

THE DESCRIPTION OF THE IMPACT OF THE COVID-19 PANDEMIC ON MSME: SOME FALL, SOME PREVAIL

THE DESCRIPTION OF THE IMPACT OF THE COVID-19 PANDEMIC ON MSME: SOME FALL, SOME PREVAIL

Sri Palupi Prabandari*

Universitas Brawijaya, Indonesia

Abstract

The significant drop on the number of customers due to the Covid-19 pandemic has led micro, small, and medium-sized enterprises into difficult days. The decline of customer's purchasing power was caused by multiple problems. As respondents's aggregate income decreases, the major-scale social distancing aimed at minimizing the virus spread hinders the ongoing business activities. This study aims to see the real condition of micro, small, and medium-sized enterprises amidst the pandemic from the aspects of finance, human resource, human resource's welfare, and the business' sustainability. Based on the results of the analysis and the discussion, some conclusions concerning the impact of Covid-19 pandemic on Indonesian MSME can be drawn. First, the income of MSME has decreased, 35% of them experienced a decrease not more than 10%, and 38% of them dropped their income for 10 to 50%. Second, in order to survive, they change their selling media. They started to use social media to offer and sell their product and service as they perceive that the media are helpful to keep their business open even during the pandemic. Third, although the MSME cannot avoid the significant drop of income that force them to close their business, some of the owners still pay their employees in full, but some of them reduce the salary. Fourth, in order to help MSME survive the crisis caused by the pandemic and to restore the economy of the owners, government should play their role by providing efficient aids for them and creating policies that support the sustainability of their business.

Keywords: *small business enterprises, pandemic, Covid-19, human resource, market adaptation*

1. INTRODUCTION

The high transmission rate of the Covid -19 has forced respondents to limit their activities, particularly those that have high virus spreading risk. The limitation imminently affects business activities such as trade, production, and marketing. The economic lockdown, an effort to prevent the virus spread, in fact, has put business and trade activities in the frontlines of economic shock due to the decreasing consumer's purchasing power.

Soetjipto (2020), in his research on the tenacity of micro, small, and medium-sized enterprises (MSME) in East Java to survive the Covid-19 pandemic, found that 2020 is the hardest year for entrepreneurship. He selected 12 regions in East Java as the sample through incidental sampling resulting in 52 MSME that were still operating during the pandemic; all of which were struggling to find their way out of the crisis, but their sales income continued to drop drastically. Setiono (2020), in his study on the defensive strategy for MSME in overcoming the pandemic-caused crisis, found that 96% of MSME have felt the negative impact of the pandemic; 75% of them have experienced a significant reduction in their sales.

The government through the Ministry of Cooperative and MSME opened the 1500 587 hotline service on the mid of March 2021 to gather data of MSME affected by the pandemic, based on which programs to counter the impact of the pandemic are prepared. The newest ones are stimulating the purchasing power of MSME and cooperatives, promoting purchases in neighbor's shops, restructuring loan interest, including micro sector in pre-work card (*kartu prakerja*) program, providing direct cash aid, and entitling MSME with tax relaxation.

Based on the problems above, comprehensive studies on the impact of the Covid-19 pandemic on the sustainability of MSME in Indonesia are required. It is expected that,

*Coressponding author: palupi@ub.ac.id

following the acquirement of valid data, representation and description about the condition of MSME amidst the pandemic can be obtained, and their roles for the national economy can be restored.

2. RESEARCH METHODOLOGY

This research uses qualitative descriptive method, which enables the researcher to present the research sample through description in order to respond to a certain phenomenon. The library research used in this study enables the researcher to harvest the data without going down directly to the field. Instead, references that support the study were used.

This research uses purposive sampling, in which the sample is selected based on certain criteria. In this regard, the researcher selected the sample based on observations through questionnaires distributed to owners of MSME affected by the pandemic. The criteria are as follows.

- Having employees of less than 100
- Having monthly income of lower than IDR 30 million
- Running the business mostly on personal capital

The data of this research was collected by distributing questionnaires online using Google Form to MSME owners. This research was conducted within five months, from July to November 2020.

3. RESULT AND DISCUSSION

The followings are the data generated from questionnaires distributed online to 100 respondents.

Recapitulation of The Survey Data **Employment**

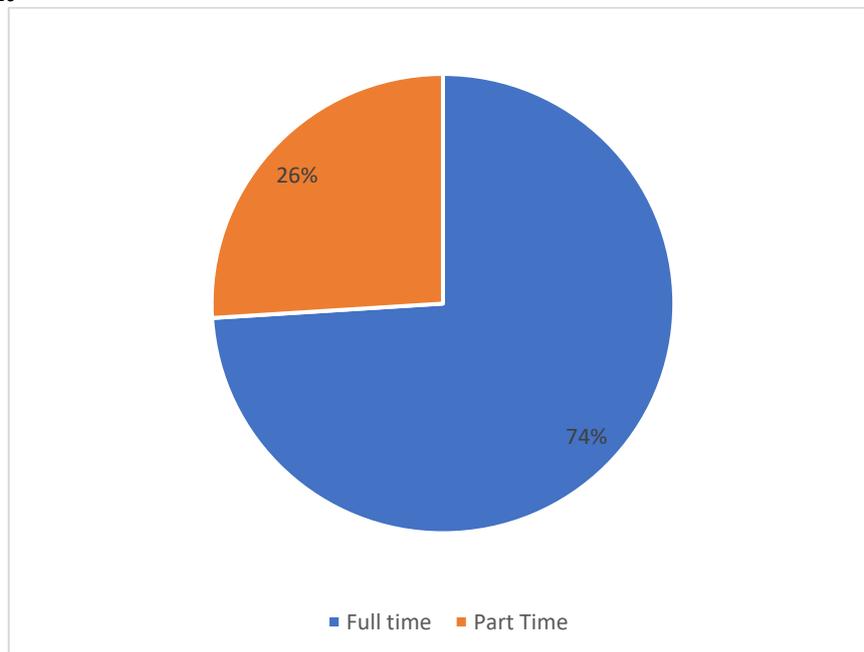


Figure 3.1. Chart of the employment of 100 respondents

Result:

- Part time = 26 respondents
- Full time = 74 Respondents
- Total =100 respondents

This survey was conducted on MSME owners, mostly work full time.

