

OBSTACLES AND CHALLENGES OF INDONESIA'S MICRO, SMALL AND MEDIUM ENTERPRISES (UMKM) IN FACING THE COVID-19 PANDEMIC

Agoes Djatmiko

Faculty of Law, University of Wijayakusuma Purwokerto

e-mail : agoesdj.2017@gmail.com

Elisabeth Pudyastiwi

Faculty of Law, University of Wijayakusuma Purwokerto

e-mail : epudyastiwi@gmail.com

Abstrak

Pandemi Covid-19 ini menyebabkan adanya pergeseran dan perubahan pola pembelian konsumen. Biasanya meskipun sudah ada penjualan online, namun konsumen tetap banyak yang membeli produk secara langsung ke toko atau pusat perbelanjaan. Namun sekarang ini, karena ada pembatasan dan peraturan pemerintah untuk tidak keluar rumah, maka otomatis konsumen tidak memungkinkan untuk berlama-lama di luar rumah. Pelaku UMKM juga harus menyesuaikan diri dan mengkondisikan penjualan produk dan jasanya. Perlu adanya perbaikan kualitas produk dan penyesuaian pelayanan untuk dapat menarik konsumen. Pandemi Covid-19 yang terjadi di Indonesia berdampak pada ketidakstabilan dalam perekonomian terutama pada UMKM. Pelaku UMKM ini merasakan dampak langsung berupa penurunan omset penjualan. Untuk itu pelaku UMKM harus memiliki strategi untuk dapat bertahan di tengah pandemic ini dan dituntut untuk dapat menyesuaikan diri terhadap kondisi yang terjadi.

Kata kunci : UMKM, Covid-19, konsumen.

Abstract

The Covid-19 pandemic has led to shifts and changes in consumer purchasing patterns. Usually, even though there are online sales, many consumers still buy products directly to shops or shopping centers. But now, because there are restrictions and government regulations not to leave the house, consumers automatically do not allow it to stay outside the house for long. MSME players must also adjust and condition the sales of their products and services. It is necessary to improve product quality and service adjustments to attract consumers. The Covid-19 pandemic that occurred in Indonesia had an impact on economic instability, especially on MSMEs. These UMKM players feel a direct impact in the form of a decrease in sales turnover. For this, MSMEs players must have a strategy to survive in the midst of this pandemic and are required to be able to adapt to the conditions that occur.

Keywords: UMKM, Covid-19, consumers.

Introduction

According to the 1945 Constitution, it is strengthened through TAP MPR NO.XVI / MPR-RI / 1998 concerning Political Economy in the context of Economic Democracy, Micro, Small and Medium Enterprises need to be empowered as an integral part of the

people's economy which has a strategic position, role and potential to realize it. a national economic structure that is increasingly balanced, developed and just. Furthermore, the definition of MSMEs was made through Law No.9 of 1999 and due to the increasingly dynamic state of development it was changed to Law No. 20 Article 1 of 2008 concerning Micro, Small and Medium Enterprises, the definition of MSMEs is as follows: 1) Micro Business is a business productive owned by individuals and / or individual business entities that meet the criteria of Micro Enterprises as regulated in this Law. 2) Small Business is a productive economic business that stands alone, which is carried out by an individual or a business entity that is not a subsidiary or branch of a company that is owned, controlled, or is a part, either directly or indirectly, of a Medium or Large Business criteria for Small Business as referred to in this Law.

3) Medium Enterprises are productive economic enterprises that are independent, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part of, either directly or indirectly, with Small or Large Businesses with total assets. net or annual sales proceeds as regulated in this Law. 4) Large Business is a productive economic business carried out by a business entity with a net asset or annual sales proceeds greater than that of a Medium Enterprise, which includes state-owned or private national enterprises, joint ventures, and foreign businesses conducting economic activities in Indonesia 5) Business World is Micro, Small, Medium and Large Enterprises that carry out economic activities in Indonesia and are domiciled in Indonesia..

MSMEs in Indonesia have become an important part of the economic system in Indonesia. This is because MSMEs are business units that are more numerous than large-scale industrial enterprises and have the advantage of absorbing more labor and are also able to accelerate the process of equalization as part of development. Based on this fact, it is proper for MSMEs to be protected by laws and regulations related to operational activities and their development. Several regulations have been issued by the government to protect MSMEs including the 1945 Constitution which is the basic foundation of law in Indonesia Article 5 paragraph (1), Article 20, Article 27 paragraph (2), Article 33, Law No.9 of 1995, the Decree of the People's Consultative Assembly of the Republic Indonesia Number XVI / MPR-RI / 1998 concerning Political Economy in the framework of Economic Democracy, Micro, Small and Medium Enterprises need to be empowered as an integral part of the people's economy which has a strategic position, role and potential to realize a more balanced, developing national economic structure. , and just.

