

Impact Evaluation of Covid-19 Technical and Financial Assistance Policies on Micro, Small and Medium Enterprises (MSMEs) in Surakarta City



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ABSTRACT: The Covid-19 pandemic has had the greatest impact on micro, small, and medium enterprises (MSMEs) in the neighborhood. Community members, particularly the impoverished, feel the economic impact. In Indonesia, the number of MSMEs reached 64.19 million, with Micro and Small Enterprises (MSEs) constituting the vast majority of the business sector (64.13 million, or 99.92%). The Covid-19 pandemic also negatively affects this group. Surprising facts include the fact that managers of micro, small, and medium-sized enterprises (MSME) are in debt and even die trying to sustain their businesses. Covid-19 has altered the economic foundation of the populace, and as a result, numerous regions in Indonesia are suffering economic challenges, particularly for small and microeconomic players. Approximately 1,642 hotels and 6,800 eateries have shuttered in Indonesia, a number that might rise if the Covid-19 outbreak persists for an extended period of time. This amount does not include the thousands of units in the entertainment business sector. Some micro, small, and medium enterprises (MSMEs) were unable to do business as normal during the COVID-19 pandemic and were even forced to temporarily cease operations for a variety of reasons, including lower buying power, low market share, and other impediments. The distribution and manufacturing inadequate circumstances affect a large number of MSMEs. Almost 90% of MSMEs have vanished or even declared bankruptcy. This significant result illustrates the severity of the challenges encountered by people who are disadvantaged in the formal sector, especially the urgent need for support in finance and marketing, as the majority of MSMEs are able to create but are unable to sell their goods. This study aimed to determine the effects of technical and financial support on MSME players in Surakarta. This research approach employs a qualitative descriptive research method that combines descriptive and qualitative processes to produce a thorough examination of the research topic. Descriptive research methods describe phenomena that occur in the field, whereas qualitative research methods explain the depth of the observed events. In addition to the impacted MSMEs' community, the local government is also included in the research sample.

KEYWORDS: evaluation, policy, MSMEs, pandemic, assistance, capital

INTRODUCTION

Due to a small market share, business constraints caused by the COVID-19 pandemic as well as decreasing purchasing power and availability of raw materials have caused some MSME companies to be forced to liquidate their enterprises. The Covid-19 pandemic has altered and altered consumer purchasing behaviors. Despite the existence of internet commerce, the majority of consumers continue to purchase goods in-store or at shopping malls. However, because there are limits and government rules prohibiting customers from leaving the house, it is now difficult for them to linger outside the home. MSME players must also modify and condition their product and service sales (Accounting et al. 2020).

The current state of micro, small, and medium enterprises (MSMEs) is extremely precarious, and it is certain that millions of MSMEs have closed their doors. MSMEs are no longer resilient, are immobilized, and can no longer serve as an economic pillar for the nation. Its market share for people's daily needs, including clothes and food, has shrunk. COVID-19 influences the internal atmosphere of businesses. COVID-19 has also had an effect on the internal environment of corporate entities and traditional business activity patterns in the domains of marketing, finance, human resources, and operations (Aida Handini 2020).

In normal times, MSMEs provide 60% of the national gross domestic product (GDP), and this sector drives economic development that is backed by the dominance of family spending. Including its contribution to the employment absorption of 96% of the nation's 133 hundred employees and 14% of total exports (Kristian Pakpahan 2020). According to data from the Ministry of Cooperatives and Small and Medium Enterprises, there were 64,194,057 MSMEs in Indonesia in 2018 (representing about 99 % of

Impact Evaluation of Covid-19 Technical and Financial Assistance Policies on Micro, Small and Medium Enterprises (MSMEs) in Surakarta City

all business units) that employed 116,978,057 employees (or around 97 % of the total workforce). job in the business sector) (Sugiarti, Sari, and Hadiyat 2020).

The social distancing policy which was then changed to physical distancing and working from or at home had an impact on decreasing company performance which was then followed by termination of employment. There were even several companies that went bankrupt and finally chose to close their businesses. In the MSME aspect, the existence of this pandemic has caused a decline in performance from the demand side (consumption and people's purchasing power) which ultimately has an impact on the supply side, namely termination of employment and the threat of a breakdown in credit payments (Kristian Pakpahan 2020).

