

The Impact of Covid-19 Pandemic on Micro, Small and Medium Enterprises in Kotabaru Regency, Indonesia

Dayat Ikhsan Hajati

Politeknik Kotabaru
e-mail: diksan.poltek.ktb@gmail.com

Abstract

This study aims to find out the impact of the COVID-19 pandemic on MSME turnover, profit, capital, product distribution and raw materials in Kotabaru Regency. This study carried out using a quantitative method with the type of case study with the population of MSMEs in Kotabaru. The sampling technique in this study used simple random sampling with a total sample of 385 MSMEs obtained based on Lameshow's formula. The collecting data in this study used observation, literature study and questionnaires. The data analysis technique used descriptive statistical analysis and inferential statistical analysis with the Wilcoxon Signed Rank Test. The results of the study showed that 1) there were significant difference in turnover and profit got by MSMEs in the form of an average decrease in turnover and profit between before and during the COVID-19 Pandemic in Kotabaru Regency, 2) MSMEs were quite experiencing difficulties in capital turnover, supply chain of raw materials and distribution of during the COVID-19 Pandemic in Kotabaru Regency.

Keywords: Pandemic; COVID-19; MSMEs; Economic

1. Introduction

The Corona Virus Disease (COVID-19) outbreak has now spread to more than 200 countries in Asia, Europe, America and Australia which later became a pandemic after it was announced by the World Health Organization (WHO). The current COVID-19 pandemic inevitably has a very significant impact on a country's domestic economy (Amri, 2020). The World Trade estimated that the volume of world trade globally is likely to decline by around 32% in 2020 during the COVID-19 period (Islam, 2020). Restrictions on community activities as an effort to deal with the COVID-19 pandemic have caused significant economic losses nationally (Hadiwardoyo, 2020). The sectors affected during the COVID-19 pandemic are transportation, tourism, trade, health and other sectors, but the economic sector most affected by COVID-19 is the home industry sector (Susilawati et al., 2020). The economic impact of the COVID-19 pandemic has also been felt by the Micro, Small and Medium Enterprises (MSME) sector. This is because MSMEs occupy a strategic position in the economy in general. In ASEAN, MSMEs generate employment between 50% until. 95%, and contributed between 30% until 50% of Gross Domestic Product (GDP) (Islam, 2020). Small businesses are among the hardest hit by the COVID-19 crisis, many of them that closed their businesses temporarily, and furthermore facing cash flow constraints (Baker & Judge, 2020).

Based on the data released by the Ministry of Cooperatives and SMEs, there were 37,000 MSMEs actors who reported themselves to the Ministry of Cooperatives and SMEs for creating a COVID-19 pandemic where the difficulties they experienced were divided into four problems. First, the decline in sales due to reduced community activities outside as consumers. Second, capital difficulties due to difficult capital turnover due to declining sales levels. Third, there are product distribution barriers due to the presence of product movements in certain areas. Fourth, the availability of raw materials because MSMEs depend on the availability of raw materials from other industrial sectors (Setiawan, 2020). The COVID-19 pandemic was also felt in Kotabaru Regency, South Kalimantan Province, Indonesia, with the capital city of this regency located in Kotabaru, located on Laut Island with an area of 9,442.46 km² and a population of 290,142 people. Kotabaru Regency until September 2021 had a total of 3,047 positive cases with recorded deaths of 139 people, 27 people were being treated and 2,881 people were declared cured (Herliansyah, 2021). Kotabaru Regency was at the level of the Enforcement of Public Activity Restrictions level 4 status in and finally decreased to level 2.

After conducting a literature study and field observations, this study raises the problem with the following formulation: 1) is there a significant difference in MSMEs' turnover and profit obtained between before and during the COVID-19 Pandemic in Kotabaru Regency? 2) What is the impact of the COVID-19 pandemic on MSMEs' capital turnover, supply chains of raw materials and distribution products in Kotabaru Regency?. So this study aims to 1) analyze the difference in turnover and profit that obtained by MSMEs between before and during the COVID-19 Pandemic in Kotabaru Regency, 2) Analyze the impact of the COVID-19 Pandemic on MSMEs' capital turnover, supply chain of raw materials and distribution products in the District. New city.

