

## The Covid-19 Pandemic in Indonesia: Problems Identification and Solutions for Micro, Small and Medium Enterprises (MSMEs)

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### Abstract

*Strategic issues regarding the development of Micro, Small, and Medium Enterprises (MSMEs) need to get significant attention from the government to develop and be more competitive with other economic actors. Various MSME development policy agendas do not have a comprehensive and implementable program to build a solid MSME sector. This study aims to identify the obstacles and solutions faced by (MSMEs) during the Covid-19 Pandemic. This research method is a qualitative method with media analysis using steps coding content using NVivo software as the analytical tool. The research findings show that development, capital, marketing, product, and technology are the main problems faced by MSMEs to survive amid the Covid-19 pandemic. MSMEs' solutions include creative economy, accessing capital, loan restructuring facility, digital marketing, digital marketing training, human resource capacity, online business, and credit facilities.*

### Keywords

SMEs; covid-19 pandemic, NVivo software



## I. Introduction

The increase of Corona Virus Disease 2019 or COVID-19 occurred in such a short time in Asian countries, including Japan, Korea, Hong Kong, Singapore, Malaysia, Taiwan, and Indonesia. The spread is so fast and wide that it has an impact on the world's business ecosystem. The Micro, Small, and Medium Enterprises sector are one of the businesses feeling the impact of the COVID-19 pandemic.

Micro, small and medium enterprises (MSMEs) have an essential strategic role in the Indonesian economy. In addition to fighting for economic growth and employment, micro, small and medium enterprises (MSMEs) are also committed to distributing development results. The vital role of MSMEs is significant for growth, not only for big cities but also for rural economic growth. After the 1997-1998 economic crisis, the number of small, medium, and micro enterprises did not decrease but continued to increase; even before 2012, they could absorb 85 million to 107 million workers. SMEs account for 99.99% of all business actors in Indonesia or 56.54 million units. Micro and medium enterprises (MSMEs) can prove their existence in the Indonesian economy (Hamid & Ikbal, 2017).

Government, educational, financial institutions, and business associations more often run separately. In addition, the handling of the legality aspects of business entities has not yet been completed, and the licensing procedures, arrangement of business locations, high transaction/business costs, infrastructure, policies in the aspect of funding for MSMEs. Limited business facilities and infrastructure, especially those related to technological tools.

According to McKibbin & Viness (2020); McKibbin & Fernando (2021) that the Covid-19 outbreak has an impact on global economic development and threatens the

sustainability of most MSMEs. Amri (2020); Chaerani et., al (2020). Furthermore, there are ten classic problems that are often faced by micro, small and medium enterprises, which are competition barriers, financial access, capital prices, technology, inefficient production costs, economic factors, management, processes, limitation in utilizing marketing/sales media and raw material (Irfayanti & Azi, 2012; Maya & Yohana, 2018).

Even today, these problems have not obtained an integrated solution either from the bureaucracy/government or university groups, while They only provide partial solutions and are not carried out consistently and continuously, so the problems that occur are not resolved, therefore it is necessary to conduct research holistically to be able to formulate the right strategy to develop the MSME sector towards a creative economy which is able to make a real contribution to the economic welfare of the community and the competitiveness of MSME sector products. Thus, this study aims;first, to identify the barriers to MSME actors during the Covid-19 Pandemic. Second, to identify solutions needed by MSME actors during the Covid-19 pandemic.

The existence of government support for MSME actors is an opportunity that must be appropriately utilized by entrepreneurs (Maya & Yohana, 2018). Research on identifying problems and solutions for MSMEs during the Covid-19 pandemic is very original and necessary to be done in Indonesia. This research was conducted as a strategic effort to increase scientific publications and completed research related to issues regarding the existence of MSMEs during the Covid-19 Pandemic. Thus, the MSME sector has strategic value and must be developed holistically and sustainably to make a real contribution to the welfare of the community and increase the competitiveness of MSME products.

This study contributes to filling the gaps that have not been well explained in previous studies (Le, Nguyen, Ngo, Pham, & Le, 2020; Irawan, 2020; Amri, 2020; Chaerani et., al 2020; Irfayanti & Azi, 2012) . This research will provide new insights in discussing various problems and solutions experienced by MSME actors in the Covid-19 Pandemic era (Caballero-Morales, 2021). Finally, we develop practical insights from our research, enabling MSMEs to optimize the solutions generated.

## **II. Review of Literature**

### **2.1 MSME Development**

It was recorded in the Central Bureau of Statistics that in 2019 the contribution of MSMEs to the national gross domestic product grew by 5%. In addition, it was quoted from the website of the Ministry of Cooperatives and MSMEs that it is targeted by the end of 2020, the contribution of MSMEs towards the export value will also increase to 18% from the previous figure, which was 14%, with an increase of 4%. Likewise, the contribution of MSMEs to the national GDP increased to 61% and the entrepreneurship ratio to 3.55%. So it is expected that the big contribution of MSMEs to the national gross domestic product (GDP) in 2020 can reach 65% or around Rp. 2,394.5 trillion. To achieve these projections, solid and sustainable support is needed. Of course, MSMEs need substantial help from the government, especially regarding access to additional capital.