THE DESCRIPTION OF THE IMPACT OF THE COVID-19 PANDEMIC ON MSME: SOME FALL, SOME PREVAIL

Age

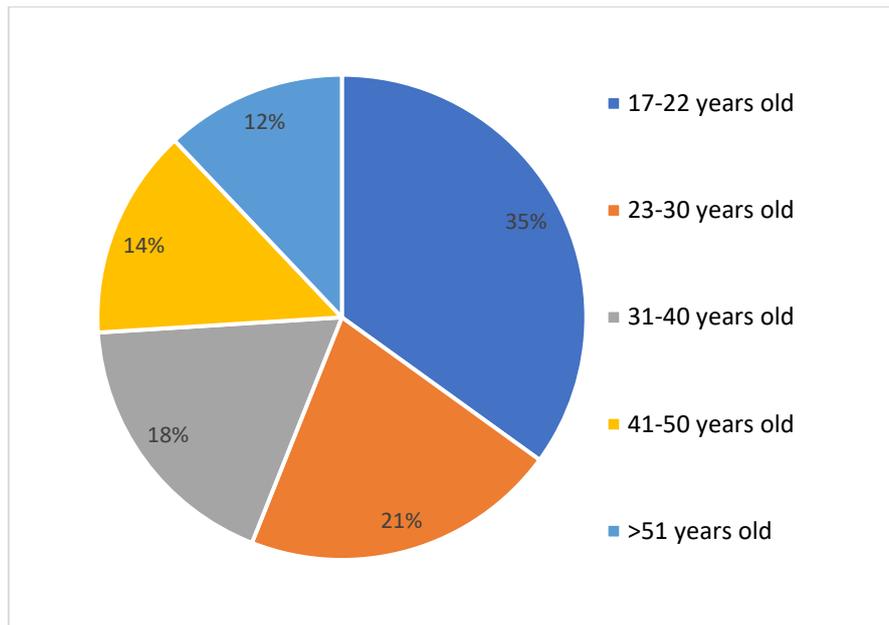


Figure 3. 2 Chart of Respondents' Age Comparison

Result:

- Aged 17-22 = 35 respondents
- Aged 23-30 = 21 respondents
- Aged 31-40 = 18 respondents
- Aged 41-50 = 14 respondents
- Aged >51 = 12 respondents
- Total = 100 respondents

This survey was completed mostly by young entrepreneurs with the age range of 17 to 30 years (56 respondents). The remaining 44 respondents are entrepreneurs with the age of above 30 years old.

Monthly Income before the Pandemic

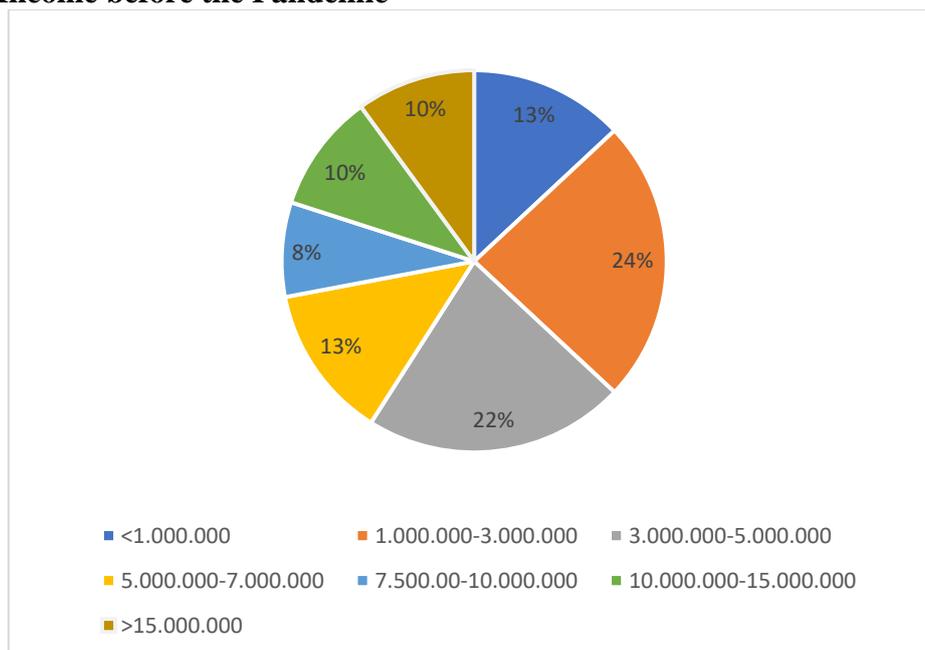


Figure 3. 3 Chart of Respondents Monthly Income before the Pandemic

Result:

- Income of less than IDR 1 million = 13 respondents
- Income between IDR 1 million and 3 million = 24 respondents
- Income between IDR 3 million and 5 million = 22 respondents
- Income between IDR 5 million and 7.5 million = 13 respondents
- Income between IDR 7.5 million and 10 million = 8 respondents
- Income between IDR 10 million and 15 million = 10 respondents
- Income of more than IDR 15 million = 10 respondents
- Total = 100 respondents

One month before being affected by the pandemic, the monthly income of MSME that were surveyed varied, mostly between IDR 1 and 3 million

Monthly Income after the Pandemic

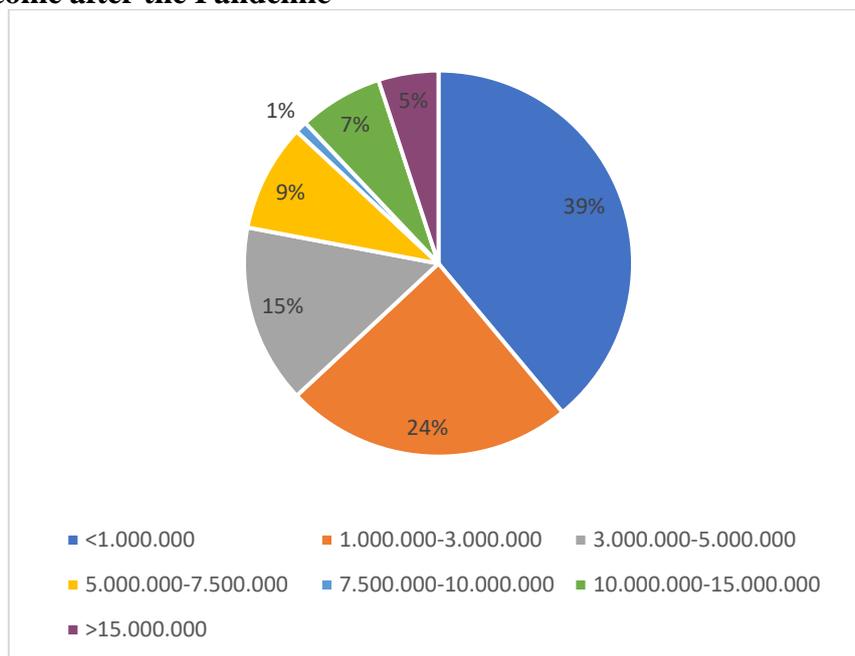


Figure 3. 4 Chart of Respondents Monthly Income after the Pandemic

Result:

