

# The Role of Indonesian Government during Covid-19 Pandemic on Micro, Small, and Medium Enterprises (Msme)

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**ABSTRACT:** This research aims to know the role of government during the COVID-19 pandemic on micro, small, and medium enterprises (MSME). This research used the document study method based on previous research, developed by electronic media such as digital libraries and websites. This research used secondary data coherently time. During the COVID-19 pandemic, the Indonesian government decide to implement several regulations to assist MSMEs. This regulation is expected to be able to help MSMEs revive during the pandemic

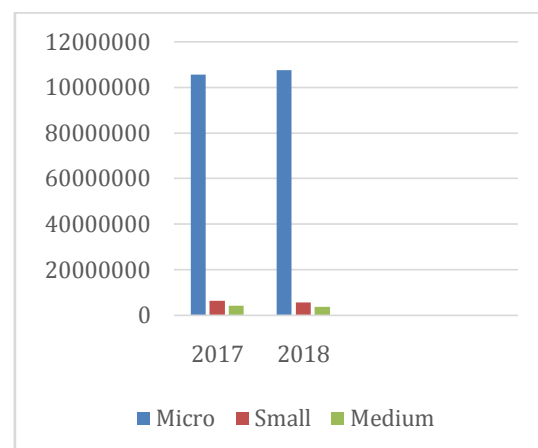
**KEYWORD:**MSMEs, government, COVID-19, pandemic

## I. INTRODUCTION

COVID-19 is a serious problem for Indonesia. [1] Until 8 November 2020, more than 400,000 patients infected with COVID-19 in Indonesia. The COVID-19 has changed many things, one of them is the economic sector. The economic activities in Indonesia are completely changing after COVID-19 entered. A study made by the Ministry of Finance shows that is pandemic covid-19 has negative implications for the domestic economy like decreased consumption and purchasing power, decreased performance company, and reduction of existing MSMEs. [2] According to the Central Statistics Agency (BPS), economic growth in the third quarter of 2020 was minus 3.49 percent, and in the previous quarter, it was also minus 5.32 percent, which means that Indonesia officially has a recession status. A recession is a period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters. It will be down in the capital market, unemployment increases, loss of business, and others. One of those affected by COVID-19 is micro, small, and medium enterprises (MSME).

Micro, small, and medium enterprises (MSMEs) is the most developed economic sector in Indonesia. [3]According to the Central Bureau of Statistics (BPS), the amount of these businesses in Indonesia is 64 million. This business has various aspects, such as culinary, tourism, handicraft, agribusiness, fashion, etc.

This business is one of the national economy's strategic sectors, reflected in the massive absorption of labor by the MSME sector. [4] Increase labor of MSMEs can see in figure number 1. In 2017-2018 labor of MSMEs had an increase of 547407. A lot of MSMEs labor can assist national income. According to the Indonesian Ministry of Cooperative and SMEs, MSMEs absorb 89,2% of the total laborers, provide up to 99% of total jobs, contribute 60,34% of the total GDP, and contribute 14,17% of the total export, and contributed 58,19% of the total investment.

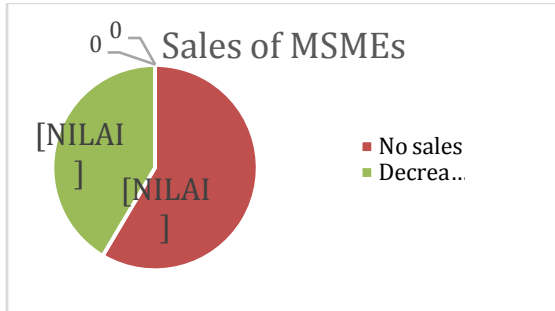


### The Number of MSMEs Labor

(Source: Indonesia Ministry of Cooperative and SMEs)

MSMEs have some problems during the COVID-19 pandemic like some products from MSME has been exported to various countries,

income MSMEs decreased, can't running production activities well, etc. COVID-19 pandemic caused demand, and purchasing power is decreased, which interferes with trading activities. That it has an impact on MSMEs sales.

