

Portrait and Expectations of Kediri City MSMEs at the Time and Post of Pandemic COVID-19

Subagyo¹, Hery Purnomo², Gesty Ernestivita³, Wahyu Riski Ana⁴

¹Master of Economic Education, Nusantara PGRI University of Kediri, Indonesia

^{2,3,4}Management Study Program, Faculty of Economics and Business, Nusantara University of PGRI Kediri, Indonesia

Corresponding Author: Subagyo

DOI: <https://doi.org/10.52403/ijrr.20230414>

ABSTRACT

The purpose of this study is to identify the impact of the Covid-19 pandemic on micro, small and medium enterprises (MSMEs) on 1) operations, 2) workforce policies, 3) income, 4) adaptation, 5) optimism, and 6) identification of needed empowerment facilities by MSMEs in post-pandemic. This study used primary data obtained by distributing research instruments to target respondents who represent the population. The population in this study were all MSMEs in Kediri City which were registered with the East Java Cooperative and SMEs Office, totalling 45,629 business units, with a sample of 500 respondents. Data were analyzed using descriptive statistical analysis which was used to determine the distribution of values from respondents' responses to the indicators used in the study. The results of this study are to present data on the portrait of MSMEs during the Covid 19 pandemic, MSME policies on implementing physical distancing, the factors faced by MSMEs during the pandemic. Adaptations made by MSMEs in the new normal period, facilitating the empowerment needed by MSMEs after the pandemic.

Keywords: MSMEs, Portrait, Expectations, Optimism, Effort

INTRODUCTION

The Covid-19 pandemic that has taken place since the beginning of 2020 has had an impact on changes in social life and a decline in economic performance in most countries in the world, including Indonesia

(Susilawati et al., 2020). The World Trade Organization (WTO) estimates that the volume of world trade globally is likely to decrease by around 32% in 2020 during the Covid-19 period and the business scale that is most affected by the Covid-19 pandemic is Micro, Small and Medium Enterprises (MSMEs) (Fathiyah, 2020). The reasons why most large businesses are still able to survive during the Covid-19 pandemic, because they have sufficient assets and capital, adequate human resources both in terms of quality and quantity, and high sales turnover, so that the reserves of funds can still last for the next few months. Micro and small scale businesses experience different things, with limited finances and resources, the Covid-19 pandemic is a test and a heavy burden for MSMEs. The types of businesses that have been heavily affected by the Covid-19 pandemic are transportation, tourism, hotels, cafes, convection and culinary (Komarudin, 2020).

The downturn in MSMEs has had a significant impact on the economy, because MSMEs not only dominate the number of existing businesses in Indonesia, but the MSME sector contributes to economic growth, job creation and employment, formation of Gross Domestic Product, and sources of non-oil and gas exports. Data shows that the number of MSMEs in Indonesia is 99% of the existing business units. Labor absorption reaches 97% and contributes to GDP of 60%

(Databoks.katadata, 2020). As the role of MSMEs is significant in the national economy, MSME can be said as the backbone of the national economy. MSMEs also have a social function as a provider of a safety net, especially for low-income people so that they can carry out productive economic activities (Antonius, 2020).

During the pandemic, many MSMEs were forced to close their businesses, and some faced cash flow constraints (Baker, T., & Judge, 2020). During the pandemic, Central Bureau of Statistics noted that only 42% of MSMEs were able to survive for up to 3 months (Iqbal, 2020). The Ministry of Cooperatives and SMEs stated that 36.7 percent of MSMEs had no sales due to the pandemic, as many as 26.6 percent of MSMEs whose sales fell by more than 60 percent (Artha, 2020).

One of the cities that experienced a decline in the economy was Kediri, even though in the city of Kediri there is the largest cigarette industry in Southeast Asia, Gudang Garam cigarette factory. In Kediri, there are 45,639 MSMEs. Based on the results of a survey by the Ministry of Cooperatives and SMEs that 36.7% of MSMEs cannot run their operations, it is estimated that as many as 16,750 businesses have stopped operating. Of course, it will have a significant impact on the economy in the city of Kediri, considering that the role of MSMEs in Kediri is expected to grow and develop, shifting the role of the Gudang Garam Cigarette Factory, which currently contributes more than 70% of GDP in the City and Regency of Kediri (Rischi et al., 2019). For this reason, valid and accurate data is needed in order to develop plans, make the right decisions, and to execute programs so that they are right on target. The availability of data and information is the main capital in efforts to program the national economic recovery during this pandemic.

This research seeks to be present and play a role, even though it faces obstacles due to the application of physical distancing which makes conventional data collection difficult.

However, with innovation and taking advantage of technological advances in data collection, such as the use of online (online) surveys, making efforts to provide data more open. The Covid-19 Impact Survey on MSME practitioners which is an additional statistic and is conducted online is one form of this innovation.

