

The Function of Indonesia Government in Bridge the Performance of MSMEs during the Covid-19

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Abstract

The urgency of this paper is to expose the performance of the Indonesian government to encourage and stimulate the existence of MSMEs because of the economic crisis caused by Covid-19. The paper method uses the document study method based on the results of previous research, which is traced through journals of several electronic media, such as digital libraries, websites, and library journal connections. We carried journal searches out via Google Browser and Google Scholar. It carried journal searches out using keywords in MSMEs, the role of the Indonesian government, and the economy of the Covid-19. From each research result got, it is further analyzed, which is then used as a supporting journal to strengthen that the Indonesian government plays a role in improving performance of micro, small and medium enterprises. The Indonesian government has a policy to handle micro, small and medium enterprises in Indonesia. The regulates state financial policies, including state revenue, including policies in taxation, state expenditure policies, including policies in regional finance, and financing policies. Indonesia allows MSME business activities to be a guarantee for accessing business financing loans and government also provides a Special Allocation Fund (DAK) to support the empowerment and development of MSMEs.

Keywords

regulation; MSMEs; Covid-19; financial policy; government support



I. Introduction

The Covid-19 has a tremendous impact on the economy. Last year, the entire world faced an economic downturn and caused a deep contraction as almost all countries imposed strict mobility restrictions (Ilmi et al., 2020). Many countries have implemented lockdowns which have consequences for the economy which immediately slumped sharply. The visible impact of Covid-19 affects not only public health but also affects the economy in various countries (Darma et al., 2020; Yijo et al., 2021). 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).

Indonesia faces many problems related to economic aspects because of Covid-19. The economics Indonesia in 2020 experienced negative growth, unemployment and poverty rates increased. Based on year on year calculations, economic growth in the first quarter of 2020 showed a weakening by only reaching 2.97% compared to the achievement of the first quarter of 2019, which was 5.07% (Nugroho & Azmi, 2021). The data in the second quarter was also less favorable with showing a deep decline of -5.32%, the worst since 1999. Data in the third quarter experienced a growth contraction of 3.49%, while in the fourth quarter a growth contraction of 2.19% (Indonesian Ministry of

Finance, 2021). The impact of the declining percentage of the economy in Indonesia, one of which is the increase in unemployment and the poor population caused by layoffs during the Covid-19 pandemic.

The Micro, Small and Medium Enterprises (MSME) sector, which is the most important part of the economic sector, has felt the impact. This is what all parties worried about, because it has made the MSME sector experience a significant setback (Rani, 2017).

Currently, many MSMEs are experiencing various problems such as declining sales, capital, hampered distribution, difficulty in raw materials, declining production and the occurrence of many layoffs for workers and workers which later become a threat to the national economy.

MSMEs, as drivers of the domestic economy and absorber of labor, over are currently facing a decline in productivity, which results in a significant decline in profits. Even based on a survey by the Asian Development Bank (ADB) regarding the impact of the pandemic on MSMEs in Indonesia, 88% of micro-enterprises have run out of cash or savings, and over 60% of these micro-small businesses have reduced their workforce (Arianto, 2020). The role of MSMEs has contributed 60% to the national gross domestic product and 97% to the absorption of workers affected by the pandemic.

The Indonesian government, as the holder of the highest authority in policy, must take steps to support and save the activities of micro, small and medium enterprises in order to survive the pandemic. This paper examines the role of the Indonesian government in improving the performance of micro, small and medium enterprises in Indonesia during the Covid-19 pandemic.

II. Research Method

This paper method uses the document study method on the results of previous research, which is traced through journals on several electronic media, such as digital libraries, websites, and library journal connections (e.g., Bowen, 2009). It carried journal searches out via Google Browser and Google Scholar (e.g., Cross, 2008). It carried journal searches out using keywords: MSMEs, the role of the Indonesian government in the economy, the economy of the Covid-19 pandemic. From each research result got, it is further analyzed, which is then used as a supporting journal to strengthen that the Indonesian government plays a role in improving performance of micro, small and medium enterprises.

III. Result and Discussion

In the development of MSMEs in Indonesia, the Government has been providing guidance to MSMEs for a long time (Tambunan, 2019). The development of this business group since independence has undergone several changes. MSMEs have sufficient definition diverse. Indonesian Cooperative Council (DEKOPIN) provides an understanding of MSMEs as economic business actors who often categorized as a large-scale company small, using traditional technology, and managed simply (Permana, 2017).

