

## **INNOVATION OF SMALL MEDIUM MICRO BUSINESS GOVERNANCE (MSMEs) RESILIENCE POST COVID-19 PANDEMIC IN BANDUNG CITY**

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### **ABSTRACT**

In 2020 the Covid-19 pandemic began to enter Indonesia and had a significant impact on the stagnation of the Indonesian economy. The real impact is directly felt by business actors with micro, small and medium scale in the city of Bandung. Even the government itself has predicted that in its implementation it is very difficult, economic growth in Indonesia could decline to 0.4 percent. This was taken based on industry data and business actors who were affected by the Covid-19 pandemic on the domestic macro economy which became very heavy. The purpose of this study is to find out innovations in managing MSMEs that are resilient to disasters after the Covid-19 pandemic in the city of Bandung. The research stages include identifying MSMEs affected by the Covid-19 Pandemic, reviewing government policies related to MSME governance during the Covid-19 Pandemic to further map the modeling of Disaster Resilient MSME governance.

**Keywords:** Innovation, Governance, MSMEs, Disaster Resilient, Covid 19 Pandemic.

### **INTRODUCTION**

Indonesia, which has a population of more than 270 million, is certainly a country that is vulnerable to the Corona virus. Based on data from the Indonesian Covid-19 Handling Acceleration Task Force, as of April 28, 2020, the number of residents who were confirmed positive for the corona virus reached 9,771 people, 1,391 people recovered and 78 people died. (Tirto.id, 2020). Indonesia also certainly has a big challenge with the Covid-19 pandemic, because it has a very large and widespread population and even has the third largest population in the world. The government has taken many steps and efforts to deal with this pandemic, including the government has issued many policies as an initial response step to mitigate the wider spread of this virus.. (Afiah et al., 2020).

The Corona Virus Disease 19 (Covid-19) outbreak that broke out in Indonesia in early 2020 forced micro, small and medium business actors in the city of Bandung to stop all their business activities. One of the policies issued by the Government is urging people to follow health protocols through social distancing and stay indoors. This consciously can create a very drastic decline in the economy of the community, including the existing MSMEs. MSMEs that have partnered with online transportation for online delivery services cannot guarantee the smooth wheels of the economy for the community, plus the government's policy on regional quarantine. There are also many MSMEs, which of course do not partner with online transportation, experience a drastic drop in revenue turnover (Natasya & Hardiningsih, 2021).

Data from the Bandung City MSME Cooperative Service noted that the number of MSMEs in Bandung City in 2017 was 4077 units. However, in 2020 the Bandung City Government, especially in this case through the Cooperatives and MSMEs Service, has recorded approximately 128 thousand MSME data as recipients of social assistance during the Covid-19 pandemic. The data must be verified from the regional administration. Starting from the neighborhood or community units to urban villages in the city of Bandung (Ery Chandra, 2020). Apart from the various data controversies, the data shows that the impact of the Covid-19 Pandemic is so great for MSME actors in the city of Bandung. The Head of the Bandung City Micro, Small and Medium Enterprises Cooperatives Service (KUMKM) said that 90% of MSMEs in Bandung City were affected by Covid-19 (Nizar, 2021). The impact felt by business actors during this covid pandemic is reduced sales and decreased income (Windi, 2021), This also has implications for the declining level of welfare of the people of Bandung. Various efforts have been made by business actors to be able to adapt to the current pandemic situation, including by moving the offline sales method to the online sales method.

The problems that will be studied are related to the innovation of the Bandung City government in implementing MSME governance. This is important considering the public's interest in carrying out business as an effect of the Covid-19 pandemic, of course, the government must respond well. Furthermore, existing MSMEs are better managed and directed to be adaptive to various risks, both business risk and disaster risk. The specific objective is the modeling of disaster-resilient MSME governance in the city of Bandung.

The Authors used the theory of this article research bellow:

**a) Micro, Small and Medium Enterprises (MSMEs)**

According to Law Number 20 of 2008, Micro, Small and Medium Enterprises (MSMEs) are production businesses owned by individuals and/or individual business entities that meet the criteria of a business or legal entity (Sari, 2013). Micro, Small and Medium Enterprises (MSMEs) are an important part of the economy of a country or region. Indeed, MSMEs have the flexibility and ability to adapt to rapidly changing market conditions compared to large companies and have the ability to create more job opportunities or absorb them into the workforce. Development in the current era of globalization is certainly very dependent on the economic sector, this is because the economy is one of the measures of government success. The community must also take part in national development, especially economic development, through the role of MSMEs for the people who own this business. The position of MSMEs in the national economy is important and strategic. This condition is very possible considering that the existence of MSMEs is quite dominant in the Indonesian economy (Sumantri & Permana, 2017). MSMEs after the economic crisis continue to increase every year. This also shows that MSMEs have the ability to survive in the midst of an economic crisis. It is also evident that MSMEs absorb more labor into the national economy. With the number of workers absorbed, the MSME sector can increase people's income. Therefore, MSMEs are considered to have a strategic role in reducing unemployment and poverty. As for the contribution and role of MSMEs, it is important for the government to continue to support MSMEs by strengthening them so that their important role in building the national economy can run optimally.