Presentation of additional statistics in the form of indicators of the impact of Covid-19 aims to provide information to stakeholders, in order to develop plans and fast and strategic steps in national economic recovery.

The light presentation is intended so that the information provided can target all groups. Light but informative is the way taken to disseminate the latest information regarding the indicators resulting from the survey, which are related to 1) Map/find out company attitudes and policies regarding the implementation of physical distancing and Large-Scale Social Restrictions (PSBB) impact on company operations. 2) Map/find out company policies regarding changes in the number of employees in the midst of a pandemic. 3) Map/find out changes in income of Micro, Small and Medium Enterprises according to business scale. 3) Map/find out the factors faced by companies due to the pandemic and PSBB. 4) Map/find out business adaptation in the new normal era, including the internet and information technology for marketing. 5) Map/find out the optimism of business actors to survive during the pandemic. 6) Mapping/knowning the facilitation needed by MSMEs.

This research is also still relatively new, because it takes a picture of the condition of MSMEs after the pandemic, then identifies the problems and needs so that they can be submitted as a frame of reference and/or trigger for further research.

LITERATURE REVIEW

Small Micro and Medium Enterprises (MSMEs)

According to Law Number 20 of 2008 (Dani, 2020), MSMEs are defined as follows:

1. **Micro Enterprises** are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as stipulated in the law.
2. **Small business** is a productive economic business that stands alone, which is managed by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part of either directly or indirectly from medium-sized businesses or large businesses that meet the criteria of a small business.
3. **Medium Enterprises** are productive economic enterprises that stand alone, managed by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part, either directly or indirectly, with small businesses or large businesses with total net worth or annual sales results as stipulated in the law.

The criteria for MSMEs are in accordance with Law Number 20 of 2008 as shown in table 1 below.

Table 1. Criteria for Micro, Small and Medium Enterprises

No	Criteria	Criteria	
		Asset (Rp)	Turnover (Rp)
1	Micro business	Max 50 Million	Max 300 million
2	Small business	50 million- 500 million	300 million-2.5 billion
3	Medium Business	500 million-10 billion	2.5 billion-50 billion

Source: Law Number 20 of 2008 concerning MSMEs (Dani, 2020)

In Indonesia, MSMEs are the dominant business unit and play an important role in the national economy (Pakpahan, 2020). In 2018 there were 64,194,057 MSMEs in Indonesia (or around 99% of the total business units) and the MSME sector also employed 116,978,631 workers or around 97 percent of the total workforce in the economic sector (Kemenkop-UKM, 2018). In 2018, MSMEs contributed to GDP at current prices of 61.07% nationally (Kemenkop-UKM, 2018). Another important role of MSMEs in the Indonesian economy is a means of lifting people out of poverty, a means of levelling the economic level of the poor, providing foreign exchange for the country, the main player in Indonesia's economic activity, making a sizeable contribution to Indonesia's Gross Domestic Product (PDP), contributing to increasing non-oil and gas exports, and (4) making the largest contribution to employment (Subagyo et al., 2020); (Prasetyo & Huda, 2019).

Impact of the Covid-19 Pandemic on MSMEs in Indonesia

Indonesia is one of the countries that has been affected, especially on the economic

side (Pakpahan, 2020). The Covid-2019 pandemic has had various impacts on the economy such as finding it difficult to find jobs, having difficulty meeting daily needs, having no income to meet daily needs and also having received many hardships from all sectors of the economy in all fields. Covid-19 (Hanoatubun, 2020). According to the data release, the difficulties experienced by MSMEs during the pandemic were divided into four problems. First, there is a decrease in sales due to reduced community activities outside as consumers. Second, there are capital difficulties due to difficult capital turnover due to declining sales levels. Third, there are obstacles to product distribution due to restrictions on the movement of product distribution in certain areas. Fourth, there are difficulties in raw materials because SMEs depend on the availability of raw materials from other industrial sectors.

Table 2. Impact of COVID-19 on MSMEs

Impact	Percentage (%)
Sales Decline	56
Capital Difficulties	22,0
Obstacle to product distribution	15,0
Raw material difficulties	4,0

Source: (Setiawan, 2020) and (Kemenkop-UMKM, 2018)

Table 2 shows that of the four problems, the impact of decreased sales is the biggest problem experienced by MSME practitioners. The impact of the pandemic on MSMEs is believed to be even greater, due to the high level of vulnerability and the lack of resilience due to limited human resources, suppliers and options in overhauling business models.

