

The implementation of MSMEs Protection Policies during the Covid-19 Pandemic

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Abstract

During the crisis in the last two years, the government implemented five policy schemes to protect Micro, Small, and Medium Enterprises (MSMEs). This research aims to seek how the policies scheme recovers MSME activities and provides recommendations to distribute the policies benefits evenly. This qualitative research was conducted through a literature review design. Data were collected from laws and regulations, empirical research results, and credible newspapers. Data were analyzed using the theory of Mazmanian & Sabatier (1983). This research finds that not all MSMEs can recover sales, funding, supply, operations, and diversification. Problem characteristics and policy characteristics have been mapped according to the policy scheme. However, the goals achieved are more influenced by variables outside the law. Not all MSMEs meet bankable criteria and integrate with the digital ecosystem. As a structural problem, these situations can be overcome through a derivative policy with a top-down pattern. As a cultural problem, these situations require an MSMEs mindset change. Therefore, this research recommends MSMEs' digitalization through expanding fund access and protection (insurance). This research concludes that the protection of MSMEs is only effective for the integrated digital ecosystem. Thus, a derivative policy is needed to "force" MSMEs' digitalization ecosystem.

Keywords: MSMEs in times of crisis; protection of MSMEs; MSME digital ecosystem.

Abstrak

Selama krisis dua tahun terakhir, pemerintah menerapkan lima skema kebijakan perlindungan Usaha Mikro Kecil Menengah (UMKM). Riset ini bertujuan membahas sejauh mana skema kebijakan tersebut merecovery aktivitas UMKM, dan memberi rekomendasi untuk pemeratakan kebermanfaatan kebijakan. Riset kualitatif ini dilakukan dalam desain literature review. Data dihimpun dari peraturan perundang-undangan, hasil riset empiris akademisi dan lembaga riset, dan surat kabar kredibel. Data yang terkumpul dianalisis menggunakan teori Mazmanian & Sabatier (1983). Riset ini menemukan bahwa tidak semua UMKM bisa melakukan recovery, baik dari masalah penjualan, pendanaan, pasokan, maupun operasional, apalagi masalah diversifikasi. Baik karakteristik masalah maupun karakteristik kebijakan, pada dasarnya telah dipetakan sesuai skema kebijakan. Hanya saja, ketercapaian tujuan lebih banyak dipengaruhi variabel di luar undang-undang, yaitu tidak semua UMKM memenuhi kriteria bankable dan mau terintegrasi dengan ekosistem digital. Sebagai problem struktural, situasi di atas bisa diatasi dengan kebijakan turunan berpola top-down. Namun sebagai problem kultural, situasi di atas memerlukan perubahan mindset UMKM. Sebab itu, riset ini merekomendasikan digitalisasi UMKM melalui perluasan akses pendanaan dan proteksi (asuransi). Riset ini pada akhirnya berkesimpulan bahwa perlindungan UMKM hanya efektif bagi mereka yang mau terintegrasi dengan ekosistem digital, dan oleh karenanya diperlukan kebijakan turunan yang "memaksa" UMKM untuk membuka diri terhadap ekosistem digital.

Kata kunci: UMKM pada masa krisis; perlindungan UMKM; ekosistem digital UMKM.

INTRODUCTION

During the pandemic, the five MSME protection policy schemes implemented by the government did not help all MSME actors to recover their businesses. TNP2K & LDFEBUI (2020) have carefully mapped out the five policies, target beneficiaries, and forms of assistance. However, has this policy achieved its goal of "saving" MSMEs? Limanseto from the Coordinating Ministry for Economic Affairs said that there were still 30 million MSMEs receiving the program out of a total of 64 million. Which of the five policies supports MSMEs?

Harjowiryo & Siallagan (2021) claim that government intervention in the form of assistance has helped MSMEs develop during the pandemic. Likewise, Bahtiar (2021) mentions the contribution of MSMEs to national economic recovery in quarter IV/2020 and quarter I/2021. Even so, Harjowiryo & Siallagan (2021) state that, in general, MSMEs reduce their workforce. The OECD prediction (2020) could be correct that around half of MSMEs in Indonesia will go bankrupt. In contrast, the rest can survive even with minimal income. In Malang, for example, the number of MSMEs with access to protection and recovery assistance (fiscal stimulus) is less than 39% (Islami et al., 2021). In fact, before the pandemic, MSMEs played an important role in maintaining the nation's economy.