In Indonesia, MSMEs are a topic of conversation and attract the attention of the government, because MSMEs are spread everywhere and can provide potential job opportunities. Economists realize that the small industrial sector is one of the characteristics of economic success and growth. Small industries

contribute to regional development, create jobs, expand the workforce for urbanization, and provide flexibility for needs and innovation throughout the economy (Pranjoto, 2021). In addition, MSMEs also have a number of advantages, including being able to encourage the people's economy to increase people's income, create jobs, and have the ability to absorb labor. There is no government regulation. 17 of 2013 concerning the Implementation of Law no. 20 of 2008 concerning Micro, Small and Medium Enterprises clearly states that business development is carried out on micro, small and medium enterprises. Business development can include facilitating and implementing business development (Sumantri & Permana, 2017). The central and local governments prioritize the development of micro, small and medium enterprises in various forms.

- **The Role of Public Policy**

The policies that have been set by the central government as part of the fight against the COVID-19 pandemic are also continuously being carried out by local governments throughout Indonesia, including in West Java Province, where the first patient was infected with the Covid-19 virus, based on data from the Task Force for the Acceleration of Covid-19 Indonesia (Handoyo, 2012). Public policy is the action taken by the government in response to a crisis or public problem. Public policy can also be interpreted as the strategic use of available resources to solve government or public problems. Furthermore, public policy is believed to be a form of sustainable government intervention for the benefit of disadvantaged community groups so that they can live and participate in joint development (Anggara, 2014).

- **Public Service Innovation**

In the implementation of regional autonomy, in essence, the freedom given to regions to determine their own destiny. While the goal itself is to achieve public welfare and an increase in public services. Therefore, the presence of innovative policies and programs will greatly assist the wheels of development of a region to achieve a certain degree of welfare. There are at least three basic elements relevant to an innovative public policy or program. First, policies are based on the public interest. Second, participatory planning, implementation, monitoring and evaluation. Third, words continue to evolve dynamically in response to changing audience aspirations (Smits et al., 2010). With the implementation of the concept of good governance, community participation in the policy-making process becomes important. Society must be the main actor in the political process. Because the end of politics is society itself. Therefore, the government will have an incentive to better respond to the aspirations that come from the community. Not just a mere formality, but community participation in policy making is very beneficial for the government to achieve its own development goals. Innovation is a new idea that is felt by individuals or society at large, where the idea can be seen from products, information technology (Chaminade & Edquist, 2006).

- **Disaster Preparedness**

Disaster is an event or series of events that threatens and disrupts human life and livelihood, either due to natural factors or natural and/or unnatural or man-made factors. , loss of life, environmental damage, property loss and psychological impact. In general, the cause of disaster is the interaction between risk and vulnerability. The threat of disaster according to law number 2 of 2007 is an event or event that can cause a disaster (Heri & Caesar, 2018). An earthquake is a physical phenomenon or natural event that is generally characterized by an earthquake. Preparedness is every pre-disaster activity that aims to develop operational capacity and facilitate effective disaster response. Of course, in building the resilience of disaster-resilient MSMEs, it cannot be separated from the responsibility of the government (Bencana,

2018). By investing, including in disaster risk reduction efforts for MSMEs, the costs incurred during the emergency response phase and the need for disaster recovery will be less.

## **METHOD**

The research method used is a qualitative method, which tries to build a meaning about a phenomenon to be studied based on the views of the research participants (John W. Creswell, 2018), in this case qualitative research seeks to describe the innovation practices of Disaster Resilient MSME governance. within the framework of good governance innovation (good practice), especially public policy innovation in the city of Bandung. Researchers will choose research sources (samples/informants) who really understand the phenomenon being studied through interviews.

### **a. Data sources and Data Collection Techniques**

The data sources in this study took primary data sources and secondary data sources. Primary data collection was carried out through library research and structured interviews with several key informants such as officials from the Bandung City KUMKM Service and several MSME actors in Bandung City who really understood and felt the challenges of MSMEs during the pandemic. In addition to primary data, researchers used secondary data to support the completeness of research data, which was obtained by collecting all relevant materials, both from books, scientific journals, proceedings, and documents related to innovations in governance of Disaster Resilient MSMEs from the Bandung City KUMKM Service.