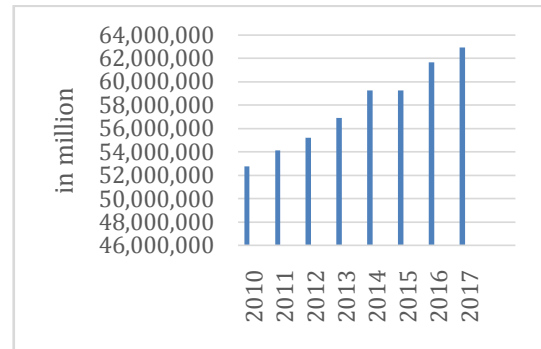


**Sales of MSMEs source: Survey of Association Business Development Services Indonesia (ABDSI)**

[5] Based on the data of Association Business Development Services Indonesia (ABDSI), MSMEs have problems with sales. MSMEs can't make maximum sales caused by several things. This situation had an impact on MSMEs finances. Their business can't grow if this situation lasts long. The government must decide a regulation to assist MSMEs to survive on COVID-19 pandemic.

**II. LITERATURE REVIEW**

[7] Micro, small, and medium enterprises (MSME) is a productive economics enterprise owned by an individual or business entity. [8] According to criteria stilted by Regulation Number 20, 2008. A micro business's standards are a business with a net worth of IDR 50,000,000, excluding buildings and land on which the company is located. And has the maximum annual sales yield is IDR 300,000,000. A small business's criteria are a business with a net worth of IDR 500,000,000and has yearly sales of more than is IDR 300,000,000. A medium business's standards are a business with more worth more than IDR 500,000,000, excluding buildings and land.



**[8] Total of MSMEs in Indonesia**

(Source: lokadata.com)

[9]This business has increased every year. The purpose of MSME is to increase economic growth. Economic growth is an increase in economic goods and services, compared from one period to another. In Indonesia, MSME is essential for their economic development. It requires a lot of laborers, thus reducing the unemployment rate.

[10] Based on data of BPS, the amount of 69% of MSME needs capital assistance. Their amount was more than 60,000. In the pandemic, their income decreased because they could not sell their products maximally in this case. At the same time, they must spend production operations costs such as paying salary, rent, production factors, etc. It makes them use the capital to cover shortcomings.

[11] In 1998, Indonesia is currently in a monetary crisis. The monetary crisis caused a decrease in the value of the rupiah against the US dollar value. This case has an impact on the more significant business. MSME have not been impacted. They can survive till a normal monetary situation.

In this situation, micro, small, and medium enterprises (MSME) so difficult to survive. Covid-19 makes some micro, small, and medium enterprises (MSME) having problems doing its activities. The situation had an impact on the finances of them. The businessman must be replanning to efficiency the production expenses.

[12] Ministry of cooperatives and SME stated the businessman of micro, small, and medium (MSME) reported several things about the impact of covid-19, they are: (1) sales decline; (2) raw material difficulty; (3) barriers to distribution; (4) lack of capital and (5) production barriers. It was caused by the impact of COVID-19, which required large-scale social restrictions and activity restrictions to reduce the spread of COVID-19. Covid-19 makes producers close the business. Therefore, they face difficulties in producing and selling their goods or services.

### III. RESEARCH METHOD

This research using the method document study method based on previous research, which is search by electronic media such as digital library and website. This research uses secondary data coherently, such as the Indonesian Ministry's data, the Indonesian Institution, government regulation, journal, and electronic book.

