

## POST-PANDEMIC MSMEs RECOVERY CHALLENGES AND STRATEGIES IN MEDAN CITY

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**Abstract.** The Covid 19 pandemic is a situation that has a very direct impact on MSMEs. The situation of spread of this disease greatly disrupts the activities of human life, including in the world of economy and trade. MSMEs as the basis of the people's economy at the grassroots level have been severely affected, starting from bans on leaving the house, restrictions on trading hours, to forced closures due to the implementation of the Community Activity Restrictions (PPKM) policy. The real impact is that sales figures fell drastically and prices of basic necessities rose sharply. This paper aims to analyze the challenges and strategies for MSME recovery in the city of Medan after the pandemic. To discuss this problem using the method of literature study. The results of the discussion show that MSMEs in Medan City are deemed necessary to take advantage of the role of digitalization technology in supporting smooth promotions and sales, establishing partnerships with financial sector institutions in terms of capital, and building partnerships with various organizations and business partners to expand business networks. Taking advantage of opportunities for assistance from Medan City Government programs such as participating in the E-Catalog program means that the Medan City Government becomes a market (buyer) and also an intermediary for MSMEs products in Medan City.

**Keywords:** MSMEs, strategy, recovery

### I. INTRODUCTION

One of the economic activities aims to improve the standard of living of the community, so with increased economic growth, the needs of the community will definitely be fulfilled. In meeting the needs of the community, of course, it is necessary to have employment opportunities that can absorb every available workforce. In meeting the necessities of life for prosperity, people who have potential and can see carefully the abilities that exist in themselves and are able to recognize the environment, can find business opportunities. Therefore, one of the efforts made to meet the needs of life is to do Small and Medium Enterprises (MSMEs). The survival and existence of MSMEs are also influenced by two factors, namely internal factors and external factors. Where internal factors are economic motives while external factors are a person's environment in carrying out his economic life.

MSMEs are one type of small business that plays a very important role in improving and growing the community's economy. Because the existence of MSMEs is able to survive in any situation to achieve community welfare. The resilience of MSMEs was proven when the monetary crisis occurred in 1998, many large businesses went out of business, but MSMEs continued to survive and even increased in number. With such a large contribution of MSMEs in supporting the economy of a country, the existence of MSMEs is highly expected by any country because of their very vital role in development and economic progress to achieve people's welfare. The establishment of a business in the MSME sector is able to absorb the number of workers who

are ready to work but have not found work so that it can reduce the number of unemployed.

The development of the growth of the micro business sector will create jobs and in turn will increase people's income. The reduced number of unemployed means that the MSME sector absorbs a lot of labour, which means it will help the government in poverty alleviation efforts. The role of micro, small and medium enterprises (MSMEs) help increase the rate of economic growth and is able to absorb the number of workers and the distribution of development results can be felt by the community. As a result of the stormy economic crisis in our country that occurred some time ago, many large businesses experienced a slowdown in growth and even stopped their activities.

The current crisis situation is the rapid spread of Covid-19 which has resulted in a global pandemic and has entered Indonesia. The impact of this pandemic is not only on the health aspect but also has an impact on various other aspects such as the economy, industry, trade, tourism, and others [1]. MSMEs as the foundation of the Indonesian people's economic power have been hit hardest by this pandemic situation where various policies that limit people's activities are only limited to reducing sales figures and people's purchasing power [2]. Data from Kementerian Koperasi dan UMKM (Ministry of Cooperatives and SMEs) shows that there are 1,785 cooperatives and 163,713 Micro, Small, and Medium Enterprises (MSMEs) affected by Covid-19, most of which are cooperatives engaged in daily necessities as well as services and products due to decline sale lack of capital and delays in distribution, and the most

affected MSME sectors are food, beverages, and creative industries and agriculture [3] [4]. This paper describes the challenges faced by MSME players after the Covid-19 pandemic and how MSME recovery strategies were carried out by both MSME players and the Medan City Government.

## II. RESEARCH METHODS

The research method used is the library study method, which is a series of activities related to the methods of collecting library data, reading, recording and processing research materials. The four main characteristics of library research are: First, that researchers deal directly with text (scripts) or numerical data, not with direct knowledge from the field. Second, library data is "ready to use" meaning that researchers do not go directly to the field because researchers deal directly with data sources in the library. Third, that library data are generally secondary sources, in the sense that researchers obtain materials or data from used sources and not original data from first-hand data in the field. Fourth, that the condition of library data is not limited by space and time. Based on the above, in this study data collection was carried out by reviewing and/or developing several library materials such as journals, books, and documents (both print and electronic) as well as other sources of data and/or information related to MSME issues and topics.

