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Optimizing the Role of MSMEs in an Efforts to Revive the National Economic during the Pandemic of Covid-19

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Abstract: Economic development is a top priority for every country. Due to this urgency state, this research aims to investigate whether MSMEs plays crucial part in Reviving the national economic during the COVID-19 pandemic in Indonesia. The research method used was qualitative with descriptive analysis based on literature study. The research approach used is an integral comprehensive approach. So that it comes to the results which indicate that MSMEs have a tremendous contribution to the national economic especially in the recovery time after being hit by the pandemic. The abundance of MSMEs in Indonesia is inseparable from numerous challenges and circumstance of the Covid-19 pandemic which modified the consumption pattern towards goods and services into a momentum in accelerating the digital transformation. Therefore, MSMEs are advised to encourage the progressing of MSMEs in order to advance its class through acceleration of digital transformation and capacity building.

Keywords: Maximizing the MSMEs, Capacity building, Digital transformation, National Economic Recovery

INTRODUCTION

Economic development is a top priority issue of a country particularly in boosting the income and lifting the people's well-being. The definition of economic growth based on macroeconomic analysis is referring to the ratio from the increase in per capita income which illustrated into a real picture regarding an economy in one of country as well as the conditions from its community. To implemented this economic development, all the levels of society should be involved and of course the government itself to takes the initiatives in regional development through reachable source of support and also creating and reviving the regional economy (Pujiono, 2012).

Micro, Small and Medium Enterprises (MSMEs) has important and strategic part in the national economic. This likely happen because of the presence of MSMEs which is quite strong towards Indonesian economy, through this multiple amount of industries that exist in each sector of economic resulting; high promising in employment and its contribution in shaping Gross Domestic Product (GDP) that seems determined.

Though often considered as a sector which plays a major role in the national economic, This MSME actors also still facing many obstacles. Citing from the Strategic Plan of the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) during 2020-2024, MSME actors in Indonesia had several problems namely: management, organization, technology, capital, operational and technical on the field, insufficient access to the market, licensing constraints as well as non-technical expenses which occurred on the field and very difficult to avoid. Beside that, these pandemic that strike worldwide for these 2 years had destroyed all aspects in life, including the health, education, and economic sectors, including MSMEs.

According to the survey that conducted on 206 MSME actors by Katadata Insight Center (KIC), those majority of MSMEs which is 82.9% felt that destructive effect from this pandemic and only 5.9% who experienced positive. This pandemic had caused of 63.9% from the affected MSMEs experience in a decline in turnover for more than 30%. Only 3.8% of MSMEs were experienced an increase in turnover. These KIC survey also indicates that MSMEs try to give it shot in order to maintaining their business conditions (Katadata, 2020).

By acknowledge this fact, it can be interpreted that these MSME actors which mostly came from lower middle class have been seriously affected by this pandemic of Covid-19. And those survival companies are usually the companies which can required to these four characteristics. MSME actors should find an alternative way in producing goods and services based on market needs. One of epitome in the change of business that carried out by MSME actors is utilizing the digital market. MSMEs should utilize information and communication technology, e-commerce and social media so they could remain competitive (Prasetyo et al., 2021; Safitri et al., 2022).

The use of Information and communication technology, e-commerce and social media is not without reason because until 2021 the number of MSMEs which have been digitalizes were only 19% or 12 millions of MSMEs or in other words, the opportunity to penetrate the digital ecosystem still very wide open (KemenkopUKM, 2021). This sense of optimism is supported by a report which submitted by BRI Micro & SME Index (BMSI) which marked by the insight from MSME actors that brought positive impact towards economy in general from 90.2 to 115.5 in the fourth quarter of 2020 (Media Digital, 2021).

