

## Government Support for the Sustainability of Micro, Small and Medium Enterprises during the COVID-19 Pandemic

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**Abstract:** The COVID-19 pandemic has caused issues in many sectors including the economy. This condition affects the sustainability of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. This study aims to identify the Indonesian government's support for the sustainability of Micro, Small, and Medium Enterprises during the COVID-19 pandemic. This qualitative study used secondary data related to the research focus. Secondary covered official documents, mass and online media, social media, and government websites. Then, the data were analyzed using data reduction, data presentation, and drawing conclusions. The results showed that the Indonesian government's support for the sustainability of MSMEs during the COVID-19 pandemic was carried out by issuing economic stimulus policies through several strategies. First, the government supports in the form of relocating budgets and refocusing policies to provide economic incentives for MSMEs and informal sector actors; second, governments provide postponement installment for micro and small business up to one year as well as a reduction in interest; and third, Financial Services Authorities (OJK) issued the OJK Regulation on National Economic Stimulus as a solution to the economic impact of the spread of COVID-19.

**Keywords:** Adherence, fluid restriction, hemodialysis, self-efficacy COVID-19, Government Support, Indonesia, MSME

### Introduction

COVID-19 has become a world health emergency, including in Indonesia (Susilawati, Falefi, & Purwoko, 2020). In Indonesia, the COVID-19 pandemic does not only affect health, but also economic activities (Ramdani, 2020; Shofiana, 2020; Sumarni, 2020), and even causes economic uncertainty (Hardilawati, 2020; Purbasari, Muttaqin, & Sari, 2021). The Indonesian economy has collapsed due to the pandemic, including Micro, Small, and Medium Enterprises (MSMEs) (Marlinah, 2020). MSMEs in this country experienced a drastic decline in income; even some went bankrupt (Affandi et al., 2020). The initial survey showed that more than 50% of MSMEs could go bankrupt in the next few months (Thaha, 2020). It is caused by many things including the appeal to prevent the spread of the COVID-19 which requires people to stay at home through the Government Regulation Number 21 of 2020 concerning Large-Scale Social Restrictions. This regulation is to limits the movement of both people and goods and requires people to stay at home unless in an emergency. This condition declines the operations of MSMEs due to the reduced number of customers compared to normal days (Hardilawati, 2020).

The decline in income caused by government policies in the prevention of the COVID19 pandemic has made all economic sectors decline (Lutfi, Buntuang, Kornelius, Erdiyansyah, & Hasanuddin, 2020). It requires government attention, especially for MSMEs that have experienced a significant decline in income (Fitriyani, Sudiarti, & Fietroh, 2020). The government plays important roles as the authority in formulating policies that can help ease the burden on MSMEs during the COVID-19 pandemic. It also occurred in other countries, but the government's preparedness to control COVID-19, for example in China, Taiwan, and others that previously had the same experience made MSMEs continue to run normally even though gradually.

The conditions in those countries are very different from Indonesia as this country has no experience dealing with infectious viruses resulting in very slow responses that can polemic. This has worsened the Indonesian economy. MSMEs have faced many issues (Saprudin, 2020). First, decreased sales in which 774 cooperatives and MSMEs (68%) complained about the decreased sales. The decrease in sales occurred in DKI Jakarta, Banten, West Java, Central Java, East Java, DIY, North Sumatra, West Sumatra, Riau, Bengkulu, Bali, West Kalimantan, East Kalimantan, North Sulawesi, Central Sulawesi, South Sulawesi, South Sumatra, and South Kalimantan; second, difficulties in obtaining raw materials in which 63 cooperatives and MSMEs (6%) stated difficulties in obtaining raw materials. It occurred in Banten, DKI Jakarta, DIY, West Kalimantan, East Kalimantan, West Java, East Java, and

Central Java; third, the distribution is obstructed in which 111 cooperatives and MSMEs (10%) stated that their distribution is obstructed. It occurred in Yogyakarta, West Java, East Java, Central Java, West Kalimantan, DKI Jakarta, Riau, North Sulawesi, and Banten; fourth, difficulty in obtaining capital in which 141 cooperatives and MSMEs (12%) experienced capital issues. It occurred happened in Banten, DKI Jakarta, Central Java, East Java, South Kalimantan, West Kalimantan, North Kalimantan, East Kalimantan, Bali, Jambi, West Java, Yogyakarta, Bali, and Kepulauan Riau; and the last, production is obstructed in which 42 cooperatives and MSMEs (4%) stated that production is obstructed. It occurred in in Banten, West Java, Central Java, East Java, Yogyakarta, Bengkulu, Kepulauan Riau, and DKI Jakarta.

If the spread of the coronavirus and its impacts are not managed quickly, it is feared that the MSME sector will decline. Indeed, the MSME sector has managed to absorb up to 97 percent of the workforce or 116.98 million people. The number of MSMEs in 2018 was recorded at 64.19 million units (99.99 percent) (Saprudin, 2020). This condition requires government support by issuing policies that can help ease the burden on MSMEs in general, and even stimulate the growth of the economic sector, including MSMEs. Based on the explanation above, this study aims to identify the support of the Indonesian government for the sustainability of Micro, Small, and Medium Enterprises during the COVID-19 pandemic.

### Methodology

This qualitative method used secondary data. The secondary data covered official documents, mass and online media, social media, and government websites related to Micro, Small, and Medium Enterprises. Then, the data were analyzed using data reduction, data presentation, and drawing conclusions.

