

# The Activities of SMEs and The Role Indonesian Government During Covid-19 Pandemic

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**Abstract-** Since the end of February 2020, Indonesia has not been spared the impact of the corona virus outbreak that previously hit other countries in the world. Corona outbreaks hit various joints, especially the economic joints. One of the economic subsectors most affected is SMEs, because almost 90% of the workforce in Indonesia is absorbed in this sector. Its contribution to GDP is quite large, reaching 60% or around Rp 8,400 Trillion. The author tries to conduct this research with a descriptive method using secondary data from competent parties who describe the efforts that must be made from the SMEs themselves with what the Indonesian government is doing to overcome the impact of the spread of corona for SMEs in Indonesia.

**Keyword:** SMEs, Corona Impact and Efforts to overcome it.

## 1. Introduction

Since the corona epidemic in Indonesia in one month, MFI becomes one of the significantly affected especially to venture micro scale. Economic research center (P2E) LIPI shows that a virus corona will hit micro and small entrepreneurs who so far support sector activity tourism especially pertaining to the nourishment, drink, wood and rattan and efforts craft.

Scope micro and small entrepreneurs who move on the type of food business and drink micro affected be at a range 27% .Meanwhile , to venture food and drink small-scale affected about 1,77% , while business medium scale affected was minimal because only berpresentasi about 0.07% .In addition ,micro and small entrepreneurs who work business craft uranium-based wood and rattan will also affected significant .About 17,03% their businesses will by the crisis directly due to pandemics. Symptoms will the negative impact

to the corona SMEs slowly approached. Ministry of cooperatives and micro and small entrepreneurs release data complaints 1.332 micro and small entrepreneurs who spread in 18 provincial get the negative impact the corona virus. Of those, about SMEs 917 ( 69 % ) the decreased turnover.

In addition, about SMEs 119 ( 9 % ) experienced difficulty production of the distribution of goods. About SMEs 179 ( 13 % ) experienced difficulty in access to business capital. And there were even about SMEs 50 ( 4 % ) decreasing production significantly to continue production to a while.

## 2. Discussion

### 2.1. SMEs in Indonesia

Based on Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (SMEs) there are several criteria used, which are as follows.

#### 1. Micro Business

Productive businesses owned by individuals and or individual business entities that meet the criteria for micro businesses stipulated in the law.

#### 2. Small Business

Productive economic business which is independent and is carried out by individuals or business entities that are not subsidiaries or not a branch of the company that is owned, controlled, or is a part either directly or indirectly of medium-sized businesses or large businesses that meet the criteria of small businesses stipulated in the law -invite.

#### 3. Medium Business

A productive economic business that stands alone, which is carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled, or becomes a part either directly or indirectly with a small business or large business with the amount of net assets or annual sales results as regulated in law.

Data compiled from the ministry of cooperatives and SMEs are as follows:

Table 1. Development of SMEs in Indonesia

No	Year	Total Unit SMEs	Procentase Market
1	2009	52.764.750 unit	99,99%
2	2010	54.114.821 unit	100,53%
3	2011	55.206.444 unit	99,99%
4	2012	56.534.592 unit	99,99%
5	2013	57.895.721 unit	99,99%
6	2014	57.895.721 unit	99,99%
7	2015	59.262.772 unit	99,99%
8	2016	61.651.177 unit	99,99%
9	2017	62.922.617 unit	99,99%

Source: Ministry of Cooperatives and SMEs, 2020 (processed)

In 2014-2016 the number of SMEs was more than 57,900,000 units and in 2017 the number is expected to grow to more than 59,000,000 units. And in 2016, the President of Indonesia stated that SMEs that have high endurance will be able to sustain the country's economy, even during a global crisis. In November 2016 President Joko Widodo (Jokowi) received these business people at the Merdeka Palace for his opinion. Jokowi really hopes that small, micro and medium business entrepreneurs will be the frontline in developing the people's economy.

