

ANALYSIS OF MSMEs GROWTH POST PANDEMI COVID-19 IN MEDAN

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Abstract. The purpose of this research is to determine the impact of the COVID-19 pandemic on small and medium-sized enterprises (SMEs) in the city of Medan, as well as solutions and measures to improve SMEs after the pandemic. This investigation employs a descriptive qualitative case study methodology. Documentary research, interviews, observations, and the distribution of questionnaires were used in this study to acquire data from Medan City MSME managers. The data analysis employed is a qualitative-interactive analysis comprised of three concurrent strands of activity: data reduction, data presentation, and conclusion. This study demonstrates the effects of COVID-19 on the development of small and medium-sized enterprises in Medan. In 2018, there were 1,664 MSMEs; in 2019, there will be 1,072. In 2019, the number of MSMEs in Medan City decreased by 594, or 34.5%, because COVID-19 affected all industries, including MSMEs. There were 1,040 MSMEs in 2020. This year, the number of small and medium-sized enterprises (SMEs) in Medan City decreased by 32, or 0.2%, due to the continued prevalence of the COVID-19 virus. There will be 1,179 SMEs in 2021. In 2021, the number of small and medium-sized enterprises will increase by 139, or 14.0%. Faced with the ongoing COVID-19 pandemic, small and medium-sized businesses (SMBs) in Medan City are innovating their product marketing, particularly through the use of digital marketing.

Keywords: Growth; MSMEs; COVID-19

I. INTRODUCTION

The first case of COVID-19 was detected in Indonesia on March 2, 2020. In more than a year, this virus has provided more than 1.5 million confirmed cases. As a result, COVID-19 has become a disease outbreak that requires serious treatment from the government. Many things are being done to minimize the spread, such as wearing masks, diligently washing hands, keeping a distance, and distributing vaccines that will be implemented by the government. The presence of this virus affects all sectors of the Indonesian government. One of them rocked the Indonesian economy. Below is the impact of COVID-19 on the Indonesian economy, namely that since the beginning, the Indonesian state has been experiencing a recession. According to economists from the Institute for Economic and Financial Development (INDEF), Indonesia continues to experience a decline due to low economic activity, pressure on public purchasing power, and a decline in manufacturing PMI to 50.9 in February from 52.2 in January 2021 as the economic recession continues. Second, the Indonesian economy has fallen to its lowest point. During 2020, Indonesia's economy shrank by -2%, its slowest growth in at least 20 years. In addition, the unemployment rate is increasing. Third, poverty continues to increase. Increased unemployment also reduces people's income, which in turn increases the number of poor people. Several economists estimate that the Indonesian economy will experience a crisis in 2021. This is influenced by several factors, such as the large accumulation of government budget deficits (APBN), the

sensitivity of fiscal policy, and low public purchasing power. However, Minister of Finance Sri Mulyani remains optimistic as the mass vaccination program begins and efforts to contain the spread of COVID-19 continue. One of the sectors affected by the COVID-19 pandemic is micro, small, and medium enterprises (MSMEs). The growth of SMEs has also felt the impact of this pandemic, which has also made the national economy sluggish. This is understandable because SMEs make a very large contribution to the national economy.

Micro, small, and medium enterprises (MSMEs) have a strategic role in national economic development. In addition to economic growth and employment, SMEs also play a role in sharing the results of development. Micro, small, and medium enterprises (MSMEs) are a very important sector in the Indonesian economy, and from a sector-by-sector perspective, MSMEs have a business advantage. There are at least three reasons why developing countries have recently considered it important to have SMEs. The first reason is that SMEs tend to produce a more productive workforce. Second, as part of their dynamics, SMEs often increase their productivity through investment and technological changes. Third, SMEs are often said to have a flexibility advantage over large companies. The current COVID-19 pandemic will definitely affect several sectors. At the global economic level, the COVID-19 pandemic has had a major impact on the state budget and the existence of SMEs. In this pandemic situation, according to the Ministry of Cooperatives and SMEs, around 37,000 SMEs said that the decline in sales had greatly affected

them; 22% reported financial problems; 15% reported problems in the distribution of goods; and 4% reported difficulty obtaining raw materials. The government must pay special attention to this sector because it is the largest producer of GDP and is able to absorb a large number of workers. The share of SMEs in GDP is shown in the Table 1.