According to BPS data for 2017 compiled from BI, 99.92% of business units in Indonesia are MSMEs. It absorbs 96.9% of the workforce and contributes 60.34% of Indonesia's GDP (Gitiyarko, 2020). Therefore, many experts claim that MSMEs are the main drivers of the people's economy. Apart from being based on statistical data, the claim is also based on the flexible and easy nature of MSMEs to innovate, both in the form of business, the application of appropriate technology, and the preparation of simple bureaucracy (Karadag, 2015). MSMEs tend to survive because they produce the products and services needed by the community while utilizing local resources (local workers and raw materials). However, MSMEs experienced different trends during the pandemic period.

The experience revealed by some researchers emphasized that MSME activities during the pandemic were very sluggish. According to Susilawati et al. (2020), MSMEs are more affected than other economic sectors. The cash flow constraints they experienced (Baker & Judge, 2020) stem from two things. The first is a contraction of -4.19%, caused by a sharp decline in household consumption, which resulted in a decrease in MSME income (Nurlinda & Sinuraya, 2020). The second is restrictions in various fields that disrupt the production system (raw material supply chain) and distribution (Kumar et al., 2020). The result was a decline in economic growth in Q1-2020, namely 2.97%. This figure is much lower than in Q4 2019, 4.97% (Fauzia, 2020).

In response to the situation above, the government prepared five policy schemes to protect and recover MSMEs. The costs for this scheme come from the National Economic Recovery (PEN) program, which has been enjoyed by 30 million MSMEs (Limanseto, 2021). However, as Harjowiryo & Siallagan (2021) emphasized above, MSMEs are still reducing their workforce. It is a symptom called the OECD (2020) as a sign of MSME bankruptcy. The situation indicates that the tendency of Indonesian MSMEs is almost the same as MSMEs in Sweden. They would rather go bankrupt than push for financial ventures for a smooth future economy. MSMEs also choose a survival strategy focusing on reducing costs, not increasing innovation (Thorgren & Williams, 2020). Thus, MSMEs maintain existing resources and ignore investment alternatives such as integration into digital ecosystems, product innovation, and e-marketing. According to the theory of public policy implementation, the ineffectiveness of policies and the inequality of benefits in some places is caused by non-smoothness and malfunctions in the transmission of policies (rules) into a series of sequential actions (Hill & Hupe, 2002). This implementation process has yet to be discussed by previous researchers.

Research on the implementation of existing MSME protection policies still discusses what government policies are and how they impact the development of MSMEs. Research on this trend has been carried out in several places, such as Semarang (Maharani & Jaeni, 2021; Natasya & Hardiningsih, 2021), Sidoarjo (Sukmana et al., 2022), Minahasa (Lumempow et al., 2021), Gorontalo (Antu et al., 2021), and several other areas. None of the research above discusses the transmission of policies (rules) into a series of sequential actions (practical implementation). Moreover, the research above also bases its analysis on something other than the triangular policy analysis model owned by Buse et al. (2012), which discusses policy implementation from the point of view of content, context, process, and actors. This model can explain how the policy is implemented in more detail than simply mentioning the policy clauses and the impact of implementing the policy (Mubarok et al., 2020).

The research above needs to explain why the policy's benefits are not evenly distributed, at what point should the policy implementation be improved, and the short-term and long-term recommendations to follow up on the policy implementation. This research presents a novelty by examining the implementation of five policy schemes for protecting and recovering MSMEs during the pandemic. Unlike previous research, this research investigates policy implementation referring to the policy analysis triangle Buse et al. (2012) and the theory of public policy implementation Sabatier & Mazmanian (1980).

This research aims to answer the following two specific research questions: (a) to what extent are the five government policy schemes recovering MSME activities?; (b) what are the proportional policy recommendations to distribute policy benefits? In addition to uncovering the supporting and inhibiting factors of policy implementation, the answers to these two research questions can practically detect and reveal deviations that occur during the implementation of public policies (Xu & Gao, 2017). Meanwhile, this research's results contribute to the academic discourse on the MSMEs' defense mechanisms during times of crisis.