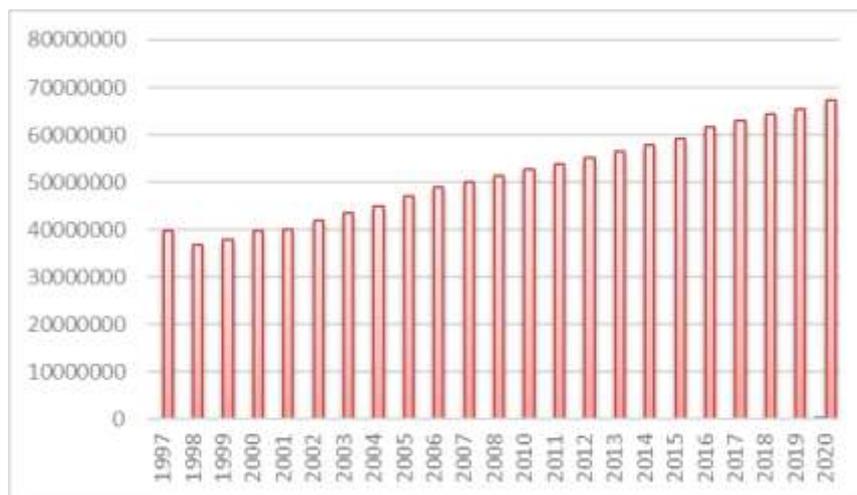
Based on the Decree of the Minister of Finance Number 316/KMK.016/1994 dated 27 June 1994 (Prayudi et al., 2019; Esubalew & Raghurama, 2017), MSMEs defined as individuals or business entities that have carried out activities/businesses that have sales/turnover per year a maximum of Rp.600,000,000 or assets/assets a maximum of

Rp.600,000,000 (excluding land and occupied building), comprises of business (Fa, CV, PT, and cooperatives) and individuals (craft workers/home industries, farmers, breeders, fishers, forest encroachers, miners, traders goods and services).

The Organization for Economic Co-operation and Development (OECD) stated that MSMEs are independent companies that employ less than the number of employees certain. This limit varies between countries, where the most common MSMEs are companies that employ less than 250 employees, as in the European Union. In some countries, others set a limit of less than 200 employees. In the USA, companies that include MSMEs are companies with many employees less than 500 people. Small businesses are businesses that employ less than 50 employees, while micro-enterprises are businesses which employ the most employees 10 people, even sometimes only 5 employees only (Maksum et al., 2020).

Thus, it can conclude that MSME is an individual business or small-scale business entities that has certain limits in terms of the number of workers, the number of sales or turnover, as well as the amount of assets or its assets. The technology used still traditional, with good business management simple.

Every year, the number of micro, small and medium enterprises in Indonesia continues to increase linearly, this is because MSMEs are a pillar of the Indonesian economy (Hamzah et al., 2020). And broadly, it makes it easier for people to find jobs easily and independently, especially during the Covid-19 pandemic that hit Indonesia.



Source: BPS of Indonesia (2021).

Figure 1. Number of micro, small and medium enterprises in Indonesia, 1997-2020

The last three years and during the Covid-19, the number of micro, small and medium enterprises in Indonesia increased significantly this was because of the large number of people who lost their permanent jobs during the pandemic.

In the past, we separated coaching for cooperatives from coaching for small and medium enterprises. The Ministry of Cooperatives fosters one, while the Ministry of Industry and the Ministry of Trade fostered the other. After going through several changes, since the last few years the development of small, medium and cooperative businesses has carried out under one roof under the Department of Cooperatives, Small and Medium

Enterprises. From here, we can see that there are serious efforts from the government to pay attention to MSMEs (Adrian, 2018).

The development of the number of MSMEs for the 2017-2020 period increased by 6%, from 47,022,084 units in 2005 to 49,845,016 units in 2020. The MSME economic

sector, which has the largest proportion of business units, is the sector: (1) Agriculture, Livestock, Forestry and Fishery; (2) Trade, Hotel and Restaurant; (3) Processing Industry; (4) Transportation and Communication; and (5) services with the development of each sector recorded at 52.48%, 28.12%, 6.49%, 5.54% and 4.60%. Meanwhile, the economic sector which has the smallest proportion of business units, respectively, is the sector (1) Finance, Leasing and Corporate Services; (2) Mining and Quarrying; (3) Buildings; and (4) Electricity, Gas and Clean Water with developments recorded at 1.87%, 0.53%, 0.35% and 0.02% respectively (Indonesian Ministry of Finance, 2021).

Gunningham (2002) noted that there are several things that the government needs to pay attention to in making regulations to facilitate MSMEs. First, regarding financing policies, the government must provide financing facilities whose payments use the principle of win-win solution between banking institutions or non-financial institutions bank by looking at the payment capability of MSMEs. Second, the government must support MSMEs in their commitment to work hard and be successful by relying on independence. The independence in question is discipline in self-inspections and self-audits. Third, MSMEs must encourage to act professionally large companies by integrating the company's primary objectives with the development and renewal of the work culture of MSMEs. Fourth, the government must provide opportunities by providing various incentives to stimulate the progress of MSMEs. Fifth, the government must carry out inspections and monitoring so that there are no deviations in the MSME business. The monitoring is thirsty, persuasive and constructive. Sixth, the government must realize that there is no single policy perfect (Doval, 2016). Therefore, it is necessary to mix various policies effective policy mix, which is adjusted to the direction of regulation.

