

## Performance of MSMEs in Palembang in Era Covid-19

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**ABSTRACT:** This study aims to determine the impact of Covid-19 on the performance of SMEs Registered at the Palembang Cooperative Service in 2020. The variables used in this study are independent variables in the form of Sales Productivity ( $X_1$ ), Working Capital ( $X_2$ ), Government Policy ( $X_3$ ) and the dependent variable is Performance (Y) by doing partial or simultaneous testing. This study used a questionnaire data collection technique. The population in this study was 140 MSMEs while the sample that was feasible to use was 113. The results of this study using the t-test showed that the value of Sales Productivity ( $X_1$ ) t-count is  $-2.760 < t\text{-table } 1.981$  so that Sales Productivity ( $X_1$ ) has no effect on performance (Y). The value of Working Capital ( $X_2$ ) t-count is  $-0.105 < t\text{-table } 1.981$  so that Capital ( $X_2$ ) has no effect on performance (Y). The value of Government Policy ( $X_3$ ) t-count is  $4.015 > t\text{-table } 1.981$  so that Government Policy ( $X_3$ ) has an effect on performance (Y). Based on the F-test shows that the independent variables consisting of Sales Productivity ( $X_1$ ), Working Capital ( $X_2$ ), and Government Policy ( $X_3$ ) simultaneously have a significant effect on the dependent variable, namely performance (Y), namely the F-count  $8.675 > F\text{-table } 2.69$  and sig value  $0.000 < 0.05$ . Based on the calculation of the R Square Determination Coefficient of 0.193 or 19.3%.

**KEYWORDS:** Productivity, Working Capital, Government Policy and performance

### 1. BACKGROUND

Based on data from the cooperatives ministry, which explained that 1,785 cooperatives and 163,713 Micro, Small and Medium Enterprises (MSMEs) were affected by the corona virus pandemic (Harianto, 2021). The MSME sector most affected is food and beverage. The Ministry of Cooperatives and MSMEs said that cooperatives engaged in services and production were also the most affected by the COVID-19 pandemic. MSME entrepreneurs feel the decline in sales, lack of capital, and hampered distribution. At least 39.9 percent of MSMEs decided to reduce the stock of goods during the large-scale social restrictions (PSBB) due to COVID-19. Meanwhile, 16.1 percent of MSMEs chose to reduce employees due to physical stores being closed. The MSME sector has experienced a deep impact due to the COVID-19 pandemic. There has also been a significant impact on the economy in Indonesia. All lines of micro, small and cooperative businesses have been greatly affected by the corona virus outbreak. Decreased sales, capital, decreased orders, raw material difficulties, and bad loans. The economy suddenly collapsed in an instant (Rosita, 2020).

Record inflation during April, namely the inflation rate weakened to 0.17% compared to March 2020. In March, inflation was still at 0.29%. This indirectly illustrates that 1) there has been a decline in people's purchasing power, or 2) there are barriers to the distribution of goods and services from producers to consumers. The last obstacle is significantly influenced by the effect of the PSBB policy. Meanwhile, MSMEs engaged in the handicraft sector and

supporting tourism, the high impact caused by the Pandemic of 89.9% was caused by several factors, including: 1) the decrease in the number of tourists indirectly affected sales turnover, 2) difficulties in distributing goods, 3) they have to temporarily close their stalls on the grounds of breaking the chain of the spread of the corona virus. (Syamsuddin, 2020)

The fundamental qualitative characteristic of a financial report is information that is relevant and an accurate representation of the economic phenomena of the company. Center for Accounting Studies Universitas Padjadjaran (CAS UNPAD, 2020) argues that financial reports published during times of uncertainty due to the corona pandemic must reflect these uncertainties in financial statements. Companies cannot carry out earnings management activities and make inaccurate representations of the economic phenomena of companies affected by this pandemic. For example, if the company experienced a significant decline in sales in the first quarter of 2020, then this fact must be reflected in the first interim 2020 financial report.

The Center for Economic Research of the Indonesian Institute of Sciences (LIPI, 2020), said MSMEs were the type of economic business most affected by the COVID-19 pandemic, including the automotive industry, steel industry, electrical equipment, textile industry, handicrafts and heavy equipment, tourism. Meanwhile, the industries that were able to survive the COVID-19 pandemic were: 1) MSMEs that were able to adapt their business with innovative products; 2) The retail industry is able to survive, this is because some of them take advantage of sales through

digital marketing; 3) Other industries that are able to survive during the Covid-19 pandemic are those related to meeting basic needs, including electricity, clean water, agriculture, animal husbandry, plantations, fisheries, automotive and banking.