- Income of less than IDR 1 million = 39 respondents
- Income between IDR 1 and 3 million = 24 respondents
- Income between IDR 3 and 5 million = 15 respondents
- Income between IDR 5 and 7.5 million = 9 respondents
- Income between IDR 7.5 and 10 million = 1 respondents
- Income between IDR 10 and 15 million = 7 respondents
- Income of more than IDR 15 million = 5 respondents
- Total = 100 respondents

One month after the pandemic, the income of MSME decreased. Most of them have the income between IDR 1 and 5 million, and 39 respondents only got less than IDR 1 million. The fact that one month prior to the pandemic most respondents earned between IDR 1 and 3 million signifies the drop of MSME’s income (discussed further in question 8).

THE DESCRIPTION OF THE IMPACT OF THE COVID-19 PANDEMIC ON MSME: SOME FALL, SOME PREVAIL

Type of Business before the Pandemic (Respondents can choose more than one business)

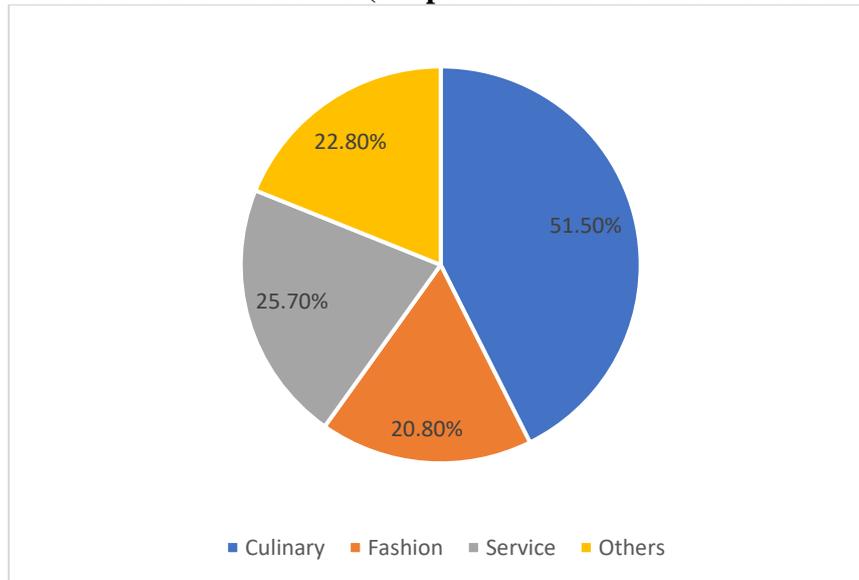


Figure 3. 1 Chart of Business Type before the Pandemic

Result:

- Culinary = 52 Respondents
- Fashion = 21 Respondents
- Service = 26 Respondents
- Others = 23 Respondents
- Total = 100 Respondents

Most MSME in Malang city work in culinary business, a type of business highly sensitive to economic changes due to the pandemic. Some of them combined two different business, e.g. fashion sales and tailor business or clothes customization.

Number of Employees before the Pandemic

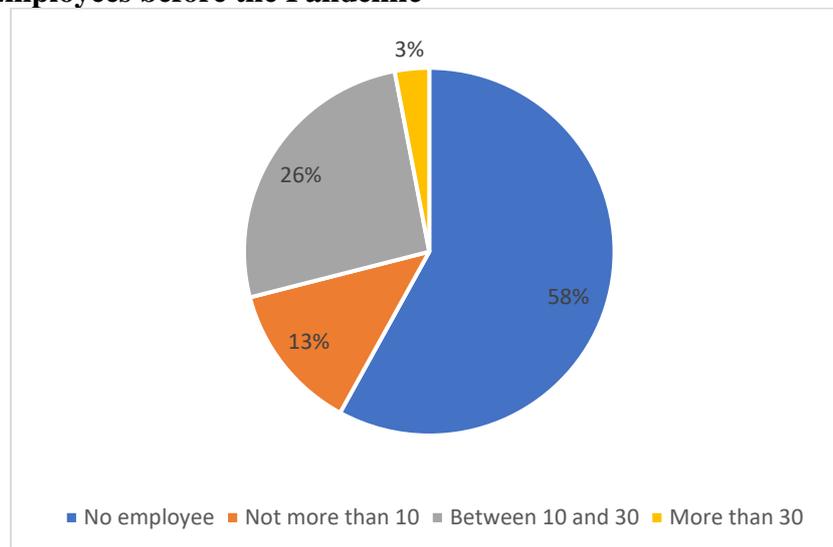


Figure 3. 2 Chart of Number of Employees before the Pandemic

Result:

- No employee = 58 respondents
- Not more than 10 = 13 respondents
- Between 10 and 30 = 26 respondents
- More than 30 = 3 respondents
- Total = 100 respondents

Most of the surveyed MSME are small-scale business which have employees of not more than 30 respondents before the pandemic.

