

Conference

The Role of Governments in Developing MSMEs in Line with Social Changes Due to the Covid-19 Pandemic

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Abstract. MSMEs are one of many industries that have been impacted by the Covid-19 pandemic that has swept the globe, particularly in Indonesia. Since the Covid-19 virus was declared a pandemic two years ago, MSMEs have seen a significant drop in turnover. In addition to MSMEs' adaptation and creativity, the development of MSMEs undoubtedly necessitates government help to assist enterprises in surviving and competing in the contemporary era. The goal of this study was to look at the government's role in establishing MSMEs in light of the COVID-19 pandemic's socio-economic changes. Descriptive qualitative approaches were used, as well as data gathering techniques such as observation, interviewing, and documentation. According to the findings, the government has aided the development of MSMEs by, for example, providing assistance through people's business loans, simplifying business permits, lowering the percentage of income taxes, and providing business assistance; however, during the pandemic, rules such as social distancing, activity restrictions, and operating hour restrictions have resulted in a decrease in MSME income. Providing support/intensive aid to MSMEs is still critical, and using technology as a digital marketing medium is a way to stay afloat in the face of societal changes that limit outside operations.

Keywords: MSME, developing, social changes, Covid-19 pandemic

1. Introduction

The existence of a government in a country is a requirement; the government serves a strategic purpose, which includes serving as a servant, community empowerment, development, and stabilization (1). During the times, one of the most essential things is the government's responsibility in empowering the community as an element that plays a significant role in accomplishing a country's vision (2).

The government must support community independence as part of the empowerment role, which can be accomplished, for example, by implementing a people's economy through the empowerment of Micro, Small, and Medium Enterprises (MSMEs) (3). Various factors influence the rate of economic growth in Indonesia, one of which is the participation of MSMEs. MSMEs are part of the national economy with an autonomous

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Published 15 March 2022

Publishing services provided by Knowledge E

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Selection and Peer-review under the responsibility of the IAPA Conference Committee.

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perspective, according to Article 33 paragraph 4 of the 1945 Constitution, and have significant potential to improve people's welfare. MSMEs play an important part in the country's economic development (4).

According to data from the Ministry of Cooperatives and SMEs, the number of MSMEs in Indonesia has reached 64.19 million, with a 61.97 percent contribution to GDP and a value of 8,573.89 trillion rupiahs. MSMEs provide a significant contribution to the Indonesian economy by being able to absorb 97 percent of the entire labor and collect up to 60.4 percent of total investment (5). These figures demonstrate how vital MSMEs are to the Indonesian economy. The Indonesian government, on the other hand, has not promoted MSMEs' important role, as seen by their unequal access to financial institutions: only around a quarter of MSMEs (13 million) have access to financial institutions (banks) (6).

The General Provisions, Principles, and Objectives, Principles and Objectives of Empowerment, Criteria, Business Climate Growth, Business Development, Financing and Guarantees, Partnerships, Coordination and Control of Empowerment are all covered in Law Number 20 of 2008. Small, micro, and medium enterprises, as well as administrative sanctions and criminal provisions, closing provisions in the practice of Small, Micro, and Medium Enterprises (MSMEs) are frequently in a weak position, the Government seeks to remedy this situation legally through Law Number: 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition. The formation and participation of the Chamber of Commerce and Industry (KADIN) in promoting and growing Micro, Small and Medium Enterprises (MSMEs) at both the national and regional levels demonstrates the government's commitment to MSMEs (MSMEs).

The aforementioned activities constitute a large element of the government's responsibility in boosting the economy and community welfare. Given the existing situation, all stakeholders are expected to play a key role in the implementation of the MSME empowerment strategy in Sidrap Regency. The Regional Government of Sidrap Regency is responsible for directing, guiding, safeguarding, and developing an environment and climate that encourages corporate growth. Furthermore, in addition to the exceptional circumstances brought on by the pandemic, the automatic limits will have a significant impact on the turnover of MSME actors (7).

The increasing number of MSMEs in Indonesia is inextricably linked to the numerous obstacles and conditions of the Covid-19 pandemic, which have accelerated changes in consumer behavior and accelerated digital transformation (2).

2. Methods

A descriptive qualitative technique is used in this investigation. The data was gathered through semi-structured interviews with several MSME actors and the Sidrap Regency's Office of Cooperatives, SMEs, Manpower, and Transmigration as informants, as well as documentation of data from the local government, to determine the extent of government intervention and role in assisting MSMEs. The social reality of MSMEs' working community is assessed using a qualitative method. This is utilized to acquire valid and in-depth data sources from informant comments and interactions, in the hopes that readers will be able to learn more about the community's conditions. In this study, the data collection technique necessitates the use of interviews and direct observation in the field. The purpose of observation is to gain a better understanding of reality that cannot be conveyed directly by the informant. This work uses many literature studies to collect data sources and supporting journals that can enhance the discussion of the research outcomes that have been obtained.

3. Result and Discussion

MSMEs have an important role in the Indonesian economy, as described by (8): (1). MSMEs make a significant contribution to GDP, accounting for 61.97 percent of total national GDP in 2020, or Rp. 8,500 trillion. (2). MSMEs absorb a high number of workers, accounting for 97 percent of the global absorption capacity in 2020. Because the number of MSMEs is directly proportionate to the number of job opportunities in Indonesia, MSMEs account for a significant amount of worker absorption. work. (3). In 2018, MSMEs took on the most loan, totaling around Rp. 1 trillion.(9) explains the significance of MSMEs for the Indonesian economy: (1) The number of MSMEs is enormous, and they can be found in both urban and rural areas, as well as in remote locations. (2) MSMEs are labor-intensive businesses with a lot of room for expansion in terms of job possibilities and income. (3) The agricultural sector has a large number of MSMEs that contribute to development indirectly. (4) MSMEs help to accommodate a large number of workers with limited education. (5) In times of economic crisis, such as in 1997/1998, MSMEs can endure. (6) To serve as a beginning point for investment mobility in rural areas, as well as a platform for enhancing entrepreneurs' abilities. (7) Become a tool for rural residents to redirect their consumption expenditures into savings. (8) MSMEs can deliver needs at a low cost. (9) MSMEs can adapt to changing

times through various sorts of investment and investment. (10) Exhibits a high level of adaptability.

