



# Evaluation Of The Impact Of The Economic Recovery Program Due To The Pandemic On The Sustainability Of Micro And Small Enterprises

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## ABSTRACT

The Covid-19 pandemic has had an impact on various economic sectors, including the Micro and Small Business sector. MSME itself has a vital role in economic and social growth. MSME is considered capable of leveling the economy in various regions, including in East Java such as Malang and Kediri. These two areas were chosen because the MSME s in these two cities were included in the top five contributors to East Java's GDP. Meanwhile, the Covid-19 pandemic has had a significant impact on East Java's economic growth, one of which is the MSME sector. The government also issued a National Economic Recovery policy to reduce the impact of the pandemic on micro businesses. Therefore, this study aims to evaluate the impact of the economic recovery program on the sustainability of MSEs. The results of this study are that several MSME actors still do not receive government assistance when their business declines due to COVID-19 and there are still MSME actors who still use traditional marketing so that suggestions that can be recommended are (i) a market penetration strategy (ii) a product development strategy ( ii) product development strategy.

**Keywords:** *Micro and Small Business, COVID-19, strategy, sustainability*

## 1. INTRODUCTION

Micro, Small and Medium Enterprises (MSME) have a vital role in economic and social growth in Indonesia. MSME is considered capable of leveling the economy in various regions, one of which is in East Java, East Java. This is reinforced by the contribution of MSME to GRDP (Gross Regional Domestic Product) in East Java which reached 57.25% in 2019. This figure has increased compared to the previous year of 56.93% based on the Office of East Java Cooperatives and MSME 202. So that MSME is considered to have a big role in contributing to an even economy.

In addition, the MSME provides opportunities for business actors to open new jobs so that they can reduce unemployment and poverty in East Java. This is supported by data from the Ministry of Cooperatives and Small and Medium Enterprises 2018, which shows that the growth of MSEs always increases from year to year. Then, MSEs are able to absorb a workforce of up to 120 million people. Furthermore, MSME also provides foreign exchange for the country through the export of goods and services to other countries and the presence of foreign tourists shopping within the country.

Meanwhile, the COVID-19 pandemic has had a significant impact on the economic growth of East Java and East Java, including the MSME sector. During this pandemic, MSEs have proven to be able to adapt as well as create new innovations to survive in an era of uncertain industrial development. One way is through digital transformation. Through

digital transformation, MSE activities no longer need physical contact with consumers and can switch to using digital transactions. In addition, there are solutions provided by the government for affected MSE businesses through the National Economic Recovery Program.

The National Economic Recovery Program for MSEs includes strengthening MSE market access, compiling e-catalogs to make it easier for domestic and foreign buyers, and expanding KUR to meet MSE financing needs. This program is expected to be able to improve the sustainability of MSE businesses. Sustainability is a crucial issue and a focus in the business world. Realizing this, encouraging the birth of new ideas related to the concept of economic development and its relation to environmental and social aspects. Therefore, the government adopted the concept of sustainability to be applied in development in various sectors, supported by Tan et al [1].

Previous research on the impact of covid-19 on MSEs in East Java found that 48% of MSEs experienced sales problems, supported by Aminy et al [2]. This was due to the policies implemented by the Government, namely Large-Scale Social Restrictions (PSBB), Work From Home (WFH), and School From Home (SFH), thus causing changes in community mobility. Meanwhile, the purpose of this research is to find out strategies related to the sustainability of MSMEs in Malang and Kediri

### ***1.1.1. Concept of Evaluation and Impact***

Evaluation studies are an inseparable part of efforts to measure the success of a program or policy issued by the authorities, in this case the Government. In this regard, evaluation is a tool for analyzing and assessing phenomena as well as the application of science and its applications. As an analytical tool, the science in evaluation is also in various branches of knowledge, such as social sciences, politics, sociology, including economics.

Evaluation science has become an independent branch of science in the United States, since the theory of evolution was put forward by Ralph Tyler. Until now, the development of evaluation science is still continuing in line with the increasing number of scientists who study a lot about evaluation science. One of them resulted in the statement that program evaluation theory has 6 characteristics, namely: overall affinity; has various core of a concept; has various tested hypotheses regarding the expected output from the implementation of evaluation procedures; ethical requirements; and a general framework for both directing program evaluation practices and conducting research on program evaluation, supported by Akbar et al [3].

As previously stated, evaluation studies are studies on policy evaluation which is one of the main branches of public administration. In the perspective of the public policy cycle, policy evaluation occupies the last position after policy implementation so that the preparation of public policies is naturally carried out after the evaluation is complete. Evaluation studies are an important part because the results of the evaluations carried out determine the sustainability of a program or policy, supported by Akbar et al [3].