Number of Employees after the Pandemic

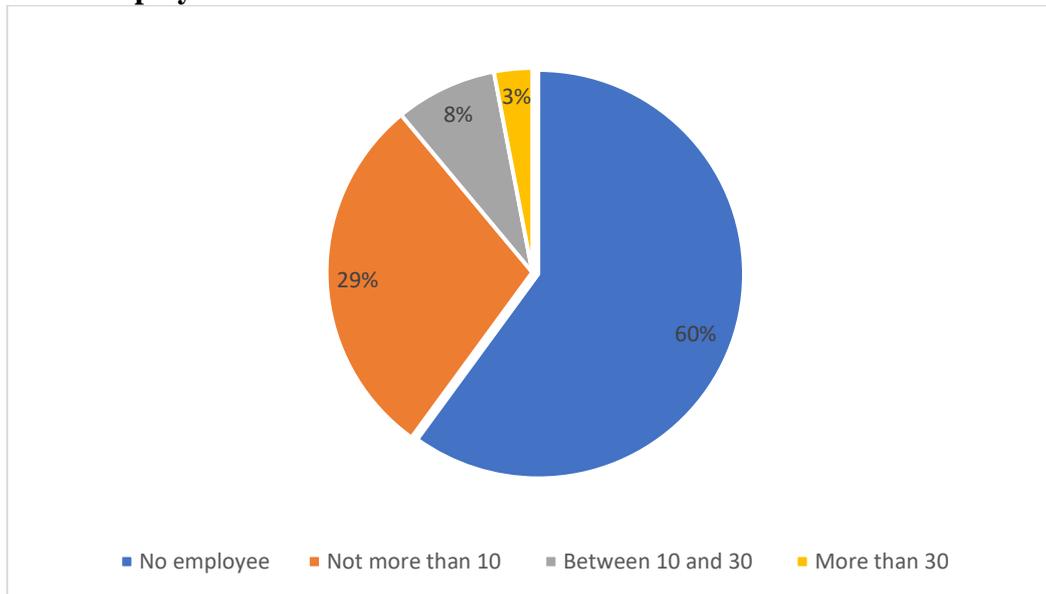


Figure 3. 3 Chart of Number of Employees after the Pandemic

Result:

- No employee = 60 respondents
- Not more than 10 = 29 respondents
- Between 10 and 30 = 8 respondents
- More than 30 = 3 respondents
- Total = 100 respondents

After being struck by the pandemic, employees hired by MSME in Malang city decreased as the number of MSME that do not have any employee rises for 2% and the number of which who hire not more than ten employees also rises to 16%. It signifies that most MSME that employed ten to 30 respondents have reduced their employees doing the pandemic. The cause of the layoff and the subsequent welfare of the staff will be discussed in the next questions.

The Impact of The Covid-19 Pandemic on MSME Owners

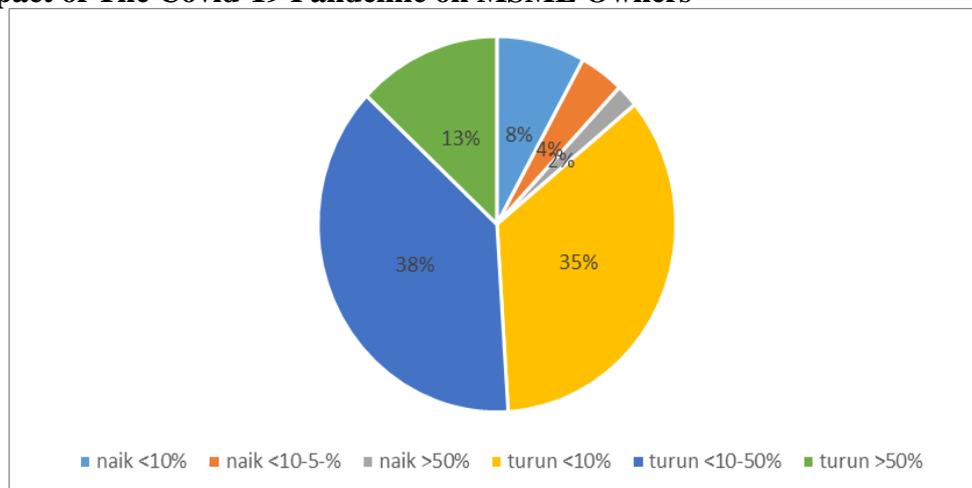


Figure 3. 4 Chart of Income Increase or Decrease (in percent)

THE DESCRIPTION OF THE IMPACT OF THE COVID-19 PANDEMIC ON MSME: SOME FALL, SOME PREVAIL

Income Decrease or Increase (percent)

Result:

- Increased less than 10% = 8 respondents
- Increased between 10 and 50% = 4 respondents
- Increased more than 50% = 2 respondents
- Decreased less than 10% = 35 respondents
- Decreased between 10 and 50% = 38 respondents
- Decreased more than 50% = 13 respondents
- Total = 100 respondents

The survey result indicates that the MSME affected by the pandemic experienced a decline in their income, mostly less than 10% (35%) and between 10 and 50% (38%).

Do you use social media to sell your products? (The use of Instagram or Facebook)

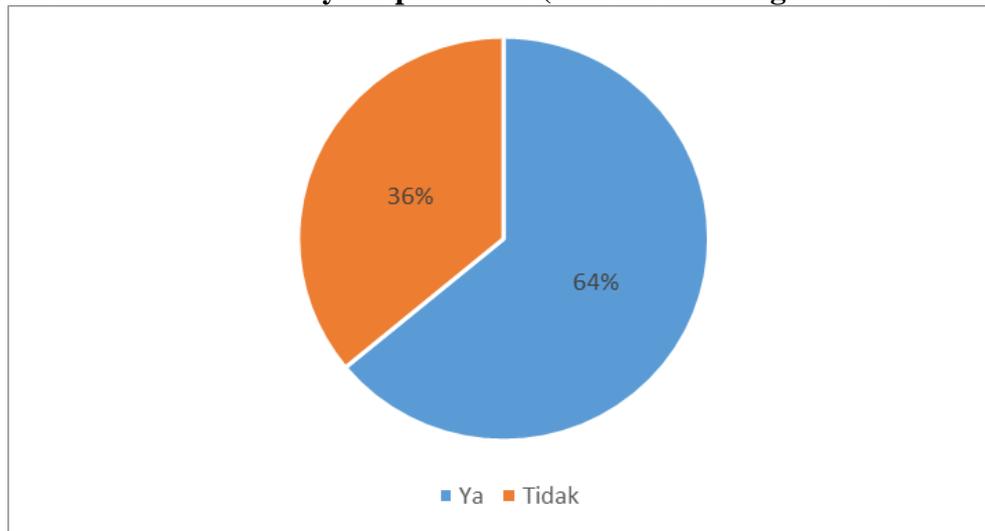


Figure 3. 5 Chart of the Usage of *Instagram* or *Facebook*

Result:

- Yes = 65 respondents
- No = 36 respondents
- Total = 101 respondents

The survey revealed that most MSME used social media such as Instagram and Facebook for selling (64%), and the remaining 36% did not use them.

Do you use e-commerce platforms such as Tokopedia, Shopee, Bukalapak, and OLX?