By these opportunity for MSMEs in an efforts to penetrate the digital ecosystem, the government through the National Economic Recovery (PEN) policies were encourages the re-growth of micro-enterprises which providing grants for startup businesses, as well as adding funds from the Revolving Fund Management Agency (LPDB) for the Cooperatives and MSMEs which provide low interests loans. Based on this phenomenon, the author views the need for an in-depth research regarding how to revive the National Economic during the pandemic by optimizing the MSMEs role.

LITERATURE REVIEW

Optimization

Optimization could be referred to a process to look for appropriate answers of problems, it is not about hitting the highest benefits but if the goal is to maximize the profits then it is not always done by minimize thr costs (Siringoringo, 2005). Furthermore, according to Sidik (2001) there are three elements of optimization problems that should be identified, namely objectives, alternatives decisions and limited resources.

MSME

Based on the Law Number 20 of 2008, the MSMEs is categorized into micro, small and medium enterprises. Micro-enterprises are productive businesses owned by individuals that fits with the requirements such as Small business which still productive that stands alone and not includes as subsidiaries or branches of a medium or large business companies. Small could be define as Medium-sized business which still active in economic business and Self stand. It is often carried out by individuals or business entities which are not part of large businesses companies that determined from total net assets or annual sales proceeds.

Digitalization of MSMEs

Digitalization is the transfer or conversion of existing documents and data from analog format to digital form. The digitalization of MSMEs is a change from conventional to digital systems as an effort to reach the effectiveness and efficiency in doing business processes as well as its operations. The digitalization of MSMEs creates its business actors change their business management from conventional to modern way.

Capacity Building

Generally, capacity building could be referred to activity which can upgrade an ability from someone, group, organization or system to achieve better performance (Brown et al., 2001). Capacity building could be said as skills development that contains of leadership, management, finance and fundraising programs and assessment, therefore those effectiveness could be maintained continuously. The process in identified the problems, put knowledge and experience which necessary to solve the ongoing issue and overcome that problem (Campobaso & Davis, 2001). Capacity building could be simplified by the determination of technical support activities such as education and training, technical support in detail and network strengthening. The fundamental which required in order to build people's economic by capacity building, namely: 1) institutions; 2) funding 3) service. Beside that, these inner problems such as efficiency, limited human resources and technology are the problems that should be overcome.

Competitiveness

Competitiveness are skills that used to participate in a particular market. Competitiveness are made from sustainable circumstances in whole aspects of organization and production sector would be the main aspect. If this completely done by organization then it will capable to fix the performance (Porter, 2008). Meanwhile, another definition of competitiveness the strength or ability and advantage that is built from the potential and resources that come from inside and outside the organization in a planned and systematic way to fight against the latent or real potential to disrupt, shift, fight and or destroy the Position, presence and existence of the party to be rivaled (Frinces, 2011).

National Development

National development is one of way to fixing the people's quality and society in a such a manner through applying an advances in technology and science by considering global challenges in development. This national development aims to improve the welfare of the entire Indonesian nation (Affifah, 2021).

RESEARCH METHODS

The method used in this research is qualitative method by descriptive analysis based on literature study. Research approach used is an integral comprehensive based on national paradigm and applicable laws and regulations as well as considering the impact from the development of the strategic environment with hoped could maximize MSMEs contribution to Reviving the national economic recovery during the pandemic.

FINDINGS AND DISCUSSION

MSME Optimization Analysis

MSMEs or Micro, Small and Medium Enterprises are those companies which have net worth of at most Rp. 200,000,000. Land and buildings are not count here. MSMEs plays crucial part in the development of economic In Indonesia. Due to lacked in education and lives in small circumstances then most of them are engaged in agricultural sector both in the traditional and modern way. Running MSMEs is not as easy as turning the palm of the hand, because these MSMEs are also facing fierce competition, due to the increasing opening of the domestic market, raise in demand of goods and services from abroad as effect of the globalization.