The number of workers absorbed by the Indonesian MSME sector in 2006 reached 96.18 percent of the total number of available jobs. In 2006, Indonesia's MSME sector contributed 53.3 percent of the total national GDP (Gross Domestic Product), while the rest, which is around 46.7 percent, was contributed by the Large Business sector. This condition shows that the empowerment of MSMEs is a significant factor for the national economy, especially in maintaining domestic social stability. The potential of MSMEs in providing employment opportunities and the role of MSMEs in national economic development are some of the important aspects that underlie the need for the development and empowerment of MSMEs in Indonesia.

The role of MSMEs in national development cannot be underestimated. As stated by Stiglitz that small businesses often act as the backbone of people's lives, their existence and development deserves government attention. The state has a very big share in determining

the direction of the national economy. The government plays a role in issuing policies and building infrastructure that supports industrial development, especially MSME-based industries. In looking at the relationship between national MSMEs and international trade, the 2015 ASEAN Single Market concept should be seen as an opportunity as well as a challenge in itself for the domestic MSME sector. Opportunities because the concept of the 2015 ASEAN Single Market as a Singel Market and Singel Production Base provides opportunities for the MSME sector to gain wider market access through multinational companies.

The COVID-19 pandemic currently occurring inevitably affects various sectors. At the global economic level, the COVID-19 pandemic has a very significant impact on the domestic economy of the nation-state and the existence of MSMEs. The Organization for Economic Co-operation and Development (OECD) report states that this pandemic has implications for the threat of a major economic crisis marked by the cessation of production activities in many countries, falling levels of public consumption, loss of consumer confidence, falling stock markets which ultimately leads to uncertainty. .

Indonesia, which is dominated by the existence of Micro, Small and Medium Enterprises (MSMEs) as the backbone of the national economy, has also been seriously affected not only in terms of total production and trade value but also on the number of workers who have lost their jobs due to this pandemic. Data from the Ministry of Cooperatives and Small and Medium Enterprises (KemenkopUKM) shows that in 2018 there were 64,194,057 MSMEs in Indonesia (or around 99 percent of the total business units) and employed 116,978,631 workers (or around 97 percent of the total workforce). work in the economic sector). In the face of the Corona COVID-19 virus pandemic, Micro, Small and Medium Enterprises (MSMEs) need to be strengthened. Moreover, MSMEs are no longer seen as alternatives, but as the backbone or foundation of the country's economy, this article will discuss the Barriers and Challenges of Indonesian Micro, Small and Medium Enterprises (MSMEs) in Facing the Covid-19 Pandemic.

Discussion

Indonesian Micro, Small and Medium Enterprises (MSMEs) Barriers to Facing the Covid-19 Pandemic

The study made by the Ministry of Finance shows that the COVID-19 pandemic has negative implications for the domestic economy, such as a decrease in public consumption and purchasing power, a decline in company performance, threats to the banking and financial sectors, and the existence of MSMEs. In the aspect of public consumption and purchasing power, this pandemic has caused a large number of workers to decrease or even lose their income so that it affects the level of consumption and purchasing power of the community, especially those in the category of informal workers and daily workers. Most people are very careful about managing their financial expenses because of the uncertainty about when this pandemic will end.

This has led to a decline in people's purchasing power for consumer goods and put pressure on the producer and seller sides. In the corporate aspect, this pandemic has disrupted the performance of companies, especially those engaged in the trade, transportation and tourism sectors. The social distancing policy which was later changed to physical distancing and working from or at home had an impact on the decline in company performance which

was then followed by layoffs. There are even some companies that went bankrupt and finally chose to close their businesses. In the banking and financial aspects, this pandemic has raised fears of debt or credit repayment problems which in turn have an impact on the sustainability of bank performance.

Many creditors have asked for loosening of limits and the amount of debt and credit installment payments from banks. Not to mention that entrepreneurs must pay attention to fluctuations in the rupiah exchange rate which will disrupt the production process, especially for companies that depend on imported raw materials. In addition, this pandemic has threatened to run away from foreign investment from Indonesia, which of course threatens the government's strategic projects. In the aspect of MSMEs, the existence of this pandemic has caused a decline in performance on the demand side (consumption and purchasing power of the community) which ultimately has an impact on the supply side, namely termination of employment and the threat of non-performing loans.

In this pandemic situation, according to KemenkopUKM there are around 37,000 MSMEs who report that they are very seriously affected by this pandemic, marked by: around 56 percent reported a decrease in sales, 22 percent reported problems in the aspect of financing, 15 percent reported problems with the distribution of goods, and 4 percent reported difficulty obtaining raw materials. The problems above are also increasingly widespread when linked to the large-scale social restrictions (PSBB) policy which is implemented in several regions in Indonesia. Referring to the Minister of Health Regulation No. 9/2020 concerning PSBB Guidelines for the Acceleration of Handling COVID-19, PSBB includes restrictions on certain activities of residents in an area suspected of being infected with COVID-19 including restrictions on the movement of people and / or goods for a particular province or district / city to prevent the spread of COVID-19 .