Table 1. MSME Contribution to GDP

NO	Years	Contribution of MSME to GDP
1	2018	57,8%
2	2019	60,3%
3	2020	37,3%

Source: djkn.kemenkeu

Based on information from the Ministry of Cooperatives, SMEs accounted for 57.8 percent of gross domestic product in 2018 and 60.3 percent in 2019. In 2020, this will drop to 37.3 percent. Micro, small, and medium enterprises (MSMEs) in the sense of Law Number 20 of 2008 are commercial companies that are controlled by the business world or individuals and which, according to applicable legal criteria, are productive economic enterprises. Micro, small, and medium enterprises (MSMEs) are businesses that can expand employment opportunities, provide comprehensive economic services to the community, participate in the process of equity, increase people's income, encourage economic growth, and create stability. Micro, small, and medium enterprises are one of the main pillars of the national economy, which, as a business entity, must receive the most important opportunities, support, protection, and development, not forgetting the role of the state entrepreneurial economic group, large companies, and state-owned companies. According to KOMINFO's research results, problems for SMEs affected by COVID-19 are in the form of financial problems (unchanged costs) and non-financial problems (demand shocks and supply shocks). Most SMEs face problems due to decreased orders, increased prices of raw materials, distribution, and raw materials. A sizable decline in income is one of the reasons for SME's financial difficulties, with declines ranging from 40 to 80% [1]. This was also mentioned in Nurlaela and Haryono's research (2022) which found that with the COVID-19 pandemic, almost all entrepreneurs in the MSME sector experienced a very drastic decrease in income. On average, MSME players experienced various marketing and sales restrictions, and product equit [2]. The COVID-19 pandemic has had an impact on many MSME sectors, including those in the study [3]. COVID-19 forces SMEs to adapt to existing conditions, and SMEs must innovate in marketing to survive. According to research results, the strategy to boost SMEs during the COVID-19 era is to make HR responsible, diligent, and honest so that SMEs can develop well. To maintain a harmonious relationship between owners and employees to take advantage of e-commerce capabilities to reach a broad target market in the COVID-19 era. Focus on one industry to help SMEs achieve the expected goals. Continue to come up

with creative ideas and implement them during the COVID-19 pandemic so as to minimize future challenges.

The Ministry of Cooperatives and SMEs (Kemenkop UKM) has informed 949 cooperatives and micro, small, and medium enterprises (MSMEs) that have been affected by the Corona virus outbreak (Covid-19) [4]. The Minister of Cooperatives and SMEs, Teten Masduki, asked all parties, including the private sector, BUMN, and the community, to help SMEs continue to produce amid the COVID-19 pandemic. The following are complaints from SMEs:

1. Sales decreased. As many as 774 cooperatives and MSMEs, equivalent to 68 percent, complained that their sales had decreased due to the impact of the Corona virus outbreak.
2. As many as 63 cooperatives and SMEs, or 6 percent, stated that they experienced difficulties with raw materials.
3. Distribution is hampered; as many as 111 cooperatives and SMEs, or the equivalent of 10 percent, stated that they experienced hampered distribution.
4. Capital difficulties As many as 141 cooperatives and MSMEs, or the equivalent of 12 percent, stated that they experienced capital problems.
5. Production was hampered; as many as 42 cooperatives and MSMEs, or the equivalent of 4 percent, stated that they experienced hampered production.

Small and medium companies, especially in the city of Medan, are also feeling the impact of the COVID-19 pandemic. COVID-19 is spreading widely, regardless of who it affects. In May 2020, the Medan City Task Force for the Acceleration of Handling (GTTP) declared Medan a red zone. This also prompted the government to impose social distancing restrictions (PSBB) and curfews to reduce the risk of increasing the number of people exposed to COVID 19. Therefore, it is very important for people to keep their distance and follow health guidelines. Based on the topics explained by the researchers above, this research is important for describing and detailing the impact of COVID-19 on the growth of the MSME sector.

A. *Micro, Small and Medium Enterprises (MSMEs)*

Micro, small, and medium enterprises can be interpreted as a business sector that is run by the community and can produce various kinds of products or services that can create a lot of jobs, thereby reducing existing jobs in the country. The business sector has several characteristics, namely Bookkeeping systems, Operating margins tend, Limited capital, Managerial experience, The economies of scale are too small, Marketing and negotiation capabilities, The ability to source funds from the lowest capital market,

Micro, small, and medium enterprises play an important role in the Indonesian economy. SME business activities can support and encourage development. Because every MSMEs that have been established can offer jobs to job seekers. In addition, SMEs can provide additional income for people who have permanent jobs.

B. MSME classification

According to its development vision, the largest business group is micro, small, and medium enterprises (MSMEs), which have also proven to be resilient to various economic crisis shocks, so the strengthening of micro-enterprises is very important for a group of small and medium-sized businesses that includes many groups. The following is the classification of micro, small, and medium enterprises (MSMEs) Livelihood activities, Microenterprises are micro, small, and medium enterprises (MSMEs), A "small dynamic enterprise", A fast-moving enterprise is a micro, small, and medium enterprise (MSMEs)

C. Purpose and role of SMEs

The objectives of empowering micro, small, and medium enterprises that are expected to be realized are [5]: Realizing a balanced, developing, and just national economic structure; Growing and developing the capabilities of micro, small, and medium enterprises to become strong and independent businesses; and Increasing the role of micro, small, and medium enterprises in regional development, job creation, income distribution, economic growth, and alleviating poverty.