MSMEs plays a crucial part in expanding the economic of Indonesian. Aside from creating Job vacancy, MSMEs plays its part to support the raise of economic growth since 1997 when monetary crisis occurred. Recently, MSMEs take participate in Indonesia's regional and state revenues. With the existence of MSMEs, the GDP (Gross Domestic Product) continuously increase every year. The condition of MSMEs remains vulnerable due to low bank alignment, free markets that have begun to open and limited policies that support the small business sector. Efforts to develop MSMEs through synergies with large industries through partnership patterns will also strengthen the economic structure both nationally and regionally.

The importance of MSMEs for national economic were indicates from its participate to employment rate, allocation of income, the development of countryside which become triggered factor in increasing manufacturing or non-oil exports. The monetary crisis that has occurred in Indonesia shows that MSMEs are relatively more resilient than large-scale businesses which experience with bankruptcy. The role of MSMEs in developing countries, include Indonesia closely related to domestic economic and social issue for example high levels in poverty, high rate in joblessness, inequality in income distribution, unbalanced development between city and countryside areas as well as urbanization issues. So this establishment of MSMEs in hoped to create significant affect in order to eliminates those issues.

MSMEs contribution to reviving National Economic During the Pandemic

There are many research states that if this pandemic brought negativity to local economy namely the decline in people's consumption and economy, lowering in performance of the company, dangers to banking and financial sector also with existence of MSMEs. Employment decreases or even have no income will affect to the community's consumption rate and their buying power particularly for those who lives in informal sector and daily worker categories. Some people aware about controlling their budgets because of this instability condition which will never know its ending. This problem cause of pressure to producers and sellers.

From the company side, this pandemic has slow down the companies performance, particularly in sectors of trade, transportation and tourism. Social distancing policy that turn into self isolate as well as working from home brought negative effect to the performance of company which then followed by company's lay off. Unfortunately some of them were also experienced failure until decide to end the business. Pandemic view through The Banking and finance sector, admitted to create fears towards debts and credits circulation that certainly affect the sustainability performance of the bank.

So many creditors asked for extra time for its due date on their debt and credit installment. Besides, the entrepreneurs must be seeing the fluctuations in the exchange rate of rupiah that influence to production process such as those companies that need to get their unprocessed resources from abroad. Beside that, the negative effect occurred by pandemic which also impact to foreign investment decisions that curtainly ruined the government's strategic projects.

From the MSME overview, this pandemic caused the downfall in the demand aspect (consumption and people's buying power) that surely brought an impact to the supply side, which is lay off employees and failed to pay back the debt. Based on KemenkopUKM reported, 37,000 MSMEs stated that they heavily affected by this pandemic which identified as: those 56 percent complained about the declining in the number of sales, 22 percent complained about financial issues, 15 percent reported goods allocation and 4 percent reported about their struggling to find the unprocessed resources.

These issues are getting worsened if relating to the Large-Scale Social Restrictions (PSBB) policies which applied in numerous area in Indonesia. Citing from Minister of Health laws No. 9/2020 concerning PSBB instruction in form of method to overcome this situations, these restrictions involved with several activities of residents which area have been infected by COVID-19 and this restrictions movement include movement of people or goods to particular province or district/city to hinder the Covid -19 spread.

These restrictions at least conducted on school and work holidays, restrictions on religious activities and/or restrictions on activities in public places or facilities. The feared of these PSBB will ruined the economic activities especially in production, distribution and sales that experience the decline which brought negative effect on the performance of MSMEs as well as ruined the National economy as its predict by the Ministry of Finance. If we looked at the amount of MSMEs in Indonesia according to the data provided by central Statistics Agency (BPS), it says that MSMEs income to Indonesia's Gross Domestic Product (GDP) reached 61.41 percent in 2018.

This statics confirmed how important MSMEs role in advancing the economy of Indonesia. The Indonesian Government has a heavy task that associated to recent pandemic: first, by retaining the safety and health of Indonesian citizens as top priority and second, in effort to expanding economic rate, those experts point view could be considered as external suggestions for government to organize those policies in terms of economy particularly those which consider as solutions for MSMEs issue. There are several global organizations which predicted about the advancement of global economic in 2020 among them are JP Morgan who declared if these global economic would be decline into 1.1 percent and even the International Monetary Fund (IMF) also stated that the growth of global economic would be less than 3 percent or so.

