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What has Happened With MSMEs Resilience During Pandemic Covid-19 in Central Java Indonesia ?

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ABSTRACT

This study aims to determine the relationship of survival strategies, legal protection, and demographic factors (business tenure, age, education level, marital status, types of capital) with the resilience of MSMEs in Central Java. The sampling method used was simple random sampling with a sample size of 153 MSMEs actors in Central Java. The analysis used was a multiple linear using SPSS 24.00. The results of this study show that (1) the independent variable of Survival Strategy (X1) has a significant effect and contributed to forming resilience (Y1) of 75.8%; (2) the independent variable of legal protection (X2) has no significant effect in forming resilience (Y1); the contribution is only -2.0%, the existence of legal protection decreases resilience by 2%; (3) the relative contribution of survival strategy (X1) independent variable in shaping resilience (Y1) is 102.7%; (4) the relative contribution of legal protection independent variable (X2) in shaping resilience (Y1) is -2.7%. (5) Diploma/Bachelor degree has higher resilience than High School/Vocational School degree in which Bachelor degree has a contribution of 59.32% to resilience. Another result of this study is that there is no resilience difference in each group of business status, age, business tenure, and types of capital.

Keywords: demographic factors, legal protection, MSMEs, resilience, survival strategy,

INTRODUCTION

The recent shocked global outbreak of the coronavirus (Covid-19), which started in the Chinese city of Wuhan, has stunned the entire world. The Covid-19 pandemic has a significant impact on all industries, including how long Micro, Small, and Medium-Sized Enterprises (MSMEs) may remain in operation. According to study findings, up to 96% of MSME players stated that Covid-19 had a detrimental effect on their business operations. Up to 75% of them saw their sales significantly fall. A little over half (51%) of MSME operators thought their company would only

endure one to three months. Up to 67% of MSME actors reported having trouble getting access to emergency cash, and 75% said they didn't know how to make

In 1997-1998 when Indonesia experienced a crisis due to the collapse of the banking conglomerate, MSMEs were actually "immune". Not only were they survived, MSMEs even grew. BPS data for 1998-1999 shows that the number of MSMEs in Indonesia grew from 36.8 million units to 37.9 units in the following year. At that time, MSMEs became the sector that absorbed the most labor. In 1998, MSMEs absorbed 57.34 million (88.66%) of the total Indonesian workforce, while medium companies were 6.9 million (10.78%), and large companies were only 364,000 (0.56%).

Based on some of the problems described above, it is necessary to examine the abilities possessed by MSME actors to be able to survive with their business and have a healthy mental condition during the face of the Covid-19 pandemic [10]. One of these abilities is resilience. This mental condition is needed because according to data [11], the suicide rate since the Covid-19 pandemic has increased, mostly experienced by several businessmen. As reported by one of the newspapers Harian Merapi Yogya (2 April 2020). One MSMEs businessman died by hanging himself because his business was experiencing a downturn [12]. Heavy problems are indeed experienced by many business people, especially MSMEs, starting from how they must be able to survive running their business to how they have to cover their debts due to the losses they have experienced.

Resilience in the world of psychology is called the ability to rise from adversity. Every individual needs resilience to get happiness for bad events experienced. Resilience is needed by MSME actors to protect themselves from severe stress to depression, as said by Edward (2005) that resilience can protect individuals from depression. Resilience is expected to be able to provide enthusiasm [13] for the life of MSME actors to be able to live the fear of facing the bankruptcy of the business due to the Covid-19 pandemic.

Resilience can be obtained by exploiting the potential for positive emotions possessed by individuals. Positive emotions can build individual resilience abilities from the events at [14] Reassessment of positive things (positive reappraisal) results in positive emotional experiences even when the individual is in a state of stress, then this positive emotional experience can drive psychological needs to help someone move forward to continue his life [15].

MSME actors are expected to have the ability to survive in stressful situations such as in the current conditions [16], one of which is the ability to regulate emotions. Emotional regulation is needed to balance excessive emotional conditions within individuals. If emotional regulation is ineffective it will affect a person's mental condition to experience mental disorders, such as GAD [17] Resilience is not only influenced by emotional regulation strategies. But demographic factors also have an impact or influence on the level of resilience [18].

Based on the background description stated above, the problem can be formulated, is there a relationship between the level of resilience and survival strategy, legal protection, and demographic factors (length of business, age, education level, family status, and type of business capital).

Legal protection and MSMEs resilience

Legal Protection Juridically, laws and regulations that protect MSMEs in Indonesia can be classified as protective or facilitative [26]. Protection in a protective form, such as the Presidential Regulation of the Republic of Indonesia Number 76 of 2007 concerning Criteria and Requirements for Regulating Closed Business Fields and Open Business Sectors. Article 11 states "The criteria for determining open business fields with requirements include the protection and development of Micro, Small, Medium Enterprises and Cooperatives". Furthermore, Article 13 states "The government will establish business fields designated for MSMEs and cooperatives and open business fields with the terms of partnership".