2. Literature Review

According to the World Health Organization (WHO) in Vetriciawizach Simbolon (2020), a pandemic is a new disease that spreads throughout the world beyond borders. According to the Big Indonesian Dictionary (KBBI) "Pandemic is an epidemic that spreads simultaneously everywhere. Definition of COVID-19 Corona virus disease 2019 (COVID-19) is a disease caused by a new type of coronavirus, namely Sars-CoV-2, which was first reported in Wuhan China on December 31st, 2019. The COVID-19 pandemic has hit nearly 209 countries around the world. Various policies to reduce and stop this pandemic were carried out by the Indonesian government, including social distancing, physical distancing, large-scale social restrictions, and prohibitions for traveling. On the other hand, this policy is beneficial for public health resilience, but has a significant economic impact on the business world in Indonesia. The corona virus that entered Indonesia in early March 2020 caused paralysis in the economic, health, tourism, trade and investment sectors. According to the WHO, respiratory-infecting coronaviruses cause the common cold to more severe illnesses such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV).

Information from the Indonesian Ministry of Health regarding the development of COVID-19 cases in Wuhan began on December 30th, 2019 where the Wuhan City Health Committee issued an "urgent notice on the treatment of pneumonia of unknown cause". The spread of this virus is very fast. According to the United Nations (UN) website, 241 countries have been infected with this virus. The current COVID-19 pandemic has an impact on various sectors. The impact given is very significant on the domestic economy of the nation-state and the existence of MSMEs. The Organization for Economic Co-operation and Development (OECD) said this pandemic had implications for the threat of an economic crisis marked by the cessation of production activities in various countries, falling levels of public consumption, loss of consumer confidence, and the collapse of the stock market. The OECD predicts a decline in output levels in many countries. This prediction

threatens Indonesia's national economy (Pakpahan, 2020). OECD stated that MSMEs are currently become the center of the economic crisis as a result of the COVID-19 pandemic, even with conditions more severe than the 2008 financial crisis. The collapse of MSMEs broadly could have a strong impact on the national economy and global growth prospects, on perceptions and expectations, and even in the financial sector, considering that 60-70% of employment in OECD countries is played by MSMEs. A deterioration in the financial situation of MSMEs could have a systemic effect on the banking sector as a whole (OECD, 2020).

Based on the Indonesian MSME Law No. 20 of 2008, units included in micro-enterprises must have a maximum annual turnover of Rp. 300,000,000. While small businesses usually have a turnover of between Rp. 300,000,000 to Rp. 2,500,000,000. While medium-sized businesses have an income of Rp. 2,500,000,000 to 50,000,000,000. Indonesia, which is dominated by Micro, Small and Medium Enterprises (MSMEs) needs special attention to this sector because the contribution of MSMEs to the national economy is quite large (Pakpahan, 2020). There are at least three roles of MSMEs that are very important in the lives of the small people, namely as a means of alleviating the people from the abyss of poverty, a means of equalizing the level of the economy of the small people, and providing foreign exchange (Prasetyo & Huda, 2019).

In 2018, there were 64,194,057 MSMEs in Indonesia (or about 99 percent of the total business units) and the MSME sector has also employed 116,978,631 workers or around 97 percent of the total workforce in the economic sector. In 2018, MSMEs contributed to GDP at current prices of 61.07 percent nationally. Based on the 2012 USAID (United States Agency International Development) electronic report, MSMEs and entrepreneurship play an important role in the Indonesian economy. The role of micro, small and medium enterprises (MSMEs) in the Indonesian economy is as follows: (1) their position as a major player in economic activity in various sectors, (2) the largest provider of employment, (3) an important player in the development of local economic activities and community empowerment, (4) creating new markets and sources of innovation, and (5) contributing to maintaining the balance of payments through community export activities so as to reduce poverty levels and others (Tedjasuksmana, 2014).

3. Methods

This study used a quantitative method with the type of case study. The population in this study were MSMEs in the urban area of Kotabaru Regency (North Laut Island District and Sigam Laut Island District). The sampling technique in this study used Simple Random Sampling with a total sample of 385 MSMEs obtained based on Lameshow calculations with a sampling error of 5 percent. The data collecting in this study used observation, literature study, questionnaires and documentation. The data analysis technique used in this study used statistical analysis and inferential statistical analysis with the Wilcoxon Signed Rank Test. In this study, descriptive statistical analysis was used to find a description of the phenomena faced by MSMEs related to income (turnover and profit), capital turnover, product distribution and raw material supply chains during the COVID-19 pandemic in Kotabaru Regency. While the Wilcoxon Signed Rank Test analysis was carried out to determine the difference in the income of MSMEs in Kotabaru Regency before and during the COVID-19 pandemic through a different test of turnover and profit before and during the COVID-19 pandemic.