As is known, the Covid-19 pandemic is different from other disasters that have ever existed. According to the OECD (2020), the crisis during the pandemic experienced by MSMEs was more severe than the economic crises in 1998 and 2008. The Asian regional financial crisis caused the 1998 crisis, which was resolved by BI's liquidity bailout. In comparison, financial problems in the US caused the global recession in 2008. Both focus on economic issues. In this pandemic crisis, the government must save not only people and the economy at the same time. Therefore, the findings of this policy research contribute greatly to the central and regional governments as a framework of reference for formulating MSME protection policies for the next crisis that will disrupt society in multi-aspects.

RESEARCH METHOD

This research uses secondary data collected from reports from government and research institutions, laws and regulations, empirical research results from academics, and information from credible mass media. The research procedure was carried out following the six main steps introduced by EPPI-Centre (2006) and Harden & Thomas (2005), including problem formulation, determination of inclusion criteria, literature search, filtering, application of inclusion criteria (filtering), extraction and analysis, synthesis of findings. The data collected from the extraction results were analyzed following the steps proposed by Miles et al. (2014), including data condensation, data display, and conclusion drawing. During the data condensation phase, data is reduced in or to rate from data that is not an irrelevant problem and research question. Therefore, the data is organized into clusters and placed into specific themes/categories in this phase. The data is then discussed using the theory of public policy

implementation put forward by Sabatier & Mazmanian (1980). Furthermore, the data is presented in text and diagrams to synthesize research findings properly and systematically as research conclusions.

RESULTS AND DISCUSSION

The five basic schemes for protecting and recovering MSMEs include (a) social assistance, (b) tax incentives, (c) relaxation and restructuring of MSME loans, (d) expansion of financing for MSMEs, and (e) business recovery and consolidation. Each of these schemes is intended for MSMEs with certain characteristics in terms of turnover, credit experience, level of vulnerability, and the like. However, the most contributive scheme to MSME resilience is business recovery and consolidation. This scheme is implemented as a government effort through Ministries/Institutions, SOEs, and local governments to support the MSME ecosystem. One example is BUMN or BUMD absorbing the production of MSME actors in agriculture, fisheries, and culinary to the home industry.

Based on a qualitative analysis of the collected data, this research confirms that, in the end, not all MSMEs can recover. Implementing the five policy schemes above does not guarantee the overall safety of MSMEs. There are three independent variables that, according to Mazmanian & Sabatier (1983), greatly determine the success of implementation, namely problem characteristics, policy characteristics, and environmental variables. The characteristics of the problem measure the ease with which the problem is controlled, and the characteristics of the policy measure the ability of the policy to structure implementation (Pabbajah, et al., 2020). In contrast, the environmental variables measure the factors outside the law that affect the implementation process.

This research confirms the research of Harjowiryo & Siallagan (2021), Gunadi et al. (2021), and TNP2K & LDFEBUI (2020), which discuss the characteristics of problems and characteristics of policies. They said that since the pandemic's first two months, MSMEs had experienced financial and non-financial problems. They also claim that government intervention is very helpful in mitigating MSMEs during the difficult times of the pandemic. However, as predicted by the OECD (2020) and several studies, not all MSMEs can access the benefits of existing policies. The cause was an implementation that needed more direction and socialization regarding the terms, procedures, and registration location for assistance (Gunadi et al., 2021).

In connection with the problem characteristics and policy characteristics above, Sabatier & Mazmanian (1980) notes that the three independent variables above greatly influence the dependent variable (policy implementation). They exemplify how the target group's adherence level greatly influences the policy's impact. Therefore this research does not describe findings based on three independent variables but organizes findings categorically into four specific themes below. According to Akib (2010), there are sources of problems and more concrete preconditions for the success of the implementation process, namely communication, resources, attitudes of the bureaucracy or implementers, and organizational structure (including bureaucratic workflow).