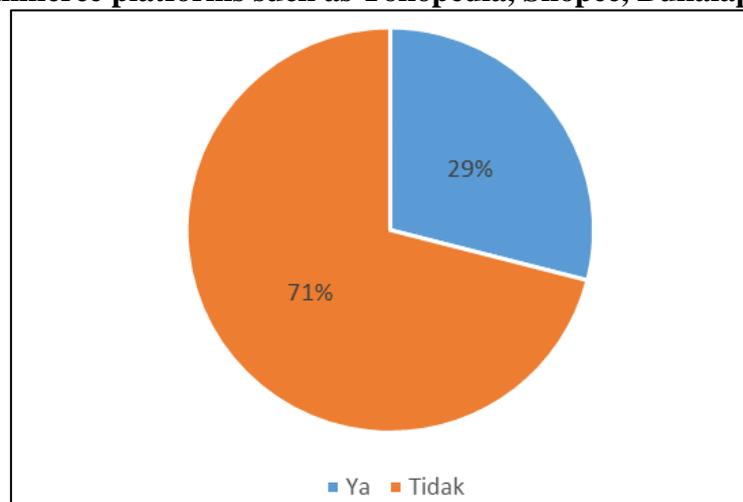


Figure 3. 6 Chart of E-commerce Platform Usage

Result:

- Yes = 29 respondents
- No = 71 respondents
- Total = 100 respondents

The survey result indicates that most of the MSME (70%) do not use e-commerce platforms such as Tokopedia, Shopee, Bukalapak, and OLX, so only 29% of them who use such platforms in their sales when being affected by the pandemic.

Does online selling help your business during the pandemic?

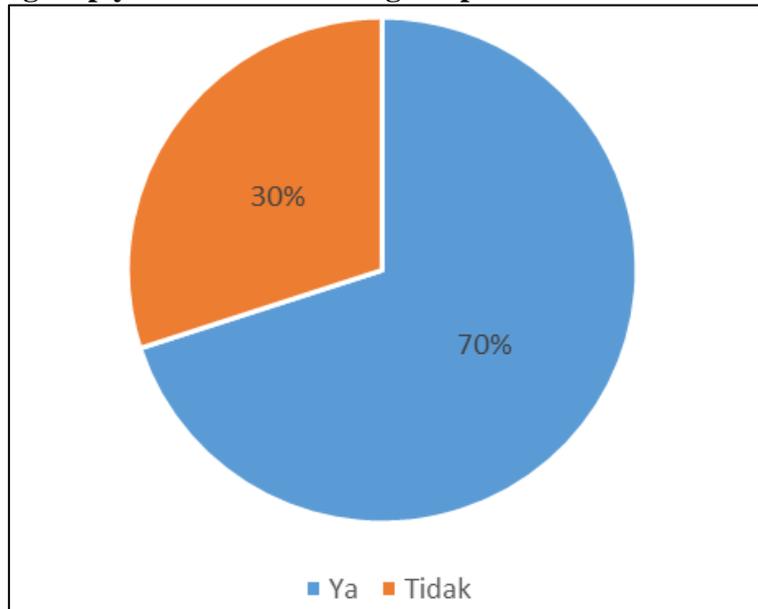


Figure 3. 7 Chart of the Effect of Online Selling (Yes/No)

Result:

- Yes = 70 respondents
- No = 30 respondents
- Total = 100 respondents

The survey revealed that 70% of MSME owners perceive that online selling helps their business, and the remaining 30% believe the opposite.

Respondents's Solution Following Business Closure

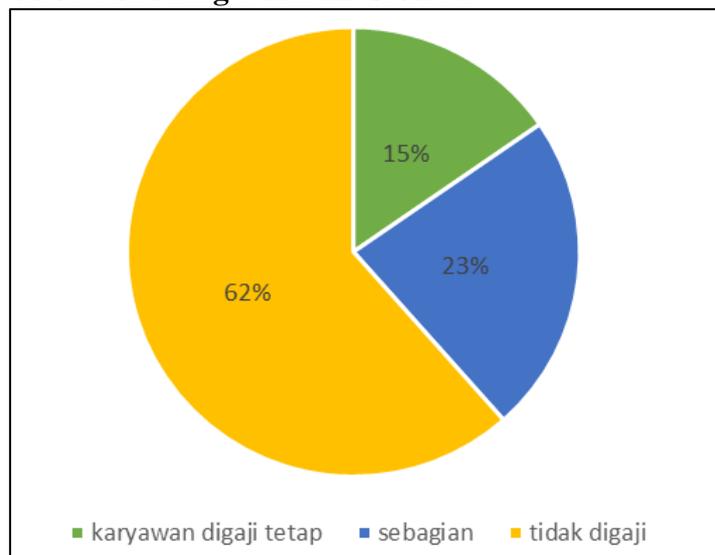


Figure 3. 8 Chart of Solution Taken Following the Business Closure

THE DESCRIPTION OF THE IMPACT OF THE COVID-19 PANDEMIC ON MSME: SOME FALL, SOME PREVAIL

Result:

- Employees not paid = 8 respondents
- Employees paid with reduction = 3 respondents
- Employees fully paid = 2 respondents
- Total =13 respondents

The survey result shows that, after the business was closed during the pandemic, 62% of the MSME owners did not pay their employees, 23% paid their employees with some reduction, and 15% fully paid their employees.

Respondents Solution Following Business Continuation (Respondents can choose more than one solution)

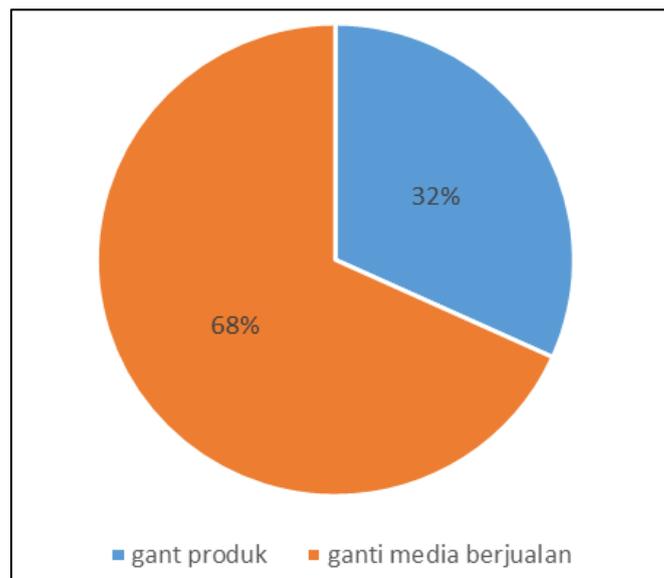


Figure 3. 9. Chart of Solution Taken Following the Business Continuation

Result:

- Change the product = 27 respondents
- Change the selling media = 58 respondents
- Total =73 respondents

The result indicates that MSME owners who still run their business or stick to the plan of opening new business applied new strategies such as changing their product and changing the way they sell their product. Based on the chart above, 68% of them change the media used for selling, and 32% change their product.