4. Results and Discussion

Results of Data Analysis

The following are an overview of capital turnover, product distribution and raw material supply chains experienced by MSMEs in Kotabaru Regency during the COVID-19 Pandemic using the range

formula, namely the highest value minus the lowest value divided by the number of answer scales, where a range of answer categories will be obtained (Sugiyono, 2013):

Table 1. Description of Capital, Raw Materials & Product Distribution

No	Variable	N	Mean	Category
1	Capital Turnover	385	3.27	Quite difficult
2	Raw Material Supply Chains	385	2.78	Quite difficult
3	Product Distribution	385	2.93	Quite difficult

Source: SPSS Output, 2021

Based on table 1 above showed that MSMEs are quite experiencing difficulties in capital turnover, raw material supply chains and product distribution during the COVID-19 pandemic.

Table 2. Description of MSMEs' Expectation

		Frequency	Percent
Valid	Capital assistance	76	19.7
	Relaxation of social distancing policy	23	6.0
	Material price stability	72	18.7
	Pandemic is over	145	37.7
	Management training	28	7.3
	Management improvement	2	.5
	Vaccine acceleration	2	.5
	Abstain	37	9.6
	Total	385	100.0

Source: SPSS Output, 2021

Based on table 2 above, it showed that most MSMEs expect the COVID-19 pandemic to pass soon (37.7%), capital assistance (19.7%) and material price stability (18.7%).

Table 3. Descriptive Statistics of Turnover and Profit

Descriptive Statistics					
	N	Mean	Std. Deviation	Minimum	Maximum
Turnover Before Pandemic	385	1,001,067.53	1,314,201.760	50,000	15,000,000
Turnover During Pandemic	385	613,245.45	810,370.485	33,000	10,000,000
Profit Before Pandemic	385	597,600.00	1,282,564.832	25,000	17,000,000
Profit During Pandemic	385	337,568.83	642,289.169	10,000	7,000,000

Source: SPSS Output, 2021

Based on table 3 above, the average turnover was obtained by MSMEs before the COVID-19 pandemic was Rp. 1,001,067.53 per day, but when the COVID-19 Pandemic hit Indonesia, especially Kotabaru Regency, the average turnover decreased to Rp. 613,245.45 per day. That showed that there was a decrease in turnover during the COVID-19 pandemic from before the COVID-19 pandemic of 38.74%. While the average profit was obtained by MSMEs decreased 43.51% of the average profit per day obtained by MSMEs of Rp. 597,600,000 before the COVID-19 Pandemic to Rp. 337,568.83 during the COVID-19 Pandemic.

The following are the results of different tests on MSMSEs' turnover and profit before and after the COVID-19 Pandemic which were analyzed using the Wilcoxon Signed Rank Test:

Table 4. Ranks

		N	Mean Rank	Sum of Ranks
Turnover_During_Pandemic – Turnover_Before_Pandemic	Negative Ranks	313 ^a	162.89	50984.50
	Positive Ranks	10 ^b	134.15	1341.50
	Ties	62 ^c		
	Total	385		
Profit_During_Pandemic – Profit_Before_Pandemic	Negative Ranks	307 ^d	160.90	49397.50
	Positive Ranks	10 ^e	100.55	1005.50
	Ties	68 ^f		
	Total	385		

Source: SPSS Output, 2021

Based on table 4 above, it showed that the Negative Ranks value on turnover during the COVID-19 Pandemic and before the COVID-19 Pandemic was 313, which means that there were 313 MSMEs that experienced a decrease in turnover during the COVID-19 pandemic than before the COVID-19 pandemic. The Positive Ranks value was 10, which means there were 10 MSMEs that experienced an increase in turnover during the COVID-19 pandemic than before the COVID-19 pandemic. And the Ties value was 62, which means there were 62 MSMEs that did not experience either an increase or decrease in turnover or remained stable before the COVID-19 Pandemic and during the COVID-19 Pandemic.

Meanwhile, based on the profit was obtained by MSMEs showed that the Negative Ranks value was 307, which means that there were 307 MSMEs that experienced a decrease in profits during the COVID-19 Pandemic than before the COVID-19 Pandemic. The Positive Ranks value was 10, which means that there were 10 MSMEs that experienced an increase in profits during the COVID-19 pandemic than before the COVID-19 pandemic. And at the Ties value was 68, which means there were 68 MSMEs that did not experienced an increase or decrease in profits or they were able to maintain their profits when before the COVID-19 Pandemic and during the COVID-19 Pandemic.