## III. RESULTS AND DISCUSSION

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

The types of small and medium enterprises are included in the grouping of business types which include industry and trade. The definition of small and medium enterprises (SMEs) is not always the same, depending on the concept used by the country. Regarding the definition of small businesses, it turns out that it varies greatly from one country to another. This understanding includes at least two aspects, namely the employment aspect and the company grouping aspect as seen from the number of workers absorbed by the company. According to Law Number 9 of 1995, what is meant by a small business is: a small-scale productive business that meets the criteria for a maximum net worth of Rp. 200,000,000.00 (two hundred million rupiah) excluding land and buildings where the business is located or has sales proceeds of a maximum of Rp. 1,000,000,000.00 (one billion rupiah) per year and a maximum of Rp. 50,000,000.00 (fifty million rupiah) up to Rp. 500,000,000.00 (five hundred million rupiah). What is meant by Medium Enterprises according to Presidential Decree No. 5 of 1998 are productive businesses that meet the criteria for businesses with a net worth of more than Rp. 200,000,000.00 (two hundred million rupiah) up to a maximum of Rp. 10,000,000,000.00 (ten billion rupiah) excluding land and buildings for business premises and can obtain a loan from a bank of Rp. 500,000,000.00 (five hundred million rupiah) up to Rp. 5,000,000,000.00 (five billion rupiah).

According to the Law of the Republic of Indonesia No. 20 of 2008 concerning UMKM. Article 1 states that micro-enterprises are productive businesses owned by individuals and/or individual business entities that have the criteria for micro-enterprises as stipulated in the law. Small business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches that are owned, controlled, or become a part either directly or indirectly of a medium or large business that meets the business criteria as intended in the law.

Some of the criteria used in the Law to define UMKM listed in Article 6 are net worth or asset value excluding land and buildings for business premises, or annual sales proceeds. With the following criteria: a. Micro-enterprises are business units that have assets of at most Rp. 50 million and does not include land and buildings for business premises with annual sales of a maximum of Rp. 300 million. b. small business with asset value of more than Rp. 50 million up to a maximum of Rp. 500 million excluding land and buildings whose businesses have annual sales of more than Rp. 300 million up to a maximum of Rp. 2,500,000,000.00, and. c. medium enterprises are companies whose net worth is more than Rp. 500 million and a maximum of Rp. 100 billion and annual sales above Rp. 2.5 billion and a maximum of Rp. 50 billion. To determine other than the monetary value used as a criterion, several government agencies such as the Ministry of Industry and the Central Statistics Agency (BPS) have so far used the number of workers as a measure to classify a business as a micro, small, and medium enterprise. and big business.

According to the Central Statistics Agency (BPS), micro-enterprises are business units with a permanent workforce of up to 4 people, small businesses between 5 and 19 permanent employees, and medium-sized businesses with 20 to 99 permanent workers. Companies with more than 99 employees fall into the big business category. The importance of the existence of micro, small and medium enterprises in the national economy is not only because of their large number, but also in terms of their ability to absorb labor. In addition, micro, small, and medium enterprises are also able to export certain goods that are capable of generating a large enough amount of foreign exchange so that they are able to contribute to Gross Domestic Product (GDP). In general, the goal or target to be achieved is the realization of strong and independent Micro, Small and Medium Enterprises (MSMEs) that have high competitiveness and play a major role in the production and distribution of basic needs, raw materials, and capital to face free competition.

### Characteristics of Micro, Small, and Medium Enterprises (MSMEs/UMKM)

There are several characteristics of micro, small and medium enterprises, namely: a. The type of commodity being cultivated is not fixed and can change at any time; b. The place of doing business may change from time to time; c. Have not carried out administrative activities in running their business, often cannot even distinguish between personal and business financial needs; d. Human resources (HR) in it do not yet have

a qualified entrepreneurial spirit; e. Usually the education level of human resources is still low; f. UMKM actors usually do not have a banking network, but some of them already have a network to non-bank financial institutions; g. Generally, small business actors have not obtained proof of legality or business licenses, such as a Taxpayer Identification Number (NPWP). The characteristics of micro, small and medium enterprises are factual and inherent in carrying out their business activities as well as the behavior of the business actors themselves [5]. These characteristics are the distinguishing characteristics between business actors according to their business scale. The World Bank classifies UMKM into three types, namely: Micro Enterprises, namely businesses that employ 10 employees, Small Businesses, namely businesses that employ 30 employees, and Medium Enterprises, namely businesses that employ up to 300 employees. From a business perspective, according to Bank Indonesia (2015) UMKM are divided into four groups, namely: Micro UMKM are UMKM actors who have the ability to become craftsmen, including UMKM in the informal sector, such as underprivileged street vendors. develop their business because they lack an entrepreneurial spirit.

### Strengths and Weaknesses of UMKM

UMKM have several potential strengths that can become the center of business development in the future, namely: a. Entrepreneurs in the small industrial sector capable of absorbing up to 50% of the available workforce; b. The existence of small and medium enterprises is proven to be able to create new entrepreneurs who can encourage the growth and development of new entrepreneurs; c. Has its own unique market venture, using simple and flexible management of possible market changes; d. Able to empower natural resources around them, small industries can mostly utilize waste or products from large industries or other industries, e. Has the potential to grow. Weaknesses that are often also inhibiting factors and problems for Micro Enterprises are Internal Factors, namely problems that are often faced by UMKM, namely: a) Limited human resource capacity. b) Limited areas for product marketing, most Small Industry entrepreneurs prioritize the production aspect, while for the marketing function they are less able to access it, especially in obtaining market information and market networks, as a result, most of them are only craftsmen. c) Consumers tend not to believe in the quality of small industry products. d) The obstacle that is often faced is the problem of business capital from most small industries that use relatively small own capital. External factors are problems caused by UMKM developers and supervisors. For example, the problem solving proposals given are not well targeted and often there is no monitoring program and there is overlap.