SMEs have become the backbone of the economies of Indonesia and ASEAN. Around 88.8-99.9% of business forms in ASEAN are micro, small and medium enterprises with employment reaching 51.7- 97.2%. This business has a proportion of 99.99% of the total business operators in Indonesia or as many as 56.54 million units. Therefore, cooperation for the development and resilience of micro, small and win businesses needs to be prioritized

## **2.2. Impact of Corona Virus for SMEs in Indonesia**

Coronavirus pandemic 2019-2020 or known as the COVID-19 pandemic is the event of the spread of coronavirus 2019 (English: coronavirus disease 2019, abbreviated COVID-19) worldwide. The disease is caused by a new type of coronavirus named SARS-CoV-2. The COVID-19 outbreak was first detected in Wuhan City, Hubei Province, China in December 2019, and was declared a pandemic by the World Health Organization (WHO) on March 11 2020. As of April 23, 2020, more than 2,000,000 COVID-19 cases have been reported in more than 210 countries and regions, resulting in more than 195,755 people dying and more than 781,109 recovering.

Efforts to prevent the spread of the virus include travel restrictions, quarantine, curfew, postponement and cancellation of events, and closure of facilities. These efforts include Hubei quarantine, national quarantine in Italy and elsewhere in Europe, and curfew in China and South Korea, various country border closures or restrictions on incoming passengers, screening at airports and train stations, and travel information on areas with local transmission. Schools and universities have been closed either nationally or locally in more than 124 countries and affected more than 1.2 billion students.

This pandemic has caused global socioeconomic disruption, postponement or cancellation of sporting and cultural events, and widespread concerns about the shortage of goods which has led to panic purchases. Information and conspiracy theories about the virus have spread online, and there have been incidents of xenophobia and racism towards Chinese people and other East Asian or Southeast Asian people.

Since the corona outbreak broke out in Indonesia in the past month, MSME has become one of the sub- sectors that has been significantly affected, especially for micro-scale businesses. The LIPI Economic Research Center (P2E) made a calculation that showed that the spread of the corona virus would hit the SMEs that had been supporting tourism sector activities especially those related to food, beverages, as well as wood and rattan

handicraft businesses.

The scope of SMEs engaged in the types of micro food and beverage businesses affected is in the range of 27%. Meanwhile, for small-scale food and beverage businesses affected around 1.77%, while medium-scale businesses affected were minimal because they only had a percentage of about 0.07%. In addition, SMEs that work in wood and rattan handicraft businesses will also be significantly affected. Around 17.03% of their businesses will be directly affected by the pandemic.

Symptoms of the negative impact of corona on MSME are slowly approaching reality. The Ministry of Cooperatives and UMKM released 1,332 complaints on SMEs in 18 provinces that had a negative impact due to the spread of the corona virus. Of this amount, around 917 SMEs (69%) experienced a decrease in sales turnover. In addition, around 119 SMEs (9%) had difficulty distributing manufactured goods. Around 179 SMEs (13%) have difficulty in accessing business capital. In fact, there are around 50 SMEs (4%) that have experienced a drastic reduction in production that has stopped production for a while.

Although not yet representing the overall conditions of SMEs in Indonesia, which totaled in the range of 59-62 million businesses, the condition of SMEs scattered in 18 provinces can be a sample of the overall conditions that SMEs in Indonesia experience considerable pressure due to the outbreak.

The symptoms of worsening MSME conditions in Indonesia due to this pandemic can actually be anticipated quickly. Bearing in mind, the phenomenon of worsening SMEs is also experienced by other countries and has the same problem tendencies with Indonesia

### **2.3. Covid Impact Countermeasures are carried out by SMEs in Indonesia**

Business owners also have to rack their brains to ensure their business finances stay healthy and can survive in this difficult time. Some time ago, Denny Simano who was the Founder of DSC.ID shared knowledge related to solutions for SMEs to maintain business in difficult times because of the Covid - 19 pandemic in the Masterclass Journal Webinar that raised the topic 'Business Financial Management Strategies in Crisis Times'.