In general, the condition of MSMEs in the city of Palembang has decreased in productivity. There are even those who have not received income for the past few months. Head of the Palembang City Cooperatives and MSMEs Office, Ana Heriana, through the Head of Micro Business Empowerment, Juanaria, explained that the main reason MSMEs in Palembang were affected was because there were no events or events that took place due to restrictions on activities during the pandemic. In addition, consumers are also afraid to consume or buy MSME products (Nn, 2020).

Research conducted by Kumala (2021) shows that there is no significant difference in the Current Ratio and Debt to Total Assets Ratio variables between before and during the covid-19 pandemic. There was a significant difference in Assets Turnover, Return On Assets and Return On Equity between before and during the covid-19 pandemic. Rosita's (2020) research shows that the corona pandemic has made many sectors slump, including the MSME sector. The impact of COVID-19 has damaged supply chains, decreased production capacity, closed factories, and even traveled. Industries affected by the COVID-19 pandemic include the manufacturing, transportation, and tourism sectors. Industries that are able to survive in the midst of the COVID-19 pandemic are those related to meeting basic needs including electricity, clean water, agriculture, livestock, plantations, fisheries, automotive, and banking. Likewise, the retail industry is able to survive, this is due to sales through digital marketing. Strategies from various parties are needed to raise MSMEs so that they can survive in the midst of this COVID-19 pandemic and try to return to stability.

Based on the description of the background of the problem above, the researcher wants to conduct a study to determine the effect of the Covid-19 Pandemic on the performance of MSMEs in Palembang.

## 2. LITERATURE REVIEW

### Micro, Small and Medium Enterprises (MSMEs)

According to MSMEs standard (2018), it is an entity without significant public accountability, as defined in the Financial Accounting Standards for Entities Without Public Accountability (ETAP Standard), which meets the definition and criteria of micro, small, and medium-sized enterprises as stipulated in the laws and regulations. valid in Indonesia, for at least two consecutive years.

The definition of MSMEs according to the Ministry of Cooperatives and MSMEs (2014), is: Small businesses (UK) including Micro Enterprises (UMI) are business entities that have a net worth of at most Rp. 200,000,000 excluding land and buildings for business premises and have annual sales at most. IDR 1,000,000,000. Meanwhile, businesses that

have a net worth of more than Rp 200,000,000 up to Rp. IDR 1000,000,000 excluding land and buildings.

Primiana (2017) stated that MSMEs are an economic activity or activity that drives Indonesia's development, such as manufacturing, agribusiness, agriculture, and human resources, in this sense identifying that MSMEs mean the recovery of the Indonesian economy through the development of the trade sector. for community empowerment programs who need jobs.

### Characteristics of Micro, Small and Medium Enterprises

Indonesia Bank (2015) states that the characteristics of MSMEs are the actual nature or conditions inherent in the business and the behavior of the entrepreneur concerned in running his business. This characteristic is what differentiates business actors according to their business scale, whether micro, small or medium.

### Sales Productivity

Productivity, production power, or productivity are terms in production activities as a comparison between output (output) and input (input). Productivity is a measure that states how well resources are managed and utilized to achieve optimal results. Productivity can be used as a measure of the success of an industry or SME in producing goods or services. So the higher the ratio, the higher the product produced. Productivity measures may vary, depending on the output or input aspects used as the basic aggregate, for example: labor productivity index, direct cost productivity, total cost productivity, energy productivity, raw material productivity, and others.

### Working Capital

The definition of working capital according to the Big Indonesian Dictionary in (Nugraha, 2011) “business capital is money that is used as the principal (parent) to trade, release money, and so on; property (money, goods, and so on) that can be used to produce something that increases wealth. Capital in this sense can be interpreted as a sum of money used in carrying out business activities.

Many people think that money is not everything in a business. But it should be understood that money in a business is very necessary. The problem here is not whether capital is important, because its existence is really needed, but how to manage capital optimally so that the business that is run can run smoothly (Amirullah, 2005).