In fact, Law Number 20 concerning Micro, Small, and Medium Enterprises of 2008 states that SMEs try to grow and develop their businesses as part of economic development based on a just economic democracy. Micro-enterprises play an important role in economic development due to their relatively higher labor intensity and lower investment, enabling them to be more flexible in responding and adapting to market changes. The role of micro, small, and medium enterprises (MSMEs), according to the Ministry of Cooperatives and MSMEs, is as follows Its position as a major player, An important player, Creator of new markets and sources of innovation, His contribution to maintaining the balance of payments through export activities [6]. Micro, small, and medium enterprises (MSMEs) play an important role in development and economic growth, not only in developing countries (NSB) but also in developed countries (NM) [7]. In industrialized countries, SMEs are very important because this group of companies not only takes up a large proportion of jobs compared to large companies, for example in developing countries, but also contributes to education or gross domestic product (GDP) growth.

D. Growth of Micro, Small and Medium Enterprises (MSMEs)

Strengthening micro, small, and medium enterprises (MSMEs) is very important and strategic to the economy going forward, especially to strengthen the structure of the national economy. The existence of a national economic crisis like what is currently happening has had a strong impact on national, economic, and political stability, which has resulted in a decline in the performance of large companies. In Indonesia, the number of micro, small, and medium enterprises (MSMEs) continues to grow and develop [8]. These figures also represent the Indonesian economy. The following is statistical data on the growth of SMEs in

Indonesia based on information from the Ministry of Cooperatives and Small and Medium Enterprises. Strengths and Weaknesses of Micro Enterprises The strengths and weaknesses of a micro, small and medium enterprise according to Alfian et al. in their research entitled "Analysis of Business Development in Semarang Batik MSME Businesses in Semarang City," consist of:

1. The strength of SMEs
 - a. The quality of the products produced is good; UMKM parties always prioritize the quality of the products they produce.
 - b. A good relationship between the owner and the customer By providing customers optimally when the transaction takes place and providing quality products and guarantees if the product is defective for consumer decisions.
2. Weaknesses of SMEs
 - a. Untidy management with sales results and receipts for raw material purchases, There are no records and archives related to it besides administration related to finance; it has never been recorded in the financial statements.
 - b. Distribution channels are still less efficient. In distributing products to consumers, they are less efficient because they still use direct channels.
 - c. Promotion In carrying out promotions carried out by holding exhibitions.
 - d. Capital: Capital is a very big problem faced by MSMEs; the problem is that capital is still limited and not enough to develop a business
 - e. Human resources Difficulty finding the required workforce according to the required expertise.

E. The Impact of the COVID-19 Pandemic on the Global Economy and MSME Income in Indonesia

Since its appearance at the end of 2019, the COVID-19 virus has spread throughout the world. With the rapid spread of COVID-19, the impact of the global economic recession is starting to be felt here too. Starting with the decline in oil prices two days ago, the stock market plunged freely, and the prices of other goods such as gas and palm oil are expected to be dragged down as well if demand does not recover soon. The tourism industry is one of the sectors affected by the spread of this virus [9]. Indonesia (GIPI) Bali, Ida Bagus Agung Partha Adnyana, reported that there were 40,000 hotel cancellations and losses reaching IDR 1 trillion per month [10]. The sluggish tourism industry has had a domino effect on the SME sector. Based on data processed by P2E LIPI, the impact of the decline in tourism on food and beverage microbusinesses was 27%. Meanwhile, the impact on small food and beverage companies was 1.77% and 0.07% for medium-sized companies. The impact of the COVID-19 virus on wood and rattan craft units and microbusinesses was 17.03%. 1.77% for small wood and rattan handicraft businesses and 0.01% for medium enterprises. Meanwhile, domestic consumption will also be corrected by 0.5 to 0.8 percent. In fact, micro, small, and medium enterprises (MSMEs) have a very strategic role in the Indonesian

economy. Data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia for 2018 shows the number of MSME business units is 99.9% of all business units, or 62.9 million units. SMEs absorb 97% of total employment, 89% of which is in the microsector, and contribute 60% of GDP. Until now, SMEs have proven their ability to survive in difficult economic situations. Most SMEs do not have direct connections domestically, let alone to the global financial sector. This situation resulted in SMEs surviving the global financial crisis in 1998. Even though it is known that their resilience is still lagging behind amid the economic slowdown due to current conditions, President of the Indonesian MSME Association (Akumindo) Ikhsan Ingrabatun estimates that MSME sales in the non-food sector after COVID-19 will increase by 30–35% due to sales of this product based on face-to-face or physical meetings between the seller and the buyer.