Does the Business Makes Innovations?

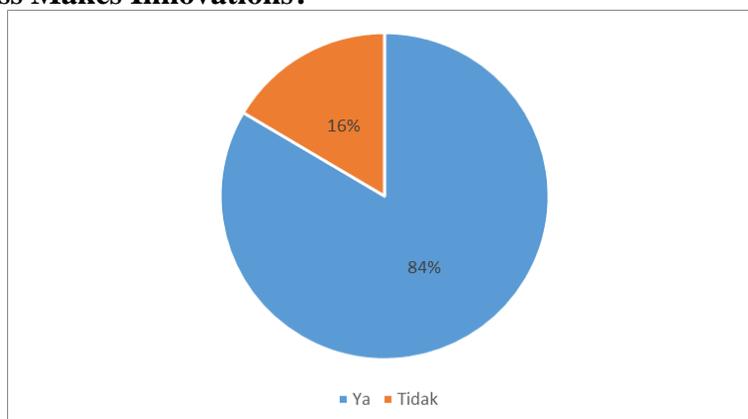


Figure 3. 10 Does the Business Makes Innovations? (Yes/No)

Result:

- Yes = 71 respondents
- No = 14 respondents
- Total = 85 respondents

The survey result shows that 84% of the MSME owners innovate to survive from the pandemic, and the remaining 16% do not innovate.

What area of innovation is made?

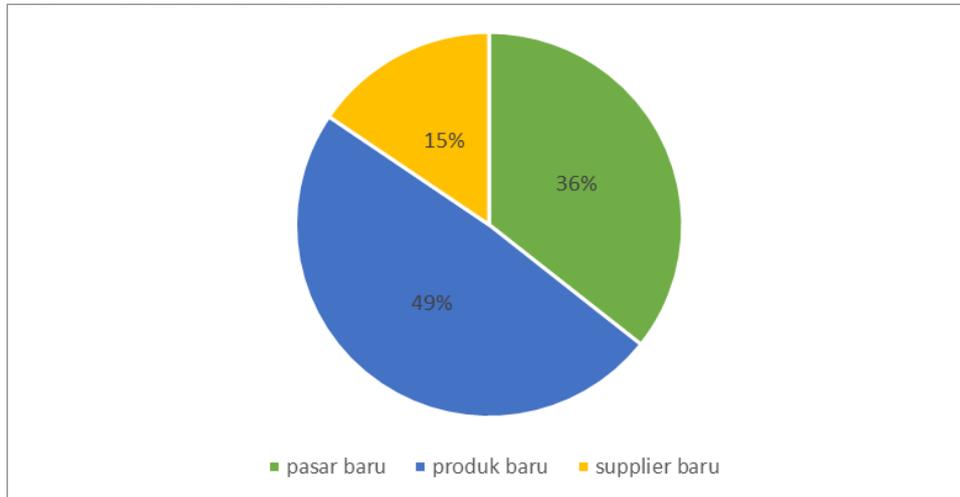


Figure 3. 11 Chart of Innovation Made

Result:

- New market = 46 respondents
- New product = 63 respondents
- New supplier = 20 respondents
- Total = 13 respondents

The survey reveals that 49% of MSME owners innovate by making or releasing new products in overcoming sales problems due to the pandemic, 36% entering or creating new markets, and 15% look for new suppliers.

Finance Sector

Financial Record

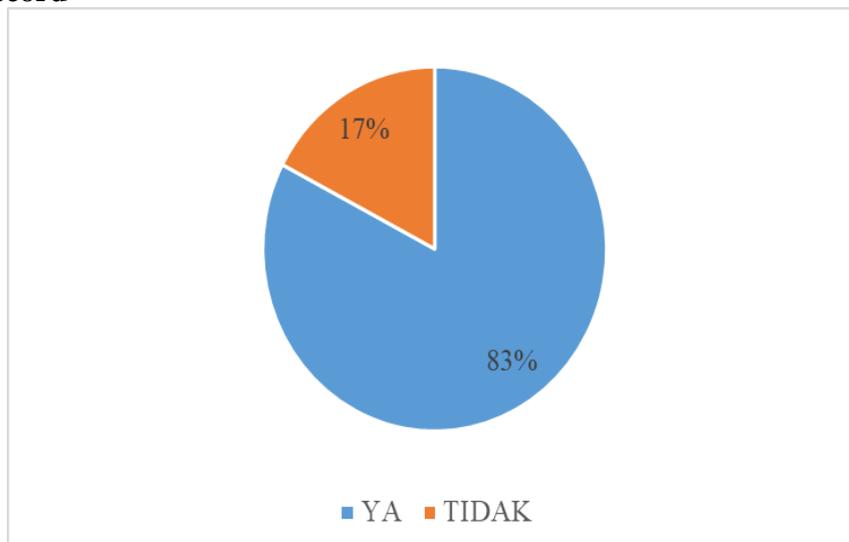


Figure 3. 12 Chart of Financial Record Usage (Yes/No)

THE DESCRIPTION OF THE IMPACT OF THE COVID-19 PANDEMIC ON MSME: SOME FALL, SOME PREVAIL

Result:

- Yes = 81 respondents
- No = 17 respondents
- Total = 98 respondents

The survey result shows that 83% of the MSME owners keep their financial record and 17% of them do not.