### Government Policy

Government policy is essentially a policy aimed at the public in the broadest sense (state, community, in various statuses and for the public interest), whether it is carried out directly or indirectly, which is reflected in various dimensions of public life (Faried, Ali dan Alam, 2012). At the end of March 2020, President Joko Widodo issued Government Regulation in Lieu of Law (Perppu) No. 1 of 2020 concerning State Financial Policy and Financial System Stability. This emergency legal protection is a response to the impact of the

COVID-19 pandemic on the national economy which is increasingly widespread and serious. The Government Regulation in Lieu of Law (Perppu) stipulates an additional 2020 State Budget expenditure of IDR 405.1 trillion for handling COVID-19. The government focuses the additional budget allocation for three sectors, namely health, social protection, and economic recovery.

The health sector includes handling COVID-19 patients in hospitals, providing medical equipment and personal protective equipment (PPE), upgrading referral hospital facilities, to providing incentives for health workers. The social protection sector includes the Family Hope Program (PKH), Pre-Employment Cards, Basic Food Cards, to reduced electricity tariffs. Meanwhile, the budget for economic recovery is used to provide stimulus to the business world through a number of fiscal and monetary policies. Here are 10 government policies during the Covid-19 period:

1. Relaxation of People's Business Credit (KUR)  
The government provides KUR relaxation for small and micro businesses through the Coordinating Minister for Economic Affairs Regulation No. 8 of 2020, with a postponement of principal installments and the provision of additional interest subsidies of 6% for the first three months and 3% for the following three months. Meanwhile for medium-sized enterprises it is 3% for the first three months and 2% for the next three months. In addition, the government also provides time extensions, additional ceiling limits, and delays in completing the administrative requirements for KUR submissions.
2. Work From Home (WFH) Policy  
WFH has become the main option recommended by the central government since positive cases of corona began to spread in March 2020. The work from home policy is intended to avoid the spread of the epidemic in the workplace by preventing crowds and minimizing physical contact, as suggested by the World Health Organization (WHO).
3. Large-Scale Social Restrictions (PSBB)  
While a number of countries have implemented a lockdown by locking their territory to suppress the spread of the epidemic, Indonesia prefers PSBB through Government Regulation No. 21 of 2020, which starts from DKI Jakarta. PSBB is the limitation of community activities and the application of health protocols accompanied by the enforcement of sanctions for those who violate. All activities are centered at home: study from home, work from home, and worship at home. Jakarta's PSBB policy was then followed by other regions. There are 18 regions that have implemented PSBB starting April 2020, such as Bogor, Depok, Bekasi, Bandung and Pekanbaru.
4. Pre-Employment Card  
This policy aims to reduce the unemployment rate, including the victims of layoffs in companies affected

by the pandemic, through the provision of job training costs. The government provides a budget of IDR 20 trillion for 5.6 million people in waves, from April to November 2020. Each participant receives a benefit of IDR 3,550,000, which consists of training costs and cash incentives. Job training is carried out online through a digital platform that is an official partner of the Pre-Employment Card program, and participants may choose the type of training in the marketplace according to their interests.

5. Prohibition of going home  
The government also issued a ban on going home during Lebaran at the end of May 2020 to prevent the transmission of the virus carried by people from one city to another. This prohibition is regulated through a number of relevant ministries, and is supported by the regional government for the homecoming destination. For example, several regional heads have prepared quarantine buildings for those who are desperate to return home. However, before the ban on going home was issued, tens of thousands of nomads in the capital and surrounding areas had returned to their hometowns to Central Java, East Java and West Java since the implementation of the Jakarta PSBB in April.
6. Exemption of Income Tax Article 21  
In March 2020, Finance Minister Sri Mulyani issued a fiscal policy in the form of exemption from PPh 21 for manufacturing industry employees. The Rp 8.6 trillion tax relaxation only applies to employees with a maximum income of Rp 200 million a year. This scheme is implemented for six months from April to September 2020, during which the government will cover 100% employee tax. The goal is to maintain people's purchasing power in the midst of a sluggish economy.
7. Exemption of Import Value Added Tax  
Sri Mulyani, through the Minister of Finance Regulation (PMK) No. 31/PMK.04/2020, also provided fiscal stimulus for companies receiving the Ease of Import for Export Destinations (KITE) and Bonded Zone (KB) facilities in the form of suspension of import duties and exemption of value added tax (VAT). ). The VAT exemption also applies to small and medium KITE industries.
8. Reduction of corporate income tax rates for KITE  
Still related to fiscal policy, through PMK No 23 of 2020, the government also provides incentives for taxpayers affected by the corona in the form of a 30% income tax cut for PPh 25 which is valid from April to September 2020. The target of reducing PPh 25 is 102 industries that have been designated as KITE company.
9. Decrease in corporate income tax rates by 3%  
Through PP No. 30 of 2020, the government has reduced the corporate income tax rate from 2020 and is valid until 2021, from 25% to 22%. In 2022, the rate will