II. RESEARCH METHODS

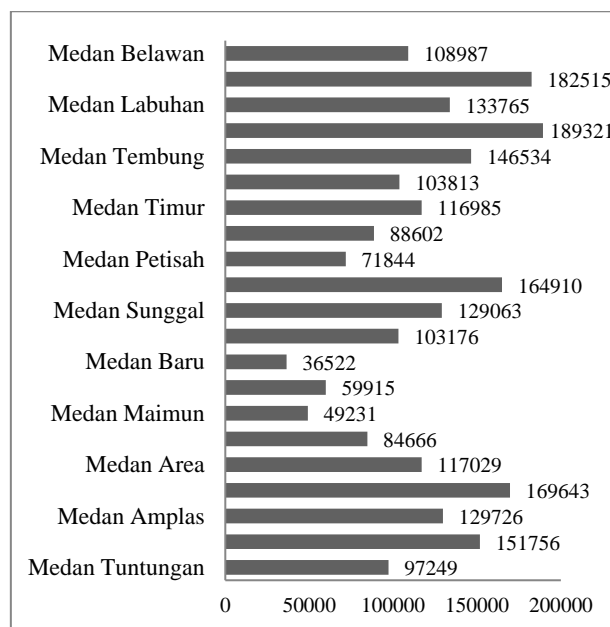
This research uses a descriptive-qualitative approach. This research explains, describes, or depicts critically and realistically phenomena that are happening in society with the aim of finding meaning in the actual context [11]. In addition, this study uses a case-study approach. A case study is research that is focused on a particular research topic, and the research results are limited to the research topic. The purpose of this study is to describe the impact of COVID-19 on the growth of the MSME sector in Medan City. Sources of information on MSME growth studies, namely turnover, income reduction, industry, and employment opportunities, were determined by gathering information from literature, distributing questionnaires, and interviewing researchers. In this study, documentary studies, interviews, observations, and the distribution of questionnaires were used to reach MSME managers in Medan. Data collection techniques are strategic steps in research whose purpose is to obtain data [12]. The data analysis used is a qualitative-interactive analysis that consists of three streams of activities that run simultaneously, namely, data reduction, data presentation, and conclusion.

III. RESULTS AND DISCUSSION

A. Result

As one of the autonomous regions with city status, the position, operation, and role of the city of Medan are very important and strategic both regionally and nationally. As the capital city of North Sumatra Province, Medan is also often used as a barometer and reference in the development and implementation of regional government. As a gift from God Almighty, Medan City has a strategic geographical position because it is right next to the Malacca Strait in the north, so it is relatively close to more developed cities and countries such as Penang Island, Kuala Lumpur, Malaysia, and Singapore. The population of the city of Medan consists of several ethnic groups originating from these islands, so the city of Medan is often referred to as a multi-ethnic city. Every ethnic group in

Medan City has a different culture. The ethnic groups in the city of Medan consist of Acehnese, Malay, Batak, Javanese, Minangkabau, and immigrants from abroad such as India, China, Europe, etc. mixed in with the population living in the city of Medan. The distribution data can be seen in the Table 1.



Source : Badan Pusat Statistik Kota Medan, 2020

Figure 1. Population by District in Medan, 2020

In order to achieve the best possible population mobility and distribution, it is important to take into account the preservation of natural resources and environmental functions when carrying out population development. Optimal population mobility and distribution are based on the balance between the population and the carrying capacity of the environment. Without environmental and development support, population distribution creates complex social problems where residents become a burden on the environment and vice versa. With the population growth of Medan City every year, the population density of Medan City will also increase because the area of Medan City has not changed (been fixed). Judging from the population density ratio, the population density of Medan City is relatively high, so this will be one of the demographic challenges going forward. Therefore, with the tendency of land area to become smaller, it is likely that there will be an imbalance between the carrying capacity and the carrying capacity of the existing environment.

B. Economic Conditions and Unemployment in Medan

Economic growth is essentially a reflection of the economic activities of the people in a region and can also be used as a measure of the success of development itself. Based on the GRDP indicator at constant prices in 2000, Medan City's economic growth slowed significantly between 2013 and 2015. Medan City's economic growth in 2013 was 5.36%.

In 2014, the economic growth of Medan City increased to 6.08%; in 2015, it decreased to 5.74%. If analyzed by sector, the economic slowdown in Medan can be seen in Table 2.

Table 2. Medan Economic Growth

No	Business sectors	Economic Growth		
		2018	2019	2020
1	Agriculture, Forestry, and Fisheries	2.714,27	2.692,14	2.695,32
2	Mining and excavation	0,10	2,30	0,10
3	Processing industry	32.497,42	34.414,46	34.186,37
4	Procurement of Electricity and Gas	211,14	221,61	233,49
5	Water Procurement, Waste Management, and Waste and Recycling	435,60	457,86	489,55
6	Construction	42.986,70	46.722,92	45.610,72
7	Wholesale & Retail, Auto & Motorcycle Repair	55.536,09	61.710,08	62.278,30
8	Transportation and warehousing	14.012,11	15.395,34	14.136,33
9	Provision of accommodation and food and drink	6.730,28	7.351,23	6.619,81
10	Information and Communication	11.403,89	12.442,79	13.604,94
11	Financial Services and Insurance	14.266,85	14.668,09	14.547,51
12	Real Estate	19.850,14	21.459,96	23.032,95
13	Company Services	5.758,77	6.463,39	6.721,61
14	Government Administration, Defense and Compulsory Social Security	4.051,87	4.380,48	4.672,05
15	Education Services	5.686,75	6.150,11	6.262,52
16	Health Services	3.741,26	4.119,50	4.221,91
17	Other Services	2.593,72	2.830,00	2.882,48
PDRB		222.483,2	241.482,3	242.198,2

In 2018, mining and quarrying, manufacturing, construction, wholesale and retail trade, auto and motorcycle repair, information and communications, financial and insurance services, real estate, business services, and government administration were the industries that recorded a decline from 2020 levels, along with defense, compulsory social security, and other services. At the same time, the agricultural sector, electricity and gas procurement, water supply, waste management, waste and recycling, transport and trade, accommodation and food services, education services, and health services have grown significantly.