Recovery of MSME economic activity

Structural and cultural problems of MSME

As the multidimensional nature of the Covid-19 crisis has reduced the performance of MSMEs, the crisis hit the supply side and, most importantly, the demand side (Baldwin & di Mauro, 2020). Indeed, some MSMEs in Indonesia have survived (resilience) during the pandemic, even though the trends in each province show varying tendencies (Afriza, 2021). However, many MSMEs ultimately choose shortcuts in

reducing labor costs, either by reducing the number of workers or by reducing the honorarium of the workers. These are unsustainable loan and work-from-home solutions (OJK-BCG, 2020).

A study by Tairas (2020) has summarized various structural problems experienced by MSMEs. These problems are concentrated on three main issues: difficulties in producing goods and services due to shortages of raw materials (congested supply chains), financial liquidity problems, and decreased demand. The identification of Tairas (2020) is similar to the results of the identification of OJK-BCG (2020), which mention four common problems MSMEs face in various business areas: sales, funding, operations, and supply. This structural problem is trying to be resolved by the government through five PEN policy schemes.

However, the MSME empowerment and development program carried out by the government through Ministries/Institutions only focuses on MSME financing, more so from banks and non-banking financial institutions. It still needs to be considered better realized. Various literature in this research reveals that some micro-enterprises do not want to access capital from non-banking financial institutions and banks. This research highlights that legal protection for MSMEs to access assistance has a very low impact, thus reducing the resilience rate to 2% (Sumastuti & Violinda, 2021). However, this research also highlights that the emergence of the above trends is inseparable from cultural problems among MSME actors.

Long before the pandemic caused structural problems, MSME players faced serious cultural problems, which cannot be solved with top-down policies (Sabatier, 1986) as the government has done so far. Nelson et al. (2020) argue that, in general, MSMEs need more entrepreneurship training from the government and experience, skills, and knowledge. These weaknesses ultimately result in inadequate planning and management in running a business and responding to the opportunities offered by the government (converging on structural problems). A survey by TNP2K & LDFEBUI (2020) states that the determinant of this reluctance is that most MSMEs use their business to increase income and survival. Some reports analyzed in this research reveal that MSMEs with the vision of developing their business so that they "grade up" are still very low. The indication is the low absorption of credit and its use to increase capital and household consumption, not for investment in business development. The survey results of the TNP2K & LDFEBUI (2020) were confirmed by the survey results (OJK-BCG, 2020).

According to OJK-BCG (2020), MSMEs in Indonesia tend to choose to survive rather than develop. The survey results also reveal sustainable solutions such as training participation and diversification of new sectors and products only chosen by less than 40% of MSMEs. This figure is below MSMEs that choose unsustainable solutions such as taking loans (not for business development purposes) and work-from-home. The figure reaches 45%. Culturally, this problem originates from the way of thinking of MSME actors, which is oriented towards obtaining a greater turnover than capital (earning profit). MSMEs need to be developed because their thinking needs to be oriented toward business industrialization and market domination (digitalization, collaboration, opening business lines, or diversification, among others). Indeed, many experts such as Davidsson et al. (2005) made a growth stage model for businesses with small to large scale businesses, but not all business units can develop according to the growth phases they stated. The main reason is that the growth from small to large-scale business units is a very complex process (Jacobs et al., 2011). In addition, this research also reveals that many MSME actors still need aspirations to grow and develop.

The findings of this research confirm the research of Tewari et al. (2013), which states that MSMEs in Southeast Asia lack the will to grow and develop when they feel ineffective conditions to work alone (effectively self-employment). Bosma et al. (2012) mentioned that independence and autonomy are the

primary reasons for establishing and implementing business units. Meanwhile, income and business development are secondary reasons. According to Tairas (2020), the cultural problems above continued during the pandemic, which is reflected in their survival strategy. That is why measuring the success of MSME resilience based on developing the number of business units and increasing cash is indeed important. However, it does not have to be the main reference. It is because these indicators do not reflect subsequent growth. Both due to independent choices (cultural problems) and conditioned by circumstances (structural problems), MSMEs tend to remain small-scale even though they can survive for a long time (Tewari et al., 2013).

The adaptability of policy and capability of MSMEs to the digital ecosystem

The best way to check whether a policy is formulated following a top-down or bottom-up pattern is to examine its reflection when it is implemented (Sabatier, 1986). Regarding the experience of implementing MSME protection policies in this research, the policies are formulated in a top-down pattern. In some cases, the policy formulas were initially formulated based on complaints from MSME actors. This formulation ultimately has implications for policy implementation practices by Gunadi et al. (2021) is called not on target and unable to achieve the ideal goal as stated by Nakamura & Smallwood (1980), namely as far as possible according to the expectations of policymakers and solving the problems of the target community.