### Challenges for MSMEs During The Covid-19 Pandemic

The Covid-19 pandemic has implications for various sectors of people's lives, starting from the health, economic and social sectors in almost all countries, including Indonesia. The world trade organization estimates that the volume of

world trade globally will decrease by around 32% in 2020 during the Covid-19 period [6]. The implementation of various policies made by the Government in the form of limiting community activities as an effort to deal with the Covid-19 pandemic has caused considerable economic losses nationally (Dani Sugiri, 2020). Overall, this pandemic has had a huge impact, especially on the business sector. And entrepreneurs, including MSMEs, must have tactics to survive changes in the business climate, especially during the Covid-19 pandemic [7] [8]. Medan City's economic growth experienced the biggest contraction compared to other regencies/cities in North Sumatra, this was announced by the Central Bureau of Statistics. The amount of Gross Regional Domestic Product at constant 2010 prices was recorded at minus 1.98% to IDR 153.67 trillion in 2020 from IDR 156.78 trillion the previous year. BPS assesses that the economy of Medan City has fallen due to the Covid-19 pandemic (BPS Medan City of North Sumatra Economic Contraction, 2020) [7]. Data shows that MSMEs are experiencing capital difficulties after there is no significant income due to Covid-19. Sales figures dropped dramatically due to low purchasing power due to restrictions on work activities that were temporarily closed and many business sectors were even laid off due to the weak economy.

The next challenge is the problem of financing or capital where MSME actors were previously affected by the Covid-19 pandemic. The expected financing aspects are certainly not burdensome in terms of loan interest, time period, and guaranteed convenience for MSME players to get an injection of funds for the continuity of their business [3]. There are still many MSME actors who do not understand the opportunities or opportunities for partnership programs from both the private and government sectors. Information and knowledge about the importance of building networks or relationships in doing business needs to be provided to MSME actors in Medan City to support the success of these MSME actors. Another challenge is that MSME actors have not or are unable to keep up with changing times and technological developments in the current digitalization era [9], which will eventually be left behind when compared to business actors who are more "literate" about technology and digital marketing.

### MSME Recovery Strategy

#### The Role of Medan City Government

The government through the Medan City Government is the party most responsible for being able to encourage the progress and revival of MSMEs after this pandemic. Various programs and policies have been carried out by the Medan City Government, namely :

- a. Pick up the ball by collecting data on affected MSMEs in each district.
- b. The Saka Sanwira Program (One Village, One Entrepreneurship Center) which aims to improve the community's economy starts from the smallest level, namely the sub-district. The Mayor of Medan revealed, for about two years all the people of Medan City have felt the ordeal after the Covid-19 pandemic. Both the government

- and the people themselves, he explained, are struggling and surviving in this rather difficult situation. This program was created to drive the economy and increase employment opportunities through MSMEs in the regions. The Saka Sanwira program targets all sub-districts to develop and create jobs in their respective areas [10].
- c. Pemko Medan will also build an UMKM Plaza in front of the University of North Sumatra (USU) Campus. The presence of the UMKM Plaza is expected to be a place to educate MSME actors to become superior MSME. Apart from that, the UMKM Plaza will also be filled with training such as how to pack [10].
  - d. Holding events related to MSMEs such as Culinary Exhibitions that are able to facilitate the marketing of MSME products through stands/bazaars that bring together buyers and sellers. The activity that has been carried out and brought in many MSMEs is Festival Kuliner Halal which was held on Jl. Masjid Raya Medan, Kesawan City Walk, and various other MSME events.
  - e. The Medan City Government is a market that buys MSME products for consumption activities at work meetings starting from the sub-district level to the mayor's office and city government service offices [11].

Micro-enterprises play an important role in building the country's economy, especially the economy of the surrounding community to meet their daily needs, especially in the future. In this case, the role of micro-enterprises is very large in the economic activities of the community. Micro, Small and Medium Enterprises (UMKM) have a very important role in economic growth in Indonesia. Micro, Small and Medium Enterprises have proven their existence in the Indonesian economy in various circumstances.

#### IV. CONCLUSION

The impact of the Covid-19 pandemic has hit business actors, especially MSMEs in Medan City. Controlling the spread of Covid through a policy of limiting community activities has an impact on lowering people's purchasing power. The challenge most felt by MSMEs is that they must be able to maintain the economic sustainability of their families and workers in the midst of an economic crisis due to the Covid-19 outbreak. The post-pandemic recovery strategy must be followed up with the active role of various parties, especially the role of the Medan City Government and related agencies, MSME players to be able to take advantage of the opportunities that have been provided in terms of financing/capital, training, partnership programs and business networking, to the use of digital technology in marketing their products.

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