However, the development of MSMEs is not without obstacles. Constraints faced by MSMEs are internal factors consisting of capital, human resources, law, and accountability, then external factors consist of business climate, infrastructure, and access (Bank Indonesia, 2015). Effects of the Covid-19 Pandemic, MSMEs face problems such as the inability to pay salaries, repay loans and rent (Enesi & Ibrahim, 2021).

## 2.2 The Existence of MSMEs in the Covid-19 Pandemic Era

The outbreak of this virus has an impact of a nation and Globally (Ningrum *et al*, 2020). The presence of Covid-19 as a pandemic certainly has an economic, social and psychological impact on society (Saleh and Mujahiddin, 2020). Covid 19 pandemic caused all efforts not to be as maximal as expected (Sihombing and Nasib, 2020). Various supports have been provided by the government for MSME actors in the Covid-19 Pandemic Era in running their businesses, including through the provision of interest subsidies, tax incentives for delaying principal payments, additional working capital loans, and the 100,000 MSME Go Online movement simultaneously in 30 cities or districts in Indonesia ( Marlina, 2020). The challenge for MSMEs that is currently happening in the competition must be faced by producing a variety of innovations and services to continue to survive in the local market and be able to compete in the international market. (Marlina, 2020).

MSME actors must always be responsive and adapt to environmental changes to continue to survive (Laura, 2020). Technological development is one of the essential elements that can help MSMEs to survive in the era of the Covid-19 Pandemic. According to Patma, Wardana, Wibowo, Narmaditya, & Akbarina (2021), there is a strong correlation between internet/e-business adoption, social media marketing, and the sustainability of SMEs in Indonesia. Digital transformation in SMEs is needed for business continuity, production, and sustainable consumption (Bai, Quayson, & Sarkis, 2021).

## III. Research Methods

### 3.1 Types of Research

Content-based qualitative research contributes to the human condition in any situation, so it is necessary to understand these conditions with a contextual design (Bengtsson, 2016). To be able to see these conditions, qualitative analysis of content through the analysis stage classifies information about the current situation or condition (Karlsson & Sjøvaag, 2016).

### 3.2 Analysis Method

This study uses qualitative methods in media research to analyze digital content (Karlsson & Sjøvaag, 2016). The qualitative methods function to describe the results of digital media content (Hamilton & Finley, 2019). Through qualitative methods, media analysis uses steps coding content (Neuendorf, 2017). Therefore this study uses NVivo as an analytical tool (AlYahmady & Al Abri, 2013). The function of NVivo in qualitative research is to structure data through the coding process or as a data management tool (Airport, 2006). The use of NVivo in this study is as viewed by the airport, as a data management tool, the stages of using Nvivo as an analytical tool are divided into four stages of analysis; (1) determining the object of research, (2) capturing articles, (3) analysis, (4) displaying data.

Data retrieval using the N-capture feature on google.com by selecting articles on the online media Kompas.com and Republika.co.id. The second step is data import, data coding and cross tabulation. At the coding stage, it refers to the theoretical basis that has been determined previously, so that the display of structured data between one media and media or indicators with indicators. The analysis step uses NVivo to explain NVivo's work on qualitative research (Woolf & Silver, 2018). The coding results are displayed in the form of graphs and images on each indicator and online media. This study also follows the content analysis stages of qualitative research (Bengtsson, 2016).

## IV. Results and Discussion

### 4.1 Results

This study outlines the findings in the form of problems and solutions faced by Micro, Small, and Medium Enterprises during the Covid-19 Pandemic. Based on NVivo's analysis of indicators of MSME problems and solutions during the Covid-19 Pandemic, Kompas and Republika online media have differences in presenting news. The results of coding 50 articles published by the two media show a variety of important information covering themes, (1) development; (2) capital; (3) marketing; (4) Products; and (5) technology. Based on the analysis of the Word Cloud (figure 1), information is obtained that the most mentions of them are digital, MSMEs, business, economy, technology development, pandemic, human resources, and some other important word information.



Source: NVivo Analysis, 2021

**Figure 1.** Word Cloud analysis results

The next stage of information is presented through Matrix Coding Query analysis. At this stage, information can be obtained regarding the identification of problems and solutions for SMEs in the midst of the Covid-19 pandemic by observing the words that emerge from the analysis process.