### IV. RESEARCH RESULT

During the Covid-19 pandemic, the government has provided regulation to assist the micro, small, and medium (MSME) sectors. To resolve problems caused by a COVID-19 pandemic, the Indonesian government deciding regulations. This regulation is to help the difficulties that employers have. Some of the regulation are:

#### Tax

[13] The government gives PPh deductions from 1% to 0,5%. With a half percent PPh deduction, there is an opportunity that the profits can be used for business expansion. The Indonesian Ministry of financial (2020) stated the government gives PPh assistance of 1,08 trillion. The businessman can apply for this program on the condition that the UMKM has a gross income of not more than IDR 4.8 billion a year.

#### Licensing

[14] The government makes an application to apply for business licenses. This ease of access can accelerate business development and businessman. No needs to wait a long time. This program is integrated electronically for MSMEs, the businessman can access the website of One Single Submission (OSS). This program has benefits for MSMEs like changes the status of an informal business to a formal business, legal protection, and businessman can do the business expansion.

#### Low loan interest

[15] The government gives faster for the businessman to get a capital loan. They will get low interest on the load. Low-interest loans can be obtained through People's Business Credit (KUR). Micro, small, and medium enterprises (MSME) is expected to strive to make a proper and complete business plan. Low-interest rates will encourage the progress of MSMEs.

#### Capital cash assistance

[16] The government gives capital cash assistance to the businessman. This program is

BLT BPUM. BLT BPUM is the government cash assistance for MSME. The businessman gets this assistance of IDR 2.400.000. The businessman can apply to cooperatives and SME in their region.

#### Social assistance

[17] The government gives social assistance in the form of electricity subsidies. The government has announced to provide three months of electricity tariff waivers for 450VA customers and a 50% subsidy for subsidized 900VA customers. The purpose of this program is to lighten the process of production.

MSMEs should have something new for marketing their product. [18] They can make new design for an online marketing. Online marketing can make interest customer. Other than that, new product innovation also has the important role for MSMEs.

[20] MSMEs must be ready to participate in the industry 4.0. They need to prepare good management to participate it. MSMEs must collaborate with technology and the internet to advance its business in the industrial era 4.0 and the COVID-19 pandemic.

### V. CONCLUSION

Based on this research, covid-19 impacts several sectors, one of which is a micro, small, and medium enterprise (MSME). Some impacts are sales decline, raw material difficulty, barriers to distribution, lack of capital, and production barriers. To assistance MSME, the government decided on some regulations. Some of the regulations are tax deduction, making licensing easier, low loan interest, capital cash assistance, and social assistance.

### VI. RECOMMENDATION

In this research that has been done, there are some recommendations that the author wants to convey:

In the short term, the businessman must apply the government's appeal to implement health protocols, utilize government regulations wisely, and sell the product with alternative selling like delivery orders. Selling via online, MSMEs can take advantage of the marketplace and social media like Instagram, WhatsApp, and Twitter. MSMEs must make appropriate use of regulations or assistance. Customers can buy MSMEs products. It will make production, distribution, and sales of MSMEs to be better. So that MSMEs can survive and carry out its activities.

A campaign to help MSMEs is very much needed for the development of MSMEs during COVID-19 pandemic. With the campaign, the

society can give sympathy and support to MSMEs. Apart from the society, the private sector can provide support such as providing capital, advertising, etc.

The businessmen must-have new innovation in production. New innovation the product can make interest customers to buy the product and export to other countries. Which supports the new innovation are human resource, natural resource, production machine, production technique, and capital.

In the long term, the Indonesian government needs to create the road map post-COVID-19 pandemic MSMEs development. MSME must be given an understanding of business in the industrial era 4.0. The government must also empower MSMEs so that entrepreneurs can determine strategies appropriately.

Collaboration is needed to get through this situation. Government, businessmen, and society must assist each other. The government gives the regulation to MSMEs during COVID-19 pandemics. The businessmen apply and make use of government regulation. The society helps MSMEs to survive during the COVID-19 pandemic by buy product from MSMEs. With that, government regulation and MSMEs can went according to plan.

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