C. Description of MSMEs in Medan

UMKM Medan City is an official unit under the government of Medan City that is tasked with formulating and implementing policies and technical standards for cooperatives and the public. This task can be further developed in the implementation of activities that include the formulation of policies on cooperatives and small and medium enterprises and political implementation in the field of cooperatives and small and medium enterprises. The types of micro, small, and medium enterprises in the city of Medan are businesses in the culinary, fashion, and services sectors. With the development and empowerment of micro, small, and medium enterprises carried out by the government, the threat of a population surge, especially in the city of Medan, will be overcome and at the same time have an important role in the

aspect of economic growth. Therefore, of course, with the development and empowerment of micro, small, and medium enterprises carried out by the government, especially the City of Medan, it is able to give hope to the community to be able to develop their businesses [13]. The following are MSMEs that participated in the survey:

Table 3. MSMEs in Medan

No	Business fields	Business Name	Business Address	Omset	
				COVID 19 period	After COVID 19
1	Culinary	Markisa norlen	Jl. Sei Tuan no 7 Medan Baru Medan 20154 Sumatera	1.500.000	3.000.000
2	Culinary	Jieana Snack	Jl. Elang Komp. KPB No. B 22 Medan Medan Sunggal	2.100.000	4.000.000
3	Culinary	Pondok Wangi	Kompl. Pondok Surya Blok I No. 39 Helvetia Timur	1.300.000	3.000.000
4	Culinary	Ong mpek mpek	Jl. Gaperta ujung Komp. Graha Gaperta Mas No. 69 E	2.020.000	4.000.000
5	Culinary	Maharani Food	Jl. Ringroad No. 9D Tanjungsari Medan	1.800.000	3.000.000
6	Culinary	Dendisiko	jl. Flamboyan Raya Komp. Waikiki Blok C No.7 Medan	1.500.000	3.000.000
7	Fashion	Fizz.id	Jl. Ir. H. Juanda Baru No. 85	1.100.000	2.000.000
8	Culinary	Mutia Sari (Istana Pisang)	jl. Bajak IV Gg. Perjuangan no.48 – Amplas	2.000.000	4.000.000
9	Culinary	Qoqom Frozen Foods	Jl. Kawat VII Komplek Graha Aluminium Blok B 26A	1.200.000	2.000.000
10	Culinary	MumuButi kue	Jl. Jemadi 237 C, P Berayan Darat II Medan	1.100.000	2.000.000
11	Fashion	Rumah Nayozie	Jl. Kemuning No. 14 Tj Rejo	1.100.000	2.000.000
12	Culinary	Dakie4Che ese	Jl. Kasuari(titi bobrok)	1.400.000	3.000.000
13	Fashion	CV. Hitam Putih	Jl. Gagak Hitam No 17-18C ,	900.000	1.500.000
14	Fashion	Dilla Handycraft	Jl Balai Desa 14 a Medan	900.000	1.500.000
15	Fashion	Monica Craft	Jl. Air Bersih Ujung Gang Gani 135 E Medan	800.000	1.500.000

Source: Research location survey

D. The influence of COVID-19 on the growth of the MSME sector in Medan City

The definition of SMEs is regulated in Law No. 20 concerning UKM in 2008, where what is called UKM is: (1) A microbusiness is a business with a maximum asset of Rp. 50,000,000.00 or a yearly turnover of a maximum of Rp. 300,000,000.00; (2) a small business is a business with a net worth of IDR 50,000,000.00 or IDR 500,000,000.00 or an annual turnover of IDR 300,000,000.00. 2.5 billion rupiahs;

and (3) medium-sized businesses, namely businesses with a net worth of 500,000,000.00 to 10 billion rubles or annual sales of 2.5 to 50 billion rubles. Information from the Medan City cooperative and UKM office in Medan City stated that in the area there are 1,603 MSME actors, including 1,480 microbusinesses, 112 small businesses, and 11 medium businesses.

The distribution of MSMEs in Medan City based on business size is shown in Figure 1.

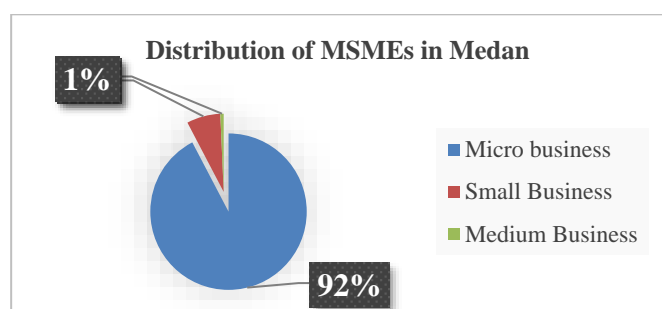


Figure 2. Distribution of MSMEs in Medan

Apart from the impact of the COVID-19 pandemic on the income of SMEs (small and medium enterprises), the location of the business and the business sector are also thought to have affected the magnitude of the change in income.