### ***1.1.2 Micro small and Medium Enterprises***

Small and medium enterprises are considered as the main contributors to economic prosperity, supported by Henderson et al [4]. Micro, Small and Medium Enterprises (MSMEs) are often described as a sector that has an important role and has factors, supported by Connelly et al [5]. Entrepreneurship theories have been proposed to explain a wide spectrum of phenomena, starting at the firm level, such as why small firms exist, or why some firms are more innovative or enjoy greater growth than others, supported by McKelvie et al [6]. why some people choose to start a new business or why some people recognize and act on certain opportunities, supported by Hoang et al [7]; Dinas Koperasi dan UMK Jawa Timur [8].

MSMEs have an important role in the Indonesian economy and become a global economic catalyst in the future, supported by Hadiyati [9]. In general, MSMEs in the national economy have a role: (1) as the main actor in economic activity, (2) the largest provider of employment, (3) an important player in the development of the local economy and community empowerment, (4) the creator of new markets and sources of innovation, and (5) its contribution to the balance of payments.

In carrying out their business, MSMEs represent more informal and unplanned activities that rely on energy and intuition from individuals to carry out business activities, supported by Renton et al [10]. MSMEs must also face competition, with competition, MSMEs must be able to identify various opportunities and threats. Therefore, MSMEs are required to always think creatively, efficiently, and implement appropriate marketing strategies to increase sales volume, company profits and market share.

### ***1.1.3 Sustainability And Small Medium Enterprises***

Sustainability is a crucial issue and a focus in the business world. Realizing this, encouraging the birth of new ideas related to the concept of economic development and its relation to environmental and social aspects. Therefore, the government adopted the concept of sustainability to be applied in development in various sectors, supported by Tan et al [1]. In Indonesia, sustainable development is mandated by the constitution by issuing a policy amendment to the 1945 Constitution article 33 paragraph 4.

The goal of sustainable development is to fulfill the present without compromising future interests. Awareness of the importance of sustainable development has begun to be disseminated by the government and the social environment, supported by Tan et al [1]. Therefore, stakeholders in the industrial world, international organizations, government and markets are the driving factors for pushing the issue of sustainable development by emphasizing transparency and improvement from non-financial (social and environmental) aspects, supported by Sather et al [11].

One manifestation of the application of sustainable development in this research is to build sustainable Micro, Small and Medium Enterprises (MSME) that have competitiveness. Micro, Small and Medium Enterprises (MSME) is a sector that has the potential for economic development. The existence of MSEs in Indonesia is crucial because they are able to absorb a productive workforce in order to achieve productivity through investment and technological change.

It is hoped that the presence of MSEs can encourage the creation of goods and services economically, able to absorb labor thereby reducing inequality and paying attention to environmental and other aspects such as human resources which are important for the sustainability of MSEs. The Balanced Scorecard (BSC) approach ensures sustainable development priorities based on the limited resources of SME, supported by Hsu et al [12].

## **2. PREVIOUS RESEARCH**

Research on the factors that influence the sustainability of micro, small and medium enterprises in Bandung and Bogor. The research method used is Structural Equation Models (SEM), supported by Yanti et al [13]. The results of this study indicate that the level of sustainability of MSEs in urban areas is higher than in district areas. Bandung City and Bogor City with income and business growth sub-variables have a higher percentage score than Bandung Regency and Bogor Regency. This is demonstrated by product quality, as well as better innovation. The factors that influence the sustainability of MSE businesses are the perception factor of MSE actors and the factor of using ICT (Information and Communication Technology / ICT) facilities directly.

Furthermore, studies on investment strategies based on asset allocation to increase the profitability and sustainability of MSEs, supported by Soekarno dan Damayanti [14]. This study aims to increase the income from this cash position through an asset allocation strategy. The results of this study indicate that the Asset Allocation Strategy with Periodic Rebalancing provides a better return than the performance of the JCI index. The Aggressive Portfolio with quarterly rebalancing provides superior results compared to all other portfolios. When MSEs use strategies to benefit from their business, MSEs can increase their profits and sustainability significantly.

Research on the factors that influence the sustainability of MSEs in facing globalization, supported by Verjel [15]. The result obtained is that MSEs must always be innovative and flexible. To improve MSE business continuity, reorganization can be an option that provides significant benefits. Then, a study on the implementation of open innovation for the sustainability of MSEs in Indonesia, supported by Hamdani dan Wirawan [16].

Several factors are considered to have an effect on MSEs in Indonesia such as marketing, Technology, access to capital, and quality of human resources. However, all of these factors are also a problem for MSEs in Indonesia. The results of this study indicate that open innovation in Indonesia will encourage the development of MSE business centers to become advanced clusters. Indonesian MSEs need to apply technology exploration and technology exploitation in the form of open innovation. In addition, the role of the government, universities, non-profit research centers and business development services is urgently needed to help Indonesian MSEs implement open innovation. Open innovation will result in sustainability and create a competitive advantage for MSEs.