Furthermore, those forecast regarding Indonesia's economic growth which have been predicted by IMF is stated that Indonesia will encounter with positive trend in economic growth by 0.5 percent from prior goal which set as 5 percent in 2020. Whilst the Finance Minister Sri Mulyani shared common about Indonesia's economic growth which will be reach to the range of 0.3-2.8 percent in 2020. These figures which shaped from the stack of MSMEs number and its inputs likewise to the predictions experts that need recognition to evaluate the right procedures and strategies for MSMEs surviving in Indonesia.

Optimization of MSMEs for Economic Recovery

These pandemic created challenges as well as chances to keep MSMEs survive. Challenges could be referred to temporary solutions in order to assist MSMEs and its workers. Opportunities could be said as short-term solutions then followed by long-term one specifically those are relates to industrial era 4.0 which preferred digital technology to encourage their business activities. Several temporary solutions that could be option in keeping MSMEs presence. Cited from the OECD, these numerous way that need to noticed such as: health protocols when conducting their activities, extending times for their debt or credit payments just in case to avoid difficulties in financially, MSMEs financial aid and its systemic regulations.

First, tightening health procedures need to implemented once the government lift the banned for MSMEs activities. Their commitment to wear masks, gloves with safe distance of each workers can be used as requirements to continue their business. Certainly needs collaboration between MSME parties and their counterpart which is the authorized agencies whose duties to supervise the regulation therefore the health procedures could be successfully achieved. On the other word the government need to involved civil servants at the village level to team up with the village supervisory such as Babinsa/TNI and also the community security in overseeing these implementation of health procedures program towards MSMEs who get permission to conducted their business.

Second, a provision need to issue by the government to extended the due date of debt or installments that they have to avoid MSMEs financial volatility. These could be done by Simplify the process in getting loan in this calamity condition. It could be a solution to maintain their capabilities in buying while at the same time supporting the run of National economic.

Third, financial assistance to MSME actors. The Indonesian government has allocated budget of Rp. 70.1 trillion for tax incentives and people's business credit stimulus from the total budget of Rp. 405.1 trillion to overcome these situation by the State Budget of 2020. 12. The budget allocation should be transparent and right on target so those MSMEs could be survived and economic activity could be well maintained.

Beside the budget which have been set, the government also trying to pursue the banking sector, both state-owned banks and private banks in order to give soft financing for MSME actors through strict process. In hope they pay back wisely and even anguish the the lending bank performance. Relating to this aid, there arevtwo government agencies that directly connect with MSMEs namely the Ministry of Cooperatives and Small and Medium Enterprises (KemenkopUKM) and the Ministry of Industry (Kemenperin) which formed strategies to reviving the MSMEs.

KemenkopUKM provided at least three stimulus for MSMEs around this pandemic in effort to helped MSME to continue their activities which is: Tolerance times in terms of loan payments, six months subsidies in form of cash transfers for micro-scale businesses. Meanwhile the Ministry of Industry's plans are: helping to give financial loans with lowest interest rates to SMEs, connect them with online shops to expanding their market such as Tokopedia, Shopee, and Blibli and team up with local industries which could accommodate their unprocessed materials. SMEs in cooperate with the Ministry of Foreign Affairs and Industrial agency in overseas are continue their negotiation parts in order to keep these exporting products alive and keep going. These policies are long-term plan not only used for handling the pandemic. These policies are started with introducting the digital technology as well as training them, through this digitalization, those MSME could finding potential markets and selling products worldwide. It might be necessary to conducted short term training in order to help MSME adjusting to the e-commerce media (online shopping). Findings from the Central Statistics Agency shows that only 3.79 million MSMEs that already familiar with online platforms to selling their products.