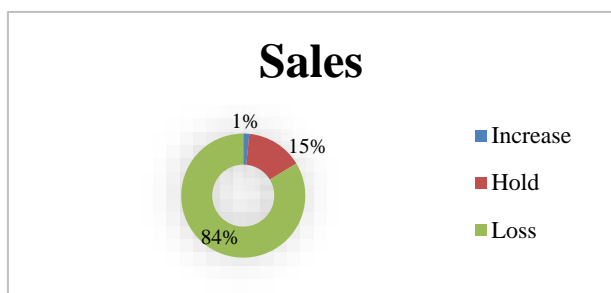


Figure 3. MSME problems during the COVID-19 pandemic

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- c. decrease in activities; difficulties up to business closure (temporary or permanent)
- d. Distribution is hampered;
- e. Raw material difficulties
- f. Difficulty getting business capital

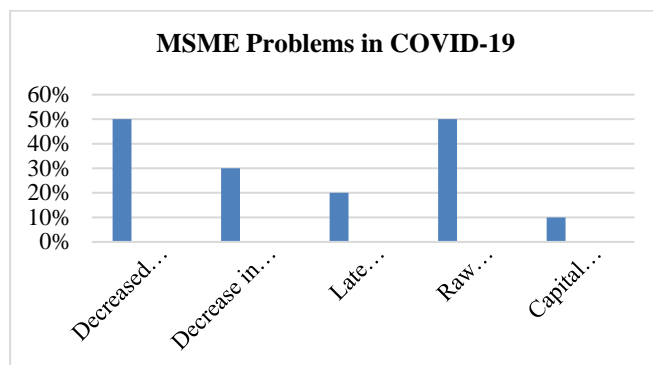


Figure 4. MSME problems during the COVID-19 pandemic

From the picture, it can be seen that there are five problems faced by MSMEs, namely that as many as 50 percent of respondents experienced a decrease in selling activities, 20 percent of respondents experienced late distribution, 50 percent of respondents experienced raw material difficulties, and 10 percent of respondents experienced capital difficulties. The problems that exist with MSMEs are due to several policies taken by the government, namely Large-Scale Social Restrictions (PSBB), Work From Home (WFH), and School From Home (SFH), to avoid the risk of transmission of COVID-19. This causes changes in community mobility where the community mobility index has decreased. The rise of COVID-19 has hampered the growth of MSMEs in Medan City. This can be seen from the presence of COVID-19, which has caused many MSMEs to close due to a decrease in income, along with the data and growth of MSMEs during the COVID-19 period:

Table 4. MSMEs Growth Data

NO	Business fields	2018	2019	2020	2021
1	Micro Bussiness	1480	918	890	1080
2	Small Bussiness	112	113	103	87
3	Medium Bussiness	72	41	47	12
Total		1.664	1.072	1.040	1.179

Based on the data above, it can be seen that in 2018 the number of MSMEs was 1,664, in 2019 there were 1,072 MSMEs, and it can be seen that in 2019 there was a decrease

in the number of MSMEs by 594 or by 34.5%. This happened due to COVID-19 entering Indonesia, which has an impact on every line, including Medan City MSMEs. In 2020, the number of MSMEs is seen at as many as 1,040 MSMEs, and this year there is also a decrease in the number of MSMEs by 32 or by 0.2%. This is also due to the still rampant COVID-19 in Medan, and in 2021, the number of MSMEs will be 1,179. This can be seen in 2021, when there is an increase in the number of MSMEs of 139, or 14.0%.

E. What is the impact of the COVID-19 pandemic on MSMEs in Medan ?

Based on the results of a study conducted at the Medan City Office of Cooperatives and Micro Enterprises, which is in charge of decentralizing cooperatives and micro, small, and medium enterprises, the Medan City Office of Cooperatives and Micro Enterprises plays a strategic role in determining direction, policies, and priorities for economic development in the Medan City Region. The COVID-19 virus has had a significant impact on the economy, especially for microbusinesses. Risnata Sugiati Tambunan, Head of the Medan City Micro Enterprise Empowerment Division, said: "The COVID-19 pandemic has caused a decrease in the income of microbusinesses, and some have even stopped operating. Under these conditions, the role of the Cooperatives and Micro Enterprises Office of the City of Medan is needed both morally and materially. We always encourage Medan City micro-entrepreneurs to keep their spirits up during this pandemic, and we try to provide support in the form of training activities and support for production equipment to help them develop.