MSME Empowerment in Indonesia

According to Chapter II Article 4 and Article 5 of Law no. 20/2008 15 concerning MSMEs, the principles and objectives of empowering MSMEs are:

1. The principle of empowering MSMEs
 - a. Growing independence, togetherness and entrepreneurship of MSMEs to work on their own initiative.
 - b. Realizing transparent, accountable and public policies
 - c. Regional potential-based and market-oriented business development in accordance with the competence of MSMEs
 - d. Increasing the competitiveness of SMEs
 - e. Implementation of integrated planning, implementation and control
2. The aims of empowering MSMEs
 - a. Realizing a balanced, developing and national economic structure
 - b. Growing and developing the ability of MSMEs to become strong and independent businesses
 - c. Increasing the role of MSMEs in regional development, job creation, income distribution, economic growth, and poverty alleviation

The Importance of MSME Empowerment

From year to year the number of MSMEs has increased, but the number of MSMEs in Indonesia is only 3.1%, even though to become a developed country at least the number of entrepreneurs is 14% (Akhir & Jumaidi, 2020). The impact of the Covid-19 pandemic has certainly had a negative

impact on the development of MSMEs. Therefore, the government through the Ministry of Cooperatives and SMEs encourages MSMEs through existing programs to grow new entrepreneurs increasing existing MSMEs through strategic programs including expanding market access for MSME products and services, spending on Ministries of Institutions and SOEs prioritizing MSME products, strengthening MSME institutions, expanding markets UMKM in Online, acceleration and ease of financing People's Business Credit (Saputra Mohammad Genatan, 2019).

During the pandemic, the government made various efforts to help the community's economy through various policies (Susilawati et al., 2020). The success of government policies is highly dependent on the support of the business actor component in the community. Communities and the government must jointly protect the economy from the impact of Covid-19 (Hanoatubun, 2020). The post-COVID-19 MSME revival really needs support from all stakeholders. Hadi recommends that MSME revitalization policies be carried out by increasing synergies between programs and between government agencies, increasing various efforts to modernly promote MSME products to the domestic and export markets, implementing credit policies with low interest rates and simple processes, and encouraging the improvement of MSME supporting facilities and the creativity of MSMEs so that they are highly competitive (Hadi, 2020).

MATERIALS & METHODS

This research included the type of descriptive research. Descriptive research aimed to make systematic, factual, and accurate descriptions, drawings, or drawings regarding the facts, characteristics and relationships between the phenomena investigated and this research used a quantitative approach.

This research obtained a comprehensive picture of the impact of Covid-19 on MSME

operations, MSME policies on physical distancing, and the factors faced by MSMEs during the pandemic, Adaptations that have been made by MSMEs in the new normal period and facilitation of empowerment needed by MSMEs in the new normal era and post-pandemic.

Data Collection Methods with Online Surveys (Online), and Offline Surveys (face to face), and sample collection methods by 1) Probability Sampling: a number of samples are selected from the Frame Statistical Business Register (SBR) for 2021-2022, the Office of Cooperatives and SMEs Kediri city. 2) • Non-probability sampling (voluntary sampling): Researchers dispatch personnel (survey officers) and use survey links, to a network of associations, associations, assemblies and other forms of business associations. This aims to obtain a complete picture of business practitioners who meet representativeness, both business scale and business field.

RESULT

MSME Operations

1) Company Operations During Pandemic.
The implementation of physical

<ul style="list-style-type: none"> • 78% Water and waste treatment • 77% Agriculture and animal husbandry • 77% Real Estate • 74% Electricity and gas • 69% Trading • 67% Mining • 65% Health services • 60% Company services 	<ul style="list-style-type: none"> • 51% other services • 59% Transportation and warehousing • 58% Communication and information • 52% Accommodation and food and beverage • 49% Processing industry • 48% Construction • 27% Educational services
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

About 77 from 100 companies in the water supply and waste management sector; agriculture, animal husbandry and fishery; and real estate is still operating as usual. And only about 27 from every 100 companies in the education services sector are still operating as usual.

MSME Policy Regarding Workers

1) Working hours policy
a. Companies that are still operating as usual will reduce working hours by 25%. Reducing working hours is the policy that is mostly taken by

distancing in several areas due to the pandemic has also had an impact on the company's operations. Attitudes and company policies regarding these conditions are: 1) Stop operating = 8.8% 2) Operate with Work From Home (WFH) implementation for some employees = 5.5% 3) Operate with WFH implementation for all employees = 2.1 % 4) Operating with reduced capacity (working hours, machinery and manpower) = 24.3% 5) Operating, even exceeding the capacity before Covid-19 = 0.5% 6) Still operating as usual = 59%.

MSMEs operating during the Pandemic In general, 6 from 10 MSMEs are still operating as usual, while 4 from 10 MSMEs have been affected by the Pandemic.

2) MSMEs Still Operating as Usual by Sector.