### **b. Research Instruments**

In this case the researcher will place himself as a research instrument, it becomes the basis of a qualitative research instrument (John W. Creswell, 2018). Researchers determine the sources and data that researchers will use, analyze the data so that conclusions are formed from the problems studied. In addition, this research will also be supported by technical research support instruments in the form of notebooks, laptops, smartphones, along with internet connections to support research activities carried out.

### **c. Data Validity**

By using data triangulation, researchers will be helped to not only fixate on one data source. Researchers are required to look for the validity of data from various sources. This is done to strengthen the argument that the researcher will choose. With the diversity of data sources, researchers will be more focused to consistently understand the phenomenon to be studied. To check the validity of the research results, the researcher triangulated the data.

### **d. Data Analysis**

Data analysis techniques from Miles and Huberman (Matthew B. Miles et al., 2014) reveal that the data analysis process consists of three main activities, including (a) data collection, which is obtained from primary and secondary sources; (b) data reduction, analysis that sharpens, classifies, directs, discards unnecessary and organizes in such a way that continues throughout the research process until the research ends; (c) data presentation, analysis to display the data obtained, data presentation that is often done in qualitative research is mostly in the form of narrative and can also be in the form of tables, diagrams, matrices, charts and other forms, and (d) draw conclusions and verification, analysis on the

collected data which is carried out to obtain the validity of the data (validity) during the research, while the verification as proof of the conclusions that have been drawn.

## **RESULTS AND DISCUSSION**

### **The Impact of MSMEs after the Covid-19 Pandemic**

During the pandemic, of course, policies regarding Large-Scale Social Restrictions (PSBB) and also Lock Down will apply which of course will affect all sectors, especially MSMEs. In this situation, MSMEs will directly feel the impact of this pandemic, around 56 million MSME business actors experience a decrease in income turnover and complain about declining sales, this is due to changes in people's consumption behavior which causes a decline in sales (WAKHYUNI et al., 2021). In the midst of the Covid-19 pandemic, small businesses need to change their marketing strategy from offline to online to keep the economy running. Due to social constraints and behavioral changes, people tend to reduce their activities outside the home, and business actors who sell their merchandise offline also feel the impact of reduced marketing. Business loans were blocked by MSMEs during the Covid-19 pandemic, making MSMEs face capital barriers and require capital injections and support related to capital. Since the outbreak of Covid-19, the impact since the outbreak of Covid-19 is termination of employment and congestion in loan payments, leaving little or limited funds and capital because MSMEs are experiencing poor performance on the demand side. The Covid-19 pandemic has had an impact on the manufacturing and distribution activities of MSME business actors who have reduced or stopped their production activities during the pandemic (Nizar, 2021).

During the Covid-19 pandemic, around 70% of MSMEs reported to the Ministry of Cooperatives and MSMEs website that they had stopped the production process and 90% of MSME business actors reported that their cash flow was affected by the pandemic (Kemenkop, 2021a). The existence of the PSBB or Lockdown policy also disrupts the delivery process and makes it difficult to obtain raw materials. Since the outbreak of the Covid-19 pandemic, the procurement of raw materials needed by MSME business actors has become difficult. This is due to the slowdown in imports, including food, due to the Covid-19 outbreak, not because of the Horticultural Import Recommendation (RIPH) (Djkn.kemenkeu.go.id., 2020). Even before the pandemic occurred as it is today, MSME problems were closely related to limited access to raw materials, making many MSME business actors look for low-quality raw materials. MSMEs play a strategic role in building the country's economy, but in the current Covid-19 pandemic situation, MSMEs are expected to continue to contribute and restore the Indonesian economy in the midst of the pandemic. To restore the economy to MSME actors, it is very necessary to have governance innovations or policies made by the government to support rapid recovery for affected MSMEs (Budiarto et al., 2018). It is not only the government that does innovation, but MSME business actors themselves need to innovate in the management of their products or businesses. This is very important considering that MSMEs have a major contribution to the Gross Domestic Product (GDP) which plays an important role in the country's economy (Djkn.kemenkeu.go.id., 2020),, and MSMEs are able to survive and bounce back from the current disaster and pandemic. occur.