These restrictions are at least carried out through school and work vacations, restrictions on religious activities, and / or restrictions on activities in public places or facilities. It is feared that with the existence of PSBB, economic activities, especially production, distribution, and sales will experience disruption, which in turn will further contribute to the performance of MSMEs and the national economy, as the results of the study by the Ministry of Finance above. It is not wrong if there are concerns, especially if you look at the large number of MSMEs in Indonesia and the number of workers absorbed in MSMEs. According to data from the Central Statistics Agency (BPS), the contribution of MSMEs to Indonesia's Gross Domestic Product (GDP) reached 61.41 percent in 2018. Of course this contribution shows the role of MSMEs as the backbone of Indonesia's national economy.

Challenges of Indonesian Micro, Small and Medium Enterprises (MSMEs) in Facing the Covid-19 Pandemic

Micro, small and medium enterprises are the main players in economic activity in Indonesia. The future of development lies in the ability of micro, small and medium enterprises to develop independently. It is recognized that Micro, Small and Medium Enterprises (MSMEs) play an important role in economic development and growth. In general, MSMEs in the national economy have a role: (1) as the main exhibition in economic activity, (2) the largest provider of employment, (3) an important player in local economic development and community empowerment, (4) creators of new markets and sources of

innovation, and (5) its contribution to the balance of payments. (Ministry of Cooperatives). In addition, MSMEs also have an important role, especially in the perspective of employment opportunities and sources of income for the poor, income distribution and poverty reduction, and these MSMEs also play a role in rural economic development.

A big task rests on the shoulders of the Indonesian Government regarding the current COVID-19 pandemic: first, maintaining the safety and health of the Indonesian people as the main focus and second, maintaining the rate of economic growth. Predictions of global economic growth need to be used as input for the government in designing economic policies, especially solutions for MSMEs. A number of international institutions have released their predictions for global economic growth in 2020, such as JP Morgan, which states that global economic growth will be minus 1.1 percent and the International Monetary Fund (IMF) which even predicts global economic growth will be minus 3 percent. Meanwhile for Indonesia's economic growth, the IMF predicts that Indonesia will still experience positive economic growth of 0.5 percent from the initial target of 5 percent in 2020, while Finance Minister Sri Mulyani predicts Indonesia's economic growth will be in the range of 0.3-2.8 percent in 2020.¹⁰ This figure, both the number of MSMEs and their contribution as well as the prediction of global and Indonesian economic growth, needs serious attention and is used as material for government evaluation to design policies and strategies that are right for the existence of MSMEs in Indonesia.

The COVID-19 pandemic situation provides both a challenge and an opportunity for the government to maintain the existence of MSMEs. Challenges are defined as the need for short-term solutions to help MSMEs and workers who are members of it. Opportunity means that short-term solutions need to be followed by long-term solutions, especially when it is related to the industrial era 4.0 which requires the availability of digital technology to support economic activity. There are several short-term solutions to maintain the existence of MSMEs. According to the OECD, several solutions need to be considered, namely: strict health protocols in carrying out economic activities by MSMEs, delaying debt or credit payments to maintain MSME financial liquidity, financial assistance for MSMEs, and structural policies.¹¹ First, strict health protocols can be implemented when the government gives permission for MSMEs to carry out their activities.

The obligation to use masks, gloves, and a safe distance between workers can be a requirement for MSMEs to continue carrying out their activities. Of course there needs to be cooperation from MSME actors and tight supervision from the competent agencies so that this health protocol can run well. In this context, the government can involve civil servants at the village office in collaboration with the village supervisors (Babinsa / TNI) and community security and order guards (Babinkamtibmas / police) in monitoring the implementation of health protocols for MSMEs who are allowed to carry out their activities. Second, the government can issue a policy to provide leniency in the payment of debt or credit installments for MSMEs or even postpone the payment process for the next six months by considering the financial liquidity of MSMEs. This includes simplifying the administrative process for obtaining a loan in the midst of this emergency situation. This can be done so that MSME actors including workers can maintain the level of consumption and purchasing power as well as support the running of the national economy. Third, financial assistance to MSME players.

Conclusion

The impact of the Covid-19 outbreak on the economy was experienced by all countries in the world, including Indonesia, which experienced a very large economic impact. In this case, MSMEs are the most affected and affected in this crisis, paying attention to the contribution of MSMEs to the number of business units, the contribution of GDP, labor absorption, exports and investment to the Indonesian economy which is very large and significant, so it is an important concern for the government to help in restoring and reviving MSMEs in Indonesia with various assistance and government policies that can support MSME businesses. The Covid-19 pandemic has caused shifts and changes in consumer buying patterns. Usually, even though there is online sales, many consumers still buy products directly to shops or shopping centers. But now, because there are restrictions and government regulations not to leave the house, then automatically consumers do not allow it to linger outside the home. MSME actors must also adjust and condition the sales of their products and services. There is a need for product quality improvements and service adjustments to attract consumers.

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