

THE ROLE OF THE GOVERNMENT IN IMPROVING THE PERFORMANCE OF MSMEs IN INDONESIA DURING THE COVID-19 PANDEMIC

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Abstract: The Covid-19 pandemic has a tremendous impact on the economy. Last year the whole world faced an economic downturn and caused a very deep contraction as almost all countries imposed strict mobility restrictions. Many countries have implemented lockdowns which have consequences for the economy which immediately slumped very sharply. Indonesia is faced with many problems related to economic aspects as a result 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%. The research 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. Journal searches are carried out via Google Browser and Google Scholar. Journal searches are carried out using keywords: MSMEs, the role of the Indonesian government in the economy, the economy of the covid 19 pandemic. From each research result obtained, 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 perpu in terms of handling micro, small and medium enterprises in Indonesia; The Perppu regulates state financial policies including state revenue policies including policies in the field of taxation, state expenditure policies including policies in regional finance, and financing policies; The government allows MSME business activities to be a guarantee for accessing business financing loans; the government also provides a Special Allocation Fund (DAK) to support the empowerment and development of MSMEs.

Keywords: Role Government, The Micro Small and Medium Enterprises (MSME), covid 19 pandemic.

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INTRODUCTION

The Covid-19 pandemic has a tremendous impact on the economy. Last year the whole world faced an economic downturn and caused a very deep contraction as almost all countries imposed strict mobility restrictions. Many countries have implemented lockdowns which have consequences for the economy which immediately slumped very sharply. The visible impact of Covid-19 does not only affect public health, but also affects the economy in various countries.

Indonesia is faced with many problems related to economic aspects as a result 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%. 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 are worried about, because it has made the MSME sector experience a significant setback.

Moreover, 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 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 more than 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 study examines the role of the Indonesian government in improving the performance of micro, small and medium enterprises in Indonesia during the COVID-19 pandemic.

Literature Review

Definition of Micro, Small and Medium Enterprises (MSMEs)

SMEs have sufficient definition diverse. Indonesian Cooperative Council (DEKOPIN) provide an understanding of SMEs 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, MSMEs are 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), consists of: (1) business (Fa, CV, PT, and cooperatives) and

(2) individuals (craftsmen/home industries, farmers, breeders, fishermen, 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 employees, as in the European Union. In some countries others set a limit of less than 200 employees. In the United States companies that include SMEs are companies with a large number of employees less than 500 people. Small businesses generally are businesses that employ less than 50 employees, while micro-enterprises are businesses which employs the most employees 10 people, even in some cases only 5 employees only. (OECD, 2005).

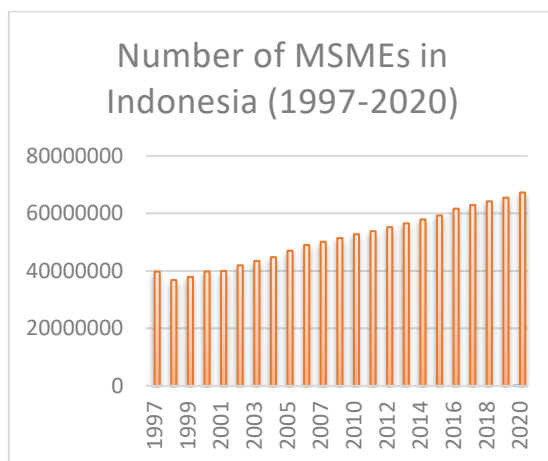


Figure 1. Number of micro, small and medium enterprises in Indonesia

Thus, it can be concluded that MSME is an individual business or small-scale business entities that have certain limits in terms of the number of workers, the amount 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. And broadly speaking, it makes it easier for people to find jobs easily and independently, especially during the COVID-19 pandemic that hit Indonesia.

METHODS

The research 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. Journal searches are carried out via Google Browser and Google Scholar. Journal searches are carried out using keywords: MSMEs, the role of the Indonesian government in the economy, the economy of the covid 19 pandemic. From each research result obtained, 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.

RESULT AND DISCUSSION

In the development of MSMEs in Indonesia, the Government has been providing guidance to MSMEs for a long time. The development of this business group since independence has undergone several changes.

The past, coaching for cooperatives was separated from coaching for small and medium enterprises. One is fostered by the Ministry of Cooperatives while the other is fostered by the Ministry of Industry and the Ministry of Trade. After going through several changes, since the last few years the development of small, medium and cooperative businesses has been 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 (Mukti Fajar, 2015).

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).

Neil Gunningham noted that there are several things that the government needs to pay attention to in making regulations to facilitate MSMEs (Mukti Fajar, 2015), namely:

First, with regard to 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 to work hard and be successful by relying on independence. The independence in question is a form of discipline in self-inspections and self-audits.

Third, MSMEs must be encouraged to act professionally large companies by integrating the company's main objectives with the development and renewal of the work culture of SMEs.

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. Therefore, it is necessary to mix various policies effective policy mix, which is adjusted to the direction of development and the condition of the MSME business situation.

National Economic Recovery Policy Strategy

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 in Lieu of Law (PERPPU) Number 1 of 2020 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 Perppu regulates state financial policies including state revenue policies including policies in the field of taxation, state expenditure policies including policies in regional finance, and financing policies. 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 due to disruption in health and economic recovery spending, the government began to make 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.

The Role of The Indonesian Government

Indonesian local governments have a strategic role in encouraging the acceleration and effectiveness of national economic recovery. 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 of the drivers 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. The funds are channeled through Direct Cash Assistance, Pre-Employment Cards, electricity and rock releases - other assistance. Local governments are trying to move the business world by providing incentives/stimulus to MSMEs and corporations. The government provides assistance 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).

MSMEs are given protection so that they are not controlled or owned by large businesses. The government is also trying to increase business opportunities for MSME products with supply chain partnerships. Incentives and partnership facilities are also

encouraged by the government 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, the process of 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 MSE 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.

CONCLUSION

Based on the results of the analysis and discussion, the following conclusions can be drawn:

The Indonesian government has a perpu in terms of handling micro, small and medium enterprises in Indonesia;

The Perppu regulates state financial policies including state revenue policies including policies in the field of taxation, state expenditure policies including policies in regional finance, and financing policies;

The government allows MSME business activities to be a guarantee for accessing business financing loans;

The government also provides a Special Allocation Fund (DAK) to support the empowerment and development of MSMEs.

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