The legal protection for MSMEs that has been carried out by the government to date by the author is considered quite good even though several holes must be patched immediately, such as the need for supervision of parties who are cheating, and provide better legal protection for MSMEs and the need for free legal assistance for MSMEs and tax amnesty [27], but given the Covid-19 emergency condition, the government inevitably has to act decisively to cover up these weaknesses. The government's manifestation dealing with this problem during this pandemic is as reported by the statement of the State Secretariat of the Republic of Indonesia on the page of the State Secretariat (29 April 2020). These 19 are known as Five MSME Protection and Recovery Schemes in the Middle of the Covid-19 Pandemic. This schematic is as follows social assistance (social assistance), whether PKH (Family Hope Program), food packages, cash assistance, village BLT (direct cash assistance), as well as exemption from reducing electricity rates and employment cards for small and medium business operators categorized as poor and vulnerable economically caused by covid-19 [28]. Reducing the final income tax rate from 0.5 to 0 percent over the six months from April to September 2020 for MSMEs. Relaxation and restructuring of MSME loans carried out by the government including postponing the payment of installments and interest subsidies for recipients of KUR (People's Business Credit), UMi (Ultramicro Credit), PNM Mekaar (Family Fund for Civil National Capital Development), Rolling LPDB (Management Institution Fund), as well as recipients of capital assistance [29] from several ministries. Expansion of financing for SMEs in the form of a stimulus for working capital assistance. Ministries, state-owned institutions, and local governments will act as a buffer in the MSME ecosystem [19], especially in the recovery and business consolidation phase after the Covid-19 pandemic.

MSMEs survival and resilience strategies.

According to Snel and Staring (Official, 2005: 6), a survival strategy is a series of actions chosen by standards by economically declining individuals and households [18]. Through a strategy undertaken by a person, it can increase income through the use of other sources or reduce expenses by reducing the quantity and quality of goods or services [22]. Besides, the survival strategy applies a dual pattern that is part of the economic strategy.

Some expert opinions explain the Survival strategy. One of them is Mosser [30] creates an analytical framework called the "Asset Vulnerability Framework". This framework includes a variety of asset management that can be used to make adjustments or develop strategies for survival, namely 1). Labor assets, 2). Human capital assets, 3). Productive assets, 4). Household or family relationship assets, 5). Social capital assets additionally, [31] states that coping strategies in overcoming economic shocks and pressures can be carried out in 3 ways namely: a) Active strategies, namely strategies that optimize all family potential. For example, doing their activities [32], extending working hours, utilizing wild sources or plants in the surrounding environment, and so on. b) Passive strategy, namely reducing family expenses. For example, costs for clothing, food, education, and so on. c) Network strategies that make connections with other people [17]. For example, establishing relationships, both formal and informal, with the social and institutional environment [33]. For example, borrowing money from neighbors, borrowing from small shops, using poverty programs, borrowing money from banks, etc.

Research Problem

Talking about MSME survival strategies to deal with the Covid 19 pandemic [34], three main factors need to be considered by MSME actors in this condition, including ,1. Improving Product Quality and Service.This crisis period is the right time for MSME owners to improve the quality of their products or services and pause for a moment to develop a product or service offering strategy for products that are the basis of their business [20]. Often, business people don't realize the difference between improving a product and developing an offering. Products are goods or services that are marketed in a business. Meanwhile, the offer is a way for a business actor to market a product [35]. Therefore, business people need to differentiate between products and offers based on a consumer perspective. "The strategy of offering products is not by promoting the excellence of the product itself, but by creating attractive advertising [36] content with components of attention, interest, desire, and action," MSMEs also need to improve their strategies in coordinating and collaborating with them. Team [37]. The use of technology and professional tools available today can be a way for business people to prioritize work, monitor and evaluate work that has been done within a certain period. 2. Optimizing the Use of Technology, [38] businesses are also advised to automate their business processes. There are three main fuels in business, namely time, energy, and money. Most businesses have money but don't have the time [39] and energy to spend on manual records and traditional methods. This usually hinders business development [40]. Therefore, businesses must improve their business processes, for example by changing manual records with online accounting software [41], changing the original manual payroll process to an automated payroll system, or changing the traditional tax payment system using the software. In the marketing channel, for example, businesses can also take advantage of technology [42] with digital marketing and social media. In terms of sales, MSMEs can also take advantage of online delivery services that are currently being loved by the public. 3.Preparing Expand Business, businesses also need to take advantage of the co-19 pandemic period to improve their skills for future business development. For example, expertise in digital marketing or developing your e-commerce

platform. So that when business is running normally, business operations can run faster than before [43]. The current crisis is unlike the 2008 financial crisis which caused purchasing power to decrease dramatically. The current crisis is more caused by a health crisis with a pattern of people who only hold their purchasing power, cannot buy [44]. If the health condition of the world's citizens recovers and subsides, the economy has the potential to return to normal and purchasing power can increase again. Is there anything that can be done by MSME entrepreneurs, that does not mean being silent, but rather preparing a business and team [45], [46]. Make sure the business continues and can survive the current pandemic conditions.