## **3. RESEARCH METHODS**

In this study, the data collection method used is as follows:

1) Questionnaire

Questionnaire is a technique of collecting data by giving questions or written statements to respondents to answer, supported by Sugiyono [17]. In this study, the questionnaire used was a closed questionnaire, which was equipped with answer choices so that the respondent only put a tick on the selected answer.

2) Observation

Observations were made on research objects and subjects that were considered relevant so that they could provide additional data regarding the existing conditions of the research location.

3) Documentation

Documentation is a method of collecting data sourced from books, documents, regulations, diaries, minutes, meetings and so on. Documentation method in research as a support in conducting documentation regarding research data.

The analytical method used is Internal Factors and External Factors or IFAS EFAS, which is a strategy formulation tool that summarizes and evaluates the main strengths and weaknesses as well as external factors. According to Freddy [18], the working stages of the External Factor Evaluation / EFAS Matrix are:

1. The list of critical success factors for external aspects includes opportunities and threats for the company.
2. Determination of the weight of the critical success factor with a scale that is higher than that of high achievers and vice versa. The sum of all weights must be 1.0. The weight value is sought and calculated based on the industry average.
3. Giving a rating (value) between 1 to 4 for each factor that has a value of:
  - 1 = below average 3 = above average
  - 2 = average 4 = very good
4. Add up all the scores to get a total score for the company being assessed. The total score of 4.0 indicates that the company responds in an extraordinary way to existing opportunities and avoids threats in its industrial market. Meanwhile, a total score of 1.0 indicates that the company does not take advantage of existing opportunities or does not avoid external threats.

4. RESULTS AND DISCUSSION

4.1.1 Results

This study uses the IFAS-EFAS Matrix to examine strategies for evaluating the impact of the pandemic's economic recovery program on the sustainability of micro and small businesses in the East Java region. The following is the result of the IFAS-EFAS Matrix.

Table 1. IFAS Matrix Results

(Internal factors)	Weight	Ratings	Weight X Ratings
<b>Strength :</b>			
Turnover conditions before the pandemic	0,21	4	0,84
Marketing system before the pandemic	0,11	3	0,33
Labor conditions before the pandemic	0,21	4	0,84
Marketing system after the pandemic	0,21	4	0,84
			<b>2,85</b>
<b>(Internal factors)</b>			
	<b>Weight</b>	<b>Ratings</b>	<b>Weight X Ratings</b>
<b>Weakness :</b>			
Turnover conditions after the pandemic	0,11	1	0,11
Labor conditions after the pandemic	0,21	2	0,42
			<b>0,53</b>
<b>Total</b>	<b>1,06</b>		<b>3,38</b>

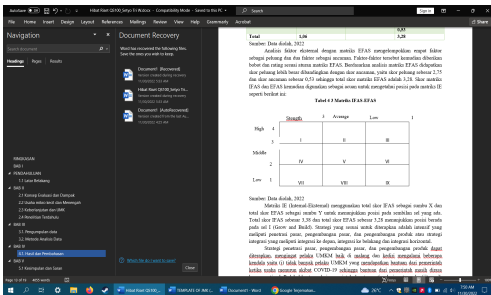
Internal factor analysis with the IFAS matrix classifies four factors as strengths and two factors as weaknesses. These factors are then given weights and ratings according to the rules of the IFAS matrix. Based on the IFAS matrix analysis, the strength score is greater than the weakness score, namely a strength score of 2.85 and a weakness score of 0.53 so that the total IFAS matrix score is 3.38.

**Table 2.** EFAS Matrix Results

(External Factor)	Weight	Ratings	Weight X Ratings
<b>Opportunity :</b>			
Government assistance scheme	0,21	4	0,84
An effective assistance scheme to increase business	0,21	4	0,84
Strategies to survive in the middle of a pandemic	0,11	4	0,44
Another factor that allows businesses to survive in the midst of a pandemic	0,21	3	0,63
			2,75
<b>(External Factor)</b>	<b>Weight</b>	<b>Ratings</b>	<b>Weight X Ratings</b>
<b>Challenge :</b>			
Business competition	0,11	1	0,11
Interest credit loans	0,21	2	0,42
			0,53
<b>Total</b>	<b>1,06</b>		<b>3,28</b>

External factor analysis using the EFAS matrix classifies four factors as opportunities and two factors as threats. These factors are then given weights and ratings according to the rules of the EFAS matrix. Based on the EFAS matrix analysis, the opportunity score is greater than the threat score, namely an opportunity score of 2.75 and a threat score of 0.53 so that the total score of the EFAS matrix is 3.28. The IFAS and EFAS matrix scores are then used as a reference to determine the position in the IE matrix as follows:

**Table 3.** IFAS EFAS



The IE (Internal-External) matrix uses the total IFAS score as the X-axis and the total EFAS score as the Y-axis to indicate the position in the nine existing cells. The total IFAS score is 3.38 and the total EFAS score is 3.28 indicating the position is in cell I (Grow and Build).