Cash Sufficiency for Operation

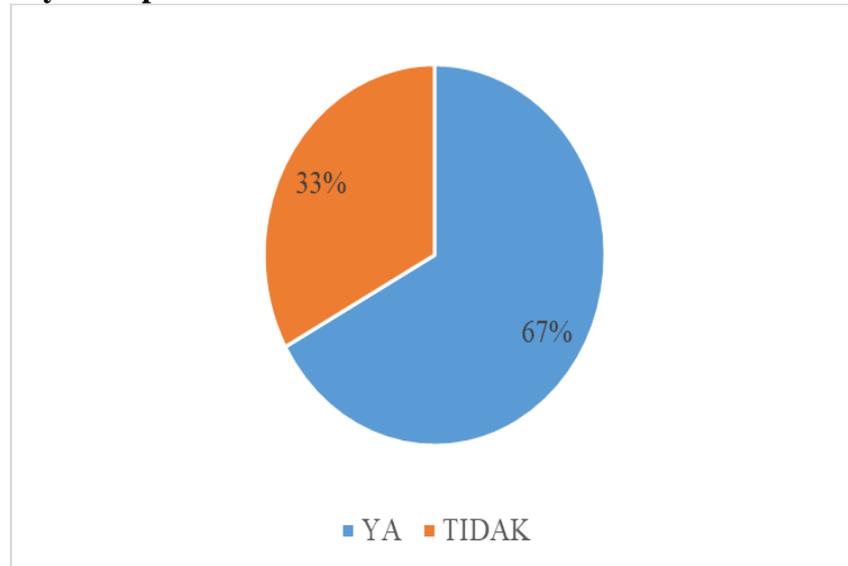


Figure 3. 13. Cash Sufficiency for Operation (Yes/No)

Result:

- Yes = 67 respondents
- No = 33 respondents
- Total = 100 respondents

The result of the survey shows that 67% of the MSME owners have enough money to run their business, but not the remaining 33%.

Loan

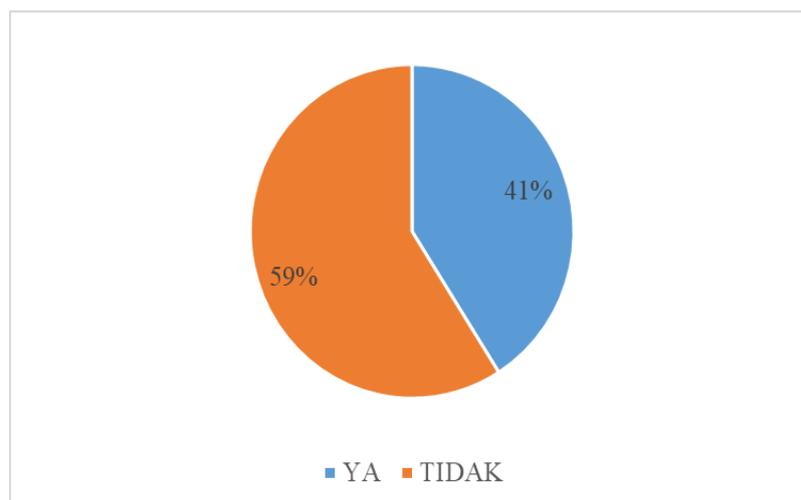


Figure 3.18 Chart of Loan Applied (Yes/No)

Result:

- Yes = 41 respondents
- No = 59 respondents
- Total = 100 respondents

The survey reveals that 41% of the MSME lend some money and the remaining 59% did not.

Source of Loan

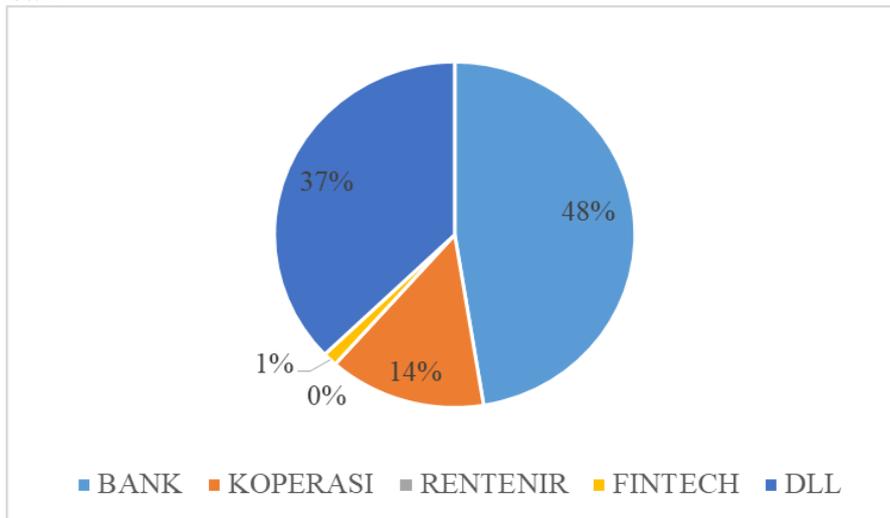


Figure 3. 14. Chart if Funding Source

Result:

- Bank = 37 respondents
- Cooperative = 11 respondents
- Individual money lender = no respondents
- Fintech = 1 respondent
- Other = 29 respondents
- Total = 69 respondents (respondents can choose more than one financing sources)

The survey reveals that 48% of MSME owners who decided to take loans applied loans offered by banks, 14% applied the loans to cooperatives, 1% to Fintech companies, and 37% of them chose other financial sources.

Knowledge about Government Aid

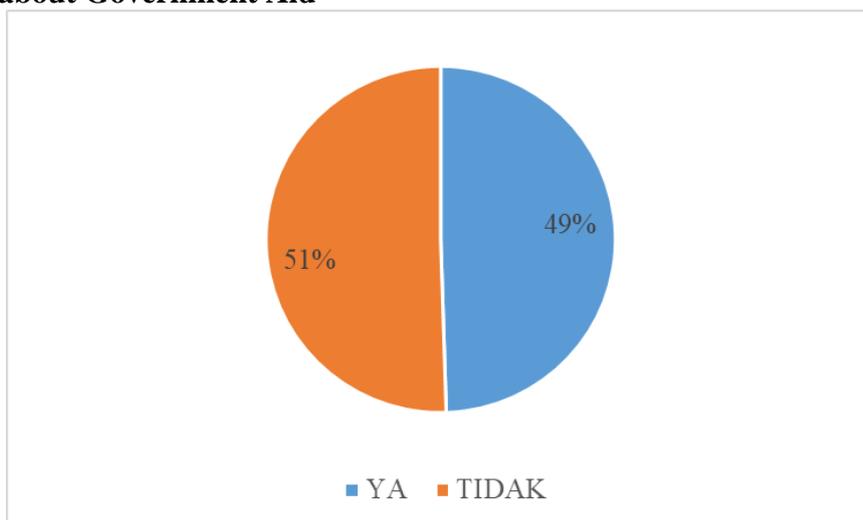


Figure 3. 15 Chart of Knowledge about Government Aid (Yes/No)

Result:

- Yes = 49 respondents
- No = 50 respondents
- Total = 99 respondents

THE DESCRIPTION OF THE IMPACT OF THE COVID-19 PANDEMIC ON MSME: SOME FALL, SOME PREVAIL

The result of the survey shows that 49% of MSME owners are informed about aids provided by the government, but the remaining 51% are not.