In 2019 the number of MSMEs participating in product exhibitions was 377 business actors or 12.2%. Even though it is only 12.2%, this is a good achievement. This is what the City of Surakarta continues to do by providing guidance. Improvement in the quality of MSMEs that have been fostered reaches 5% or a total of 150 business actors. Unfortunately, everything that has been done has reduced the results of the hard work that has been done so far. Therefore this study analyzes the impact of technical and financial assistance on MSMEs in Surakarta City. The problems experienced were limited accessibility, low reach of technical assistance and the capacity of MSMEs in managing their business during the Covid-19 pandemic which was getting worse. The efforts made have not had a multiplier effect because socially it has almost closed opportunities due to the shift in community needs, economically the community has reduced purchasing power to prioritize health needs. This research explores the economic impact caused by the Government's Initiative in providing assistance to the MSME community in Surakarta City.

METHOD

This research employs descriptive qualitative methodology, which blends qualitative and descriptive research. Comparatively, descriptive research offers an overview of the examined context or phenomena, whereas qualitative research evaluates the depth of the phenomenon (Nassaji 2015). In order to conduct descriptive research, a questionnaire in the form of a Google form was distributed to MSMEs via WhatsApp groups, either by the local government or by stakeholder organizations, and 137 responses were gathered. We conducted in-depth interviews with 15 chosen MSMEs and stakeholders.

Methods for collecting data included surveys, in-depth interviews, observation, and focus group discussions. The data gathering findings were analyzed using a triangulation strategy. Triangulation is an attempt to verify the accuracy of data or information gathered by researchers from many perspectives by minimizing as much bias as possible during data collection and processing. In this study, method triangulation was employed by comparing information in various ways, triangulating data sources by exploring the truth through various methods and sources of data acquisition, and using theoretical triangulation to increase the theoretical depth of the results of the data analysis (Fusch, Fusch, and Ness 2018).

During Covid-19, data analysis was conducted by studying government policies regarding MSMEs as well as how MSMEs employed technical and financial help to sustain their businesses. This qualitative descriptive analysis offers a summary of the events that occur (ManjunathaN, 2019) and is coupled with qualitative analysis that validates field results. Qualitative analysis is utilized to improve and expand upon the topics under study (Matthew B. Miles 1994).

RESULTS AND DISCUSSION

This study emphasizes policy impact evaluation, which is an assessment that focuses more on the outcomes and effects of a policy than on its execution. Impact evaluation will analyze both anticipated and unanticipated consequences that are permanent or long-lasting. Expected effect refers to the impact that is determined when the policy is formulated, whereas unexpected impact refers to the influence that emerges after the conclusion of policy execution (Dunn 2014).

There are four primary types of program impacts that can be used to evaluate the impact of public policies: (1) impacts on economic life, such as income, added value, etc.; (2) the impact on the policy-making process, such as what will be done next; (3) the impact on public attitudes, such as support for the government, programs, etc.; and (4) impacts on the quality of life of individuals, groups, and communities (Rowe and Frewer 2004). In evaluating the impact of a policy, evaluators must also consider three additional factors, including: (1) program area, i.e., whether the program is national, provincial, city, sub-district, or village in scope; (2) program size, i.e., the number of individuals served for each program area unit; and (3) the newness of the program, i.e., whether the expected impact of the program is considered new (Fischer, Miller, and Sidney 2016).

In accordance with William, N. Evaluation can provide valid and trustworthy information about policy performance, namely how valid needs, values, and opportunities have been met through the action of public policies; contribute to the clarification and critique of the values underlying the selection of target objectives; and contribute to the application of other methods of policy analysis, such as problem formulation and recommendation. Evaluation focuses more on the performance of policies, particularly during policy implementation (Dunn 2014). Dunn presents the evaluation criteria for public policy, namely effectiveness, efficiency, sufficiency, fairness, responsiveness, and precision (Dunn 2014).

The government has issued a policy in order to empower MSMEs in the Covid-19 pandemic situation. There are several MSME protection schemes carried out by the government, namely (a) providing social assistance to poor and vulnerable MSME

Impact Evaluation of Covid-19 Technical and Financial Assistance Policies on Micro, Small and Medium Enterprises (MSMEs) in Surakarta City

actors, (b) tax incentives for MSME, (c) relaxation and credit restructuring for MSME; (d) expanding MSME working capital financing, (d) placing ministries, BUMN and Regional Governments as the backbone of MSME products, and (e) e-learning training (Wilfarda Charismanur Anggraeni n.d.).