When examined carefully, the problems and the policies' characteristics have been mapped according to the scheme provided. It means that each scheme and its characteristics that have been decided have been adjusted to the characteristics of the problem, both problems related to sales, funding, supply, and operations. Mazmanian & Sabatier (1983) also admit that the two must be in sync so that each formulated policy achieves the expected goals and results. In the end, environmental variables affect the achievement of goals for the target community, such as the adherence of MSME actors to policies and their reluctance to develop and adapt to the digital ecosystem.

As we all know, the pandemic changed consumer behavior and prompted a change from offline to online (Donthu & Gustafsson, 2020). Therefore, Nurlinda & Sinuraya's (2020) statement is true that MSMEs that have been able to develop (or at least survive) during the pandemic are MSMEs that have joined and adapted to the digital ecosystem. This statement is strongly supported by the research findings of Purnamasari & Chrismastuti (2021). Their research findings emphasized that MSMEs' most common survival strategy was changing marketing methods (87.9%). Some MSMEs change marketing areas, but they need to be more dominant.

Interestingly, they found that digital marketing is the most effective long-term solution for increasing the resilience of MSMEs. This solution can even address the problem of marketing methods and marketing areas. As an implication, it also overcomes the labor funding problem. It is just that still, according to the findings of Purnamasari & Chrismastuti (2021), some MSMEs have changed the type of business (trade, service, manufacturing) from small to large changes to fundamental changes.

Thus the survival strategy of immersing oneself in the digital ecosystem contributes to enormous resilience when the situation is uncertain (Herbane, 2019). According to Alberti et al. (2018), its contribution reached 79%. Therefore, during this pandemic, the MSMEs that benefited the most were those that had been integrated with the digital ecosystem before the pandemic. Based on the records of Purnamasari & Chrismastuti (2021), there are 21% of MSMEs have experienced a significant increase in revenue. They are MSMEs whose type of business is frozen food and courier services.

If asked whether the implementation of the five MSME protection policies has been adaptive to the above trends and whether MSMEs are able (more willing to be trained) to integrate with the digital ecosystem?, then the answer is that not all policies are adaptive, and not all MSMEs are capable. This assumption is reinforced by the findings of many researchers, such as Purnamasari & Chrismastuti (2021), OJK-BCG (2020), Aisyah (2014), and Sonobe et al. (2021). OJK-BCG (2020), surveyed in October 2020 (n=3136), explained that MSMEs in Indonesia still expect assistance beyond the funding that the government has provided. Apart from operational subsidies, the expected types of assistance are subsidies for technology service providers, incentives for using digital platforms, and subsidies for digital tools. It indicates that the non-financial platform is the digitization solution expected by most MSME players. Even if this assistance is realized, according to Mazmanian & Sabatier (1983), the cultural problem as an environmental variable, as stated earlier (MSMEs are reluctant to convert their business into e-commerce), remains an obstacle that requires separate handling.

The official report quoted by OJK-BCG (2020) states that overall the level of digitization of MSMEs in Indonesia is still very low (<15% of MSMEs are digitally literate). This figure remained relatively high compared to before the 2016 pandemic, which was 13% (Aisyah, 2014). Suppose you look at the wearesosical.com report, which states that Indonesia's internet growth is in third place after India and China. In that case, this growth is not dominated by the development of e-marketing MSME products through e-commerce.

Wicaksono & Simangunsong (2022) note that low digitalization occurs in traditional industries, such as agriculture, trade, accommodation, and restaurants. In the agricultural sector, only 1% have gone digital. Meanwhile, according to Auliya et al. (2022), the trend of increasing MSME business in the digital environment occurs in the health sector. During the pandemic, he observed a high consumer demand for online stores, especially shops that provide supplements, honey, immune boosters, and other immunity boosters. The various conclusions of the researchers above indicate that digital MSMEs are an alternative for developing digital entrepreneurship and maintaining existing MSMEs. If that is the case, even though the crisis disrupts basic resources, MSMEs should find creative efforts to distribute resources to consumers (Thorgren & Williams, 2020). Some of the evidence is the development of digital MSMEs in many online marketplaces (Aisyah, 2014), the use of e-commerce to carry out e-marketing in various regions as revealed by Pratiwi (2021), Miladiah & Riyanto (2020), and Rosi & Makruf (2020).