The appropriate strategy to implement is intensive which includes market penetration, market development, and product development or integration strategy which includes forward integration, backward integration and horizontal integration.

**4.1.2 Discussion**

The purpose of this research is to find out strategies related to the sustainability of MSMEs in Malang and Kediri using IFAS-EFAS Analysis Methods.

**Sustainability Strategy for Small Medium Enterprises**

Market penetration, market development, and product development strategies can be implemented, considering that MSME players both in Malang and Kediri experience several obstacles, namely (i) not many MSME players receive assistance from the government when their business declines due to COVID-19 so that assistance from the government is still felt suboptimal. Even though assistance from the government can stimulate a business (ii) there are still business

actors (food and beverages) who still use traditional marketing such as door to door, selling in one place and word of mouth marketing. Therefore, several strategies that can be implemented are as follows:

First, the market penetration strategy is a strategy to increase current product sales in current markets through aggressive marketing efforts. The market penetration strategy is considered as an important framework in helping MSEs to increase benefits and maintain competitive advantage through unlimited resources. Market penetration strategies can be carried out by increasing production capacity, promotion, quality, and innovating. Research from Hariini and Yulianeu [19], reveals that market penetration has a positive effect on marketing mix and marketing performance and the direct effect of market penetration is greater on marketing performance than the effect mediated by the marketing mix.

MSME is related to the creation and growth of companies, supported by Rigtering [20]. The market penetration growth strategy is a strategy to develop existing markets and existing products. Market penetration is often perceived as a low-risk growth method in the Ansoff matrix in an effort to gain a larger market share than competitors. The strategy intended to enter new market segments and expand markets to reach new users is part of a market penetration strategy.

Market penetration assumes that there is unsatisfied demand in the market and that consumers still have untapped resources. This can be achieved by getting more buyers from the same target market or getting existing buyers to buy existing products more often. One of the biggest factors of market penetration value is its capacity to succeed and be profitable by controlling and adjusting market demand, sales and market response through brand management, pricing, packaging and promotion, supported by Hooley et al [21].

Market penetration has a positive effect on marketing mix and marketing performance and the direct effect of market penetration is greater on marketing performance than the effect mediated by the marketing mix Hariini and Yulianeu [19]. Therefore, the market penetration strategy can be increased by increasing customer retention, increasing sales in existing markets, increasing value, increasing existing market share, and increasing the size of existing markets.

Second, the market development strategy is carried out to increase sales by seeking new marketing areas. This strategy can be carried out by collaborating with partners to expand the market, improve and expand the marketing system, and digitalize marketing. According to research by Azzahra [22]. With a case study of the Healthy yogurt product, it shows that a market development strategy can be carried out with a market development strategy to achieve the target of adding new market shares for products so as to increase the number of purchases per agent and add agents or resellers so that sales can increase. In addition, digitizing marketing by creating personal websites and official social media accounts can also be done to develop marketing.

Third, the product development strategy is a strategy to increase sales by developing better products for the currently controlled market. The product development strategy can be carried out by implementing several alternative strategies, namely: carrying out product innovation, maintaining and maintaining product quality, optimizing the provision and use of government funding (revolving credit), developing production technology, increasing the competitiveness of local products, improving development facilities and infrastructure SMEs, as well as increasing promotion through events by highlighting product characteristics, supported by Pangestika et al [23]. According to Sarwoko [24] product development strategy can be carried out by producing products or services with different characteristics from competitors, and utilizing technology to make the production process more efficient. This strategy is mostly used by small and medium business owners in Malang Regency.

## 5. CONCLUSION

Micro, small and medium enterprises are still not fully utilizing digital technology to carry out massive marketing so that marketing is carried out in a traditional way and not many MSME actors receive assistance from the government when their business declines due to COVID-19 so that assistance from the government is still not optimal.

The suggestions that can be conveyed by researchers are

1. The market penetration strategy is a strategy to increase current product sales in the current market through aggressive marketing efforts. The market penetration strategy is considered as an important framework in helping MSEs to increase benefits and maintain competitive advantage through unlimited resources. Market penetration strategies can be carried out by increasing production capacity, promotion, quality, and innovating.

2. The market development strategy is carried out to increase sales in a way looking for new market areas. This strategy can be carried out by collaborating with partners to expand the market, improve and expand the marketing system, and digitalize marketing.
3. The product development strategy is a strategy to increase sales by means of developing better products for markets they currently dominate. The product development strategy can be carried out by implementing several alternative strategies, namely: innovating products, maintaining and maintaining product quality, optimizing the provision and use of government funding (revolving credit).

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