In the midst of a pandemic, the company is trying to maintain its business operations. Some companies are still operating as they were before the pandemic;

companies that are still operating as usual. The policies that were mostly taken then were workers who were laid off (unpaid) and laying off workers in a short time

b. Companies operating beyond pre-pandemic capacity increased working hours by 25%. The increase in working hours is the policy that is mostly taken by companies that operate even beyond their pre-Covid capacity
c. In companies that operate by implementing WFH, which lay off

employees (without being paid) was 14%.

2) Percentage of companies that laid off workers in a short period of time:

<ul style="list-style-type: none"> • 19% Processing industry • 19% Construction • 18% Accommodation and food and beverage 	<ul style="list-style-type: none"> • 7% Water and waste management • 6% Financial services • 5% Electricity and gas
------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------

Optimism that the pandemic will end soon tends to discourage companies from making permanent layoffs. Laying off workers in a short time is a relatively better choice.

3) Percentage of companies still operating as usual by workforce change.

- 76% Still
- 21% Decrease
- 21% Increase

76 from 100 companies that are still operating as usual, the number of workers tends to be the same.

4) There have been various company efforts to maintain its workforce even though the company's activities have been badly affected by the pandemic. The decision to lay off tends to be the last step taken against the workforce.

- 33% Reduction of working hours
- 17% Laid off (unpaid)
- 13% Lay off workers in a short period of time
- 7% lay off (partially paid)
- 4% Laid off (paid in full)

Reducing working hours is a step that is

<ul style="list-style-type: none"> • 52% Processing industry • 51% Construction • 50% Accommodation and food and beverage 	<ul style="list-style-type: none"> • 19% Water and waste management • 18% Financial services • 15% Electricity and gas
------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------

c. The reduction in the number of employees is relatively more common in small and medium enterprises

- 47% in SMEs
- 33% in MEs

MSME income

1) Changes in income according to business scale

The impact of the pandemic on company revenue differs according to company scale (micro, small and

relatively more taken by companies compared to other options.

5) Changes in the Number of Employees in the Midst of a Pandemic

The decision to maintain the number of employees, reduce or even increase the number is a step that must be taken by the company in response to the pandemic situation which has an impact on company activities

a. Percentage of companies that made changes to the number of employees in the midst of a pandemic

- 62% The company chooses not to reduce/add the number of employees working
- 36% The company chose to reduce the number of employees working
- 2% The company chooses to increase the number of employees working

b. Percentage of companies that are reducing employees in the midst of pandemic

medium). However, business location and business sector are also thought to influence the magnitude of changes in income

a. Percentage of companies by change in revenue

- 83% decrease
- 15% still
- 3% increase

In general, 8 from 10 companies tend to experience a decrease in revenue

b. Percentage of MSE and SME companies that experienced a decrease in income

- 85% MSEs experienced a decrease in income
 - 82% SMEs experience a decrease in income
- 2) The business sector has been most affected by the pandemic

<p>The three highest business sectors:</p> <ul style="list-style-type: none"> • 93% Accommodation and food and beverage • 91% other services • 90% Transportation and warehousing 	<p>The three lowest business sectors:</p> <ul style="list-style-type: none"> • 68% Water and waste management • 68% Financial services • 59% Real Estate
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

The percentage of companies that experienced a decline in revenue in other business sectors ranged from 70.67% to 87.93%.

Warehousing, and Other Services sectors

Company Constraints

1) Obstacles encountered

Several factors faced by companies due to the pandemic and Large-Scale Social Restrictions (PSBB):

- a. In general, 8 out of every 10 companies, both MSEs and SMEs, tend to experience a decrease in demand because customers/clients are also affected by Covid-19. (80% MSEs and 78% SMEs)
- b. 6 from 10 companies face problems because their business partners are badly affected or unable to operate normally on both the MSE and UMB scales. (56% MSEs and 64% SMEs).
- c. Approximately 53% percent of SMEs and 62% of MSEs face financial constraints related to personnel and operations. (56% MSEs and 64% SMEs)

2) Decrease in demand due to the impact of Covid-19

The 3 sectors most affected by the decrease in demand due to customers/clients affected by Covid:

- 88% Accommodation and food and beverage
- 86% Transportation and warehousing
- 86% other services

The decline in demand from consumers due to Covid-19 was predominantly experienced by companies in the Provision of Accommodation and Food and Drink, Transportation and

MSME adaptation

1) Business adaptation during pandemic

- a. Business diversification includes efforts to carry out business processes as usual but there are additional products, business fields and business locations to increase revenue. 15 out of every 100 companies tend to diversify their business during the pandemic.

Three sectors with the highest percentage of business practitioners diversifying:

- 88% Accommodation and food and beverage
- 86% Transportation and warehousing
- 86% other services

The percentage of business practitioners diversifying into other business sectors ranges from 6% to 15%.

The decline in demand from consumers due to Covid-19 was predominantly experienced by companies in the Provision of Accommodation and Food and Drink, Transportation and Warehousing, and Other Services sectors

- b. 5 from 100 companies make the effort to switch to a different sector and move to a new sector.