**Table 1.** Results of Matrix Coding Analysis of MSME Problems and Solutions in the midst of the Covid-19 Pandemic

Indicators of MSME Solutions in the Covid-19 Pandemic Era	Indicators of MSME Problems in the Covid-19 Pandemic Era				
	Development	Capital	Marketing	Product	Technology
Creative Economy	100%	-	-	25%	-
Access Capital	-	35%	-	-	-
Loan Restructuring facility	-	50%	-	-	-
Digital Marketing	-	-	60%	-	40%
Digital Marketing Training	-	-	40%	35%	25%
Human Resource Capacity	-	-	-	-	35%
Business Online	-	-	-	25%	-
Credit Facilities	-	15%	-	15%	-

Source: NVivo analysis processed, 2021



Based on the results of the analysis (table 1), it can be classified as important indicators related to the problems and solutions faced by MSMEs during the Covid-19 Pandemic. Through the results of the Matrix Coding analysis, problems and solutions for MSMEs can be identified in the Covid-19 Pandemic era. The first indicator is development which is closely related to the creative economy with the percentage value of word occurrences being 100%, the second is capital which is closely related to accessing capital, credit facilities, and loan restructuring facility with the percentage value of each word for the number of words appearing is equal to 35%, 50%, and 15%. The third indicator is marketing which is closely related to digital marketing; digital marketing training with the percentage value of each for the number of words that appear, namely 60% and 40%. Product indicators related to the creative economy, digital marketing training, online business, and credit facilities with the respective percentage values for the number of words that appear are 25%, 35%, 25%, and 15%. Furthermore, the technology indicators have a relationship with digital marketing, digital marketing training, and human resource capacity, with the percentage values for each of the words that appear, are 40%, 25%, and 35%.

## 4.2 Discussion

The results of the analysis obtained important information in the form of mapping the problems and solutions faced by MSMEs during the Covid-19 Pandemic. Development, capital, marketing, product, and technology are the main problems faced by MSMEs to survive in the midst of the Covid-19 pandemic. According to Irawan (2020), that to face the new normal era, SMEs have challenges such as human resource capabilities, understanding of information technology, and business model transformation. In addition, the capital factor is an inseparable problem in the MSME sector amid the Covid-19 pandemic. According to Prihatiningtias & Wardhani (2021), the Covid-19 pandemic has significantly affected the financial and non-financial performance of SMEs. This finding indicates that the indicator of this problem must be the focus of attention for MSME actors to survive in the midst of the Covid-19 Pandemic. The next problem is a classic problem, namely the ability of MSMEs to use technology that is still not evenly distributed. The lack of product standards that comply with global product standards is a barrier for MSMEs to be able to penetrate the global market.

Further findings are information in the form of solutions that can be taken by MSMEs to survive in the midst of the Covid-19 pandemic, including creative economy, accessing capital, loan restructuring facility, digital marketing, digital marketing training, human resource capacity, online business, and credit facilities. MSMEs are important indicators that can support economic growth. Therefore, MSMEs, as an inseparable part of the creative economy, must be able to take advantage of the use of digital technology as an innovation-based economy driver. According to Amri (2020), that the steps for SMEs to be able to maintain their existence in the digital era are designing social and digital strategies and developing organizational capabilities. Innovation as a survival tool for SMEs during and after the COVID-19 contingency and the use of digital resources were identified as key facilitators for research-based innovative networking and product design (Caballero-Morales, 2021; Kala'lembang, 2021). The following findings indicate that capital and loan factors are essential elements that can support the development of MSMEs during the Covid-19 pandemic.

Various policies have been carried out by the government in supporting MSMEs to be able to survive in the midst of various problems caused by the Covid-19 Pandemic. The government seeks to provide stimulus through loan restructuring policies, additional

capital assistance, and other financing support. Capital support from the government is considered an important element that influences the development of MSMEs in the Covid-19 pandemic era (Le, Nguyen, Ngo, Pham, & Le, 2020; Sunday, et al., 2021). Thus the information generated from this research in the form of solutions that SMEs can do to survive in the midst of the Covid-19 Pandemic can answer some of the limitations of the findings (Le, Nguyen, Ngo, Pham, & Le, 2020; Irawan, 2020; Amri, 2020; Chaerani et., al 2020; Irjayanti & Azi, 2012).

### Practical Implications

In terms of practical implications, our findings offer the following contributions. This research study focuses on identifying problems and solutions for SMEs during the Covid-19 pandemic. The results of this study are expected to provide effective and meaningful input for practitioners and policymakers. First, practitioners need to understand that to be able to survive in the midst of the Covid-19 Pandemic, MSME actors must be able to minimize problems related to development, capital, product marketing, and technology factors. The solution that can be done is to utilize technology such as digital media for product marketing, utilizing several programs provided by the government to support business capital. Second, policymakers need to continue to provide support and stimulus, one of which is strengthening business capital, credit facilities, and the development of technology and human resources, which are classic problems that have not yet been completely resolved. In addition, it is very important for policymakers to continue to encourage the development of the creative economy-based MSME sector to support economic growth.

### V. Conclusion

There are several weaknesses in this study. First, our research focused only on two online news media and the NCapture process for each of them 25 times. Further researchers need to consider adding online news media and adding capture processes to produce more diverse information. Second, this study was only conducted in one country. So, it cannot be generalized to other countries. For further research, it is recommended to expand this research to several other developing countries such as Southeast Asian countries (Examples; Malaysia, Thailand, and the Philippines). These three studies use a qualitative approach to identify problems and solutions faced by MSMEs in the midst of the Covid-19 pandemic. Further researchers can develop this research in the realm of quantitative research.

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