3.1. MSME Issues Caused by the Pandemic

Since 2020, the epidemic has caused a decrease in the number of MSMEs and their contribution to Indonesia's GDP. The following are the issues that have been encountered: (1) The shift from offline to online consumption of public goods and services during the pandemic (10). (2) Due to the implementation of Large-Scale Social Restrictions, MSMEs face labor issues (PSBB). (3) Enforcement of Community Activity Restrictions (PPKM). (4) Product distribution roadblocks. (5) Difficulty in obtaining raw resources for production

3.2. Efforts by the Indonesian government to promote SMEs

1. The Act to Create Jobs

There are 64.13 million MSMEs in Indonesia that are still operating in the informal sector, and they must be supported to transition to the formal sector. At the national and regional levels, Indonesia continues to struggle with confusing licensing and overlapping rules (11). As a result, the government is working to address these issues by drafting the Job Creation Law, which will be ratified in 2020. The convenience, protection, and empowerment of MSMEs are among the substances regulated. The government thinks that the Job Creation Law will allow MSMEs to continue to grow and compete.

2. PEN (Program for Education and Research)

One of the government's efforts to help the Indonesian economy recover from the effects of Covid-19 is the National Economic Recovery Program (PEN). This initiative is also the government's response to the afflicted community's declining activity, particularly in the informal sector or MSMEs. Government Regulation Number 23 of 2020, which was later changed to Government Regulation Number 43 of 2020, was used to construct this program.

The following are the details of the PEN program for MSMEs, which is one of the government's attempts to support MSMEs: (1) Subsidies for interest and margin. (2) Guarantee Service Fees Expenditures (IJP). (3) Government funds are deposited in banks. (4) Guaranteed loss of MSME credit limit. (5) The government pays the MSMEs' ultimate income tax. (6) For UMKM cooperatives, investment finance is available through the Revolving Fund Management Agency (LPDB). (7) President's Assistance Program for Productive Micro Enterprises (Banpresto).

3. People's Commercial Credit (KUR)

The People's Business Credit (KUR) initiative, which is funneled through financial institutions with a guaranteed pattern, is another government effort to boost MSMEs. The government subsidizes the service fee (interest rate) for working capital credit/financing (M, 2021). The goal of KUR is to improve MSME capital and boost access to financing.

4. Indonesia's Proud National Movement (Gernas BBI)

The National Movement for Proud Made in Indonesia (Gernas BBI) is a government program that was launched in 2020 as part of a government push to encourage MSMEs. Gernas BBI's mission is to promote national branding of exceptional local products to spur new businesses and, of course, economic progress. The government encourages MSME players to join the digital platform through this scheme.

5. Expansion of Indonesian Product Exports through ASEAN Online Sale Day (AOSD)

ASEAN Online Sale Day (AOSD) or ASEAN Online Shopping Day is a shopping event held simultaneously in ten ASEAN nations by e-commerce companies. Since 2020, AOSD has been held on August 8th, which is ASEAN's birthday. Participants in the AOSD are ASEAN business actors who provide goods and services via Trading Through Electronic Systems (PMSE). AOSD provides an opportunity for Indonesia to promote and improve the image of native archipelago products in the ASEAN arena, as well as encourage and grow Indonesian product exports. These measures are designed to encourage MSMEs, expand the number of MSMEs in Indonesia, and, as a result, boost the country's economic growth. As a result, more jobs are being created to reduce unemployment and poverty in this country.

The government's role includes attempting to speed up finance for banks and the private sector, providing facilities and infrastructure assistance to MSMEs, socializing business information, simplifying business licensing, and assisting with trade promotion. MSMEs empowerment metrics such as funding, trade promotion, and institutional assistance have not been applied properly. Second, the lack of community socialization regarding MSMEs in the form of entrepreneurship training, product packaging that cannot compete with other products, budget constraints, human resources, and the lack of government policies regarding improvement and development all influence the role of empowering MSMEs in Sidrap Regency. SMEs. The potential riches of natural resources in Sidrap Regency is one of the supporting elements. Based on Law Number 20 of 2008 concerning MSMEs, the Regional Government of Sidenreng Rappang Regency has made numerous measures to empower MSMEs. Although their execution has not been optimized, these activities can be classified as MSMEs' growth and development, as well as the expansion of access and collaboration networks amongst MSME actors.

4. CONCLUSION

Based on Law Number 20 of 2008 concerning MSMEs, the Regional Government of Sidenreng Rappang Regency has made numerous measures to empower MSMEs. Although their execution has not been optimized, these activities can be classified as MSMEs' growth and development, as well as the expansion of access and collaboration networks amongst MSME actors. Mentoring programs, marketing help programs, and the simplicity of getting permissions to qualify for capital loans at banks are among the government's attempts to grow MSMEs in Sidenreng Rappang Regency, but they have not yet reached all MSMEs in the region. During the pandemic, aid, strengthening, and distribution of MSME help are still required.

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