Certainly in this very urgent situation there's only way to sort out by the use of online technology. These policy would done step by step. The government starts by dividing the duties in order to lift the MSMEs business to compete in the Industry 4.0 era through adding skills to MSME workers to adjust with Digitalize of infrastructure and other government project regarding internet programs that goes to the villages which covered other sectors of business. This structural policies should accomplish in order to strengthens MSMEs as well as advancing the development of MSMEs in era of Industry 4.0.

There's another way which could be accomplished in order to assist the MSMEs in surviving during this pandemic which is by the use of Social and Environmental Responsibility (TJSL) funds which owned by private companies and state-owned enterprises (BUMN). The government needs to published several instructions and guidelines for all SOEs to operate this TJSL funds directly to MSMEs that affected by these COVID-19 pandemic. SOEs can takes part in production process. For example, SOEs that engaged in the pharmaceuticals sector and personal protective equipment (PPE) such as masks or medical clothing can involve in MSME workers that engaged in the clothing production. By realize the potential market regarding the need of PPE both domestic and international needs, this opportunity can be used to manage the employment from falling apart. As for private companies, TJSL funds could be aid to vicinity of the company in form of direct assistance such as provision of food packages or purchasing MSME products which will distribute later. These Actions were at least could helps MSMEs actors for short-term.

In particular, the model and type of empowerment that can be perform by the government to MSMEs did not diverse so much between before and after the Covid-19 pandemic. The first model of empowerment is strengthening the counterpart institutions through increased capacity building. Setyobudi (2007) defined that Bank Indonesia are concerned in strengthening the MSME counterparts by increasing capacity building in terms of training and study that support lending to MSMEs. Some of efforts are made includes: 1) provide training for MSME counterpart, in order to increase credit capabilities for MSME 2) Establish the Center of SME Assistance Development (P3UKM) as a main project. One of their tasked would be conducting training and accreditation for SME companions and 3)The Development of Integrated Small Business Development Information System (SIPUK) by means to disseminate information rapidly.

Second empowerment model is the development of human resources in MSMEs through IT (information technology). Information technology is referred to technology that used to create, store, transform and use information in all its forms. Through the use of this information technology, micro, small and medium enterprises could enter the global market. Small companies such as Amazon bookstore, Yahoo portal, and simple auction company E-Bay are now become giant companies in just a short time because they use information technology to develop their businesses. Known as E-commerce or those business that utilize information technology which provide flexibility in production, enable faster delivery to customers for software products, send and receive offers faster and efficient which also support paperless program. The utilize of internet which allows MSMEs to enter worldwide market so does with opportunity to penetrate exports would be wide open and beside that it would reduced the transaction costs.

CONCLUSION AND RECOMMENDATION

Conclusion

MSMEs plays its perfect part in recent economic conditions. It turns to be a sectors that heavily affected by the pandemic which also caused in the decline of National economic. That's easily to predict as this enormous participation of MSMEs are key towards national economy. The bounty of MSMEs in Indonesia entangled from various challenges and situation which occurred in this Covid-19 pandemic then transformed the pattern of consumption in goods and services into a momentum in accelerating the digital transformation.

Recommendation

Referring to the results of the elaboration and conclusions which mentioned above, the authors could provide recommendations such as: 1) Suggesting the MSMEs to contribute in moving forward of the MSMEs product to the next level. Therefore, the Government need to encourage the transformation in MSMEs particularly in consumption line to a momentum in accelerating the digitalization in every MSME activity. 2) In order to improve the economic recovery, those MSMEs need to upgrading themselves to the current Information and Communication Technology in order to improve get better performances. Though there is small gap in cost to traditional one, but these MSMEs could have that benefits from those facilities provide are worth in return. Through the use of IT, these MSMEs could get ammunition to enter its footsteps to not only in domestically but also in foreign markets. They could easily compete in terms of quality, packaging and speed of process making and the most important is to reach wide markets for MSME products.

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