METHOD

The population in this study was 4,174,210 consisting of 3,358 large businesses, 39,125 medium enterprises, 354,884 small businesses, and 3,776,843 micro-businesses (Data from Central Java Dinkop, 2019). A population is several residents or individuals who at least have one characteristic in common. The population is a generalization area consisting of objects/subjects that have a certain quantity and characteristics that the researcher determines to study and then draw conclusions (Sugiyono 2009). The sample or subject in this study were 153 MSME actors in Central Java with the following sample characteristics:

Table 1. Characteristics of Respondents

Age	15-19, 19-22, >23
Education	Highschool, Bachelor, Master, Doctoral, Post Doctoral
Business tenure	< 1 yr, 2-5 yrs, 6-8 yrs, >8 yrs
Marital status	Married, Single
Types of capital	Private capital, Bank loan

The data collection method in this study is a psychological scale. This is following the opinions expressed by Azwar (2005) that scaling is the process of determining the location of a particular stimulus or response on a psychological continuum that has several special characteristics. The scale used in this study is a scale that is directly given to the subject and is closed in form referring to the Likert scale.

The validity and reliability of the measuring instruments in this study used the Pearson product-moment correlation with the help of SPSS for Windows Release 24.0. The correlation coefficient technique used in this study is the Alpha and Cronbach coefficient techniques. The amount of the total item coefficient moves from 0 to 1.00 with a positive or negative sign [47] The higher the positive correlation coefficient between the item score and the scale score, the higher the consistency between the item and the overall scale, which means the higher the difference [48].

Results

9
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta	t		Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	1.351	.120		11.241	.000					
Survival Strategy	.734	.040	.886	18.462	.000	.856	.845	.810	.837	1.194
Legal Protection	-.043	.029	-.072	-1.504	.135	.285	-.128	-.066	.837	1.194

Based on the test for significance of regression coefficient, the independent variable Survival Strategy (X1) obtained the Sig. = 0.000 which is less than $\alpha = 0.05$, then H_0 is rejected and it can be concluded that the regression coefficient on the Survival Strategy (X1) is significant. However, in the independent variable Legal Protection (X2) the Sig value is obtained = 0.135 which is more than $\alpha = 0.05$, then H_0 is accepted and it can be concluded that the regression coefficient on Legal Protection (X2) is not significant.

Effective Contribution

$SE(1) = (0.886)(0.856) = 0.758$ This shows the effective contribution of the Survival Strategy (X1) independent variable in forming Resilience (Y1) of 75.8%. $SE(2) = (-0.072)(0.285) = -0.020$. This shows the effective contribution of the legal protection independent variable (X2) in forming Resilience (Y1) of -2.0%. The existence of legal protection decreases resilience by 2%.

Relative Contribution

$SR(1) = (0.758)/(0.738) = 1.027$. This shows the relative contribution of the Survival Strategy (X1) independent variable in forming Resilience (Y1) of 102.7%. $SR(2) = (-0.020)/(0.738) = -0.027$ This shows the relative contribution of the legal protection independent variable (X2) in shaping resilience (Y1) of -2.7%.

DISCUSSION

Survival strategy has a relationship with the resilience of MSMEs in Central Java

The results of the analysis show a very strong relationship between survival strategies and resilience in Central Java MSMEs, where the survival strategy has a relative contribution of 102.7%. The most relevant main proponents present in the survival strategy are related to in terms of active and passive strategies :1. Investments in core businesses (to increase the range of products offered), 2.Preparation of a business to develop through diversification (within the same business areas). 3.Product position at the highest price in its category.4. Optimal use of technology to improve distribution channels. In terms of improving ¹²the quality of products and services: Large capital availability, Updated machines and

equipment, Effective new product development process, Excellent after-sale service.

The results of this study are following previous research conducted by Alberti G (2018) entitled *Resilience: Resources and Strategies of SMEs in a New Theoretical Framework*. Alberti's research results revealed that the survival strategy made a large contribution to the MSME resilience level of 79%. Also, the results of this study are consistent with research conducted by Herbane Brahim (2019) which states that performance capabilities and survival strategies have a very strong relationship with the level of MSME resilience in facing uncertain situations due to economic, social, political, and cultural changes.