In the webinar event attended by SME owners and financial practitioners, Denny explained 3 strategies to respond to the crisis situation due to corona, including:

1. **Improve Product and Service Quality**

This crisis period is the right moment for SME owners to improve the quality of their products or services and stop for a moment to develop a product or service product offering strategy that is the basis of their business.

Often, business actors are not aware of the difference between product improvement and bid development. Basically, products are goods or services that are marketed in business. Meanwhile, bidding is a way in which the business actor markets the product. Therefore, business actors need to differentiate between products and offers based on consumer perspectives.

In addition, SMEs also need to improve their strategy in coordinating and collaborating with their teams. Utilization of technology and professional tools that are available at this time can be a way for businesses to determine the priority of work, monitor and evaluate work that has been carried out in a certain period.

2. **Make the most of Technology**

Businesses are also advised to carry out automation processes in their business. Basically, there are three main fuels in business, namely time, energy, and money. Most businesses have money, but do not have the time and energy because it is spent on manual records and traditional methods. That usually impedes business development.

In marketing, for example, businesses can also make the most of technology with digital marketing and social media. In terms of sales, SMEs can also take advantage of online delivery services that are currently being loved by the public.

3. Prepare Business for More Development

Businesses also need to take advantage of this period to improve their expertise for the sake of future business development. For example, expertise in marketing via digital or developing your own e-commerce platform. So when the business is running normally, business operations can run faster than before.

4. Take advantage of Momentum






The SMEs can change the type of business in accordance with current conditions. For example, those who have a clothing business can change their direction by making cloth masks that are highly sought after by the community. Likewise the usual selling hawkers can change course by selling masks. Other businesses can also change the type of business, for example by making a handsanitizer which in practice is highly sought after in the market. SMEs must be observant in seeing opportunities from existing conditions. As the global economic downturn opens up opportunities for national SMEs to fill the larger domestic market. SMEs can replace the position of imported products. For example, for vegetables, fruits, spare parts raw materials whose imports are disrupted.

"Opportunity at SMEs is to substitute imported products, for example fruits, mushrooms, vegetables, raw material for the spare part industry because imports are disrupted. So this can actually be substituted by SMEs

#### **2.4. Policies undertaken by the Government of Indonesia in Managing the Impact of the Corona outbreak**

On March 30, 2020, the OECD released the 'SME Policy Responses' which discussed how small and medium enterprises (SMEs) were affected by the Corona virus and how countries around the world were handling these groups.

Figure 1. Handling of Covid 19 in various Countries in the World

CORONAVIRUS COVID-19 // ECONOMIC STABILISATION PROGRAMME UPDATED VERSION OF 8 MAY 2020				
MEASURE	OBJECTIVE	INSTITUTION(S)	BENEFICIARY(IES)	FURTHER INFORMATION
 Emergency allowance in the amount of EUR 2,500 EUR for the self-employed	Grant self-employed people with less than 10 employees a non-refundable and non-taxable support of €2,500	General Directorate for Small and Medium-Sized Enterprises	Traders, artisans and intellectual workers whose main activity is as a self-employed person	Guichet.lu
 <b>NEW</b> Additional financial aid for the self-employed based on their income	Grant self-employed people (regardless of the number of their employees) a direct aid in the amount of EUR 2,000, 3,000 or 4,000 depending on the income level of the person concerned	General Directorate for Small and Medium-Sized Enterprises	Traders, artisans and intellectual workers whose main activity is as a self-employed	Guichet.lu
 Financial aid of EUR 5,000 for micro-businesses forced to close down pursuant to a Government decision	Grant direct aid in the amount of €5,000 to companies with less than 10 employees, forced to cease their operations as a result of the amended regulation of 18 March 2020 <sup>1</sup>	General Directorate for Small and Medium-Sized Enterprises	Micro enterprises	Guichet.lu
 <b>NEW</b> Additional financial aid of EUR 5,000 for micro-businesses (employing less than 10 people)	Grant an additional direct aid in the amount of €5,000 to companies with ≤ 9 employees that 1.) have been forced to close their establishments on the basis of a Government decision and have not been authorised to resume their activities since 2.) have been forced to close their establishments and have since then been authorised to resume their activities, but they have suffered a major loss in turnover 3.) have not been forced to cease their activities but have suffered a major loss in turnover	General Directorate for Small and Medium-Sized Enterprises	Micro enterprises	Guichet.lu
 <b>NEW</b> Financial aid of EUR 12,500 for businesses employing between 10 and 20 people	Grant a direct aid of EUR 12,500 to businesses (between 10 and 20 staff) that 1.) have been forced to close their establishments on the basis of a Government decision and have not yet been authorised to resume their activities since 2.) have been forced to close their establishments and have since then been authorised to resume their activities, but they have suffered a major loss in turnover 3.) have not been forced to cease their activities but have suffered a major loss in turnover	General Directorate for Small and Medium-Sized Enterprises	SMEs employing between 10 and 20 people	Guichet.lu