Government Subsidy (Social Security for Employee, Subsidy for MSME, etc.)

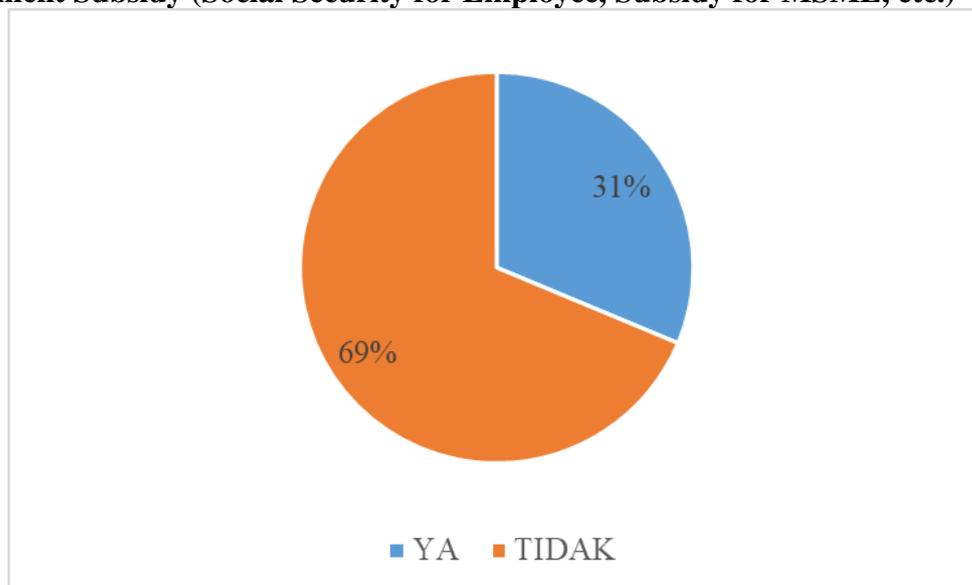


Figure 3. 16 Chart of the Acceptance of Aid Form of Subsidy Provided by the Government (Yes/No)

Result:

- Yes = 31 respondents
- No = 68 respondents
- Total = 99 respondents

The survey result indicates that, of 99 respondents, 31% of the MSME owners have received subsidy from the government, but the remaining 69% have not.

4. CONCLUSION

MSME are considerable providers of employment in addition to that they serve as the economic foundation for Indonesia. Therefore, their performance and effort during the pandemic need to be identified and analyzed.

Based on the results of the analysis and the discussion, some conclusions concerning the impact of Covid-19 pandemic on Indonesian MSME can be drawn. First, the income of MSME has decreased, 35% of them experienced a decrease not more than 10%, and 38% of them dropped their income for 10 to 50%. Second, in order to survive, they change their selling media. They started to use social media to offer and sell their product and service as they perceive that the media are helpful to keep their business open even during the pandemic.

Third, although the MSME cannot avoid the significant drop of income that forces them to close their business, some of the owners still pay their employees in full, but some of them reduce the salary.

Fourth, in order to help MSME survive the crisis caused by the pandemic and to restore the economy of the owners, government should play their role by providing efficient aids for them and creating policies that support the sustainability of their business.

The use and the optimization of various social media can certainly help MSME owners increase their sales and business income, and the use of correct strategies can keep their business running.

Implication of Research

Most Indonesian MSME experienced a decrease in their performance, as found by Soetjipto (2020) and Setiono (2020). However, there is a small number of the enterprises that increase their performance although the improvement is insignificant.

Challenges arising during the pandemic can become an opportunity to improve the business by responding to the occurring market changes. MSME can serve as the spearhead of the economy if they are provided with more attention from the government and the community.

Suggestion

1. For MSME owners, they need to strengthen their motivation and entrepreneurial characteristics so that they are readier in facing future challenges and uncertainties. In addition, they need to improve their managerial skill particularly in financial administration and digital marketing.
2. Next researchers need to elaborate factors that have helped MSME in their success of gaining profit and surviving the crisis due to Covid-19 pandemic.
3. The government should create more technical policies to support and enhance the capacity of MSME owners in facing the decelerating economy, for example policies regarding assistance in digitalization, marketing, product quality assurance, etc.
4. Community as the market should support the sustainability of the MSME by increasing their love to local products and giving suggestion for product development process.

Reference

- A. Bartik, M. Brtranz, Z. Cullen et al (2020). The impact of COVID-19 on small business outcomes and expectations. *Proceedings of the National Academy of Sciences of the United States of America*. 117(30): 17656-17666
- Agus Setiono, Beni (2020). Strategi Bertahan Bagi UMKM Hadapi Krisis Akibat Covid-19. *DSPACE Hang Tuah*. 4(1): 6475. <http://dspace.hangtuah.ac.id/xmlui/handle/dx/1008>
- H. Le, T. Nguyen, C. Ngo et al. (2020). Policy related factors affecting the survival and development of SMEs in the context of Covid 19 pandemic. *Management Science Letters*. 10(15):3683-3692
- R. W. Fairlie (2019). THE IMPACT OF COVID-19 ON SMALL BUSINESS OWNERS: EVIDENCE OF EARLY-STAGE LOSSES FROM THE APRIL 2020 CURRENT POPULATION SURVEY. *Journal of Chemical Information and Modeling*. 53(9):1689-1699
- R. W. Fairlie (2019). THE IMPACT OF COVID-19 ON SMALL BUSINESS OWNERS: THE FIRST THREE MONTHS AFTER SOCIAL-DISTANCING RESTRICTIONS. *Journal of Chemical Information and Modeling*. 53(9):1689-1699
- Soejipto, Noer. (2020). *Ketahanan UMKM Jawa Timur Melintasi Pandemi COVID-19*. Yogyakarta: Penerbit K-Media.
- Thaha, Abdurrahman Firdaus (2020). Dampak Covid-19 Terhadap UMKM di Indonesia. *Journal Brand*. 2(1): 147-153
- WHO (2019) <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/question-and-answers-hub/q-a-detail/q-a-coronaviruses>
- Y. Lu, J. Wu, J. Peng et al. (2020). The perceived impact of the Covid-19 epidemic: evidence from a sample of 4807 SMEs in Sichuan Province, China. *Environmental Hazards*. 19(4):323-2-340