### Result and Discussion

During the COVID-19 pandemic, the economy has been in unstable condition and experienced both internal and external problems. It affects the impact on the growth of Indonesian MSMEs. The Indonesian government has taken various measures during the COVID-19 pandemic to save MSMEs (Sugiri, 2020). The government has issued policies that can stimulate the growth of MSMEs. The government has provided stimulus in the form of policy packages that facilitate and stimulate MSMEs to survive the pandemic while maintaining people's purchasing power and business operation (CNBC Indonesia, 2021). The development of MSMEs requires the role of the government, particularly in mentoring and developing partnerships, capital, and marketing (Dyahrini & Wiludjeng, 2020).

As stated earlier, the government has taken some measures to overcome the impact of the COVID-19 pandemic (Saprudin, 2020). First, the government relocates budgets and refocuses policies to provide economic incentives for MSME players and the informal sector. It aims to enable MSMEs to produce and carry out activities and avoid layoffs; second, the government provides a postponement of installments for MSMEs for up to one year and a reduction in interest. The same applies to online motorcycle taxi drivers and taxi drivers who take a motorbike or car credit, as well as fishermen who have boat credit; third, Financial Services Authorities (OJK) then issued an OJK Regulation (POJK) concerning the National Economic Stimulus as a solution to the economic impact of the spread of COVID-19. The OJK Regulation Number 11/Pojk.03/2020 states that banks will implement policies that support economic growth stimulus for debtors affected by the spread of COVID-19, including MSME. It is expected to encourage optimization of the banking intermediation function, maintain financial system stability, and support growth.

Government support indirectly helps MSMEs to survive and even grow during the COVID-19 pandemic. Government support in the form of policies is needed as the current situation can only be anticipated by the government through various economic stimulus policies. The results of the previous study showed that a long-term and short-term strategy to maintain the sustainability of MSMEs in Indonesia during the pandemic is highly required (Sugiri, 2020). The government issued a policy through strategies of Direct Cash Assistance, relaxation and postpone of loan installment, eliminating interest for business actors, etc. Policies need to be formulated through initiatives that can stimulate the growth of MSME businesses (Bekele & Worku, 2008).

Government support is in the form of Direct Cash Assistance for MSMEs to continue their business and to encourage informal community businesses to transform into formal businesses which will lead to the establishment of new business fields and demand (CNBC Indonesia, 2021). However, MSME actors do not rely only on credit relaxation from the government, but also need to make various breakthroughs and strategies to survive during this economic uncertainty. During a pandemic, only MSMEs that can show their creativity will survive (Affandi et al.,

2020; Rosmadi, 2021). It means that the creativity of MSMEs is highly needed to deal with the problems caused by the pandemic, for example, utilizing technology in running the business. The difficulties faced by MSMEs during the pandemic are the low ability of entrepreneurial technology (Affandi et al., 2020) and limited technological equipment to compete during the COVID-19 pandemic (Budiyanto & Effendy, 2020).

A previous study showed that the use of social media in introducing businesses had a very positive impact during the pandemic compared to electronic and print media, namely Whatsapp (34%), Instagram (31%), Facebook (19%), and Twitter (4%) and online platform such as shopee (8%) (Affandi et al., 2020). Thus, MSMEs have to be more creative in promoting business unless their income will decrease, and may not be able to continue the production because of the large-scale social restriction policies in Indonesia. However, online media also has a positive impact on business life (Pasaribu, 2021).

Concerning the government support, based on the results of previous research, MSME growth can be achieved by institutionalizing credit support and non-financial business by the government (Agyapong, 2010). It needs to be done to consistently encourage the growth of MSMEs due to credit support. It is because, during the COVID-19 pandemic, there was no access to finance for MSMEs causing a decline in most MSMEs (74%) (Affandi et al., 2020).

Business actors need many steps to survive. Changes in the regulation of the company's financial flows need to be made to maintain the sustainability of the business. The following recommendations can be applied by business actors to face the difficulties in the current market conditions.

1. Manage cash flow appropriately. Change the operation of the business, from attack mode to survival mode. Efforts cover cost efficiency for branding activities, delaying company expansion activities, and postponing Eid promotional campaigns. Internally, the company can apply for unpaid leave and cutting wages for some employees. They can be considered to maintain long-term cash flow as there is no certainty when the pandemic will end.
2. Empathize and maintain communication. The most important aspect in running a business is not only profit but also providing what consumers need. During the pandemic, medical equipment is urgently needed. Then, one can produce and sell masks. It is necessary to convey to customers that by buying these products, they have helped the craftsmen to survive and helped the community to easily get masks.
3. Employee arrangements. Enforce a work from home (WFH) policy and require employees to fill out job update applications to maintain company productivity. Business actors need to make a daily plan with a minimum of six activities to do by prioritizing those that can provide income for the company.
4. New marketing strategies. During this pandemic, people's needs have shifted. Now society tends to put aside secondary things, such as clothing and shoes. One of the efforts to stimulate the community's purchase interest is to provide discounts for all products. Customers decide to buy something determined by logical considerations of only 20% and emotional considerations of 80%. Therefore, companies need to maximize the emotional aspects, for example by donating a portion of the profits.
5. Utilize banking services. Business actors are required to optimally use online banking services. Many banks offer such services, which will make it easier for business actors to run their business.

### Conclusion

Based on the results of the discussion, it can be concluded that the support of the Indonesian government for the sustainability of MSMEs during the COVID-19 pandemic is by issuing economic stimulus policies through several strategies. First, government support is in the form of relocating budgets and refocusing policies to provide economic incentives for MSMEs and informal sector actors; second, the government provides a postponement of installments for MSMEs up to one year as well as a reduction in interest; and third, Financial Services Authorities then issued the OJK Regulation on National Economic Stimulus as a solution to the economic impact of the spread of COVID-19.

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