3.1 Population Policy During Turki Utsmani 1512-1566 M

As a response to the impact of the Covid-19 pandemic, the Indonesian government issued policies to seek economic recovery. The Government issued Government Regulation instead of Law (PERPPU) Number 1 of 2000 concerning State Financial Policy and Financial System Stability for Handling the Covid-19 Corona Virus Pandemic and/or in Facing Threats That Endanger the National Economy and/or Financial System Stability (Sumadi & Prathama, 2021).

The regulates state financial policies, including state revenue policies, including policies in taxation, state expenditure policies, including policies in regional finance, and financing policies (Bhegawati & Utama, 2020). Meanwhile, the financial system stability policy includes policies for handling financial institution problems that endanger the national economy and/or financial system stability. In line with the decline in economic performance because of disruption in health and economic recovery spending, the government made efforts to restore the national economy through the National Economic Recovery Program (PEN). The goal is to maintain and improve the economic capacity of business actors from the real sector and the financial sector in carrying out their business during the Covid-19 pandemic (Amin & Samputra, 2021).

3.2 The Function of Government

Indonesian local governments have a strategic role in encouraging the acceleration and effectiveness of national economic recovery (Sparrow et al., 2020). The government established 3 (three) policies to be carried out, including increasing domestic consumption, increasing business activity, as well as maintaining economic stability and monetary expansion. One driver of the national economy is domestic consumption, the more consumption the economy will increase.

Consumption has an important role related to people's purchasing power. Therefore, the Government has allocated a budget of Rp 172.1 trillion to encourage consumption/purchasing power of the people. It channeled the funds through Direct Cash Assistance, Pre-Employment Cards, electricity and rock releases - other help. Local governments are trying to move the business world by providing incentives/stimulus to MSMEs and corporations. The government provides help for postponing installments and interest subsidies for bank loans, interest subsidies through People's Business Credit and Ultra Micro, working capital guarantees of up to Rp 10 billion and providing tax incentives such as Income Tax (PPH article 21) borne by the government.

In order to support the national economic recovery, Bank Indonesia maintains the stability of the Rupiah exchange rate, lowers interest rates, purchases Government Securities, and maintains macroeconomic and financial system stability. Lower interest rates to increase financial liquidity to encourage business activity (Mulyana et al., 2021).

They give MSMEs protection so that large businesses do not control or own them. The government is also trying to increase business opportunities for MSME products with supply chain partnerships (Djalante et al., 2020). The government also encouraged incentives and partnership facilities to form between medium and large businesses with micro and small businesses.

In developing MSMEs, the government allows MSME business activities to be a guarantee for accessing business financing loans. Currently, registering Intellectual Property Rights is easier and simpler. Likewise, the import of raw materials and industrial auxiliary materials is facilitated as well as export facilities for MSMEs (Sumadi & Prathama, 2021).

The government also allocates MSMEs and cooperative products from domestic production in the procurement of government goods/services. In addition, the government also provides a Special Allocation Fund (DAK) to support the empowerment and development of MSMEs.

IV. Conclusion

There are several points for this section to conclude. The Covid-19 pandemic has a tremendous impact on the economy. Last year, the universe faced an economic downturn and caused a deep contraction as almost all countries imposed strict mobility restrictions. Many countries have implemented lockdowns which have consequences for the economy which immediately slumped sharply. Indonesia faces many problems related to economic aspects because of Covid-19. The economics Indonesia in 2020 experienced negative growth, unemployment and poverty rates increased. Based on year-on-year calculations, economic growth in the first quarter of 2020 showed a weakening by only reaching 2.97% compared to the achievement of the first quarter of 2019, which was 5.07%.

Although the impact is very crucial, the Indonesian government has a priority to continue to support MSMEs. The practical and theoretical implications within the framework of the government are trying to revitalize state finances, which include state revenues, taxation, state expenditures, including regional finance, and financing. There is also a scheme that regulates the licensing of MSME activities and guarantees them access to business financing. In addition, the government appears to provide DAK as part of the development and empowerment of MSMEs.

The weakness of the paper lies in the methodological parameters that do not highlight the impact caused by this pandemic on aspects of MSMEs between regions in Indonesia. In fact, each of these areas has diverse business characteristics. Further

consideration is needed to evaluate the success of government regulations. Future agendas should also highlight empirical findings.

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