Source : <https://meco.gouvernement.lu>

Like other countries that implement various policies, the Indonesian government also anticipates the impact caused by the existence of a pandemic corona by making various policies determined by President Joko Widodo to protect SMEs, namely:

- 1) For SMEs who are categorized as poor and vulnerable groups from the impact of COVID-19. For this group, Jokowi ensured that they were included as part of the recipient of social assistance, be it the Family Hope Program (PKH), food packages, cash assistance, village BLT, exemption from reducing electricity tariffs, as well as pre-employment cards.
- 2) Providing tax incentives for MSME entrepreneurs whose turnover is below Rp 4.8 billion per year. "I think here the government has reduced the final PPh rate for SMEs from 0.5 percent to 0 percent over the 6-month period, starting from April to September 2020," the President said.
- 3) Providing relaxation and restructuring of MSME loans with various programs. The relief provided includes a delay in installments and interest subsidies for KUR recipients, ultra micro credit, or UMi, PNM Mekaar, which amounts to 6.4 million, and in Pegadaian there are also 10.6 million debtors. In addition, there are installments and interest subsidies to micro business credit recipients from LPDB-KUMK, delays in installments and interest subsidies to capital assistance recipients from several ministries such as LPM UKP (Maritime and Fisheries Business Capital Management Institution), BLU Center for Forest Development Financing, and similar programs in the Ministry of Agriculture.

"I also want the program to delay installments and interest subsidies to be expanded for micro entrepreneurs receiving aid from the local government," he said.

- 4) Regarding the expansion of financing for SMEs in the form of stimulus for emergency working capital assistance. Noted that there are still 23 million SMEs that have never received funding from financial institutions or the banking system.

"Therefore, the 23 million SMEs must obtain a program from the expansion of work program funding, for those whose bankable distribution will go through the expansion of the KUR program at the same time this will encourage financial inclusion," he said.

- 5) Ministries / institutions / SOEs and Local Governments must become a bumper in the SMEs business ecosystem, especially in the initial stages of recovery.



"The consolidation of this business is very important, for example, BUMN or BUMD become the offtaker of the products or production of SMEs actors in the fields of agriculture, fisheries, culinary, to the home industry," he said.

In addition, reallocating regional government budgets must be directed at economic stimulus programs that touch the SMEs sector. "I hope that the Minister of Home Affairs will be able to convey to the Regional Head so that we hope our SMEs can survive in the midst of the Covid-19 pandemic," said the President

### **3. Conclusions**

Covid Virus 19 Pandemic has destroyed various aspects of life, especially the economic sector. One of the affected subsectors is MSME. It is the role of all parties in tackling the effects of this pandemic. Not only from within MSME itself, but from all walks of life, also the presence of the state is needed. Success in passing this pandemic depends on the role / contribution of all parties

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