Table 5. Test Statistics

	Turnover_During_Pandemic – Turnover_Before_Pandemic	Profit_During_Pandemic – Profit_Before_Pandemic
Z	-14.795 ^b	-14.839 ^b
Asymp. Sig. (2-tailed)	.000	.000

Source: SPSS Output, 2021

Based on table 5 above was obtained the Asymp Sig. value was 0.000 which is smaller than the significance level of 0.05 ($0.000 < 0.05$) which means that there was a significant difference of income (turnover and profit) obtained by MSMEs between before the COVID-19 Pandemic and during the COVID-19 Pandemic.

Discussion

Based on the results of the study regarding income, capital turnover, supply chain of raw materials and product distribution were experienced by MSMEs in Kotabaru Regency during the COVID-19 Pandemic, it can be perceived that MSMEs were experiencing quite a difficulty in capital turnover. This is due to a significant difference in operating income, both turnover and profit during the COVID-19 Pandemic than before the COVID-19 Pandemic, with a decrease in average operating income that occurred in turnover of 38.74% and profit of 43.51% during the COVID-19 Pandemic. But another cases, there were also MSMEs that can survive with stable incomes, even there were some MSMEs that can increase their income during this COVID-19 pandemic, although only a small part of the many of MSMEs affected the income decrease.

Besides that, it can also be described that the COVID-19 Pandemic also has an impact on the supply chain of raw materials as shown from the description of the respondents' answers who perceive that they are experiencing difficulties in maintaining continuity and ensuring the availability of raw materials caused by the Enforcement of Public Activities Restrictions in almost all regions of Indonesia, especially in the Java region, which is an industry providing raw materials needed by MSMEs in Kotabaru. Besides, hindering smoothness on delivery of raw materials, it also resulted an increase the price of raw materials that burdens MSMEs. The same thing was also experienced on product distribution where MSMEs perceived difficulty in distributing products.

The results of this study added to the description of the impact of the COVID-19 pandemic on MSMEs in Indonesia, especially in the Kotabaru area which was in line with previous study conducted by Milzam, at al. (2020) showed that the Corona virus pandemic has an impact on the community economic, especially for Micro, Small and Medium Enterprises (MSMEs) in Pekalongan City, which based on 282 MSMEs sampled, there was a decrease in total sales revenue of 53.5%. The results of Amri's study, A. (2020) also described that the condition of MSMEs during pandemic continued to experience a decrease in capacity, ranging from production capacity to a decrease in income.

Based on the impact experienced by MSMEs during the COVID-19 Pandemic in Kotabaru, there is expectation for the current needs of MSMEs, most of which expect the pandemic to pass soon, capital assistance and stability in the prices of materials. In particular, capital assistance in the form of direct cash assistance or soft loans is a short-term strategy or policy that can be taken by the Central or Regional Government (Pakpahan, 2020). This is an effort to maintain the sustainability of MSMEs which are one of the drivers of the Indonesian economy (Sugiri, 2020). However, another expectation that needs to be attention is business management training in order to survive the COVID-19 Pandemic such as training that focuses on the introduction and use of digital technology for MSMEs which is as a long-term strategy and at the same time as preparation for entering the Industry 4.0 era (Pakpahan, 2020) because based on research conducted by Awali (2020) showed that e-marketing has a positive impact during COVID-19 pandemic on the economic resilience of MSMEs in Pekalongan City by continued to carry out the process of production and distribution of goods to consumers but still complied the Social Distancing rules where the use of marketing through marketplace needs to be considered for implementation during COVID-19 Pandemic in order to business activities can continue to run and generate economic value.

5. Conclusion

Based on the results of the analysis carried out in this study, it can be concluded that there were differences in turnover and profit obtained by MSMEs between before and during the COVID-19 Pandemic in Kotabaru Regency. MSMEs are also experienced difficulties in capital turnover, raw

material supply chains and product distribution during the COVID-19 pandemic in Kotabaru Regency. And suggestions that can be recommended are as follows:

1. In order to MSMEs can develop businesses based digital technology as a strategy during the Pandemic at a time as a step to enter industry 4.0 which will support most business operations on the future, especially sales and marketing, for example the use of social media, e-commerce and market places in product marketing and utilizing community online motorcycle taxis services in terms of product distribution services twchich are growing rapidly along with the tendency of people to be increasingly lazy to leave the house during the Pandemic in the Kotabaru area.
2. It is expected that the Central/Regional Government, Colledge and the private sector can have a role in providing capital assistance in the form of direct cash assistance or in the form of soft loans as a short-term strategy or policy and increase the implementation of business management training for MSMEs in order to survive during the Pandemic COVID-19 as a long-term strategy in an effort to maintain the sustainability of MSMEs.

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