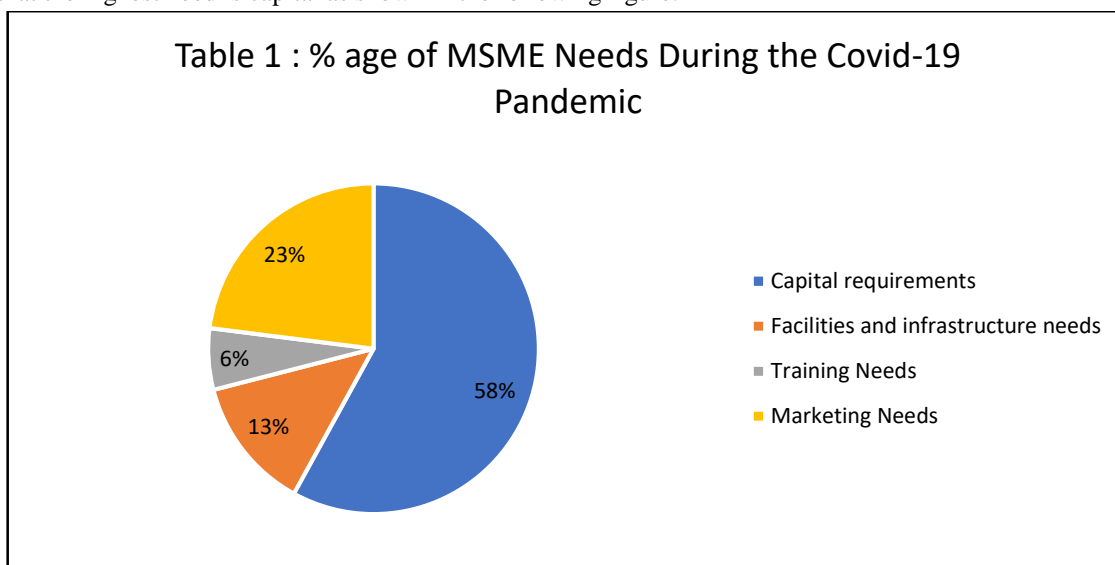
The government has provided support incentives for MSMEs through the National Economic Recovery (PEN) program in 2020 and will continue in 2021. The realization of PEN to support MSMEs of IDR 112.84 trillion has been enjoyed by more than 30 million MSMEs in 2020. Meanwhile, for 2021, the Government has also budgeted PEN to support MSMEs with funds of IDR 121.90 trillion to maintain the momentum of economic recovery.

The PEN initiative to help MSMEs in 2020 has been documented as having been a support cushion for the business world, particularly for the informal sector and MSMEs to survive the pandemic. Additionally, this can aid in preventing the decrease of labor. According to Central Bureau of Statistics as of August 2020, new employment possibilities were created as a result of an additional 0.76 million persons starting enterprises and an increase of 4.55 million informal employees.

The government is also continuing to encourage MSME actors to go on board to digital platforms through the Proud Made in Indonesia National Movement Program (Gernas BBI), where by the end of 2020 there were 11.7 million MSMEs on boarding. It is hoped that by 2030, the number of MSMEs that go digital will reach 30 million. In addition, the Government is also encouraging the expansion of exports of Indonesian products through ASEAN Online Sale Day (AOSD) activities in 2020.

Of the 64.19 million MSMEs in Indonesia, 64.13 million are still MSEs who are still in the informal sector, so they need to be encouraged to transform into the formal sector. Indonesia also still has complex licensing issues with many central and regional regulations or hyper-regulations that regulate licensing in various sectors which cause disharmony, overlap, non-operational and sectoral.

Surakarta City in 2019 there were 3,316 micro businesses, 69 small businesses and 45 medium businesses meaning that there were 3,336 MSMEs in Surakarta City which were spread into 23 clusters. The Surakarta City Office of Cooperatives and Small and Medium Enterprises (Dinkop UKM) noted that 60-70 percent or 2-3 thousand MSMEs were affected. The majority of the affected MSMEs are assisted by the Solo Dinkop. They are engaged in fashion, food and souvenirs. The main constraints are capital and marketing. As many as 70 percent of MSMEs affected by Covid-19 stated that they were able to produce, but were unable to sell. They need empowerment in both the economic field and specifically coaching in terms of capital. The results of the study show that the highest need is capital as shown in the following figure:



Source: Primary data processed.