2) Adapting to new habits in the work environment

- a. In the context of efforts to prevent, control and stop the spread of Covid-19, business practitioners implement

health protocols in the work environment.

- 86% require the use of masks or face shields
- 82% implement Physical Distancing
- 82% provide hand washing facilities (water, soap and hand sanitizer)

Small Micro Enterprises (SMEs):	and Medium Enterprises (SMEs):
<ul style="list-style-type: none"> • 84% masks or face shields • 80% hand washing facilities • 79% <i>physical distancing</i> 	<ul style="list-style-type: none"> • 98% masks or face shields • 97% hand washing facilities • 96% <i>physical distancing</i>

Small and medium scale businesses are relatively more compliant with implementing health protocols in the work environment than micro and small scale businesses

- c. The three sectors with the highest percentage of companies implementing health protocols in the work environment.
- 97% Health services
 - 96% Financial services
 - 95% Educational services

In an effort to prevent the spread of Covid-19 in the work environment, most companies in the health services, education services and financial services sectors have implemented health protocols.

MSME Optimism

- 1) The role of the internet and information technology for marketing

Utilization of the internet and Information Technology (IT) is a way for businesses to maintain and even increase their income. Social restrictions result in conventional marketing methods being limited. Online facilities are a promising solution

- a. Percentage of companies using the internet and IT for online marketing
- 50% Do not use
 - 46% Since before Covid-19 until now
 - 4% Starting at the time of Covid-19

Most business practitioners have implemented health protocols, although there are still some who have not implemented them

- b. Percentage of companies implementing health protocols by business scale.

In general, around 46 percent of companies have used the internet and IT for online marketing since before the pandemic. Meanwhile, around 4 percent of new companies used the internet and IT for marketing during the pandemic.

- b. Use of internet and IT for marketing
- 4 from 5 business actors who use the internet and IT for marketing via online admit that this online method has an effect on selling their products.

- c. Percentage of Companies Using Internet And IT For Marketing According to Business Profiles at the Time of the Survey

- 62% Working in the same field/sector
- 28% Diversify the business
- 10% Working in different fields/sectors

Around 28% of companies that had just started using the internet and IT during the pandemic for marketing had diversified their business

- d. Companies that are just starting to use the internet and IT during Covid-19 for marketing mostly do so in several sectors:
- 20% Educational services
 - 8% Processing industry
 - 7% Vehicle trading and repair
 - 7% Accommodation and food and beverage

Note: the percentage of business practitioner who have just started marketing online during the pandemic in other business sectors ranged from 1% to 6%.

- e. Companies that had been marketing online before the pandemic had 1.14 times higher income than those that had just decided to online during the pandemic.
- 2) How long would the company last without help?
- a. Percentage of business practitioners according to estimates of how long the company can survive during the pandemic
 - 55% Don't know
 - 26% More than 6 months
 - 15% Between 1 to 6 months
 - 4% Less than 6 months

About 15% of business practitioners estimate that they can last up to 6 months maximum.
 - b. The percentage of business practitioners doing business diversification according to the estimated length of time the company can survive during the pandemic
 - 45% More than 6 months

- 44% between 1 to 6 months
 - 11% Less than 6 months
- Around 45 percent of business practitioner who carry out business diversification are optimistic that their company can last more than 6 months and the remaining 11 percent can only last a maximum of 6 months.

3) Post-covid-19 business development plans

Responding to the pandemic conditions, there are business practitioners who see it as an opportunity. Post-Covid-19 business development plans may have been considered. Mitigation of development plans can be an indication of how much business practitioners are relatively better prepared to face crisis situations.

- a. Business Development Plan
 - 45% there isn't any yet
 - 40% Yes, still an idea
 - 15% Yes, it's written

55 from 100 business practitioners tend to have a plan even though only 15 have prepared it better (write it down)
- b. Business development plan according to business scale

<p>Small Micro Enterprises (SMEs):</p> <ul style="list-style-type: none"> • 46% There isn't any yet • 40% Yes, still an idea • 14% Yes, it's written 	<p>and Medium Enterprises (SMEs):</p> <ul style="list-style-type: none"> • 44% There isn't any yet • 32% Yes, still an idea • 24% Yes, it's written
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

- 4) When will conditions return to normal (as before Covid)?
- a. Optimism percentage of business practitioner to create a conducive business climate
 - 40% Less than 6 months
 - 40% Between 1 to 6 months
 - 20% More than 6 months

8 from every 10 companies are optimistic that their business will recover within the next 12 months
 - b. The three most optimistic sectors will recover within the next 6 months maximum