### **Government Policy Innovation in MSME Governance**

Considering that MSMEs are one of the indicators of small businesses that have a contribution to the country's economy, it is necessary for innovations to be carried out to accelerate recovery and bounce back

for MSME actors in Indonesia. The innovations in MSME management policies that have been carried out by the government in responding to the problems felt by MSMEs during the pandemic include:

- **Social Assistance for MSME Actors**

On February 25, 2020, the Indonesian government announced a financial stimulus package of USD 75 million for various tourism, aviation and real estate sectors, along with additional subsidies and tax breaks (Kemenkop, 2021b). There are five arrangements to protect and restore cooperatives and SMEs in the midst of the Covid-19 pandemic (Sugiri, 2020). Social assistance is given to MSME actors who are classified as poor and vulnerable (Kemenkop-UKM, 2020). This benefit program includes a 50% reduction in electricity bills for electricity customers with a capacity of 450 watts or more for three months or more (Natasya & Hardiningsih, 2021). Usually they can become MSME workers or business actors. The obstacle in obtaining social assistance is that there are still many beneficiaries who have not been well documented.

- **Tax incentives**

The government provides tax incentives for MSMEs with an annual turnover of under IDR 4.8 billion. 0% PPh incentive is given for six months starting from April to d. September 2020. However, this potential is still largely untapped by MSME stakeholders. As of May 29, 2020, the number of applications for tax incentives has reached 375,913. Of the total applications, 345,640, or about 91.9% of the applications, were approved (Sandra et al., 2021).

- **Loosening and restructuring of MSME loans**

As a non-financial response in the form of easing or restructuring of bank loans to MSMEs issued on March 13, 2020, the directive simplifies the certification process for exporters by facilitating the import of goods (Lutfi et al., 2020). Starting April 2020, the government will provide credit relief of less than IDR 10 billion, specifically for informal workers (online motorcycle taxis, taxi drivers, MSME officials, fishermen, residents with daily incomes) (Kemenkop, 2021a). Additional interventions complement the stimulus measures to restructure SME lending in some parts of the country. The government also provides increased funding for MSME work models. This is done by encouraging banks to offer soft loans to small and medium enterprises. Therefore, small businesses have sufficient working capital to run their business. This policy is needed to maintain MSME liquidity. This program targets 23 million MSMEs who have never received a loan from a bank or financial institution (Soleha, 2020).

### **Strategies for Disaster-Resilient MSME Actors after the Covid-19 Pandemic**

In addition to implementing the policies planned by the government, MSME members must be innovative and creative to be able to slightly increase sales, due to the Covid-19 pandemic that has occurred since the beginning of 2020 with a very significant effect felt by MSME actors (Azizah et al., 2020), where MSME business movements that require showrooms or advertisements are hampered by the Mass Social Restriction Movement (PSBB), which is considered an opportunity to accelerate the response and prevent the wider spread of Covid-19. in Indonesia (Pranjoto, 2021). However, with the PSBB policy, the number of MSMEs sold has decreased, so to restore and reorganize economic conditions, appropriate strategies and solutions are needed, because there have been many losses due to commercial actors and increasingly intense attacks. . Competition between entrepreneurs, it is necessary to continue to innovate and review the business cycle by following the development of conditions so that the business can survive.

According to (Azizah et al., 2020) there are 7 important factors that must be considered and applied by businesses for long-term survival and development, namely:

1. Preparation of a company or business actor;
2. Make the right decisions;
3. Planned sustainable financial management;
4. Create a business plan;
5. Management team in the company;
6. Be aware of legal rules and conditions
7. The right time to start a business.

In addition, it is also necessary to re-planning by compiling a contingency plan with the aim of anticipating various possibilities such as an unpredictable pandemic (Pranjoto, 2021). As one of the strategic steps, MSME business entities can also:

1. Follow and utilize technology to improve marketing and business development. Using and providing services such as advertising on social networks Facebook, Instagram and Twitter, etc.
2. Enable innovation to turn your business into a form of digital marketing or e-commerce.
3. Business actors cannot only rely on government support, MSME actors must also remain focused on consumer needs and continue to innovate based on consumer preferences and behavior.
4. Maintain good relationship and cooperation with suppliers, distributors and sellers. In addition, we partner with banks and other financial institutions to work together as partners and sources of funding, mentoring, and business development.

## **CONCLUSION**

To restore the economy to MSME actors, it is very necessary to have governance innovations or policies made by the government to support rapid recovery for affected MSMEs. It is not only the government that does innovation, but MSME business actors themselves need to innovate in the management of their products or businesses. This is very important considering that MSMEs have a major contribution to the Gross Domestic Product (GDP) which plays an important role in the country's economy, and MSMEs are able to survive and bounce back from disasters and pandemics that are currently happening. For MSME actors, it is also very necessary to re-planning by preparing a backup plan as an effort to anticipate various possibilities such as a pandemic which is something that cannot be predicted.

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