The interesting thing from the results of this study is that the capital utilization required is not significant with sales. Capital is used to make MSMEs survive, but to sell them requires technical, and effort for sales. Nearly 90% of UMKM in Surakarta City collapsed and there were even UMKM that went bankrupt. Therefore, empowering MSMEs according to their needs is needed to stimulate businesses that have been in business for a long time.

Conceptually, empowerment or empowerment comes from the word 'power' (power or empowerment). MSME empowerment as a process of change then has a meaningful concept. In other words, the possibility of an empowerment process really depends on two things, namely (first) that power can change. If power cannot be changed, empowerment is not possible in any way. (Second) that power can be expanded. This concept emphasizes the notion of power which is not static, but dynamic (Sedyastuti 2018).

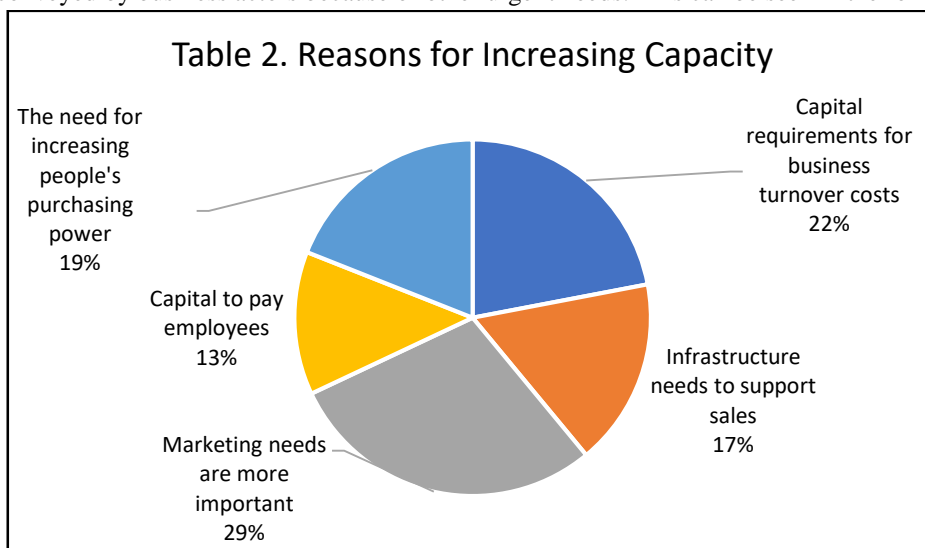
Impact Evaluation of Covid-19 Technical and Financial Assistance Policies on Micro, Small and Medium Enterprises (MSMEs) in Surakarta City

Empowerment can be interpreted as an effort to improve the ability of a person or group so that they are able to carry out their duties and authorities according to the demands of the performance of these tasks. Empowerment is a process that can be carried out through various efforts, such as giving authority, increasing participation, giving trust so that each person or group can understand what they will do, which will ultimately have implications for increasing the achievement of goals effectively and efficiently (Widjajanti 2011).

Empowerment of Micro, Small and Medium Enterprises (MSMEs) must be carried out in a comprehensive, optimal and sustainable manner through developing a conducive climate, providing business opportunities, supporting business protection and development as wide as possible, in order to increase the position, role and potential of Micro, Small and Medium Enterprises (MSMEs) in realizing economic growth, and can increase people's income, create jobs and reduce poverty.

At the global economic level, the COVID-19 pandemic has had a very significant impact on the domestic economy of nation-states and the existence of MSMEs. The Organization for Economic Co-operation and Development (OECD) report states that this pandemic has implications for the threat of a major economic crisis marked by the cessation of production activities in many countries, falling levels of public consumption, loss of consumer confidence, falling stock markets which ultimately lead to uncertainty. . If this continues, the OECD predicts a decline in output levels of between one fifth and one quarter in many countries, with consumer spending potentially falling by around one third (Kristian Pakpahan 2020).