- 81 % Water and waste management
 - 79 % Electricity and gas
 - 78 % Educational services
 - The percentage of companies those are optimistic about recovering within the next 6 months in other business sectors ranges from 72% to 77%.
- 8 from 10 companies in the water supply and waste management sector; procurement of electricity and gas; and education services are optimistic that they will recover within a maximum of the next 6

months

Assistance needed by SMEs

1) Assistance needed by SMEs

- a. **SMEs expected assistance**
- 69% Hoping for venture capital assistance
 - 41% Expect electricity bill relief for businesses
 - 30% Expect Relaxation / Postponement of loan payments

- 17% Expect easiness of administration for loan applications
- 15% Expect a delay in paying taxes

7 from 10 MSE business practitioners need business capital assistance as most needed during a pandemic

- b. The dominant assistance needed by SMEs according to the MSME sector

Business capital assistance:

<ul style="list-style-type: none"> • 84% Processing industry • 74% Trading • 73% Mining • 71% Company services • 71% other services • 69% Water and waste management • 68% Electricity and gas 	<ul style="list-style-type: none"> • 67% Transportation and warehousing • 67% Accommodation and food and beverage • 67% Construction • 59% Communication and information • 58% Educational services • 57% Health services • 57% Financial services
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Expect electricity bill relief for businesses:

- Educational services 58%
- Real estate 49%

2) Assistances needed by SMEs

- a. **Assistances needed by SMEs**
- 44% electricity bill relief for businesses
 - 40% loan payment relaxation
 - 39% delay in paying taxes

- 35% venture capital assistance
- 14% easiness of administration for loan applications

Electricity bill relief, loan payment relaxation, and tax payment delays are the three aids most needed during a pandemic by MSEs.

- b. The dominant expectation of assistance is needed by MSEs by sector

<p>loan payment relaxation</p> <ul style="list-style-type: none"> • 64% Health services • 63% Accommodation and food and beverage • 60% Educational services • 59% other services • 56% Communication and information • 51% Water and waste management • 50% Processing industry • 48% Trading 	<p>loan payment relaxation</p> <ul style="list-style-type: none"> • 51% Financial services • 51% Real estate 51% • 45% Transportation and warehousing • 38% Electricity and gas
<p>delay in paying taxes</p> <ul style="list-style-type: none"> • 55% Mining 	<p>Venture capital assistance</p> <ul style="list-style-type: none"> • 51% Construction • 46% Company services

CONCLUSION

Referring to the research objectives which identified the impact of the Covid-19 pandemic on MSMEs on operations, policies related to workforce, income, adaptation, optimism, and empowerment needed by MSMEs, the following conclusions can be drawn:

1. The implementation of physical distancing due to the pandemic has had

an impact on the company's operations. Company policy regarding these conditions, 59% of MSMEs are still operating as usual, 26% are implementing WFH, and 6% choosing to stop their operations. More than 60% of the business sectors are operating as they were before the pandemic, including water and waste processing, agriculture and animal husbandry, real

- estate, electricity and gas, trade, mining and health services.
2. MSME policies related to workforce
 - a. Working hours policy
 - 1) In companies that are still operating as usual, those that reduce working hours by 25% are the policies that are mostly implemented by companies, while the policies that are mostly implemented are laying off workers (unpaid) and laying off workers in a short time. 2) In companies operating beyond pre-pandemic capacity, which increased working hours by 25%. The increase in working hours is the policy that is mostly carried out by companies that operate even beyond their pre-Covid capacity. 3) In companies that operate by implementing WFH, which lay off employees (without being paid) was 14%.
 - b. Optimism that the pandemic will end soon tends to discourage companies from making permanent layoffs. Laying off workers in a short time is a relatively better choice. 76 from 100 companies that are still operating as usual, the number of workers tends to remain the same.
 - c. There have been various company efforts to maintain its workforce even though the company's activities have been badly affected by the pandemic. The decision to lay off tends to be the last step taken against the workforce. Reducing working hours is a step that is relatively more taken by companies compared to other options.
 - d. The decision to maintain the number of employees, reduce or even increase the number is a step that must be taken by the company in response to the pandemic situation which has an impact on company activities. 62% Companies choose not to reduce/increase the number of employees working, Percentage of companies reducing employees in the midst of a pandemic 52% Industry processing, 51% Construction, 50% Accommodation and food and beverage
 3. Changes in MSME income in general, 8 out of every 10 companies have experienced a decrease in income, of which the three business sectors have been most affected by the pandemic like accommodation and food and drink, other services, and transportation and warehousing.
 4. Obstacles faced by the company due to the pandemic: a. in general, 8 from 10 companies, both MSEs and SMEs, tend to experience a decrease in demand because customers/clients were also affected by Covid-19. b. 6 from 10 companies face problems because their business partners are badly affected or unable to operate normally both at the MSME scale. The decline in demand from consumers due to Covid-19 was predominantly experienced by companies in the Provision of Accommodation and Food and Drink (88%), Transportation and Warehousing (86%) and Other Services (86%) sectors
 5. Business adaptation during the pandemic was taken by MSMEs
 - a. Business adaptation during the pandemic was taken by MSMEs with business diversification including efforts to run business processes as usual but there were additional products, business fields and business locations to increase income. 15 from 100 companies tended to diversify their business during the pandemic. Three sectors with the highest percentage of business practitioners diversify 88% Accommodation and food and beverage 86% Transportation and warehousing 86% other services. The decline in demand from consumers due to Covid-19 was dominantly experienced by

