific results. Therefore, we as authors provide suggestions to the next author to bring up the theme of business resilience again and its application to the conditions of the new normal era or maybe you can implement the concept of business resilience in a larger-scale company as an object of research, to see how this concept is applied. That’s how to apply business resilience in new normal conditions or to larger companies or business managers. Then the results of these findings can be compared with this study, so as to obtain findings on the effectiveness of the implementation of business resilience that is more complex.

References


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