Covid-19 has undoubtedly had a significant impact on the existence, progress and development of MSMEs. The limited capacity of MSMEs requires improvement, but the pandemic has temporarily stopped these efforts. Capacity building is finally a last resort. This was conveyed by business actors because of other urgent needs. This can be seen in the following figure:



So capacity building is not unnecessary but is considered not to be according to needs and priorities. Brown simply defines capacity development "understood as the process of improving the abilities of people, organizations and systems to achieve organizational objectives that have been set". Capacity is the ability of individuals, organizations or systems to carry out their proper functions effectively, efficiently and continuously. A more detailed definition of capacity building as quoted from UNDP (United Nations Development Programme) and CIDA (Canadian International Development Agency) is a process by which individuals, groups, organizations, institutions and communities increase their ability to a) produce performance in carrying out basic tasks and functions (core functions), solving problems, formulating and realizing the achievement of predetermined goals, and b) understanding and meeting development needs in a broader context in a sustainable way (Ma'ruf et al. 2021).

In general, capacity is defined as the ability to carry out a task or job successfully. Capacity is also seen as a guarantee for the survival of an organization and an individual. Capacity is the ability to carry out appropriate tasks effectively, efficiently and sustainably (Mubarak, Zauhar, and Setyowati 2020). Capacity is the ability of individuals and organizations to perform functions effectively, efficiently and sustainably. Capacity is a trait that enables an organization or system to survive, grow, diversify, and become more complex; capacity is a collective ability, namely a combination of attributes that allows the system to perform, provide value, build relationships, and to renew itself, or in other words is a way and ability that allows the system: individuals, groups, organizations, organizational groups to do something with intention over time effectively.

The results of the evaluation show that the policy to meet the need for increasing the capacity of MSMEs is felt to be very large, this was stated by 87 percent of respondents. They realize the government has helped a lot during the Covid-19 pandemic. The assistance provided is sufficient, it's just that the efforts made by MSMEs sometimes do not meet expectations. MSMEs still have not strengthened their competitiveness due to repeated pressures, not only do they have to defend themselves so they are not

Impact Evaluation of Covid-19 Technical and Financial Assistance Policies on Micro, Small and Medium Enterprises (MSMEs) in Surakarta City

infected or transmitted, but the policy of restrictions also affects them. The evaluation results also show the vulnerability of MSME entrepreneurs in managing employees. The Covid-19 pandemic forced businesses to reduce the number of employees.

Employee turnover is understandable considering the business conditions that continue to decline. Employee turnover is an indicator that reflects the level of business vulnerability. This will affect the productivity and profitability of the business being undertaken (Ozolina-Ozola 2014).

MSME entrepreneurs are able to assess the needs that arise as a result of COVID-19 due to the business crisis they are living in. They require appropriate action by considering several aspects of competitiveness such as scenario planning, stakeholder analysis, development strategy, external and internal communication. Several indicators can be used to evaluate their reactive capacity and understand the impact of digital changes that can reduce the negative effects of the COVID-19 crisis (Fitriasari 2020).

MSME competitiveness is needed to remove all artificial obstacles to MSME growth. The Covid-19 pandemic that hit, can no longer make government policies neutral towards all types of businesses or business scales. Protection policies for small businesses that are just growing, which go bankrupt suddenly or slowly due to Covid-19, are a must.

CONCLUSION

1. The government's management of MSMEs during the Covid-19 pandemic paved the ground for MSME business players to survive, despite the fact that many are struggling and some have been forced to close their business.
2. During the Covid-19 pandemic, capital and marketing assistances are the most urgently required forms of technical aid for SMEs.
3. The Covid-19 crisis requires that the federal and local governments strengthen the competitiveness of MSMEs through capacity building, technical help, business aid, and laws in order to restore their role as the engine of the national economy. In order to do this, it becomes imperative to develop models and positive policies to ensure that the efforts made are effective.
4. The resulting empowerment approach must begin with capacity mapping, given that MSME entrepreneurs, their key players, and workforce are the determinants of MSME empowerment. Entrepreneurs and employees are the driving forces behind creativity, entrepreneurial spirit, and innovation, which are backed by the employees' expertise or abilities.

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Impact Evaluation of Covid-19 Technical and Financial Assistance Policies on Micro, Small and Medium Enterprises (MSMEs) in Surakarta City

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