companies in the Provision of Accommodation and Food and beverage, Transportation and Warehousing, and other Services sectors. 5 from 100 companies make the effort to switch to a different sector and move to a new sector.

- b. Adaptation to new habits in the work environment requires the use of masks or face shields. Implementing physical distancing and providing hand washing facilities (water, soap and hand sanitizer). Most business actors (above 80%) have implemented the Health protocol although there are still some who have not implemented it. Small and medium scale businesses are relatively more compliant with implementing health protocols in the work environment than micro and small scale businesses. The three sectors with the highest percentage of companies in efforts to prevent the spread of Covid-19 in the work environment, most companies in the health services, education services and financial services sectors have implemented health protocols.
6. MSME Optimism
- a. Utilization of the internet and Information Technology (IT) is a way for businesses to maintain and even increase their income. In general, around 46% of companies have used the internet and IT for online marketing since before the pandemic. Meanwhile, around 4% of new companies used the internet and IT for marketing during the pandemic. It is acknowledged that the use of the internet and IT for marketing 4 from 5 business practitioners who use the internet and IT for marketing via online admit that this online method has an effect on selling their products and 62% are engaged in the same field/sector. Most companies that have just started using the internet and IT during Covid-19 for marketing are in the Education Services sector. Companies that had been marketing online before the pandemic had 1.14 times higher income than those that had started online marketing during the pandemic
 - b. The optimism of business practitioners, according to the old estimate that companies can survive during the pandemic, estimates that 26% can survive more than 6 months. Around 15% of business actors estimate that they can last a maximum of 6 months.
 - c. Responding to the pandemic conditions, there are business actors who see it as an opportunity. Post-Covid-19 business development plans may have been considered. The development plan can be an indication of how much the business practitioner is relatively better prepared to face a crisis situation. 55 from 100 business practitioners tend to have a plan even though only 15 have prepared it better (write it down).
 - d. Optimism of business actors to create conducive business climate, 8 from 10 business practitioners are optimistic that their business will recover in a maximum of the next 12 months. gas and 78% Education services
7. MSMEs 7 from 10 MSE business practitioners need business capital assistance as most needed during a pandemic. The dominant assistance needed by sector is manufacturing industry, trade, mining, corporate services and other services, followed by hopes of relief from electricity bills, relaxation of loan payments, and postponement of tax payments.
- The existence of a pandemic is certain to have an impact on the business sector so that a survival strategy is needed, it is suggested to business actors to 1) build a

digital marketing channel, 2) maximize the use of social media as a means of promotion, 3) build networking, 4) provide good service, 5) maintain product quality and ensure staying safe from Covid-19, 6) providing discounts to consumers such as free shipping, and 7) shifting focus by opening relevant businesses.

Declaration by Authors

Acknowledgement: None

Source of Funding: None

Conflict of Interest: The authors declare no conflict of interest.