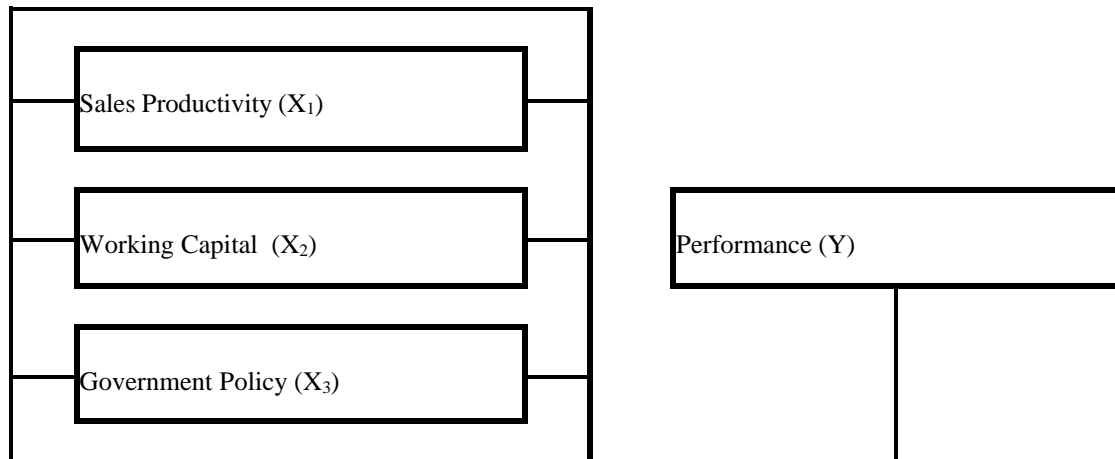
again drop to 20%. The current rate reduction of 3% applies to domestic taxpayers in the form of a public company with the total number of shares paid up for trading on the stock exchange at least 40% and fulfills certain requirements as regulated in PP No. 29 of 2020 concerning Income Tax Facilities in the context of Handling covid-19

10. New Normal and Transitional PSBB

The World Bank predicts that Indonesia will experience 0% economic growth this year and the worst case scenario could fall below -3.5%. Therefore, in June

2020 the government announced a new normal order to revive the economy which had stagnated due to the PSBB. The new normal is the easing of social restrictions so that economic activity can rise. People are allowed to carry out normal activities but with new habits, such as keeping a distance, wearing masks, washing hands, and not crowding. Jakarta implements the Transitional PSBB, in which employees and employees return to the office or work from the office (WFO) with a protocol to prevent the spread of COVID-19.

**Framework**



**Figure 1:** Framework

**Hypothesis**

- H<sub>1</sub> : Sales productivity, working capital and government policies simultaneously affect MSME performance
- H<sub>2</sub> : Sales productivity during the Covid-19 pandemic affects the performance of MSMEs.
- H<sub>3</sub> : Working capital also affects MSME performance
- H<sub>4</sub> : Government policies at the time of covid-19 greatly affected the performance of MSMEs

**3. RESEARCH METHOD**

This research was conducted on SMEs in Palembang City, based on data from the Department of Cooperatives - UKM Palembang City. This scope only discusses the effect of covid – 19 on the performance of Palembang City MSMEs registered with the Palembang City Cooperatives - SMEs Office in 2020. This study explains the relationship between the independent variables and the dependent variable, namely Sales Productivity, Working Capital, Government Policy and performance. This study used a questionnaire data collection technique.

The population in this study were MSMEs registered with the Palembang Cooperatives and SMEs Service in 2020, amounting to 256 MSMEs. the sample using the Purposive Sampling approach, with the following criteria: 1) SMEs registered at the Cooperatives Office - UKM Palembang City; 2) SMEs engaged in the Culinary Sector. The sample in this study obtained 140 SMEs.