Analysis and recommendations summary

Potential deviations in policy implementation

As we all know, transforming policies from program texts into achieving real policy objectives takes much work. During the process from the central government to local governments, it is common for documents and policy implementation to undergo refinement and replanning during pandemic (Pabbajah, Muhammad Said, et al., 2020). These changes are generally made to adjust the characteristics of the problems in each region with distinctive characteristics that do not match national policies, which tend to be generalized.

In Indonesia, the characteristics of the five PEN policies need to meet the link and match requirements with the characteristics of empirical problems. The empirical problem currently experienced by the economy at the micro, small and medium level is the need for more actors to join the digital ecosystem (Sonobe et al., 2021). In Indonesia, as far as digitization can be done, MSMEs are dominantly utilizing Facebook, Instagram, and WhatsApp. The development of online shops in the

freelance marketplace and the use of e-wallets, although they exist, still need to be dominant. According to the perspective of Sabatier & Mazmanian (1980), this occurs due to the failure to fulfill one or several indicators in the aspects of problem characteristics, problem characteristics of leadership (Widyatmoko et al., 2020), and environmental variables, resulting in public policy deviations.

Based on the framework developed by Mazmanian & Sabatier (1983), this research diagnoses the existence of public policy deviations in the form of (a) careless implementation of policies and (b) delays in policy implementation. This research highlights two aspects that are most responsible for these deviations: the policy and environmental variables outside of statutory regulations. There is a distance between each level of government from policy formulation to policy implementation. It is this distance that provides opportunities for distortions in the achievement of policy objectives. In the end, deviations occur in policy processes (Donghang & Fanbin, 2011). Deviations in the form of careless policy implementation, for example, careless policy implementation is characterized by executors who directly or indirectly only take symbolic actions in the process of implementing public policies. They carry out their duties indifferently.

Moreover, Xu & Gao (2017) say they may openly agree but secretly oppose. Meanwhile, delays in policy implementation are marked by executors who miss the best time to implement public policies. Public policy objectives and the public interest cannot be realized by failing to act promptly. This potential is identified in this research, which is proven by the inability of policies to accelerate MSMEs into the digital ecosystem. Despite structural and cultural constraints, the five government policy schemes do not accommodate MSMEs to participate in the digital economy as a whole, so only those who want to immerse themselves in the digital ecosystem their way.

Two recommended follow-ups

In Asia, according to the monitoring of Sonobe et al. (2021), people's financial needs during a pandemic have always focused on taxes and loans. Sonobe et al. (2021) detail it by stating that the assistance that the community wants is a delay or reduction in tax rates and delays or subsidies for installment payments and interest. It will also be used for digital investment. However, in Indonesia, policy implementation is structurally constrained by the cultural problems of the MSME community.

In Indonesia, a simple projection of visible trends illustrates that even though structural constraints can be removed, MSMEs will still find it difficult to develop because cultural constraints can only be removed after a while. These cultural constraints are related to social and cultural values, which ultimately form social capital. Suppose the policies formulated and implemented do not refer to social capital, according to Tresiana & Duadji (2021). In that case, public policies will not meet their goals unless several modifications are made, which simultaneously open up opportunities for deviations from implementing public policies (Pulzl & Treib, 2007).

Tresiana & Duadji (2021) also clearly explains why more policies have failed than succeeded, including policies to protect MSMEs during a pandemic. According to them, policies tend to fail because their formulation and implementation are done top-down. Policies that have the potential to be successful, according to them, are policies that are formulated using a bottom-up approach, implemented in a top-down manner, and open opportunities for decentralization in regions with special autonomy (Diab et al., 2022).