Legal protection has a relationship with the resilience of MSMEs

The results of the analysis show that legal protection has no relationship with the resilience of MSMEs in Central Java. The relative contribution of legal protection is negative at -2.7%. This shows that the existing legal protection in Indonesia for MSME actors is still very low, the benefits are felt for MSME actors in Central Java. This is following the research conducted by Panjaitan (2013). In facing ACFTA free-market competition, MSMEs have their difficulties, namely in building market access. Development of market access related to information. MSMEs still have difficulty obtaining information about the marketing of their products abroad. This situation will certainly affect the level of competition quite high, considering the large number of MSME products, it is still difficult to market to other ACFTA countries due to a lack of information for entrepreneurs. Empowerment of small businesses as a strengthening of the people's economy can be done through increasing aspects of capital, market freedom, and mastery of technology. This economic policy should be in favor of the people's economy to catch up in business competition and free markets. Empowerment carried out for MSMEs cannot be separated from legal protection, because the implementation of free markets will certainly lead to unfair business competition.¹³ Therefore, it is important to have the legal protection that can directly help MSMEs in facing ACFTA. The legal protection that can be done is in 3 ways: in the form of anti-dumping law enforcement, in the form of a Trade Security Policy, in the form of rules for the implementation of return customs. Based on the results of the analysis, it shows that the contribution (contribution) of the independent variables of Survival Strategy (X1) and Legal Protection (X2) together in forming Resilience (Y1) is 73.8%, while the remaining 26.2% is influenced by other variables that were not examined. Relationship between demographic factors and resilience there is no significant difference in resilience in each group of business tenure, in other words, there is no effect of business tenure on resilience.

There is no significant difference in resilience in each age group, in other words, there is no effect of age on resilience. There is a significant difference in resilience in each group of educational levels, in other words, there is an effect of education level on resilience. In detail the differences or their effects are explained as follows: The education level of Elementary to Junior High has a resilience that is not significantly different from that of High School/Vocational School. The level of Elementary to Junior High education has a resilience that is not significantly different from the education level of Diploma/Bachelor. The Elementary to Junior High education level has a resilience that is not significantly

different from the postgraduate level. The Diploma/Bachelor education levels have higher resilience than High School/Vocational School education levels. The Postgraduate education levels have a higher resilience than High School/Vocational School education levels. The Diploma/Bachelor education levels have a resilience that is not significantly different from postgraduate education levels. There is no significant difference in resilience in each group of business status, in other words, there is no effect of business status on resilience. There is no significant difference in resilience in each group of the number of businesses, in other words, there is no effect of the number of businesses on resilience.

CONCLUSION AND RECOMENDATION

Some of the results mentioned above are expected to be a managerial alternative that can account for the resilience of MSMEs in Central Java. Strategies that can be used consist of investing in core businesses (which appear to be key factors on both sides), to increase profitability, a wide range of products is required, for increased competitiveness and higher quality has a greater influence. The explanation lies in the ability of MSMEs in Central Java to follow the specific needs of consumers by manufacturing products tailored to competitive advantage through differentiation. MSMEs in Central Java can also approach contiguous areas which can lead to increased profitability, exploiting equity and competence, and, thus, economic scope and learning. The same effect on profitability is guaranteed by higher prices, but this point is more intuitive. Finally, vertical integration is a resource of competitiveness and not a source of competitiveness for profitability, to the point that it is not used to internalize additional marginality, on the contrary as a means of controlling inventory and important components. In terms of resources, the availability of large capital, effective new product development processes, and excellent after-sales service are relevant from both perspectives. The first is important to support activities as well in case of negative events, or bad credit, second and third is very important to face stiff competition and maintain the aforementioned position as a client-oriented company. The costs and productivity of labor, sales, and organizational competence appear to be relevant only in terms of competitiveness.

Based on the results of the research and discussion that has been fully described, the researchers suggest; 1) For the subject, especially MSME actors, to be able to develop their knowledge and capacities related to the sciences related to the development of MSME businesses because education related to knowledge development has a big influence. 2) To the government, to be able to make a training design program and knowledge development related to MSMEs that are packaged attractively to be offered to MSME actors, especially during the Covid-19 pandemic. 3) For other researchers it is recommended to be more able to reveal more with several other indicators that have not been studied, by writing items on a more specific scale with variables, choosing different research sites, and involving several subjects so that the research results are maximized, and can develop research on giving clearer information about MSMEs. So that it provides a broader picture of the resilience of MSMEs in Indonesia, especially when facing the Covid-19.

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