The analysis technique uses multiple regression as follows

$$Y = a + B_1X_1 + B_2X_2 + B_3X_3 + \dots + e$$

Information:

- Y = MSME Performance
- a = constant value
- b = regression coefficient
- X<sub>1</sub> = Productivity
- X<sub>2</sub> = Working Capital
- X<sub>3</sub> = Government Policy
- e = regression error (regression error)

**4. DISCUSSION**

Based on the test results that were carried out together, it showed positive results with the F-statistic result of 8.675 significant <0.05, i.e. 0.000, it can be concluded that Sales Productivity, working Capital and Government Policy together have a positive (+) and significant effect. on performance, so the first hypothesis is supported by this study. In the tests that have been carried out together, the positive results on the performance are accepted. The cause of the results obtained based on the research with the current spread of covid-19 shows an influence on the performance of MSMEs.

The validity test on the Sales Productivity variable with the statement items X1.1-X1.8 having a value above 0.183 and the research results on the reliable test having a value above 0.6, it can be stated that the statement is valid and

can be analyzed further. The result of the T-statistical calculation is -2.760 significant  $<0.05$ , which is 0.007. It can be concluded that Sales Productivity has a negative (-) effect on performance or it can be concluded that Sales Productivity has a negative and significant effect on performance, so the second hypothesis is not supported by this study. In testing the direct effect of sales productivity on performance, the results are negative and significant. The reason for the results obtained based on the research is that the current covid-19 virus has a negative influence because of the obstacles that occur in business activities so that sales productivity moves in a negative direction. An example of a decrease in purchasing activities in MSMEs (a decline in consumers) is due to the awareness of consumers to carry out activities with other people so that changes in sales productivity have a negative influence on performance or it can be said that there is a decrease in performance.

The validity test on the working Capital variable with the statement item X2.1-X2.7 having a value above 0.183 and the research results on the reliable test having a value above 0.6, it can be stated that the statement is valid and can be analyzed further. The results of the T-statistical calculation of 0.105 are significant  $>0.05$ , which is 0.917. It can be concluded that Sales Productivity has no effect on performance. In the tests that have been carried out, working Capital shows positive results on rejected performance. The cause of the results obtained based on the research with the current spread of covid-19 does not show any influence on the business capital owned by MSMEs because whatever problems arise in the spread of covid-19 at this time MSMEs must still have the same business capital from previously to meet the basic ingredients of the menu on sales provided by MSMEs. Therefore, in the absence of changes in working capital, it has no effect on performance.

Based on the results of the validity test on the Government Policy variable with the statement items X3.1-X3.6 having a value above 0.183 and the research results on the reliable test having a value above 0.6, it can be stated that the statement is valid and can be analyzed further. The result of the T-statistical calculation is 4.015 significant  $<0.05$ , which is 0.000. It can be concluded that Government Policy has a positive (+) effect on performance or it can be concluded that Government Policy has a significant and significant effect on performance, so the fourth hypothesis is supported by this study. In the tests that have been carried out, Government policies have shown positive results on acceptable performance. The cause of the results obtained based on the research with the current occurrence of covid-19 shows that the influence on government policies shows a positive value because the policies carried out by the government can help the community and MSMEs in the Palembang area. Examples of government policies that can cause positive things for the performance of MSMEs are providing additional assistance to MSMEs, at least MSMEs

can cover some of the losses experienced by MSMEs so that they can affect performance in a positive direction.

## 5. CLOSING

Based on the analysis and discussion that has been described, the following conclusions can be drawn:

- a) R 0.439 means that the relationship between Sales Productivity, working Capital, and Government Policy on performance has a moderate relationship, which is 43.9%. R Square of 0.193 or 19.3% indicates that the performance variables that can be explained by Sales Productivity, working Capital, and Government Policy are 19.3% while 0.807 or 80.7% are explained by other factors not explained by this study. . Adjusted R Square of 0.171 or 17.1%.
- b) For MSMEs must have a new strategy for sales productivity such as providing an offer of orders through ready delivery so that there is no decrease in income which results in a negative impact on performance and must be able to manage business capital so that rapid losses do not occur, such as turning business capital by spending more on the best-selling menus or carrying out promotions to introduce to the public so that people know and are interested in the menu. - the menu prepared by the MSME.
- c) For MSMEs must continue to follow government policies but must still have a strategy to improve business progress so that there is no decline in performance implementation so that businesses have good reports and businesses can run in accordance with the wishes of business actors.
- d) The current MSMEs financial report standard should be maintained and further improved. Thinking about new things to improve business performance, can choose the most appropriate strategy in the current Covid-19 condition. However, you must still follow the government regulations that apply when carrying out activities.
- e) Further researchers are expected to evaluate more the statements or questions in the questionnaire can represent the variables to be measured.

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