REFERENCES

1. Akhir, & Jumaidi, D. (2020). *Syarat jadi Negara Maju Jumlah Pengusaha 14% dari rasio Penduduk*. okezone.com. <https://economy.okezone.com/read/2019/04/09/320/2040896/syarat-jadi-negara-maju-jumlah-pengusaha-14-dari-rasio-penduduk>
2. Antonius, P. (2020). *Potret dan Tantangan UMKM di Indonesia*. Kompas.id. <https://kompaspedia.kompas.id/baca/paparan-topik/potret-dan-tantangan-umkm-di-indonesia>
3. Artha, U. Y. (2020). *Hampir Seluruh UMKM di Indonesia Turun Penjualannya di masa Pandemi*. kompoas.com. <https://money.kompas.com/read/2020/07/15/131013826/hampir-seluruh-umkm-di-indonesia-turun-penjualannya-di-masa-pandemi?page=all>
4. Baker, T., & Judge, K. (2020). How to Help Small Businesses Survive COVID-19. *Columbia Law and Economics Working Paper*, 620. <https://doi.org/http://dx.doi.org/10.2139/ssrn.3571460>
5. Dani, S. (2020). Menyelamatkan Usaha Mikro, Kecil dan Menengah dari Dampak Pandemi Covid-19. *Fokus Bisnis: Media Pengkajian Manajemen dan Akuntansi*, 76–86.
6. Databoks.katadata. (2020). *Berapa Sumbangan UMKM Terhadap Perekonomian Indonesia*. <https://databoks.katadata.co.id/datapublish/2020/05/20/berapa-sumbangan-umkm-terhadap-perekonomian-indonesia>
7. Fathiyah, W. (2020). *Sektor UMKM Paling Terdampak Covid 19*. VOA Indonesia. <https://www.voaindonesia.com/a/sector-umkm-paling-terdampak-covid-19/5523330.html>
8. Hadi, S. (2020). *Revitalization Strategy for Small and Medium Enterprises after Corona Virus Disease Pandemic (Covid-19) in Yogyakarta*. In.
9. Hanoatubun. (2020). Dampak Covid-19 terhadap Perekonomian Indonesia. *EduPsyCouns: Journal of Education, Psychology and Counseling*, 2(1), 146–153.
10. Iqbal, M. (2020). *Analisis Survey BPS Hanya 42% Pelaku Usaha Bisa Bertahan 3 Bulan Saat Pandemi*. <https://www.aa.com.tr/id/berita-analisis/survei-bps-hanya-42-pelaku-usaha-bisa-bertahan-3-bulan-saat-pandemi-1975226>
11. Kemenkop-UKM. (2018). *Undang-undang Nomor 20 tahun 2008 tentang Usaha Mikro, Kecil dan Menengah Pasal 1 Angka 1*.
12. Kemenkop-UMKM. (2018). *Perkembangan Data Usaha Mikro, Kecil, Menengah (UMKM) dan Usaha Besar (UB)*. [http://www.depkop.go.id/uploads/laporan/1580223129_PERKEMBANGAN_DATA_USAHA_MIKRO,_KECIL,_MENENGAH_\(UMKM\)_DAN_USAHA_BESAR_\(UB\)_TAHUN_2017_-_2018.pdf](http://www.depkop.go.id/uploads/laporan/1580223129_PERKEMBANGAN_DATA_USAHA_MIKRO,_KECIL,_MENENGAH_(UMKM)_DAN_USAHA_BESAR_(UB)_TAHUN_2017_-_2018.pdf)
13. Komarudin. (2020). *Cerita Akhir Pekan Strategi Penyelamatan Bisnis Kuliner Agar Tak Tumbang*. Liputan6.com. <https://www.liputan6.com/lifestyle/read/4213198/cerita-akhir-pekan-strategi-penyelamatan-bisnis-kuliner-agar-tak-tumbang>
14. Pakpahan, A. K. (2020). COVID-19 dan Implikasi Bagi Usaha Mikro, Kecil, dan Menengah. *Jurnal Ilmiah Hubungan Internasional*, 59–64.
15. Prasetyo, A., & Huda. (2019). Analisis Peranan Usaha Kecil dan Menengah Terhadap Penyerapan Tenaga Kerja di Kabupaten Kebumen. *Fokus Bisnis: Media Pengkajian Manajemen dan Akuntansi*, 26–35.
16. Rischi, A., Mochammad Saleh, S., & Heru, R. (2019). Peran Stakeholder Dalam Meningkatkan Perekonomian Lokal Melalui Industri Kecil Menengah (Studi Pada Dinas Perindustrian, Perdagangan, Pertambangan dan Energi Kota Kediri). *Jurnal Administrasi Publik (JAP)*, 2(5), 844–850.
17. Saputra Mohammad Genatan. (2019). *Program Pemerintah Agar UMKM Naik*

- Kelas. [merdeka.com. https://www.merdeka.com/uang/6-program-pemerintah-agar-umkm-naik-kelas.html](https://www.merdeka.com/uang/6-program-pemerintah-agar-umkm-naik-kelas.html)
18. Setiawan. (2020). *Sebanyak 37.000 UMKM Terdampak Virus Corona*. 2020. <https://money.kompas.com/read/2020/04/17/051200426/sebanyak-37.000-umkm-terdampak-virus-corona>
19. Subagyo, Kumar, & Gesti, E. (2020). Entrepreneurial Parameters and Performance of MSMEs in East Java Province of Indonesia, *Int. J. Business Innovation and Research*, 23(2), 267–282. <https://www.inderscienceonline.com/doi/abs/10.1504/IJBIR.2020.110102>
20. Susilawati, S., Falefi, R., & Purwoko, A. (2020). Impact of COVID-19's Pandemic on the Economy of Indonesia. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 3(2), 1147–1156.

How to cite this article: Subagyo, Hery Purnomo, Gesty Ernestivita et.al. Portrait and expectations of Kediri City MSMEs at the time and post of pandemic COVID-19. *International Journal of Research and Review*. 2023; 10(4): 101-114.
DOI: <https://doi.org/10.52403/ijrr.20230414>