Whether the policy process pursued by the government complies with the theory of policy cycles (Jann & Wegrich, 2007), it must be acknowledged that the five government policy schemes help mitigate MSMEs. In the context of a crisis, MSMEs (as long as they are adaptive to the digital ecosystem) can still

survive and develop. However, it must also be admitted that policies at the implementation stage are better than policies at the formulation level. In the current post-pandemic period, MSMEs no longer have three objectives, as stated by TNP2K & LDFEBUI (2020), but only have two objectives, namely adapting to the post-pandemic environment and trying to get protection from potential crises in the future. Therefore, this research proposes the following recommendations.

First, increasing the capacity of MSMEs in the digital world. The government certainly has a database and roadmap for MSME development. However, the experience of MSMEs that reflects digital literacy in this research and the experience put forward by Gunadi et al. (2021) concerning the wrong target of recipients of assistance indicates that the capability of MSMEs in digitizing their business needs to be developed. In order to make this happen, Sugiri (2020) also suggests that the government collaborate with academic institutions and BUMN. Academic institutions facilitate the deepening of effective business models (Hadi & Supardi, 2020), while SOEs play a role in implementing Corporate Social Responsibility (CSR). So far, the digital penetration of MSMEs in Indonesia is still very low. Around 85% of MSMEs still need to digitize their business (OJK-BCG, 2020). Based on the expert hypothesis, the main obstacles for MSMEs are a need for knowledge and skills about technology, limited capital for digitization, a highly competitive environment, and inadequate infrastructure (especially in rural areas) (Katadata, 2020). Therefore, increasing digital competence through mentoring is a primary need for MSMEs to develop sustainably (TNP2K, 2021).

Second, expanding access to funding for MSMEs and protection in the form of business interruption insurance. If MSMEs are always at the forefront of the national economy, then MSMEs are also the first to be affected when a national economic crisis occurs. Moreover, most government assistance channeled through PEN is aimed at bankable MSMEs, particularly fund placement programs, interest subsidies, MSME credit guarantees, and cooperative investment financing. Meanwhile, assistance for MSMEs that are not bankable (for example, do not have an NPWP) is channeled specifically through the productive presidential assistance program (TNP2K, 2021).

Suppose the protection method as above is maintained. In that case, theoretically, MSMEs cannot overcome the two main dangers during the crisis, namely: (a) MSMEs do not have the resilience and flexibility to adapt shifts to new trends (such as teleworking and e-commerce) in dealing with surges in costs, and (b) there is a large proportion of MSMEs in sectors that have been significantly affected by the decline in people's purchasing power, such as sectors that sell non-essential products, require face-to-face interaction, and have many substitutes that are easily accessible to the public. Starting from these two reasons, protection in the form of business interruption insurance products is an essential requirement for MSME players. By studying the current pandemic situation, various countries have initiated insurance products to prepare MSMEs to face all forms of crises in the future. Italy and China have protected their MSMEs by implementing business insurance.

CONCLUSION

Through implementing the five protection schemes, in the end, not all MSMEs can recover, including recovery from problems in sales, funding, supply, and operations, especially business diversification problems that require careful initiative from business actors. Both problem and policy characteristics have been mapped according to the scheme provided. That is, each scheme and its characteristics that have been decided have been adjusted to the characteristics of the problem. It is just that the achievement of goals is more influenced by environmental variables, such as the adherence of MSME actors to policies and their reluctance to develop and adapt to the digital ecosystem.

In addition, this research diagnoses public policy irregularities in the form of (a) careless implementation of policies and (b) delays in policy implementation. Based on the analysis results, two aspects are responsible for these deviations: the policy and environmental variables outside the laws and regulations. However, this research further highlights the findings that MSMEs that can survive (and develop) have entered or are currently entering the digital ecosystem and still have sufficient financial resources to continue MSME activities. As a structural problem, the above situation can be overcome by implementing a top-down pattern of derivative policies. However, as a cultural problem, the above situation requires a change in the mindset of MSME actors. Therefore, this research recommends increasing the capacity of MSMEs in the digital world and expanding access to funding for MSMEs and protection in the form of business interruption insurance.

Nevertheless, this research has some limitations. This research was carried out in a literature review design, which means that the data used in this research is secondary data. As an implication of this method, the data obtained in this study represent situations in certain places (only those studied by researchers or other institutions). Based on these limitations, the researcher recommends that the next researcher conduct research using primary data (in an empirical research design) to describe the current situation of MSME recovery.

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