Based on the results of interviews with micro, small, and medium enterprises actors about the impact of the COVID-19 pandemic on MSMEs in Medan City, Mrs. Diana said: "The COVID-19 pandemic has greatly affected our business since the arrival of COVID-19 and other SMEs, which we consider a decline in sales. People who buy a few, especially the most difficult ones, are buying rare items because these items are really materials required for the product." The slow process of distributing raw materials causes a scarcity of certain raw materials used to produce MSME products. In the first month of COVID-19, massive restrictions were imposed in several areas, and there was an order through the port to send a COVID-19 free letter, so the transmission did not go well. In fact, several products that previously could be imported and exported from Medan City experienced scarcity. This is also due to the panic effect when consumers buy certain products, which causes scarcity in the market. When the COVID-19 pandemic started, most people were afraid to go out and did not dare to meet other people for fear of being exposed to the deadly COVID-19 infection. Apart from that, the COVID-19 pandemic has seen a decline in profits. Based on the results of an interview with Mr. Hasan, he said: "The COVID-19 pandemic has had a huge impact on my business; moreover, we feel that our income has decreased by almost 50% due to the COVID-19 pandemic. This is due to social distancing and many people who do not

dare to leave the house. They are afraid of being exposed to the COVID-19 virus.

The decline in product sales was related to volume, product type, and the size of Medan City MSME profits. Quantity is the number of products sold daily and monthly, which has decreased. Likewise, products that are selling well on a daily and monthly basis have shown a downward trend since the outbreak of the COVID-19 pandemic. This condition had an impact on the decline in profits or income of SMEs, which experienced a significant decline. Statistical analysis shows that the average decrease in MSME profits in Medan City is 61%. Besides that, the results of the interview with Mrs. Berliana Belia said that the impact of the COVID-19 pandemic "Covid 19 has caused sales to decline because many people are staying at home and there are business restrictions such as shops with limited hours; many of our friends' shops are closed because sales have decreased." Sales activities are very important for companies, especially to make a profit. This sale can be done in various ways, including direct sales and through sales agents. The main purpose of sales is to make a profit from the product or products being sold. In practice, sales cannot be made without the involvement of employees such as dealers, agents, and salespeople. In addition, the results of the interview with Erlina's mother are: "The COVID-19 pandemic has caused our sales to drop sharply due to reduced trading revenue. It is with a heavy heart that I am also laying off employees. I do this so that I can continue to operate."

Every company needs employees who perform all functions within the company's organization. Grouped according to work, company employees can be divided into two categories: permanent employees and non-permanent (contract) employees [14]. The impact of the COVID-19 pandemic has not only decreased sales but also decreased income, but many SMEs have difficulty getting bank loans for the equity loans they have. From the results of an interview with Hasan Basr, he said: "Due to the COVID-19 pandemic, business income fell sharply because I could not pay my loan repayments at the bank. There was a delay from the bank at the beginning of the month, but when I had to pay, I got a loan for my first business loan." The decrease in turnover had an impact on the decrease in working capital for SMEs. SME profits fell at the same rate as before COVID-19, making it difficult to pay monthly installments. In this case, some SMEs are forced to take the initiative by laying off workers or adjusting workers' wages. On the other hand, there is a bank policy that SMEs can only pay interest payments, which makes it easier for SMEs to do business. Although, in general, all MSME actors admit that it is very difficult to fire staff because they are required to create and develop a business, On the other hand, MSME actors say that humanity is also a driving factor in not reducing the number of employees by converting capital into employee salaries. This reduces the working capital of MSMEs.

F. What is the solution for MSME growth through Islamic economics?

Islamic economics plays an important role in the growth and development of SMEs, especially through Islamic finance and banking. Finding out the role of Islamic banking for SMEs can be done through qualitative and quantitative approaches. The orientation of Islamic banks toward the MSME sector can be seen using a qualitative approach. The program includes: (1) financial strategy innovation; (2) affiliate programs; (3) pilot projects; (4) the use of social funds; and (5) technical cooperation. Each Islamic bank has a different financing strategy; for example, Islamic banks have established microfinance service centers such as shops or MSME centers. In addition, the linkage concept was also developed, whereby the larger Islamic banks channeled corporate equity financing through smaller Islamic financial institutions such as BPRS and BMT. This program runs because mainstream Islamic banks have not yet reached the micro and small business community centers. In addition, small Islamic financial institutions have a direct relationship with MSME entrepreneurs.

G. Efforts to Improve MSMEs After the COVID-19 Pandemic

Efforts to increase MSMEs during the COVID-19 pandemic in Medan were made through digital marketing, social media, and product marketing through marketplaces such as Tokopedia, Bukalapak, Shopee, Grabfood, and Gofood. As revealed by Rafli's interview results: "The COVID-19 pandemic has had a negative impact on our business, especially a decrease in sales, so we have changed the way we market our sales, namely through Gofood, Grabfood, and others." In addition, the government wants to encourage SMEs to go digital, namely through the Proud Made in Indonesia movement, as well as offer online marketing support because only 38.7 percent of SMEs use the internet. In addition, one of the government's efforts to encourage SMEs is a cash subsidy of IDR 2.4 million for MSME actors. In the early stages, the number of SMEs that received this assistance was 9.1 million. Based on the results of an interview with Angga, one of the MSME actors in Medan City said: "Cash assistance from the government is 2.4 million per UKM, and I get this assistance, but there are also many UKM who cannot do this because they do not have a business license and their strength is running out. This cash assistance is more or less able to help my business. due to lost sales The purpose of the assistance offered is to help SME actors who have experienced a reduction in capital. where the process of raising capital is delegated directly to MSME actors through their accounts. Apart from strengthening capital, the Ministry of Cooperatives and Small and Medium Enterprises initiated other economic stimulus measures by launching an electronic catalog in early July 2020. The aim of publishing this online catalog is to increase competitiveness and performance. MSMEs in the digital era, considering that only around 4–10 percent of MSMEs are able to compete in the current digital era. This minimum score is based on the lack of training and realization of online sales among MSMEs. Based on Iswanto's interview results, he said: "As far as I know, government assistance is only in the form of

cash, while I have never used online catalogs, let alone attended training. Maybe the mandate should actually offer assistance to reach all SMEs, not just the news on TV, but it is not up to us."

SMEs face many obstacles when using digital technology. Up to 34 percent of SMEs still cannot use the internet, and 23.8 percent said they do not know how to run an online business. In addition to the e-list program provided by the Office of Cooperatives and Small and Medium Enterprises, the Office of Cooperatives and Small and Medium Enterprises has also created a MSME Fostered Sister Program, which aims to answer technology problems and bridge knowledge. MSME actors. This effort also aims to achieve the target of 2 million MSME players digitizing their businesses by the end of 2020, according to an interview with Mrs. Atik: "The foster sister program that was launched has not reached us, and I have also just heard of the program; if there is one, I want to join it." In the field of website maintenance, the Ministry of Cooperatives and Small and Medium Enterprises works closely with exhibitions that support SMEs in digitalization. Achieving this goal at least requires long steps and the support of all parties so that the role of small and medium businesses can be strengthened again amid the COVID-19 pandemic.

In addition to the policy of supporting and assisting SMEs, the Indonesian government has introduced a 6-month suspension program for bankers, interest programs, and pre-employment cards. After the President issued Presidential Decree Number 76 of 2020, this Decree replaced the previous Decree, namely, Presidential Decree No. 36 of 2020. One form of change is the intent and purpose of the pre-employment card program. The pre-employment card program was initially only intended to increase labor productivity. Now the use of the program has been completed with one point. The aim is to develop entrepreneurship because later MSME actors can register for a pre-employment card scheme. Which regulation states that the purpose of the Pre-Employment Card program is to develop workforce skills, increase workforce productivity and competitiveness, and develop an entrepreneurial spirit? Based on the results of an interview with Mrs. Ani : "The government program that I know is 2.4 million in cash, and payments and bank interest are also delayed, but only by a few months, but now I have to pay normally, even though the impact of the COVID-19 pandemic is still being felt. Today." As for the pre-employment card program, he said: "For the pre-employment card program, I didn't take part because I'm clueless too, but my child took part and got the program; yes, he helped a lot with the cash he got, but there has been no follow-up until now."

Apart from job seekers, employees who have been laid off can also take part in this program. Then for employees or employees who need extra work There are two criteria for this group: the first for repatriated workers and the second for non-breadwinner workers, including micro, small, and medium enterprises.

IV. CONCLUSION

Based on the results of the research that has been done, it can be concluded as follows: The existence of Covid 19 caused the growth of MSMEs in Medan City to experience a bottleneck. In 2018, the number of MSMEs was 1,664, while in 2019, there were 1,072 MSMEs. In 2019, there was a decrease in the number of MSMEs by 594, or 34.5%. This happened due to Covid 19, which has an impact on every line, including Medan City MSMEs. In 2020, the number of MSMEs is 1,040. This year, there has also been a decrease in the number of MSMEs by 32, or by 0.2%. This is also due to the still rampant Covid 19 in Medan City. In 2021, the number of MSMEs is 1,179. This can be seen in 2021, when there is an increase in the number of MSMEs of 139, or 14.0%. The impact of the COVID-19 pandemic on MSMEs in Medan : Slow raw materials cause some scarcity of raw materials used to make MSME products. There was a decline in revenue, demand, and product sales, reduction of employees, difficulties in making bank loans. In dealing with the ongoing COVID-19 pandemic, MSMEs in Medan City have made innovations in marketing their products, namely by using digital marketing, both using social media and marketing products through marketplaces such as Tokopedia, Bukalapak, Shopee, GrabFood, and GoFood. For the Office of Cooperatives and Micro Enterprises of Medan City as the technical executor at the regional level, who must be more intensive in providing assistance to microbusiness actors in the direct practice of microbusiness activities in the field. So that the office can find out the conditions of obstacles and challenges in micro-businesses assisted by the Office of Cooperatives and Micro Enterprises in Medan City. For microbusiness actors, they always try to develop their business when they have received assistance, including capital, training, and production equipment. So that the government's efforts to help microentrepreneurs become small businesses can be achieved.

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